View metadata, citation and similar papers at core.ac.uk

brought to you by CORE

provided by U.S. Naval War College Digital Commons

Naval War College Review

Volume 24
Number 8 *October*

Article 9

1971

Changing Soviet Oil Interests: Implications for the Middle East

C. Powell Hutton
U.S. Army

Follow this and additional works at: https://digital-commons.usnwc.edu/nwc-review

Recommended Citation

Hutton, C. Powell (1971) "Changing Soviet Oil Interests: Implications for the Middle East," *Naval War College Review*: Vol. 24 : No. 8 , Article 9.
Available at: https://digital-commons.usnwc.edu/nwc-review/vol24/iss8/9

This Article is brought to you for free and open access by the Journals at U.S. Naval War College Digital Commons. It has been accepted for inclusion in Naval War College Review by an authorized editor of U.S. Naval War College Digital Commons. For more information, please contact repository.inquiries@usnwc.edu.

Best available estimates reveal that the Soviet Union will not be able to produce sufficient oil to meet her needs. While this deficiency can be met several ways, one logical alternative, on which Moscow has already embarked, is the exploitation of Mideast oil. The hazards of this move to the West are more than the loss of a small portion of the world oil trade, as in today's seller's market, a small "margin" might be enough to give the Soviets a key economic and potential lever for use not only in the Middle East, but against the free world as well. The West must view these developments realistically and, with enough foresight, it can prevent the Soviet Union from exercising this dominant control.

CHANGING SOVIET OIL INTERESTS:

IMPLICATIONS FOR THE MIDDLE EAST

A research paper prepared

by

Major C. Powell Hutton, U.S. Army

College of Naval Command and Staff

Background. The growing influence of the Soviet Union in the affairs of the Middle East over the past 15 years has been a phenomenon all Western observers have watched with varying degrees of alarm. Some have argued that it was natural, just an extension of Russian power into her own backyard. Others have seen it as a decisive play for the Third World. More recent events have added drama to the setting: the impending withdrawal of the British from the Persian Gulf; the swift growth of the Soviet Navy not only in the Mediterranean, but also in the Indian Ocean; and the effects of the continued Arab-Israeli impasse, to name but a few.

The one factor that had been assumed to be relatively constant in the East-West equation, the presence and availability of the world's largest proven oil reserves, is now the focus for another dimension of uncertainty, and the question must be asked again: What role does Middle Eastern oil play in Soviet strategy? No attempt will be made to project an oil-theory-of-history or assume that the future of the Middle East will hinge on oil, but oil must be a vital ingredient in the planning councils of those concerned with the region, and it is on the significance of this point that this paper is focused.

The crux of the issue is that Soviet oil production, despite vast Siberian oil discoveries, cannot keep pace with domestic and East European consumption, so that by the mid-1970's the Soviet Union will become a net oil importer, rather than the net exporter as she is

now.[1] In the late 1940's and early 1950's, the main Western fear with regard to oil was that the Soviets might "get their hand on the tap" and, by regulating the vital oil flow to Western Europe, exert the same controlling influence that they have been able to hold to date over Eastern Europe. Simultaneously, they would be in a position to deny the United States and Britain a key support to their dollar and sterling balances. By the late 1950's and early 1960's, the nature of the Soviet threat became more pervasive. Russia had, for the first time since the Second World War, become a major exporter of oil to Western markets because of the newly opened Volga-Ural oilfields and, in so doing, vied with Arab oil (and American oil companies) in Western markets. This Soviet "oil offensive" seemed to be aimed not simply to sell the oil, but "to disrupt, undermine and, if possible, destroy the positions of the private oil industry."[2]

That second fear did not materialize, and instead of a surplus, the U.S.S.R. now faces an impending shortage. Middle East oilfields now appear in a new and more attractive light and may possibly tempt the Soviets into a more positive role than they might otherwise have taken. Domestic urgencies may force their hand sooner than foreign niceties. Not only could economic benefits result, but a political harvest of considerable proportions might well be realized.

Before an analysis of Soviet policies in the Middle East can take place, however, one must examine the Soviet oil industry to appreciate the economic rationale for her future actions.

The Soviet Oil Industry. One of the major difficulties any student of Soviet economics faces is the problem of statistics. Sources differ, are vague, or do not exist; but the following represents a reasonable picture of the parameters of the Soviet oil market. Petroleum output from domestic Soviet sources has increased roughly from 150 million tons in 1960 to 350 million tons by 1970 to secure the Soviet position as the second largest oil producer in the world behind the United States (whose production in 1970 was above 500 million tons). Natural gas production experienced an even more spectacular rise during the decade, from almost 50 billion to almost 200 billion cubic meters.

These rapid rises in level of supply, however, did not keep pace with demand which, during the 1960's, increased faster by 10 percent. This was in large measure due to the rapid expansion of Soviet industry now powered by petroleum based fuels rather than coal. Thus, by 1970 oil and natural gas accounted for 60 percent of all energy consumed in the Soviet Union. (The American and West European figures are 75 percent and 50 percent respectively.)

Internal consumption of petroleum was not the sole demand on these expanding supplies. For reasons to be explored more fully later, the Soviets exported crude oil and petroleum products to East and West Europe and to other, largely developing, nations. In 1965 these exports totaled 65 million tons; by 1969 they were over 90 million tons (more than a quarter of their domestic production), but the rate of annual increase was falling rapidly.

Projections of these trends indicate that, by 1980, the Soviet bloc will need up to 730 million tons of crude oil for internal use, which is 100 million tons greater than the Soviets can anticipate producing by then.[3] Although this Western estimate of a 100 million ton Soviet deficit has also been subscribed to by a leading Soviet oil expert, Boris Rachkov,[4] deputy minister for oil extraction Rafkhat Mingareev, is not as pessimistic. The latter has claimed Russian imports (of an undefined quantity) would be determined strictly by the economics of oil transport, though he did acknowledge production and

consumption figures would be very close by 1980.[5] In any event, increased Soviet imports of oil appear likely.

Mingareev's comments alluded to what has become a truism in the oil industry—that petroleum is always discovered in the least accessible parts of a country. Certainly the experience of the Soviets bears this out. In chronological order of development, three major oil producing areas exist in the U.S.S.R.:

1. Baku and the Caucasian fields west of the Caspian Sea. These are the traditional fields, are best developed, and produce about 100 million tons of crude annually.

2. The Volga-Urals fields, lying west of the Ural Mountains and centered on Ufa and Kuybyshev. World War II speeded the development of these, and they are now the largest suppliers, accounting for over 200 million tons or 60 percent of Soviet crude output.

3. The western Siberian oil fields in the Tyumen, Omsk, Tomsk, Surgut area, just east of the Urals and south of the River Ob. Discovered in 1959, they now produce only little more than 30 million tons, but with the largest reserves in the country, they alone are expected to provide annually 230-260 million tons of crude by 1980.[6]

Additional oil reserves are also found in areas such as the south-central region near Tashkent and the Mangyshlak Peninsula on the east side of the Caspian Sea, offshore in the Arctic along the Kara Sea, and some major natural gas reservoirs in east Siberia not far from Yakutsk.

