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"The Key is in Our Hands:" Soviet Energy Strategy during Détente and the Global Oil Crises of the 1970s

Jeronim Perović & Dunja Krempin *

Abstract: *»Der Schlüssel liegt in unseren Händen'. Die sowjetische Energiestrategie während der Détente und der globalen Ölkrise der 1970er Jahre«.* This essay traces the rise of the Soviet Union as Europe's key energy supplier during the 1970s and early 1980s. While détente and the global energy crises proved to be accelerating factors in fostering East-West economic cooperation, it was ultimately the USSR's own impeding "energy crisis" that prompted Soviet leaders to seek closer relations with the West. If the Soviet Union wanted to meet the growing energy demand at home, maintain export volumes to its Communist allies in Eastern Europe, and boost its role as an international energy player, it needed to counter fast-declining production and engage in the development of new energy frontiers, namely in the resource-rich northern part of Western Siberia. Concerns over the threat of superpower confrontation were major motivations for the Soviet leadership to embark on the path of détente beginning in the late 1960s. However, as this essay argues, rapprochement with the West was also driven and sustained by an understanding on the part of the Moscow leadership that it needed Western technological assistance and credits.

Keywords: Soviet Union, East-West cooperation, energy crisis, oil, gas, détente, Cold War, Western Siberia.

Take the European part, the oil and gas of Siberia. This is a major issue. This will change our very being. These are major economic indicators. They will change our possibilities, our relationship with all of Europe – and not only with the Socialist countries, where we are able to ship gas and oil, but with France, the FRG, Italy. The key is in our hands. Gas hither – hard currency thither. This is a big economic and political question.

Leonid Brezhnev, February 5, 1971¹

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¹ Quote from Leonid Brezhnev during an internal party discussion on the preparation of the report of the TsK KPSS to the 25th session of the KPSS, February 5, 1971. In *General'nyi*

1. Introduction

When, on October 17, 1973, Arab oil states retaliated against US arms shipments to Israel during the Yom Kippur War by announcing a cut in production and, a few days later, an embargo of oil shipments to the United States, as well as to the Netherlands and Portugal – which were assisting the US airlift – the effect was imminent. By January 1974, the price per barrel of crude oil had nearly quadrupled to \$12, and a number of Western European states experienced shortages. The price increase exacerbated inflation, while cuts and embargos threatened to disrupt industrial and agricultural production. The crisis eventually eased by the spring of 1974 when Israel pulled its forces back from the Sinai and the Arab states lifted their sanctions, but the era of cheap oil was over.

The Soviet Union, the country with the world's largest known reserves of fossil fuels and a net exporter of energy to Europe, was seemingly unaffected by the crisis. Soviet Premier Minister Aleksei Kosygin noted in a public speech in Moscow on June 12, 1974, that “[s]uch upheavals [as observed in the West] are not a feature of our Socialist planned economy.”² If there were any doubts, Kosygin sought to erase these by delivering the respective figures: the Soviet Union had managed to raise its annual oil production from 31 million tons in 1940 to 450 million in 1974, and it had also increased the production of natural gas from a meager 3.3 billion cubic meters to a staggering 256 billion during the same period,³ making the Soviet Union second only to the United States in terms of overall oil and gas production. In fact, according to Kosygin, the Soviet Union was performing outstandingly, as the oil and gas production targets set by the 24th Party Congress for Western Siberia, the Soviet Union's new energy frontier, had been “overfulfilled.”⁴

Kosygin knew fully well that the picture he presented was tainted. During 1973/74, the Soviet Union was not suffering from an acute oil shortage. But it was facing an energy problem of its own. In light of its export obligations towards Western and Eastern Europe and rapidly growing domestic energy demand, the country needed to counter declining production in its old producing areas, such as the Volga-Ural, and develop new regions. However, since the largest known reserves were located in remote and difficult-to-access parts of Siberia, production and transportation were technologically challenging and

sekretar' L. I. Brezhnev 1964-1982: spetsial'noe izdanie 2006, 103. Moscow: Vestnik Arkhiva Prezidenta.

² Kosygin Address, *Daily Report*, Soviet Union, FBIS-SOV-74-115, June 13, 1974.

³ Other sources present the following numbers: 31.1 million tons of oil and 3.22 billion m³ in 1940: Dienes and Shabad 1979, 46, 70. 458.8 million tons of oil and 260.6 billion m³ of gas in 1974: Stern 1980, 7.

