

Middle East International

No 313

21 November 1987

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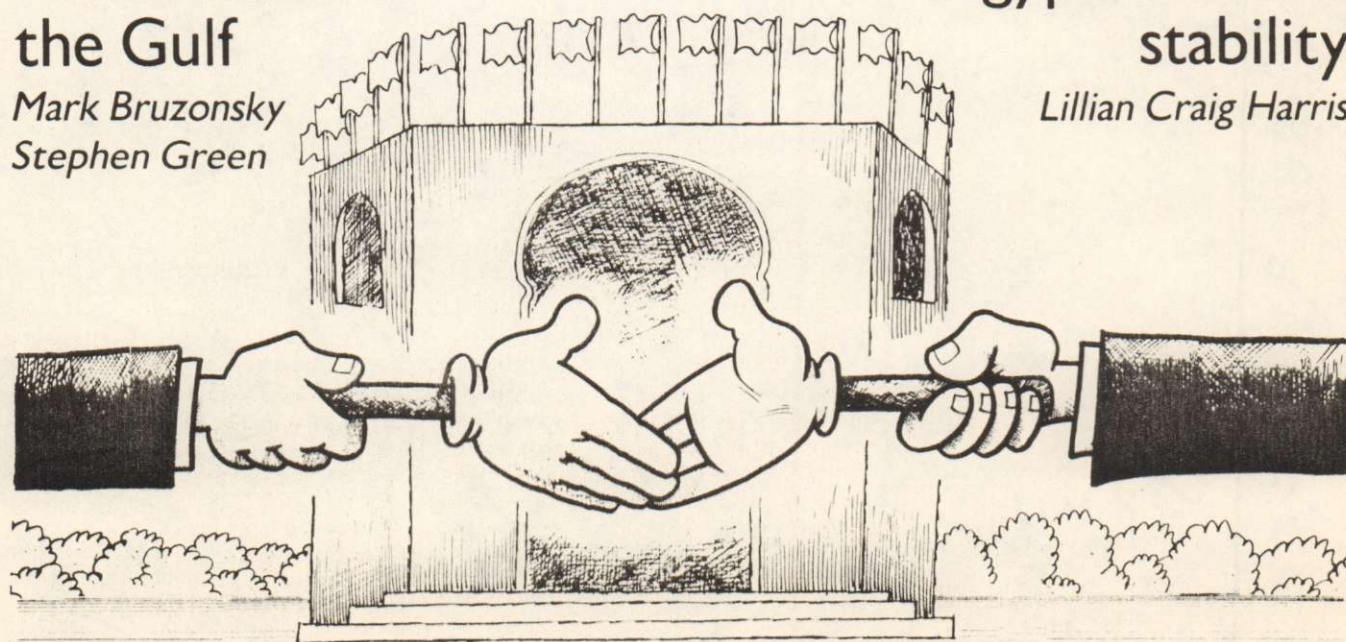
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ARAB SUMMIT

Why the USSR eyes the Gulf

by Mark Bruzonsky and Stephen Green

Numerous US newspaper editorials have pointed to the Reagan administration's well-known fear of the Soviet "evil empire" as a reason for the increasing Americanisation of the war in the Gulf. Others find in the new energetic leadership of Mikhail Gorbachev an explanation for the growing Soviet involvement in the Middle East which has, in turn, aroused greater US involvement in the region. Indeed, the unmistakable signs of new Soviet interest in the region are very clear. The Kremlin seems suddenly eager to play a mediating role in both the Iran-Iraq war and in the broader Arab-Israeli conflict (MEI 312). In the latter instance, Moscow has even taken the first steps in more than 20 years to re-establish diplomatic relations with Israel in order to facilitate such a role. And in the Gulf, it was of course an offer by the Russians to lease

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three tankers to Kuwait that led to Reagan's hasty offer of American reflagging in the first place.

Diplomacy and showing the flag, though, are only one aspect of the new Soviet presence. Another is the ballistic missiles, advanced fighter bombers and multiple launch rockets which have arrived in Syria since 1983. For the first time in the military history of the Arab-Israeli conflict, the Russians have supplied at least one Arab army with offensive weapons that begin to offset the overwhelming offensive power given without cost to Israel by America.

The question is *why* is the USSR moving to expand its influence in the Middle East and most particularly in the Gulf? Is it, as the White House keeps suggesting, even while plans for the Washington summit proceed, a matter of evil communist designs upon the governments and countries of the region? Or is it something far more basic and easy to understand such as a desire for trade with the Gulf – in other words plain, legitimate self-interest? The key element in this question of Russian motivations that has been uniformly missed by American editorial writers, and perhaps by the White House as well, is quite simple: the Union of Soviet Socialist Republics, by far the world's largest oil producer, is slowly running out of oil.