In general, all these sources lie in remote districts far from the industrial regions where the fuel would be used, so that it would appear to be economically profitable to import capitalist oil to satisfy western Soviet needs, while exporting Soviet Siberian oil to Asiatic users, principally Japan.* This, in fact, is what the Kremlin has decided to attempt, with construction on a 4,000-mile, 40-inch pipeline for crude oil from west Siberia to the Pacific coast beginning in 1971. A similar arrangement has already been consummated with Iran: Iranian natural gas is piped in from the south to service southern Russian needs, and Soviet gas and oil from more northern areas are shipped to East and West Europe, largely via the 3,500-mile "Friendship" pipeline system. Thus, any analysis of Soviet oil trade must necessarily take into account the geographical distribution of her internal supplies, the ability to transport and absorb the trade, and the more intangible, yet critical, political ingredients.

Faced with a 100 million ton, or at least major, oil shortage in the near future, the Soviet Union has four basic alternatives which are not necessarily mutually exclusive. She can:

- cut consumption
- increase production
- cut exports or
- increase imports

Obviously, cutting consumption—other than waste and inefficiency—will not be considered a viable course of action given the plans for industrial development that the Kremlin has outlined.

Production Increases. An increase in production would be highly desirable, but indications are that development in progressing as rapidly as technology will permit. Perhaps an indication of the high priority of this effort is that the oil industry was one of the few sectors of the economy to reach expected output goals, even though earlier long-range objectives had to be scaled down.[7] Not

*This would seem to be even more true with natural gas since, because of the fixed installations required, the cost per unit of energy is about double that of crude oil. It would not appear to be sound economics to pump Sakhalin and east Siberian gas to Europe. See Walter Laqueur, *The Struggle for the Middle East*, p. 130.

only is a massive exploration effort being nndertaken, but known reserves are being tapped as much as possible. Thus, drilling at Baku is being done beyond 12,000 feet. Steam and gas injection and water flooding techniques, high-speed, turbine-driven improved bits, and automated procedures at well-heads have all been adopted to increase extraction, for, in the words of the oil minister, "raising the recovery coefficient by even one per cent is equivalent to discovering a major new oil field."[8] In the last 4 years, 282 new fields have been discovered, of which 109 are now producing.

The problems, however, are similar to the technical ones associated with the extraction of Alaskan oil. Samotlar, site of Russia's largest single field, is covered with lakes and bogs. Operators are hampered by the severe west Siberian climate, extremely mushy terrain (when thawed), virtual absence of roads, and distance from any industrial center.[9] There is no ready electric power for the region. The difficulties of extracting through east Siberia's permafrost are even greater—drilling for oil almost resembles quarrying rock.

Transport, as in north Alaska, remains another key problem. Surgut is to have two new airports this year. A railroad joining Tyumen and Surgut is to be completed by 1974. These will be as essential to get equipment in as to get supplies out. Pipelines must be the answer for movement of oil, and they are being built with foreign assistance as rapidly as possible but so far have fallen short of the need. In 1970 alone 40,000 miles of pipe were laid, short of the planned 52,000. Heating facilities or chemicals to make oil less viscous, compressors, pumps, and, of course, pipe itself have been difficult to obtain in the quality and quantity desired. Problems have developed as a result of poor welding and even improper design of pipe systems—i.e., too many branches for the main lines to supply.[10]

The human factor is present too. In spite of the "socialist emulation drive in honor of the (CPSU) Congress" for the Tyumen oil workers to produce a million tons daily,[11] a party economist noted that the well-established Ukraine fields experienced "high frequency of accidents, prolonged stoppages, inferior quality of material and technical provisions, and shortage of qualified workers and engineering and technical cadre."[12] Even the nationalization of industry under the Liberman reforms failed to keep a major oil refinery at Grozny from reprocessing the crude oil as soon as the inadequate storage facilities were full, so as to overfill its plan "and collect capitalist incentive pay."[13]

One fact is certain: the Soviets are gaining a depth of experience which can be utilized in assisting developing nations with their own oil problems.

Export Outlook. With domestic production pushed to its maximum, the Kremlin could decide to meet its future fuel shortage by cutting its exports. However, available statistics substantiate that exports have already been temporarily stabilized short of 100 million tons a year. Customers of Soviet oil today fall into three groups: East Europe, West Europe, and the developing nations. The specific circumstances surrounding each relationship are different.

The East European relationship has been quite well defined; Czechoslovakia, 1968, seemed to illustrate that point. In January 1969, Valentin Shashin, the Soviet petroleum minister, forecast that Soviet oil exports to the West would not increase significantly because of increased domestic and East European demands.[14] The following November, the inability of the Soviet oil industry to keep pace with customer demands was further illustrated when the Czech minister of industry disclosed that, "Moscow has advised us to seek a regular supply of oil from the Middle

East; . . . it is impossible for her to supply our needs."[15]

This must have been a decision not lightly taken in Moscow, for it relaxed one of the key controls the Soviets possessed over their East European satellites. In 1966 the Soviet Union had exported 40 million tons of oil to East Europe (then about half of all Russian oil exports), which was sufficient to meet all local consumption save for the 16 million tons produced and consumed by Rumania. Estimates of East European consumption by 1980, however, forecast demand at 170 million tons, a quantity that Rumanian production and Soviet exports could obviously not meet.[16] The wide political and economic implications of this relaxation have not yet been fully realized, but direct negotiations between East Europe and the oil-rich Middle Eastern nations, begun as early as 1965 between Rumania and Iran, have been expanded.

The satellites have encountered some difficulties in these negotiations because of the problem of paying for oil with scarce hard currency, and hence they have turned to barter arrangements. In such arrangements, however, they are likely to be in direct competition with the Soviet Union, also using barter tactics. It has been estimated that if East Europe alone were to satisfy its additional oil needs from Middle East sources "goods worth between one and two billion dollars would have to be supplied to Iran and the Arab countries. Delivery of goods on such a scale would be, to put it cautiously, difficult for the recipients to absorb."[17] If this estimate is accurate, the Soviet Union's flexibility in negotiating Arab oil deals will be considerably curtailed.

In all probability, then, Soviet oil exports to East Europe will remain approximately constant, making efficient use of the existing extensive distribution network, allowing for continued trade of Soviet crude for East European manufactured goods (including large-diameter pipe), and leaving the Russians with a potentially useful control over local satellite economics to inhibit dissidence.*

In trade with Western Europe, some other difficult Soviet choices have been made in light of petroleum minister Shashin's prediction of stabilized oil exports. In 1969 the U.S.S.R. exported 45 million tons of oil to West Europe (which accounted for only about 8 percent of total West European consumption).[18] These exports have traditionally been key elements in the Soviets' attempts to obtain two critical items, freely convertible foreign currency and specialized manufactured goods.

