The Soviet Union, The Middle East, and the Evolving World Energy Situation*

ARNOLD L. HORELICK
Social Science Department, The Rand Corporation, Santa Monica, California

ABSTRACT
Surveying and summarizing the basic issues confronting Soviet decisionmakers in the next ten years as reflected in energy and international political terms, this analysis treats the capacity and constraints mediating Soviet influence in the resolution of the future world energy balance. A scenario highlighting a "Soviet-Preferred Future World" is developed that focuses on three classes of likely energy outcomes: (1) a gradual erosion of the Western commercial position in Middle East oil, (2) repeated shortages in oil-consumer states leading to a diversion of attention away from international matters and increased preoccupation with "domestic" energy woes, and (3) a deterioration of the terms of trade for energy importers vis-à-vis Soviet and noncommunist trading partners. The discussion concludes with an assessment of several of the key choices confronting the major oil-importing nations and requiring resolution.

As a global superpower, the Soviet Union cannot fail but to have a strong interest in any issue with ramifications as deep and far-reaching as the world energy situation. The USSR's proximity to and heavy involvement in the Middle East, the vortex of world oil concerns, only sharpens that interest. Even before Arab oil producers unleashed the "oil weapon" in October 1973, expectations about the future course of international oil transactions had already begun significantly to influence the foreign and domestic policies of a large number of world actors with whom Soviet foreign policy is deeply engaged. But while the Soviet Union is the world's second largest producer and consumer of liquid fuels, its interest in the world energy balance and in Middle East oil is not now as direct or immediate as that of the other large producers and consumers. For the Soviet Union is the only major industrial power now entirely self-sufficient in energy resources. If U.S. dependency on Middle East oil imports in

the years ahead should reach the levels now widely predicted, the Soviet Union will soon be the only major industrial power whose domestic energy supplies are not critically dependent on the Middle East.

The Soviet Oil Position

What, in brief, can be said with reasonable confidence about the present and near-future Soviet oil position?1

1. The growth rate of Soviet crude oil production, while still impressive, has been declining steadily since the mid-1950s from an average of 16% per year in 1956-60 to a 7% annual average planned for 1971-75. (Actual growth from 1971-73 was at the rate of 6.7% per year.)

2. Nevertheless, the production growth rate until recently was adequate to sustain a more rapidly growing rate of oil and petroleum exports (approximately one-fourth of total production in 1971, divided roughly equally between Communist and non-Communist markets). In 1972, however, exports rose only marginally and the increase was more than offset by a rise in imports, yielding a slight decline in net exports; growth in net exports resumed in 1973, but evidently at a lower rate than the growth in output.

3. If met, the 1975 target of 496 MT is probably adequate to cover projected large increases in crude oil exports to CEMA (Soviet Bloc) countries and also at least to maintain roughly the current level of hard currency-earning exports to the West. (Crude oil is the Soviet Union's largest single hard currency earner.) Soviet imports of oil, while growing, are still comparatively small, and are unlikely to have assumed substantial proportions by 1975.

4. By 1980, however, the picture could change significantly. Barring much more rapid development and exploitation of West Siberian oil fields than the Soviet Union seems capable of achieving without extensive foreign assistance, the rate of growth of output will probably continue to decline, perhaps to an annual average of 5% during 1975-80. Assuming that inland consumption increases at about the same rate in the second half of the decade as in the first, and that CEMA requirements grow as rapidly as is currently projected, Soviet production in 1980 will probably fall short, though not massively, of the requirements of the European Communist-ruled area (to which Cuba, North Korea and North Vietnam should also be added). If allowance is made for exports to Western Europe and Japan at current levels, the deficit would be substantial, some estimates ranging to a level of 100 MT or more annually.

5. Anticipating the prospect of such a deficit, however, the USSR has made it clear that it will not indefinitely bear the burden of acting as virtually sole provider of oil for its East European allies, which are dependent on the Soviet Union for some 80% of their oil consumption. While Soviet exports to CEMA countries are scheduled to grow rapidly in the next few years (through 1975 under the current Five Year Plan), even at the cost of curtailed exports to Western Europe and Japan, the socialist countries have

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