⁴ Kosygin Address.

extremely costly – thus, in the short-term, Siberian energy was simply not feasible to develop without Western technology and credits.

Security concerns over the threat of nuclear war between the superpowers were major motivations for the Soviet leadership to engage on the path of détente beginning in the late 1960s. Nevertheless, as this essay argues, rapprochement with the West was also driven and sustained by an understanding on the part of the Moscow leadership that the Soviet Union needed Western assistance in order to emerge from its own crisis. Détente presented the Soviet Union with a unique opportunity to develop Siberian energy – and most notably natural gas – which seemed the most promising area of cooperation in the evolving East-West economic relationship.

Drawing on positive experience from earlier economic cooperation projects with Western European energy companies which had begun in the late 1960s, the Soviet Union, under the leadership of First Party Secretary Leonid Brezhnev, had high hopes to realize similar projects in the early 1970s, only on a much larger scale and by targeting US and Japanese companies specifically. However, with the deterioration of détente and the US Congress refusing to ease restrictions on trade with the Soviet Union, joint cooperation efforts with the United States and Japan regarding Siberian gas collapsed by the mid-1970s. It was only after this point that the Soviet leadership decided to begin a massive new program for the development of Western Siberian energy on its own. While Soviet-European economic and energy cooperation had gradually expanded over the years, it was only towards the end of the 1970s that Moscow shifted its attention again more firmly to the West Europeans – and the Federal Republic of Germany in particular – as key partners in the endeavor to develop Siberian gas.

Nonetheless, it would take another major increase in oil prices, triggered by the shortage of Iranian oil on the global markets after the revolution of 1979, to provide the impetus to revive those large gas projects that had been discussed with Western governments and companies in the early 1970s. After intense negotiations, in 1981 the USSR and representatives from Western European energy companies and banks agreed in principle on building a major export pipeline transporting Siberian energy directly from the gas fields in Tiumen' to Europe, thus paving the way for the East-West energy interdependence that determines relations between Russia and Europe to this day.

In the general histories written on the energy crises of the 1970s, the Soviet Union is largely left out.⁵ In Daniel Yergin's book *The Prize*, for example, the Soviet Union appears during the energy crisis of the 1973/74 only as a player in

⁵ The two important exceptions within Western historiography are Högselius 2013 and Gustafson 1989. These studies provide excellent in-depth analyses of Soviet energy policy with relation to gas and gas trade; neither addresses the relation between the global oil shocks of 1973/74 and 1979 for Soviet energy policy explicitly, however.

the larger Cold War setting, not in terms of an energy power in its own right.⁶ This is to some extent understandable, as it was not until the end of the 1970s and beginning of the 1980s that the Soviet Union started to emerge as a key European energy player. However, energy considerations played a large role in the Soviet Union's foreign and economic policies, and it was precisely during the 1970s that the foundations were laid for the Soviet Union's rise as an international energy power. In this respect, neither the oil shock of 1973/74, nor the energy crisis following the Iranian crisis in 1979 marked the beginning of East-West energy relations; yet both events proved to be accelerating factors in establishing these relationships.

2. The Nature of the Soviet "Energy Crisis"

There was a great deal of discussion about the nature and extent of the Soviet Union's energy crisis in the West. Imperial Russia had been a major oil exporter to Europe since the late nineteenth century and, after the Russian Revolution of 1917, the Bolsheviks continued this tradition. The role of the Soviet Union as an oil supplier to Europe declined due to the Soviet Union's failure in the 1930s to develop new energy production centers outside the Caucasus, a region that, on the eve of World War II, was still responsible for some 90 percent of all Soviet oil production.⁷ After the German attack on the Soviet Union in 1941, the country suffered from a severe fuel shortage due to the devastations of war and declining production rates in the Caucasian oil fields. The Soviet Union only reemerged as an oil supplier to Europe in the 1950s, when production took off in the newly developed fields of the Volga-Ural. While, in 1953, the USSR exported some 4.2 million tons of oil, by 1968 the volume had increased to 86.2 million tons,⁸ half of which was exported to its allies in the Socialist countries of Eastern Europe, the other half to Western Europe. In the West, the largest quantities of Soviet oil were absorbed by Italy, the Federal Republic of Germany, and France. These exports presented an important source of much-needed hard-currency income to the USSR. The USSR also shipped small amounts of oil to Third World countries in exchange for goods, and as a means to gain political goodwill.⁹

Although the share of "red oil" in European oil consumption was fairly modest, this did not prevent Washington from convincing its NATO allies, in

⁶ Yergin 1991, 570-94.