Faced with limited flexibility in oil, the Soviets have turned to natural gas which they expect to have a surplus of after their nuclear power plants have come into operation before the end of the century.[19] Thus, over the past several years they have concluded long-term agreements with West Germany, Austria, and Italy promising Russian natural gas at 10.5 billion cubic meters annually to be delivered over periods ranging from 20 to 23 years in return for large-diameter steel pipe and hard currency.[20] The West German steel pipe (1.2 million tons of it) is of particular importance to the Soviet Union since it is the only variety currently available that can withstand the extremes of the Siberian climate. Italy, by agreement of August 1970, will provide 1.1 million tons of steel pipe. (The 3,500 mile "Friendship" pipeline to East Europe only used 800,000 tons of pipe.) Similar negotiations with France, Switzerland, and Sweden have not been successful.

These agreements, it should be pointed out, have not given Russia any real leverage over Western Europe's power supply. In fact, with European

*This economic lever was not used in Czechoslovakia in 1968. See Robert E. Ebel, *Communist Trade in Oil and Gas*, p. 92.

demand increasing almost 10 percent a year, the relative role of Soviet imports of fuel is decreasing. The only exception is Italy, who must import a quarter of her fuel needs from the Soviet bloc and has recently seen these imports cut despite her own growing demand.

The third area of concern for the Soviet oil industry is with the developing nations of the Third World: countries like Brazil, Guinea, India, and Ceylon with whom Russia wanted to establish an early economic and political affinity. They too have felt the impact of Soviet curtailments, but perhaps Cuba has felt them most keenly because of her complete dependence on Russian oil. She, like some of her East European counterparts, has been put on an oil ration with a maximum yearly increase of 2 percent, not enough to keep pace with her domestic requirements.[21]

No examination of Soviet petroleum exports would be complete without mention of Japan, even though these exports to Japan amount to only 3 million tons annually, a mere 2 percent of her consumption. Russia has long wanted Japan's help in developing the mineral riches in Siberia and offers Tyumen oil and eastern Siberian and Sakhalin gas as bait. So far, Japan has proffered a little help in lumber and transport only. Japan has acted with caution for several reasons, even though the nearness of badly needed resources must seem appealing. Political problems with Rnssia over borders and fishing rights remain disputed; historical dislikes are not easily forgotten. Perhaps more fundamental, however, is the reserve with which Japan is watching Red China, a major Japanese market. The three countries form a triangle of power in the Western Pacific, and with incipient conflict brewing between China and Russia and with both vying for Japan's support, Japan has decided to play her cards close to her chest.

Japanese leaders have to move more quickly than they would like however: domestic steel and petroleum interests are pressing for a Soviet market, and her raw material needs are growing so rapidly as to whittle away the flexibility of her bargaining position. Already she has signed an agreement to provide $150 million worth of steel pipe to Russia in return for Sakhalin natural gas over a 20-year period.[22]

If she does open up an extensive oil trade with Russia, this could have major effects on Middle East oil flow since 90 percent of Japan's oil needs are now met by Persian Gulf crude supplied largely through American owned channels. The extent of the disruption would, of course, depend on whether the Soviets satisfied merely the incremental Japanese needs beyond present trade levels or, by offering such a favorable bid, could cause the current oil flow from the gulf to diminish. Given the stubborness of the Siberian reserves to be exploited, a cutback in gulf crude exports to Japan seems unlikely, nevertheless the Soviet Union probably will be able to capture at least a portion of the growing Japanese demand for petroleum in the near future.

Thus, in reviewing the export picture of Soviet petroleum, we find little eagerness to reduce exports, even though they make up about a quarter of Soviet production. On the contrary, the strong pressures for increasing exports to gain valuable political and economic objectives abroad will certainly continue and probably mount.

Increased Imports. The final alternative of the Soviets, then, as they face the problem of rising consumption, is to import, a decision to which they have reluctantly turned. They have done so reluctantly for two major reasons. First, like the United States, the U.S.S.R. is hesitant to depend on relatively unstable areas for a resource so critical to her economy. She does not have either the oil sources or the routes of transport secure enough for her liking.

Second, because of their centralized system of economic planning, the Russians have tried to avoid foreign trade whenever possible. Exports and imports even now do not amount to more than 3 percent of the Soviet GNP.[23] The market forces of international competition cannot be harnessed and controlled to suit the stringent needs of long-range economic forecasting. Had the Soviets relied on foreign oil imported by tankers, the drastic changes of long-haul spot oil shipping costs during 1970 alone (from 8 cents to $1.20 per barrel)[24] would have thrown their 5-year plan into chaos.

Thus, the Soviets have entered the oil import business with caution. Their sources, rather obviously, have not come from the more remote Latin American, west African, or Southeast Asian fields of the Third World, but rather from the Middle East and north African fields closer to home. This involvement in international oil virtually requires them to have the same basic interests as others already in the bnsiness: interest in the political stability of the source and interest in the cheapness of the product.

Similar interests, however, do not guarantee similar techniques, and as Robert E. Hunter has examined in his Adelphi paper on the subject,[25] the Soviet Union can follow either a colonial or a commercial policy to secure her oil. He argues that Russia's outright takeover in the Middle East is highly improbable for a number of convincing reasons, not so mnch for the gains to be had, but for the costs they wonld entail. First, if she moved into one or two states only (by coup, subversion, or occupation-by-invitation), she would antagonize the remaining states with whom she has carefully been nurturing relations since 1955, states that were already reminded of Russian imperialism in 1968. Second, iu an attempt to overcome the contradictions of partial colouialism, if she were to gain control of the whole area—an almost impossible task—she would provoke a major confrontation with both the United States and Red China that would amount to a *casus belli.* Certainly plans for Brezhnev's "collective security system" in Asia would be a shambles. The risks of following such a colonial course of action would be very high. It is significant that Iran and Turkey, two nations that must be acutely conscious of Soviet imperialist designs, do not appear to be undnly worried over the threat.

