Eastern & Western Europe OPEC Spread Energy Net

Soviet crude oil exports to Western Europe in the first several months of this year have exceeded crude deliveries from the USSR to Eastern Europe for the first time, according to preliminary reports. The shift towards an increasingly significant, although still marginal, role for Soviet oil in the West complements efforts of the British — through British Petroleum and the British North Sea Oil Corporation (BNOC) — and the European independent petroleum companies to break the hold of Rockefeller's Exxon as the dominant market force in Western Europe. In tandem with the Europeans' direct oil-for-technology arrangements with OPEC nations, the Soviet trend boosts Western Europe's ability to resist Carter Administration energy blackmail.

In 1976, when the Soviets exported 110.8 million tons of crude (just over one-fifth total production) already 43.3 percent of this went to the industrialized capitalist countries. Japan bought a thin 2 million tons, with Western Europe on the receiving end of nearly 50 million tons. Soviet oil thus tallied up 8 percent of Western European crude imports. In the case of natural gas, where gas-for-pipeline barter deals between the USSR and Western Europe have been under way for over a decade, 41.5 percent of the 25.8 trillion cubic meters exported by the Soviets in 1976 (only 8 percent of total production) went to the advanced capitalist sector — almost all of it to Western Europe.

OPEC to Eastern Europe

In the past, the prospect of the Soviets selling more and more of their oil to the West has been something to make Zbigniew Brzezinski's eyes light up. The usual prediction — the one found in Radio Free Europe's staff briefing materials for instance — runs approximately as follows: the Soviets have a growing need for convertible currencies. Their big earner is oil. They will sell more oil to the West, and therefore less oil to Eastern Europe and at higher prices. The Eastern Europeans will grow resentful. Eastern Europe can be split from Moscow!

Like most scenarios of its ilk, this one ignores real politics. As the shift is actually occurring, Soviet oil to "the West" — Europe and Japan — is a helping hand to get free of Rockefeller. The attributed Soviet motive of amassing convertible currencies may soon be an anachronism, if transfer-ruble financing takes off internationally. And as for Eastern Europe, its purchases above what the USSR delivers (at below world market prices and contracted for five year periods) are being made from OPEC nations.

For Eastern Europe to turn to OPEC, however, no longer means to surrender to Rockefeller control or leverage. Not at a point when substantial forces among the OPEC members are not only collaborating in oil-for-technology barter with Europe to Rockefeller's disadvantage, but buying into European nuclear energy companies and financing diverse energy development, including in such non-OPEC locales as Siberia!

Mediterranean Development

The result of the shifting export patterns is a net of energy trade criss-crossing the Mediterranean Sea and anchored on three sides: Western Europe, the socialist sector, and the Middle East. This is the first accomplishment towards two main goals set by the Soviets — not to mention Yugoslavia, Italy, Malta and others — for the Belgrade session of the Conference on Security and Cooperation in Europe (CSCE). These are (1) to bring in the non-European Mediterranean littoral states (including Israel) as full-fledged participants; and (2) to make breakthroughs on "Basket 2," or economic cooperation. The Soviets' first concrete proposal for Basket 2 is convocation of a pan-European (and, implicitly, Mediterranean) conference on energy, at which to plot out not only efficiency modifications in present fossil fuel energy production on the continent, but also the coordination of research, development and investment in the transition to nuclear power economies.

By far the most dramatic development in the last year of East and West European and Arab economic collaboration is the deal between Libya and Italy's FIAT, in which Soviet participation is well known. Other large-scale projects which break new ground include Kuwait's financing of a pipeline which will deliver oil to Yugoslavia, Rumania, and Hungary.

A scan of recent deals and business trips reveals a number of new strands in the energy trade net.

Kuwait has become the most involved in financing Eastern European energy development. Negotiations are reportedly in progress for the Kuwaitis to finance West German machinery sales to the Soviets for Siberian development.

With Rumania, the single Eastern European country which has oil deposits of its own and does not import from the USSR, Kuwaiti collaboration is particularly advanced. The two countries recently signed a far-reaching deal to construct a $1 billion petrochemical and refining complex at Constanta. The plant is expected to manufacture 17 grades of products. Kuwait will supply 170,000 barrels a day of crude for the complex, which will also draw on Rumania's 300,000 barrels a day oil production.

Last month Iran's Foreign Minister Khalatbari and the director of the National Iranian Oil Company (NIOC) Eqbal each toured Eastern Europe, where Iran has bartered oil for years. Following agreements reached on Khalatbari's visit, Polish crude imports from Iran will double and Czechoslovakia's will increase. No deal was announced between Iran and the German Democratic Republic (GDR), but the fact that Eqbal was received by the GDR Prime Minister Willi Stoph marks the importance of his visit there. Iranian crude deliveries to Finland, which is closely integrated with the socialist sector and depends on the USSR for its oil, will be raised by 700,000 tons annually.

The Soviet Union has been applying heavy pressure on Iran to sell it one million tons of crude a year. Historically, Soviet fossil fuel imports from Iran have often been re-exported to Western Europe, as USSR crude imports from Iraq are re-exported for barter to India and elsewhere. Now, in the context of mushrooming Soviet-Iranian bilateral trade (it grew 38 percent from 1975 to 1976), the Soviet ambassador in Iran has taken the unusual step of calling a Teheran press conference to urge concluding a new oil sale deal to match Soviet construction of a large hydroelectric plant at the Soviet-Iranian border. Iran is presently suffering a severe electricity shortage.

Off-Shore Technology

The development of off-shore oil capacity for the Soviet Union and Eastern Europe has drawn OPEC as well as British interest. The Kuwaiti-published *Europe and Oil* earlier this year predicted that ongoing British-Soviet trade negotiations as well as a deal with Finland and the U.S. firm Armco Steel would eventually yield the Soviets badly needed offshore drilling technology.

The Caspian Sea and the Black Sea are promising sites for off-shore development. In the latter case, Rumania is again involved and Bulgaria potentially could be. Turkey also figures into arrangements, as the Soviets have offered to construct a refinery in northeastern Turkey on the Black Sea.

The Rumanians have already begun to fund construction of a refinery north of Ankara, Turkey, which will be partially fed with Iraqi crude through a feeder line from the just-opened Dortyol pipeline. Rumania has also delivered Turkey 20 drilling rigs this year for exploration in eastern Turkey.

According to the June issue of the London-issued *Petroleum Economist*, the Finland-Armco deal will enable the Soviets for the first time to drill in the deeper waters of the Caspian, where there are known large reserves. BNOC is currently negotiating sale of a drilling rig to Bulgaria for deep water drilling in the Black Sea. The package will include expertise for installation of the rig.

The other area with off-shore oil potential for the Soviets is the Sakhalin Island shelf on the Pacific Ocean. Joint exploration of Sakhalin was a feature of Siberian development deals signed between the USSR and Japan last year, and work has already begun. Two geological ships sailed there with Soviet and Japanese experts aboard, in February of this year.