⁷ The most important oil production sites in the Caucasus were located near the cities of Baku, Grozny, and Maikop. On Soviet oil policy during from the late 1920s to the 1940s: Igoikin 2005.

⁸ Goldman 1980, 22-3.

⁹ For an overview, see: Goldman 2010, 1-54; Perović 2013, 5-28.

reaction to the crises over Berlin and Cuba, to impose an embargo on the export of steel pipes to the USSR in November 1962. Already before, the NATO Council had advised the Europeans to “exercise caution and restraint in determining the level of their oil imports from the Soviet bloc.”¹⁰ Not only did the Western sanctions regime do little to prevent the Soviets from finishing the “Friendship” (*druzhba*) oil pipeline by 1964, but also Soviet oil hardly presented a threat to the Europeans. In 1966, Soviet oil only accounted for about 7.5 percent of West Germany’s oil imports. Only in the case of Italy, the largest buyer of Soviet oil in terms of absolute volume, did the share of Soviet oil reach some 20 percent.¹¹ Overall, around 80 percent of oil imported by Western Europe in 1970 originated in the Middle East, while the share of oil from the USSR and other Eastern European Socialist states was around seven percent.¹² Only a few smaller Western European states, notably Finland and Iceland, imported the largest share of their oil from the Socialist bloc. At this time, gas was not a major issue. The USSR had begun to ship gas in ever-larger quantities to its allies in Eastern Europe starting in the early 1960s.¹³ However, it was only in 1968 that Austria, the first Western European country to sign a “gas for technology” deal with the Soviet Union, received small quantities of Soviet gas through an extension of the East European pipeline transportation system. It would be several more years before West Germany, Italy, and France would begin to import modest quantities of this commodity.¹⁴

When NATO lifted its embargo in November 1966, discussions in the West no longer centered on the alleged Soviet “oil threat.” By this time, Western observers were beginning to doubt whether the USSR would be able to maintain current export volumes, let alone increase these substantially in the years to come. A US National Intelligence Estimate report of November 1970 saw

¹⁰ NATO report quoted in *Oil Resources in Eastern Europe and the Caucasus: British Documents 1885-1978*, vol. 8, ed. A. L. P. Burdett, 283. Cambridge: Cambridge University Press, 2012.

¹¹ *Interdepartmental Working Paper on the Security of Oil Supplies*, British Ministry of Power, January 23, 1968, in *Ibid.*, 52-9, 59.

¹² Telegram from the Embassy in the Netherlands to the Department of State, The Hague, October 20, 1970. In *Foreign Relations of the United States (=FRUS), 1969-1976, vol. XXXVI, Energy Crisis, 1969-1974*, 134-5, 134. Washington, DC: United States Government Printing Office.

¹³ During the 1970s the burden of energy exports to the Eastern allies became even stronger. The oil consumption in the CMEA almost doubled from 53.2 tons in 1970 to its maximum in 1979 of 102.7 tons per year, while the share of Soviet oil imports rose from 76.1 percent in 1970 to a maximum of 77.7 percent in 1976 and then fell to about 75 percent in the following years. The consumption of gas more than doubled from 38.9 m³ in 1970 to 80.1 m³ in 1979 and continued to rise up to 104.0 m³ in 1987, while the share of Soviet gas imports rose from 6.7 percent in 1970 to 39.4 percent in 1987. Figures from Bethkenhagen 1990, 242.

¹⁴ West Germany received its first gas deliveries in 1973, Italy in 1974, and France in 1976: Stern 1983, 373.

the USSR as being self-sufficient in oil “at least through 1975 and probably through 1980,” but predicted that the “level of Soviet exports both to Eastern Europe and to non-Communist countries will depend to a growing degree, however, on Soviet ability to procure supplemental supplies of oil from the Middle East for re-export.”¹⁵ The authors of the report argued that this was due to the fact that “Soviet oil fields are being depleted more rapidly than expected, in part because poor extractive practices have made large quantities of reserves impossible to recover.” The report acknowledged that more Soviet oil was coming from recently discovered deposits in Central Asia and Western Siberia, yet since these were “far from centers of consumption in the western part of the USSR” and due to the “[e]xtremes of climate, difficult terrain, reluctance of skilled specialists to work under such conditions, and shortage of suitable technology and equipment,” the exploitation of these reserves was “difficult, costly, and the rate of increase in total production of oil is slowing down.”¹⁶