Pessimists, however, may not be so easily satisfied that the colonial door has been closed completely. Stalin's try for Azerbaijan following World War Two, Bolshevik moves into the Transcaucasia in 1920, and the numerous Tsarist attempts to push past the British to the sea come all too clearly to mind. During the Molotov-Ribbentrop conversations of 1940, the Russians sought to obtain Nazi agreement that "the area south of Batum and Baku in the general direction of the Persian Gulf is recognized as the focal point of the aspirations of the Soviet Union."[26]

Have these historical interests been forsaken? Probably not,* and on reflection back to earlier British and Western techniques of expansion during the 16th through 18th centuries, a striking parallel can be drawn with cnrrent Russian moves into the Middle East and north Africa. The first stage was economic penetratiou followed by a growing military influence. Then came missionary teaching (in the modern context, ideological indoctrination) and eventual domination. The ultimate stages of

---

*One of the many imponderables of the Soviet Union is the extent to which interests can be extrapolated from observed actions and vice versa. Sometimes action seems to be less the product of reasoned, coherent policy and more the result of imperfectly understood power struggles between rival blocs in the Kremlin, as was evident in the August 1968 actions involving Czechoslovakia.

pacification and absorption followed soon thereafter.[27]

Such phased expansion seems unlikely to take place again. Certainly the earlier steps in the process have already been repeated, but the cycle would seem to be broken by the increasing political sensitivity and the nationalism of the Third World that cast off the earlier imperialists in the first place. It is in the ideological phase that Russian attempts to move into the Middle East have broken down so far. Syrian, Iraqi, and Egyptian nationalists are eager to get arms and assistance, but have shown no inclination to accept Soviet philosophy or control.

More subtle forms of indirect colonialism are also possible since the opportunities for Soviet involvement are magnified by the presence of regional disputes of long standing: the Gulf sheikdoms, the Iran-Iraqi feud, the radical-conservative split, and, of course, the Arab-Israeli conflict. Thus, the Russians could greatly increase their influence in one or another oil-rich state merely by playing upon the economic and political differences in the area without ever establishing a colonial "presence." Such a policy is fraught with dangers, however, as the gains to be realized in one country might be simply of a transitory nature and therefore easily outweighed by the anti-Soviet hatred engendered on the other side. For the Soviet Union to risk alienating several regimes by pursuing a tactic of playing national interests off against each other, the immediate profits to be realized would have to be enormous. Thus it would seem likely that such a strategy would prove too dangerous for the Soviets to implement in the long term.

In reviewing Russian options for expansion into Middle East oil then, outright colonialism is highly unlikely, but opportunities for more subtle, noncommercial involvement are certainly present and may pose some grave problems for non-Communist statesmen.

Commercial Realism. In the commercial realm, the Soviets are fast becoming more active since their backing of Iraqi crude production in 1967. Already they have concluded agreements with Iran, Iraq, Syria, Egypt and Algeria to import either natural gas or crude oil. These agreements seem to indicate a stance far removed from the price-cutting tactics of their "oil offensive" of the early 1960's. The Soviets have learned the rules of the capitalist game and are now playing by them; they supported collusive agreements to restrict supplies, seek regular prices, and in negotiations with Japan have raised their prices to market levels.

A degree of pragmatism has entered their economic operations that might seem surprising to the casual observer familiar with the widespread, and oft quoted, remark made by Premier Khrushchev in his 1955 visit to the United States: "We value trade least for economic reasons and most for political purposes."* Thus, the Soviets have been selling oil to Spain, though they could hardly be in sympathy with the political views of Generalissimo Franco.[28] Because of the Suez Canal closure, the Soviets engineered deals whereby British Petroleum and Shell transported sterling bloc oil to Ceylon and Japan to meet Soviet commitments, while the Soviets exported some of their own oil to Europe to meet BP and Shell schedules.[29]

Such arrangements no longer provoke a stir; the priority of economic benefits over politics has been a long-established principle in the oil industry. Under that principle, Iran sells oil to Israel for domestic use, while Rumania and Yugoslavia import oil which has come through the Israeli pipeline from Eilat to Ashkelon.[30] Even Egypt, at the

*Most often left out is the rest of the sentence, ". . . as a means of promoting better relations between our two countries," Ebel, p. 82.

height of the 1967 Suez crisis, ensured that the two local American oil companies would continue to produce oil despite U.S. political and military support of Israel.[31]

Another aspect of the low-profile and conservative approach of the Soviet Union toward Middle Eastern oil is reflected in her propaganda. She still calls for the nationalization of the "oil barons'" installations, denounces "imperialist tricksters," and continues to place emphasis on the development of national oil industries.[32] In September 1967, however, she praised the lifting of the Arab oil boycott to the United States and Great Britain as "realistic."[33] The rationale for this point of view was later explained by a Soviet oil expert, that the denial of Arab oil exports to normal markets could reduce their $3 billion annual revenues, thereby "endangering their development plan and the possibility of their repaying their debt to the Soviet Union."[34] While this reasoning seems rational in Western eyes, one of the drawbacks to such a policy of pragmatism is the vulnerable position that it leaves the U.S.S.R. in vis-a-vis Chinese allegations that this represents merely another example of Soviet-American collusion.* How much can the Soviet Union afford to forego the spiritual (and material) leadership of the more radical groups in the Middle East and elsewhere is an open question.

To date, as has already been mentioned, the Soviet Union has made commercial agreements to import crude oil or natural gas with the following Middle East countries: Iran, Iraq, Syria, Egypt, and Algeria. Of these, the 1966 agreement with Iran is by far the most significant. Iranian natural gas is piped from fields near the northwestern corner of the Persian Gulf up to the Russian border. The Soviets have returned payment with a $450 million steel mill near Isfahan, help in constructing the required 800-mile pipeline, and numerons other smaller joint projects on the Caspian Sea. During the first year of operation, 1970, over 6 billion cubic meters of gas were delivered, the rough fuel equivalent of 5 million tons of oil. Under separate and widely known agreements, Iran is also receiving Soviet arms, even though she is a CENTO country.

It would be dangerons to overestimate the degree of Soviet influence in Iran, however. The Shah has been very selective in what equipment he has obtained from Moscow, and his commercial ties with the Western oil consortium involve more than $1.1 billion annually, compared to the mere $66 million worth of natural gas he exports to the Soviet Union.

Soviet oil deals with the other countries are currently more modest. An arrangement with Algeria gave Moscow an initial 500,000 tons in 1969, and a contract signed the next year with Egypt placed an order for about 10 percent of its estimated 15 million ton annual production. The latter Soviet import is particularly interesting in that the Russians *exported* more than 1 million tons of crude to Egypt as late as 1967 and had been underwriting her oil needs for more than a decade. An agreement also signed last year provided for 5 million tons of Syrian petroleum to be imported over a 5-year period. The agreement with Iraq has already been mentioned. Thus, considering all Middle East sources, Soviet oil and gas

*The Soviets could not be too happy with what must be regarded as hostile and growing Chinese influence in the gulf. The Chinese sought to obtain 4 million tons of Egyptian crude oil per year as early as 1963, but the increasing unfavorable cumpetition with the Soviets in the UAR made them turn to the gulf where, among other benefits, they hope to make up for the 3 million tons of crude formerly imported from Russia, but cut during the Sino-Soviet rift. See Joseph D. Ben-Dak, "China in the Arab World," *Current History*, September 1970, p. 147-152.

imports from the region total about the equivalent of 8 million tons of crude oil annually.