Like Western Europe, Japan and the United States, the USSR will soon need to import substantial amounts of fuel to meet its energy requirements, and those of its allies. And like those other buyers, the Russians are looking to the Gulf as the source for that fuel. The Soviet offer to lease tankers to Kuwait may thus have been primarily motivated by a desire to habituate the countries of the region to the sight of the hammer and sickle on the back end of oil tankers, for there may be hundreds and hundreds more to come.

The first significant signs of Soviet oil reserve depletion began in 1976, when the rate of gain in oil production

declined below six per cent for the first time in over a decade. Western observers, primarily the CIA, noticed the decline immediately, and in the first of two very controversial reports, the CIA characterised Soviet goals for oil production levels into the 1980s as "optimistic".

Several months later, the Moscow newspaper *Socialist Industry* appeared to confirm the CIA's projections when it revealed that four of the 12 top Soviet oil producing areas were not meeting their production targets, and that in fact eight of the 12 were barely maintaining output or were already in decline. Western energy analysts, quoted in the respected *Oil and Gas Journal*, concluded that "like the US, it seems the Soviet Union has found most of the 'easy' oil". While production of natural gas in the Soviet Union would continue to rise in future years, oil production would begin to decline in the early 1980s, resulting in a reduction of oil exports and the badly needed foreign exchange these bring to the Soviet economy.

In the following year, 1977, the CIA produced an even more pessimistic report on Russian oil production, projecting that in the 1980s the Soviet Union would become a "substantial" importer of oil. Other Western experts, though, noted that the CIA reports failed to take into consideration the predictable Soviet programmes aimed at energy conservation and development of alternative energy sources in reaching their conclusions. And indeed, Soviet oil production levels – and exports – in the later 1970s and early 1980s made the CIA's projections seem premature, if not alarmist. Then came 1984, and new shortfalls. Most discouraging of all, the 1984 production declines appeared to be occurring in the youngest and most vital region for Soviet development – the giant fields in Tyumen in western Siberia.

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A controversy arose within the Kremlin in 1984, putting the Soviet oil ministry against the ministry of geology and senior Communist party officials. The oil ministry, contending that the vast majority of western Siberia's future oil discoveries would be small and uneconomical to exploit, and pointing to rapidly increasing costs for oil extraction in recent years, argued strongly for a formal reduction in Soviet oil production goals. When the final production figures were in for 1984, the oil ministry was proved right. The Soviet Union had suffered its first absolute production decline in 40 years. The result was a major push by the Kremlin to make oil production in western Siberia more efficient. Said the Moscow newspaper *Isvestia*: "Tyumen's oil surplus has disappeared and the wells no longer flow without assistance. We must now 'work' the deposits in the full sense of the word." The full significance of this development can be understood when one considers that western Siberia accounts for two-thirds of

the total Soviet flow.

Meeting in Moscow in early 1986, the USSR's 27th Communist party congress agreed to formally reduce the country's oil production targets for 1990. The oil ministry – and the CIA report ten years earlier – had been vindicated. Then, just a few months later, the Chernobyl catastrophe starkly demonstrated to the Kremlin the hidden costs and dangers of nuclear energy production and the consequent importance of projected diminution of fossile fuel production levels.

It is hardly surprising that the Russians are looking to the Gulf, the region that has 55 per cent of the world's proven oil reserves, for their own future supplies. The greater dilemma for the Russians, however, is that their future need to import oil raises the question of how are they going to pay for it. Currently, it is precisely Soviet fuel exports that generate much of the foreign exchange which the country carefully rations. When energy is being imported rather than exported, it's obvious the Russians simply aren't going to have the billions in hard foreign currencies to pay the bill. Nor is it likely that the Gulf countries will be eager for payment in rubles.

The USSR has other ways, however, to pay for future fuel requirements, it can trade arms for oil. And if the Syrian experience is an indicator, which we think it is,

Soviet leaders are now willing to make available modern offensive and defensive arms which, with few exceptions, they have been unwilling to send to the Middle East in the past. Furthermore, these developments are occurring at a time when, a) the governments of the region are facing military and political threat from Iran and are desperately seeking the modern defensive arms with which to defend themselves, and, b) given the unreserved commitment of the Reagan administration and the American Congress to Israel, the US government is predictably going to refuse to be the supplier of those arms.

Where does Washington think the Gulf states are going to turn for their arms? Whether the Americans like it or not, the Soviet Union and the Gulf states have a new, strong, growing consonance of interests. It is mutual. It is natural. And as we shall soon see – cultural and political differences notwithstanding – the outcome will be a dramatically increased Soviet presence in the Gulf.

Oil for arms may become the formula for a basic strategic realignment with historic consequences.

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