

6763

CIA HISTORICAL REVIEW PROGRAM  
RELEASE IN FULL 1998

#### THE RELIABILITY OF THE USSR AS AN OIL SUPPLIER

The USSR remains a basically reliable supplier of oil. Despite recent charges in the Western press of undependability, the Soviets have not exceeded the normal bounds of a smart trader with a commodity in great demand.

The press reports accuse Moscow of exploiting the world oil crisis by diverting oil deliveries from regular customers to get higher prices and by raising prices sharply in 1974 contracts. Specific charges have been levied covering a shortfall of about 15% in oil deliveries to West Germany in 1973 and a threefold increase in prices for Soviet oil to be delivered in 1974 to West Germany and Finland.

Charges and countercharges by Veba, the West German importer, and by Soviet trade officials cloud the FRG case. Veba claims to have received only about 2.9 million tons of the 3.4 million agreed to in the 1973 contract. Soviet authorities claim a shortfall of only 200,000 tons. The shortfall probably resulted from Soviet efforts to supply Eastern Europe with oil originally intended for Western Europe; Arab oil deliveries to Eastern Europe were reduced in the wake of the Arab-Israeli conflict. Some

~~SECRET~~

German sources believe that Veba was attempting to tarnish the Soviet reputation as a reliable supplier in an effort to induce Moscow to lower its prices for oil deliveries during 1974. Within the past week, however, Veba (a) agreed to import 3 million tons of Soviet oil in 1974, and (b) secured an option for an additional one million tons; the price is believed to be competitive with that for Middle East oil (about \$12 per barrel delivered).

In the case of Finland, as well as West Germany, the USSR is adapting its oil sales in 1974 to present world prices, which are three to four times higher than in 1973. Moscow is behaving as any smart trader would in the market, seeing an opportunity to take advantage of higher prices to increase foreign exchange earnings. (~~CONFIDENTIAL~~)

~~SECRET~~