The techniques by which the Soviets have entered into these agreements are similar in some respects to those of the Western, largely American, oil companies; in other respects, they are not. Concessions used to be strictly a Western device, and apart from early demands for concessions on Spitzbergen and then in Azerbaijan after World War Two, the Soviets were content to decry concessions as imperialist exploitation.

Then in April 1967, an agreement with Iran gave them the right to explore and drill in potential oil-bearing territory beyond the concessions already given to the Western consortium.[35] In a similar agreement with Syria, Russia undertook to assist in developing the Jezira oilfields in the northeast. Both approaches tend to resemble familiar Western operations. In the main, however, Soviet agreements are barter agreements, exchanging equipment, technical aid and services, or, to a small degree, rubles for the oil instead of a hard currency.

The biggest difference in Soviet techniques stems from the fact that, as a government, the Russians have a range of selective bargaining counters far more developed than those available to Western commercial oil companies. Indeed, the Soviets must have such a range to offset the near universal acceptability of hard currency for any goods or services.

Of prime importance is the fact that negotiations take on a government-to-government character with politics, and not necessarily profit, an important factor. Economics may, in fact, be of secondary significance, particularly in the opening stages of the arrangement, as the Soviets have so often shown in cutting prices or offering higher bids to enter a market. Costs, key for the Western companies in determining their rivals' bargaining positions, may be unrevealed.

The equipment and services the Russians can offer need not be limited to those associated with the oil industry, but can, in fact, represent a much wider choice of capital goods. Indeed, because oil associated equipment is at a premium in the Soviet Union, much of the equipment is nonoil related. Perhaps the most obvious example of this wide range is arms, but other equipment critical for national development plans presents tempting alternatives. Standard Oil and Shell cannot compete on this level. France, however, through ERAP, her state-owned oil company, was able to compete temporarily with Russia in Iraq in 1968 and then lost the bid for a major oil agreement—Soviet MIG's were a third as expensive as French Mirages.[36]

Both the Soviets and Western oil companies can and do engage in training programs, but the Soviets show more of a willingness to do this than the Americans. This is due in part to the reluctance of the Soviets to get involved with downstream responsibilities, those dealing with transporting, distributing, and, ultimately, marketing. The Western companies, on the other hand, have preferred to handle the entire oil operation from start to finish and turn over only hard cash to the host country. As a result of this different approach, the Soviets have emphasized the use of oil advisers and technicians working with local governments. In January 1971, for instance, there were 775 Soviet oil experts working in Algeria, Egypt, Syria, India, and Iraq.[37]

Middle Eastern Response. How do the Middle Eastern nations themselves see this increased Russian involvement in oil? Have they succumbed completely to Soviet persuasiveness?

The Arabs and Iranians have not looked on the advent of the Soviet Union as an unmixed blessing. Their most pressing concern is the need for a steady income since most, if not all, of

their revenues come from oil earnings. The failure of the Arab oil boycott in 1967 reinforced their caution to initiate or see initiated any disruption of their own oil flow.

The initial reaction to Soviet entry, however, must have been one of joy; here was a bonanza, a brand new market not in conflict with established patterns of trade and an outlet for new money or gain. Arab income could only expand, and as complete newcomers, the Russians diversified the market yet more, a tactical bonus for any producing country. Iran has been particularly adept at making best use of this advantage.

For all the help the Russians have given though, gratitude has not been overwhelming. Iran has her new steel mill, but the Shah is no client of the Soviet Union. Iraq has gained some refineries, but never jeopardized her large earnings from the Western-owned Iraq Petroleum Company. In fact, she recently borrowed almost $50 million from it and has been forging new trade links with Great Britain, apparently so as to be less dependent on the Communists.[38] The Syrians, too, for all the drama of the Euphrates Dam project, have given little but headaches and ingratitude back to the Russians.

Even the Aswan Dam proved to be far more trouble than was foreseen. Moscow's influence in Egypt today stems far more from her military assistance than from her engineering assistance. It is significant that one of Egypt's most recent engineering feats, the building of the $200 million Suez-Mediterranean pipeline, does not involve the Soviet Union, but only Europeans and Arabs.[39]

One of the key shortcomings which the Arabs recognize only too well is that Soviet equipment is notoriously poor, a natural concomitant from the sellers' market of an overly centralized economy. Quality control is lacking. East European goods seem to be in even worse shape, so much so that the Syrians once had to ask for compensation for a series of defective silos the Bulgarians had provided for Latakia.[40] Spare parts for Communist machinery have been another matter of continuing concern for recipients; the Third World is replete with stories of rusting Soviet equipment, immobilized for want of critical parts.

This latter problem, however, is one that the Soviets seem to be well on the way toward solving. At a 1969 trade show in Malaysia displaying over 2,000 Russian products, a helpful fair guide attempted to allay potential buyers' fears. "All our equipment is manufactured according to American SAE standards," he said. "You can use American spare parts for anything made in the U.S.S.R."[41] (The Chinese chalk this up as another example of Soviet-American collusion.)

The Middle East oil producing countries face other problems in dealing with the Soviet Union, problems which tend to counterbalance this bargaining advantage the Russians have over Western commercial companies. Perhaps the biggest is unpredictability. No business deal can be made without some expectation that the future actions of both sides will be based on economic advantages, but consistency of aim cannot be assumed with the Soviets.

The Arabs are not likely to forget the summary cancellation of an oil contract between Israel and the Soviet Union in 1956 (however much they might have approved). Nor was another incident unnoticed. After a dispute over fishing trawlers in February 1969, the Soviets broke an agreement made 5 months earlier with Ghana to deliver crude oil.[42] Such abrupt changes in major revenue earnings or expenses can only wreak havoc with Middle East economies.

Other abrupt moves can be equally, or more, disquieting. The Soviet invasion of Czechoslovakia was an embarrassment to all left-leaning governments,

but Egypt, in particular, was caught in a dilemma. Radio Cairo did not mention it until 3 days after the event, and the closest the Egyptians came to a statement of policy was probably made 10 days after the invasion by Mohammed Haikal, editor of *Al-Ahram*. His predicament is obvious: "I am not in favor of supporting the military intervention in Czechoslovakia by the Warsaw Pact member-states, but neither am I in favor of condemning it."[43]

Another problem that the oil-rich countries face concerns finances. Oil-poor (and probably capital-poor) countries find the problem even greater. The Russians lend money, they do not invest it. This can be a distinct advantage, yet in balance the arrangement favors the Soviets. They always get their return whether oil is produced or not, and the host countries do not have the political and economic lever they hold over the Western oil companies' heads.

Even when they lend cash to the Arabs, the deal is not nearly as good now as it used to be. Post-Khrushchev methods of operation are much more cautious, offers are much less glamorous than before, and the terms are closer to those in the West. Credit is not granted until exhaustive surveys are complete, and the terms of that credit have changed. Loans are now made at 2.5 to 4 percent for 5 to 10 years instead of 2.5 to 3 percent for 12 to 15 years.[44] Perhaps the most significant shortcoming of Soviet loans, however, is that they are payable in rubles or other soft, inconvertible currency requiring ultimate expenditure within the Soviet bloc. The Arabs do not want X number of tractors, but rather convertible foreign exchange, too scarce a resource in Russia and East Europe to be given away.

