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SOVIET OIL PRICING

Moscow thus far is holding the line on prices of its oil on existing contracts to Eastern Europe, but is seeking higher oil prices from Western Europe. Poland, Bulgaria, and Hungary apparently have been assured adequate supplies of Soviet crude oil for the next two years at fixed prices stipulated in existing 1971-75 agreements. The USSR is, however, passing on the higher prices for Arab oil that it delivers to Eastern Europe. After 1975, Moscow most likely will raise oil prices to Eastern Europe and will demand their greater participation in developing Soviet fuel and raw material resources.

In sales to the West the Soviets appear to be reacting to changed market conditions when not bound by contractual obligations. A shipment of Soviet oil reportedly was diverted from Denmark to West Germany for sale at a higher spot price. Other reports indicate that the USSR has assured its Western customers that oil deliveries will continue at present levels during 1974, but with about a 50% increase in price. Moscow reportedly is raising its price to Italy to \$17 per barrel f.o.b., which is even higher than the Middle East oil producers have been getting for government participation crude. At home, bunker fuel prices at Soviet ports recently were tripled and jet fuel prices were raised 75% for foreign air lines refueling in the USSR. (~~SECRET~~)

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