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CURRENT INTELLIGENCE WEEKLY SUMMARY 25X1X7

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PROBLEMS OF SOVIET PIPELINE CONSTRUCTION

The USSR has invited bids from West German and French firms for steel pipe and associated equipment to lay a 40-inch pipeline from the Gazli natural gas field, in the Uzbek SSR, to industrial consumers at Sverdlovsk, in the eastern Urals, a distance of 2,150 kilometers (more than 1,300 miles).

This pipeline--with a potential annual capacity of more than 350 billion cubic feet--is an integral part of the Soviet Union's general energy development program, and its completion would allow for a significant increase in the consumption of natural gas from Central Asia.

The availability of natural gas in the Ural industrial region as a substitute for other fuels, might in turn be a determining factor in the pace at which Moscow can expand its oil exports to the free world.

Trade Negotiations

Three West German firms have formed a consortium to bid on the pipe, and other German companies may supply the compressors and short-wave equipment. A Soviet trade delegation was in Paris early this year seeking bids on pipe and discussing technical requirements for the project--including the communications system, automation, and equipment protection--with officials of French firms.

The form of payment will be a major obstacle in negotiating contracts with these firms.

Moscow may therefore expand its oil exports to the free world in hard currencies.

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## CURRENT INTELLIGENCE WEEKLY SUMMARY

One American firm reportedly has tentatively agreed to supply the air-conditioning equipment, and another probably will supply the valves for the pipeline.

The Pipeline Project

The pipeline project, which will require 640,000 metric tons of steel pipe, presents a major problem in logistics, sophisticated construction, and equipment quality. Much of the line is to pass through arid and semi-arid wasteland. Temperature variations along the route are extreme; communications and other equipment must be capable of operation in the open under temperatures ranging from 49 degrees Fahrenheit below zero to 113 degrees above. A further problem will be the construction of a suspension bridge, 1,300 feet high over the Duidul-Atlagan gorge on the Amu-Darya River.

The Gazli-Sverdlovsk line, the major gas pipeline project of the USSR's Seven-Year Plan (1959-65), is part of a dual system designed to supply the Ural industrial region with inexpensive natural gas. The section between Gazli and Chelyabinsk is reportedly to be ready for use by the end of 1963, and the section to Sverdlovsk by 1965. Soviet planners hope to lay the Gazli-Chelyabinsk and Gazli-Sverdlovsk lines simultaneously, as well as a water pipeline along part of the route.

Lack of Steel Pipe

Construction of the Gazli-Chelyabinsk line was to have begun in 1960 but, for lack of pipe, was not started until this year. Apparently, pipe from Western suppliers, probably West German, already is being used on this line; about 120 miles of pipe are to be laid by the end of the year.

The lack of large-diameter steel pipe has deterred the

development of the Soviet oil and gas pipeline network for several years. The USSR does not yet produce 40-inch steel line pipe--although token amounts may be available domestically later this year. Unless the desired Western support can be obtained, it is likely that construction of the Gazli-Sverdlovsk gas pipeline will be beyond Soviet capability for several years at least.

The oil and gas pipeline construction program for the Seven-Year Plan will require about 9,000,000 tons of steel pipe. Total requirements of 40-inch pipe during the period probably will be about 2,100,000 tons. Of this amount, the Gazli-Ural dual gas system is to account for 1,200,000 tons, all of 40-inch diameter.

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Other Deterrents

Even if the construction program is fulfilled, operation could be limited by the absence of parallel facilities. Because of the lack of compressor and gas-turbine equipment, for example, a number of gas pipelines now in place have not been able to operate at rated capacity.

In addition, an inadequate supply of gas-consuming equipment and the delayed construction of city distribution systems have prevented the immediate operation of newly completed lines. Inability to distribute gas to prospective consumers has led to continued shortfalls in the annual production of natural gas, but no revision has been made in the goal of 150 billion cubic meters of gas for 1965. (SECRET NOFORN) (Prepared by ORR)

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