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MEMORANDUM

SUBJECT: The Soviets and the Arab Oil Weapon

Moscow had little or no control over the Arab decision to curtail the oil flow to the West and there is no good evidence that the Soviets had any hand in planning or implementing the oil cutbacks. Saudi Arabia and Kuwait, both states with conservative, strongly anti-Communist governments, initiated and are leading the Arab action. It is noteworthy that Iraq, the Arab oil producer with whom the Soviets have the strongest influence has not joined the boycott.

The Soviets have long encouraged the Arabs, however, to employ the oil weapon in their struggle against Israel. Soviet propaganda broadcasts to the Arab world before the war, for example, hailed Arab interest in curtailing oil production as an effective tool in the fight against Israel and "its imperialist protectors." The broadcasts urged both nationalization and reduced sales as appropriate tactics.

The Soviets undoubtedly see substantial benefits to themselves in the Arab oil boycott. They welcome the weakening of Western economies and the split that has developed between the United States and its European and Japanese allies over the issue.

Moscow has also been using the energy crisis to hint at the prospective advantage to the West of commercial arrangements to exploit Soviet oil resources. A recent Soviet broadcast to the US, for example, quoted a Russian scientist's prediction that "cold Siberia will light and

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heat New York." The Soviets cannot push this theme too energetically, however, lest they intensify Arab criticism that Moscow's oil sales undercut the boycott. Finally, the Soviets can also expect higher prices for their own oil exports.

The picture is not all roses for the Soviets, however. Delivery of Arab oil to Eastern Europe has been cut back, obligating the Soviets to divert small amounts of the oil they would have exported to Western Europe. If these diversions become extensive, they could have a serious political impact on Soviet relations with Western Europe and could harm Moscow's reputation as a trading partner. Moscow's sensitivity on this score is apparent in its testy denials of Western press speculation that Russia is behind the oil shortages.

The Soviets are undoubtedly concerned that the oil weapon could backfire and have an adverse effect on U.S.-Soviet detente. Just a few days ago a Soviet Foreign Ministry official responsible for Middle Eastern affairs denied to the U.S. chargé that the Soviets are playing a role in the boycott and stressed that Saudi's King Faisal is someone whom the Soviets cannot influence.

Because of the possibility of an adverse Western reaction, the Soviets have not been publicly gloating over the Western predicament. The Soviet media, while endorsing the Arab boycott, have given only moderate attention to it. We have no evidence of Soviet diplomatic activity aimed at deliberately prolonging the oil crisis. Instead, the Soviets have been generally cooperative in using their influence among the Arabs to get peace talks started.

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