A virtual certainty in dealing with Moscow is irrational pricing, distortion of channels of trade, and misallocation of resources. The Middle Eastern oil states were not happy with Russia's moves to exploit the closure of the Suez Canal in 1967 for her own gain by increasing oil exports to West Europe (a nationalist tactic they apply among themselves). More unsettling is the Soviet Union's willingness to vary price structures to her advantage. East Europe during the 1960's paid twice as much for Soviet oil and oil products as did West Europe. Even now the average cost per barrel of Soviet oil for the free world is $1.50, and for the Communist countries is $2.10.*

With respect to sales on the free market, because of the relative smallness of their business, a price cut can greatly increase Soviet sales, making, of course, for striking political as well as economic gain. This happened during the "oil offensive" a decade ago, and Soviet officials had to go to the Arab Petroleum Conferences in 1960 and 1961 to explain their position. They said they had no intention of cutting Arab prices and proceeded to quote two prices, one for their Arab friends and one for their competitors.[45] Can Arabs assume that friendship to be permanent?

The Western Presence. So far we have looked at some aspects of the Soviet approach to the Middle East countries themselves, and then elements of the local response to this interest. We must now turn to the Soviet attitude toward the Western presence in the region and see to what extent that coincides with the Arabs'.

One of the best statements of this Soviet attitude was quoted from *International Affairs* (Moscow) a decade ago,

---

*Ebel, p. 62; The Soviets justify this price differential to the East Europeans by arguing "that for a given quality of oil the hard currency receipts at lower prices (from West Europe would) . . . buy them a more advantageous bill of imports." See Robert W. Campbell, *The Economics of Soviet Oil and Gas*, p. 235. Apparently the Russians also share Arab skepticism about the quality of Communist products.

an attitude apparently little changed since then: "It should be borne in mind that oil concessions represent . . . the foundation of the entire edifice of Western political influence in the (less developed) world, of all military bases and aggressive Blocs. If this foundation cracks, the entire edifice may begin to totter and then come tumbling down."[46] To this end, therefore, Soviet policy has, in general, urged two separate actions:

- the nationalization of foreign oil concerns, and
- the establishment of national (Arab-owned) oil companies.

These goals, to a certain extent, coincide with Arab goals, but instead of a primary desire to oust the West (though that can be politically desirable), the oil countries, as mentioned earlier, want a steady, or hopefully increasing, income. They want to make the economic decisions themselves instead of having them made by foreigners alien to their national interests. Sometimes nationalization can accomplish this goal, but the classic failure of such a policy by Mossadegh in 1951 has inhibited many governments from doing this.

In that celebrated case, Iran was boycotted by the international oil companies who controlled the shipping and distribution outlets, denying Iran any oil revenue for 2 years while her competitors merely stepped up production to gain Iran's lost markets. Obviously, before nationalization could take place, the country had to secure her downstream facilities, yet this was no easy or cheap task. It was estimated in 1968 that if Kuwait were to have produced, refined, and sold all her oil herself, it would have taken an amount of capital equal to the input from all her oil revenue received as of that date.[47] Such an immediate outlay for even an oil-rich country would be patently impossible.

All oil producing states, however, have attempted to minimize their dependence on foreign help. They have had training for their own technicians, and most have set up national oil companies which have taken over domestic responsibilities such as refining, distributing, and selling. Some, like Petromin, the Saudi Arabian national oil company, have even acquired some tankers of their own for use in international trade.

With this rapidly building capability, the threat of nationalization becomes more palpable and the Iranian precedent less applicable. Certainly the United States would have a lot to lose. The $1.65 billion fixed investment of American oil companies would be the first to go,* but that equipment has long since been amortized, so the loss would be essentially only a tax loss for the United States. Of far more significance would be the loss to our balance of payments, about a billion dollars annually.[48] The really vital national interest, however, need not necessarily be threatened; Arab and Iranian oil might still flow to Western Europe and Japan who currently import 84 percent and 90 percent respectively, of their oil needs from the Middle East and north Africa. One nightmare remains for the despairing; if nationalization were premature, the Soviets might take over the running of the oil installations much as the British replaced the Dutch in Indonesia in 1960.

There are two current schools of thought in the Arab world about nationalization. One, strongly advocated by former Saudi Oil Minister Abdullah Tariki, is that all producing countries should nationalize their oil concerns simultaneously and completely. Piece-

---

*That $1.65 billion represents only 8.75 percent of U.S. oil investment abroad (most is in Europe and Canada) and only 2.55 percent of total U.S. investments abroad ($64.756 billion) in 1968. J.J. Berreby, "Does America Need Arab Oil?" *New Middle East*, April 1970, p. 9.

meal moves could result in another Iranian debacle. The other school recognizes the lack of downstream facilities and the difficulty of getting joint action on such a major issue. Thus, its adherents claim, it is better to hold the oil companies as hostage and maintain leverage over them. The trend is in this direction, with "joint ventures" being set up between oil companies and states. Algeria provided the latest example of this persuasion: on 23 February 1971, she took over 51 percent of the shares in all French oil firms operating in Algeria.[49] The essence is control of profits, not ownership of pipes, bricks, and mortar.[50] Less burden is involved (let someone else do the chores), and the profit can still be good, as the Shah has so masterfully shown.

Thus, it would seem that the Soviets might not see the Western oil companies ousted as quickly or completely as they would like, provided economics plays the major part in the decisions made. Given a reheating of the Arab-Israeli dispute and further polarization of American support for Israel and away from the Arab cause, however, Arab governments might easily see themselves compelled to nationalize foreign (largely American) oil concerns to satisfy local political pressures. Such considerations apparently were a major factor in President Nixon's decision to delay delivery of more jets to Israel in 1970.[51]

Analysis so far would seem to indicate that the Middle East countries would not in general now, nor in the near future, have the inclination or the ability to replace entirely the functions of the Western oil companies themselves. Could the Soviets replace them? To this question we must now address ourselves.

Certainly the Soviets could perform all the technical and managerial tasks within the producing country. What must be more fully examined is their ability to perform downstream operations, specifically their ability to transport and market usable petroleum products.

The rapid growth of the Soviet merchant marine (not to mention navy) is too well documented to make further discussion profitable here. The oil tanker fleet, however, is not nearly as imposing, though also growing rapidly. Russia has 418 oil tankers (up 300 from 10 years ago), none registered at more than 40,000 deadweight tons, which represent 6.8 percent of the world tanker fleet in numbers and 3.3 percent of the world tanker capacity.[52] These small tankers are best suited for short-haul trade and some coastal or inland waterway work; they are not economic on long, bulk volume routes. Several years ago the fleet was not even big enough to handle up to 60 percent of Soviet *seaborne* oil exports,[53] very modest compared to world trade quantities. As a result of this deficiency, some 150,000 ton supertankers have been ordered by the Russians who have contracted overall for a quarter of all world shipping now being built.

