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## WILL RUSSIA RUN SHORT OF OIL?

In 1977 the CIA had a profound effect on American thinking when it predicted that Soviet oil production would reach a peak of about twelve million barrels a day, perhaps as early as 1978, and would then decline to between eight and ten million barrels a day by 1985, turning the Soviet Union and eastern Europe into substantial net importers. President Carter and many of the people now close to President Reagan took this as a warning that the Soviet Union would become a potentially dangerous competitor for Middle East oil. Their fears were increased when the invasion of Afghanistan brought Soviet forces much nearer the Gulf. New impetus was given to plans for building up western ability to put military forces into the area.

The CIA estimates of future oil production were criticized by many experts, especially in Europe, who said they were too low. These disagreements contributed to Atlantic differences over policies in the Gulf area. Now the CIA is moving somewhat closer to Europe by putting its estimate of Soviet oil production in 1985 at 10-11 million barrels a day, slightly below the present production of 12 million barrels a day. There is, however, a fairly typical Washington muddle over interpretation. The *New York Times* quoted officials as saying that the new estimates meant the Russians would not be competing for Middle Eastern oil by 1985. The CIA then put out a statement saying that "all of the problems that we foresaw the Soviets facing are emerging".

Uncertainty surrounds the whole subject because the Russians publish very little information and make it difficult for

outsiders to check what they do disclose. After the CIA report in 1977 they even stopped publishing detailed statistics on their fuel trade. But they themselves are probably uncertain too. They have enormous reserves of oil but the technical difficulties of extracting it from remote cold areas and then transporting it across vast distances are so great that even the best predictions can be upset. Moreover they need western technology for many of the more difficult tasks, and although they are getting some they can never be quite sure that the supply will continue.

There are, therefore, few firm facts to hold on to. It is clear that the growth of Soviet oil production has slowed down a lot since the 1960s. At the moment the plan for 1985 is between 12.4 and 12.9 million barrels a day. This is roughly the same as the 1980 plan, which was not fulfilled, so the Soviet Union itself foresees a levelling out of production.

Taken on its own, this suggests that rising demand in the Soviet Union and eastern Europe cannot be met except by increasing imports from outside the block. As a result, the Soviet Union will not be able to continue earning as it does now, something like sixty per cent of its hard currency from oil exports. Hence it will have less cash for western grain and technology. There could also be strains on eastern Europe, which is already paying steadily rising prices for Soviet oil and will now have to look for more hard currency while lacking sufficient capacity to earn it.

However, there are other factors. For instance, the Soviet Union is producing steadily more natural gas. It achieved its targets in 1980 and plans to

produce at least 600,000m cubic metres by 1985. It is also pushing ahead with nuclear power. Gas and nuclear power could take some of the strain off oil. Slower economic growth will do the same. Another variable is the extent to which the Soviet Union and eastern Europe can learn to use energy more efficiently than they do now. They are beginning to realize that investing in energy-saving equipment can bring a better return than investing in larger supplies of energy, but they are slow to do anything about it.

Probably a reasonable assumption at this stage is that even with gas, nuclear energy and a measure of good luck the Soviet block as a whole will indeed be short of oil by the middle of the decade, the Soviet Union will face an even sharper choice than it does now between supplying its east European allies at subsidized rates or exporting to the west for hard currency. But this does not mean it will necessarily be tempted to send forces into the Gulf, if only because it is normally cheaper and safer to buy oil than to take it by force. There will, however, be greater temptation to cultivate client states who might be persuaded to sell on preferential terms. There may also be a temptation to loom over western sources, not in order to get the oil but simply to put pressure on the western alliance.

It would, therefore, be a mistake for the west to let its policies be too much influenced by variable estimates of Soviet oil production. Whatever the Soviet Union's capabilities and intentions the west will continue to need good relations with the oil-producing states and some ability to deploy military force if necessary.