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CIA HISTORICAL REVIEW PROGRAM

S-2364

RELEASE AS SANITIZED

19 June 1967

1999

MEMORANDUM FOR:

SUBJECT: Oil Industry Report of Soviet Efforts to Market Oil Since Disruption of Middle East Oil Supplies (16 June 1967)

1. Analysis of reports of Soviet oil entering Free World markets does not disclose aggressive marketing tactics on the part of the USSR as a result of the current crisis. Evidence indicates that the "aggressiveness" stems more from consumers (oil importers) seeking alternative sources of supply rather than direct offers of oil from the USSR. While we agree that after the dust settles, the Arab countries may find it more difficult to market their oil, we do not believe that Soviet oil will be the principal source of competition. The USSR does not have the capability to replace sizable quantities of Arab oil in the foreseeable future.

2. With the exception of Spain, there have been no actual contracts for shipments of Soviet oil as a result of the current crisis. During the pipeline shutdown in Iraq and Syria in December 1966, the USSR offered to supply crude oil to France to replace some of the Iraqi oil. However, there is no evidence that shipments occurred.

3. An evaluation of Soviet offers to the countries listed follows:

a. Britain: In recent years the USSR has shipped 700-1,000 b/d of crude oil and products to the UK. The planned purchase of Soviet naphtha by ICI (British) for use as a chemical feedstock would be a desirable trade maneuver. The USSR has excess supplies of this new material and would like to find a ready export market.

b. Spain: The USSR has been supplying oil to Spain since 1961 in amounts from 22,400 tons (1961) to 331,500 tons (1965). Planned Soviet shipments for 1967 amount to 530,000 tons of crude oil, only about 3% of total imports. The purchase of an additional 150,000 tons of Soviet oil will be less than 1% of Spanish import needs. Spain depends on Arab oil for about 83% of its oil supplies, principally from Saudi Arabia and Libya.

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c. Japan: Before the crisis, efforts had been underway to diversify crude oil supplies. Plans for 1967 called for crude oil imports from the USSR to decline compared with those in 1966.

d. Switzerland: We have no useful information on the current activities of Swiss brokers.

e. Germany: Imports of Soviet crude oil in 1966 accounted for about 5% of total West German crude oil imports. Additional Soviet imports, whether or not at the Soviet initiative, would be insignificant compared to total oil needs.

f. Turkey and Greece: We have no detailed information on negotiations for supply of Communist oil for these countries.

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