The Soviets' ability to move Arab oil in Russian tankers is therefore severely curtailed. Even within the next decade, it is doubtful that the relative ability of the Soviets to move Arab oil will be much increased because of the vastly expanding requirements for (and corresponding production of) oil as a world energy source. It has been estimated that today's 1 billion tons of annual global oil traffic will have been expanded up to 13 times by the end of the century.[54] Additionally, the Russians might have difficulty in chartering other independents to do their long hauling. The American companies, who ship far more, have boycotted those operators who dealt with the Soviet Union, one of the original stimuli for the building of the Soviet fleet.[55]

Another method of oil transport suitable in part for Russian use is by pipeline. The magnitude of the Soviet effort in this regard has already been

mentioned. Oil and gas pipelines are in place or are planned to link Siberia with Europe and Japan, two of the world's largest fuel markets, and the gas pipeline to Iran forms a working link to the largest natural gas source in the world. Though this network could immediately benefit Russia's Middle East neighbors, arrangements could be made whereby southern Arab states, by a combination of tanker and pipe, would also be serviced. This pipeline capability does not now exist, but its potential must be recognized, for when combined with potential tanker movements, a significant capacity for oil movement *in toto* will exist.

A further consideration of downstream operations must turn to marketing usable petroleum products. The Soviets do not have an extensive marketing network, in either size or sophistication. Their policies to date have emphasized the bulk selling of crude oil, rather than finished oil products, to single large intermediate buyers (at refineries). In this way they get their needed foreign exchange at lower costs; crude is cheaper to move than refined, by both installation and labor measurement.

They have shown no inclination to become bogged down in ultimate marketing to individual consumers, although they have set up a small firm in Great Britain, Nafta (G.B.) Ltd., handling less than 1 percent of the gasoline market, apparently to gain experience in Western marketing techniques.[56] Soviet marketing facilities, or the lack thereof, are therefore largely an irrelevant part of their downstream operations as concerns Middle East oil.

The Middle Eastern oil nations are fully aware of what the Soviets can and cannot do and, all other things being equal, would be content to sell the Russians just enough oil for her domestic needs; i.e., about 100 million tons in 1980. This, however, represents *less than 10 percent* of what the Arab countries expect to export by that time, so if a black or white choice had to be made, the Arabs would turn toward Western, not Eastern, markets. Nor would the Arabs like to see the Soviet Union act as a middleman; they can get a better take by selling directly to the West. They are already irritated at the handsome profit Moscow makes from reexporting such Arab goods as Egyptian cotton. Disputes over Soviet entry into the European oil market have been much more bitter because of the money involved.

A Sellers' Market. One final factor must be taken into account in assessing the future Soviet role in Middle East oil. It is by nature the most difficult to predict, yet will probably prove to be the most critical in determining final outcome, and that is whether oil business in the future will be in a buyers' market or a sellers' market. General trends can be forecast from current production and consumption schedules. Reserves can be plotted on graphs and oil movement flows analyzed. These all point to a sellers' market in the long term.

It is short-term changes, however, that test the real flexibility of international oil. The closure of a canal, the puncturing of a pipeline, and the decree of a government have shifted the short-term oil picture recently far more than the discovery of Alaskan or Siberian oil reserves. Within a matter of weeks, the market advantage shifted radically from the buyers to the sellers. Through the Organization of Petroleum Exporting Countries or OPEC (created in 1960 to save the sellers in a buyers' market), the Middle East states have recently shown what a united stand can gain. Even in one of the most historically competitive of international businesses, the Western oil companies were forced to unite aronnd a common bargaining effort and, in the February 1971 agreement, were forced to retreat.

In this sellers' climate, what is important is not control of *all* oil resources, but control of enough to influence significantly the world market. This means that the Soviet Union need only control a relatively small portion of crude oil in a tight market—a *great* deal less than the 90 percent of Arab oil to be used by the West in 1980. One optimistic Soviet oil expert, Boris Rachkov, estimated that the 1969 total annual tonnage of crude output by Algeria, Libya, and Iraq (over 400 million tons) would be an adequate amount.[57] From that, of course, must be subtracted the amount the Soviets would themselves need at the time. Could the West react as they did in the 1967 Suez closure and Arab oil boycott to rush needed supplies to crucial markets? The president of Standard Oil of New Jersey once said that rapidly tappable excess supplies were more than 300 million tons.[58] Given a longer reaction time, more, of course, would be available. And further exploration for usable reserves has been staunchly advocated for this political reason, as well as for others.

Such considerations reinforce the fears of those who dread the Soviet "hand on the tap." Although John D. Rockefeller said more than a hundred years ago that "he who controls the outlets, controls the oil industry," this maxim applies only in a buyers' market. In a sellers', it would be more appropriate to say, "he who controls the margins, controls the oil industry."

Conclusion. The assumption made by Rachkov, however, was that Algeria, Libya, and Iraq might be dominated by "democratic forces" and, therefore, be willing to give all their oil to the Soviet Union. This need not necessarily be true unless the West by default makes it so. We have seen the reluctance of the Arabs to relinquish control of their oil revenues to others. Iraq, for all its ties with the Soviet Union, has not nationalized its Western owned IPC for fear of jeopardizing its income. Libya, advocate of perhaps the most radical oil position because it has amassed such revenues it can afford a short-term loss, has shown little inclination to join the Soviet camp. The other Mideast and north African states also knew where their main markets lie, with the free world, not the Soviet bloc.

Such a nationalistic approach to marketing by the oil-rich states is in fact the West's highest trump card in preserving the accessibility of Middle East oil, a vital interest for the West. The significance of this card, however, is often overlooked since the West has little control over how and for what purposes it will be played. Arab nationalism is too often relegated to the domain of the academic and dismissed by the statesman and the entrepreneur.

Our approach must be realistic. Though we cannot dictate when the card will be played, we can minimize the chances that it will be played against us. We must recognize that the Soviets will be involved in Middle East oil production at least to the extent necessary to meet their increasing oil needs. Provided payment terms are acceptable,

BIOGRAPHIC SUMMARY

Maj. C. Powell Hutton, U.S. Army, graduated from the U.S. Military Academy in 1959 and spent the next 3 years as a Rhodes Scholar at Oxford University. As an Armor officer, he has served in tank and cavalry units in Korea, Texas, and Vietnam. From 1967 to 1969 he taught modern European history and Middle East studies at West Point. He lived in Turkey as a youth and has returned to the area to travel and study at the American University of Beirut. Major Hutton was a student at the College of Naval Command and Staff in 1970-71 and is now serving in the 8th Infantry Division in Germany.

the oil producing nations will welcome not only the Soviet, but also the East European market.

As we have seen, however, these same nations can be counted on to resist any tendency for this Communist market to expand beyond those bloc needs, ***unless the oil states can sell their oil nowhere else.*** The real challenge for the West will be not to break with any oil country that has forged new Soviet ties—and leave that country with the dilemma of one alternative, the Soviet Union. The West cannot afford to let the Soviet Union gain a most potent new trump card by default, control of the oil margins and, hence, of the world oil industry.

FOOTNOTES

1. "Oil: Tough Outside America," *The Economist,* 10 August 1968, p. 48-49.
2. National Petroleum Council, *Impact of Oil Exports from the Soviet Bloc* (Washington, 1962), v. II, p. 443.
3. Lincoln Landis, "Soviet Interest in Middle East Oil," *The New Middle East,* December 1968, p. 19.
4. Boris Rachkov, "The Russian Stake in the Middle East," *The New Middle East,* May 1969, p. 37.
5. *Wall Street Journal,* 22 December 1970, p. 5:3.
6. "Their Alaska," *The Economist,* 24 January 1970, p. 32; Valentin Shashin, "The Soviet Union's Liquid Gold," *New Times,* 27 January 1971, p. 13.
7. Economist Intelligence Unit, *Quarterly Economic Review, USSR,* No. 2, 1970, p. 7.
8. Shashin.
9. G.A. Vvedensky, "The Development of Western Siberia," *Bulletin, Institute for the Study of the USSR,* July 1970, p. 26.
10. Economist Intelligence Unit.
11. Shashin, p. 15.
12. Landis.
13. *Ibid.*
14. Theodore Shabad, "Soviet Bars Increase in Exports of Oil," *The New York Times,* 11 January 1969, p. 39:2.
15. J.J. Berreby, "Decolonisation Timetable," *New Middle East,* January 1970, p. ii.
16. Christopher Tugendhat, *Oil: the Biggest Business* (London: Eyre and Spottiswode, 1968), p. 253.
17. Walter Laqueur, *The Struggle for the Middle East* (New York: Macmillan, 1969), p. 131-132.
18. U.S. Dept. of State, "Recent Developments Affecting Western Europe's Security of Energy Supply," Research Study, Washington, D.C., 13 August 1970.
19. "Russian Gas—Pipes of Peace," *The Economist,* 7 February 1970, p. 71-72.
20. U.S. Dept. of State; *Ibid.*
21. Robert F. Lamberg, "The Cuban Economy and the Soviet Bloc, 1963-1968: a Commentary," *Studies on the Soviet Union,* No. 2, 1968, v. VIII, p. 123.
22. Charlotte Saikowski, "Siberia: Warmer Winter for Japan?" *Christian Science Monitor,* 20 January 1971, p. 1:3.
23. Franklyn D. Holzman, "Soviet Trade and Aid Policies," J.D. Hurewitz, ed., *Soviet-American Rivalry in the Middle East* (New York: Academy of Political Science, Columbia University, 1969), p. 105.
24. "Crucial Oil Talks Underway in Middle East," *Christian Science Monitor,* 25 January 1971, p. 14:1.
25. Robert E. Hunter, "The Soviet Dilemma in the Middle East, Part II; Oil and the Persian Gulf," *Adelphi Papers,* October 1969.
26. Soviet Documents on Foreign Policy, *Nazi-Soviet Relations,* p. 477-478.
27. Bernard Lewis, "Russia in the Middle East," *Survival,* October 1970, p. 335.
28. Robert E. Ebel, *Communist Trade in Oil and Gas* (New York: Praeger, 1970), p. 82.
29. *Ibid.,* p. 101-102.
30. "The Mystery of Israel's Disappearing Tankers," *The Sunday Times* (London) as quoted in *Atlas,* March 1971, p. 28-29.

31. Raymond B. Anderson, "Egypt Hints U.S. Oil Concerns Face No Danger of Expulsion," *The New York Times*, 26 February 1970, p. 3:1.

32. *Ekonomicheskaya Gazeta*, No. 50, 1970, as quoted in *Reprints from the Soviet Press*, 22 January 1971, p. 45-49; and *Pravda*, 23 July 1970, to name but a few.

33. Hunter, p. 9.

34. Rachkov, p. 36.

35. George Lenczowski, "Soviet Policy in the Middle East," *Current History*, November 1968, p. 268-274.

36. A.Y. Yodfat, "Unpredictable Iraq Poses a Russian Problem," *New Middle East*, October 1969, p. 17.

37. Shashin, p. 15.

38. "Iraq's New Mood of Toleration," *The Washington Post*, 7 December 1970.

39. *Al Ahram*, 3 January 1971, as quoted in *Mid East Monitor*, 1 February 1971, p. 2.

40. Laqueur, p. 143.

41. Welles Hangen, "The Russians in Asia," *Atlantic Monthly*, May 1970, p. 40.

42. Ebel, p. 178-179.

43. Robert E. Hunter, "The Soviet Dilemma in the Middle East, Part I: Problems of Commitment," *Adelphi Papers*, September 1969, p. 17.

44. Holzman, p. 105.

45. *The Soviet Union and the Middle East, a Summary Record of the 23d Annual Conference* (Washington: The Middle East Institute, October 1969), p. 37.

46. National Petroleum Council, p. 443.

47. James E. Akins, Deputy Director, Office of Fuels and Energy, U.S. Department of State, in remarks before the annual meeting of the Middle East Institute, Washington, D.C., October 1968.

48. Tom Stauffer, "Middle East Oil Producers' Front," *Christian Science Monitor*, 29 January 1971, p. 3:1.

49. John K. Cooley, "Arab Grip Tightened on Oil Values," *Christian Science Monitor*, 26 February 1971, p. 5:1.

50. Boris Rachkov, "How Moscow Sees the Future of Arab Oil," *New Middle East*, October 1970, p. 47.

51. Edward R.F. Sheehan, "The Way Egyptians See Israel, Uncle Sam, and the SAMs," *The New York Times Magazine*, 20 September 1970, p. 90.

52. *Lloyd's Register of Shipping, Statistical Tables, 1970* (London: Lloyd's, November 1970), p. 21, 31, 39.

53. Philip Hanson, "The Soviet Merchant Marine," *Survival*, May 1970, p. 172.

54. J.H. Beattie, "Safer, Saner Seaways," *United States Naval Institute Proceedings*, December 1970, p. 40.

55. Laqueur, p. 121.

56. Ebel, p. 123-126.

57. Rachkov, "How Moscow Sees the Future of Arab Oil," p. 50.

58. *Ibid.*

Our self interest further dictates that we do our best to protect the freedom of the non-communist areas of the world because we need some of the resources they contain.

VADM William A. Shoech, USN, on Armed Forces Day to the Des Moines Chamber of Commerce, 17 May 1963