Western observers saw strong indications of the Soviet Union’s energy problems during 1973, when the Soviet Union repeatedly fell behind schedule in its oil delivery commitments to Western European countries, such as France, Italy, and West Germany.¹⁷ When the oil shock hit Europe in 1973/74, analysts in the West saw their gloomy forecast of Soviet oil confirmed, as the Soviet Union was not able to ship more oil abroad at short notice.¹⁸ A British internal government paper observed in February 1974 that the oil crisis led not only to “extensive rethinking of energy policies in the developed Western countries,” but also to an “embarrassment to the Soviet Union,” which “despite the expansion of its oil industry over the past decade” proved unable “to become a substantial contributor to world supplies.”¹⁹

These doubts were not unfounded. Between 1960 and 1970, Soviet oil production had more than doubled, from some 150 million tons per year to over 300 million tons, and would continue to rise until the early 1980s, when Soviet oil production reached its peak, producing some 600 million tons of oil per year.²⁰ Yet, with the continuing expansion of energy-intensive industries (namely the armament sector) and the start of mass production of consumers

¹⁵ “National Intelligence Estimate, NIE 20/30-70,” Washington, DC, November 14, 1970. In *FRUS, 1969-1976, vol. XXXVI, Energy Crisis 1969-1974*, 136-51, 143.

¹⁶ *Ibid.*, 143-4.

¹⁷ See reports from the British Embassy in Bonn (dated December 19, 1973) and Moscow (dated January 8, 1974) on Soviet Oil Supplies to East and West Europe. In *Oil Resources in Eastern Europe and the Caucasus*, 427, 432-5.

¹⁸ Cf. the letter of German Chancellor Willy Brandt to Leonid Brezhnev, November 7, 1973. 2004. In *Akten zur Auswärtigen Politik der Bundesrepublik Deutschland (= AAPD), vol. III: October 1-December 31, 1973*, 1780-81. Munich: Oldenbourg; Sowjet-Union: Hinter den Kulissen. 1973. *Der Spiegel* 50 (December 10): 96-7.

¹⁹ The report dated February 1974 is titled “Soviet Oil Production Problems” and contained in *Oil Resources in Eastern Europe and the Caucasus*, 445-50, 445.

²⁰ Gaidar 2006, 101 (based on Soviet statistics from various years).

goods such as cars, which absorbed an ever growing share of oil,²¹ the Soviet hunger for hydrocarbons rose faster than oil production, meaning that virtually all of the additional oil the Soviet Union produced between 1974 and 1978 was needed to satisfy the demands of an extremely wasteful domestic industry.²² In order to free more oil for export to the lucrative Western market, the Soviet Union had to either introduce measures to use existing energy more efficiently or boost energy production. Ultimately, the Soviets decided not to save, but to expand their energy base by turning their attention to West Siberia and to natural gas.

3. Fighting the Cold

Even though, by the early 1970s, Soviet geologists had by and large confirmed the existence of huge reserves of oil, and even more reserves of natural gas, in Western Siberia. However, the Soviet leadership was hesitant to take the great leap into the inaccessible parts of this remote area (at this time, Siberian fossil resources, mainly oil, had been developed only in the more accessible and moderate zones of the region). The prospect of developing energy in Western Siberia was thus a nightmare for Soviet planners from the very beginning. Building infrastructure in the vast and unsettled swamplands, with permafrost soil and temperatures dropping as low as -50°C during wintertime, not only presented huge challenges in terms of technology, but also required massive financial investment and tens of thousands of people willing to work under extreme conditions. Given these difficulties, the Siberian enterprise was, from an economic standpoint, highly questionable and thus met with considerable internal political opposition.

The idea of using Siberia's natural resource potential was not new. When Russia started its conquest of the region in the sixteenth century, Siberia was colonized and exploited for mainly economic purposes – namely, fur and precious metals. Otherwise, it was known as a place for exiles, prisoners, and adventurers. In the minds of the Russian public, it presented a “kingdom of death” and “eternal silence” as the writer and ethnographer Ippolit Iri-narkhovich Zavalishin noted in his account of a journey to Western Siberia in the mid-nineteenth century.²³ It was not until the Bolshevik revolution that Siberia was assigned a firm place in the Soviet Union's ambitious industrializa-

²¹ In 1966 the government announced that car production would quadruple during the 8th Five Year Plan. In 1975, 1.2 million cars were produced in the Soviet Union, six times as many as in 1965: Siegelbaum 2008, 238.

²² On the problems of Soviet economic development during the 1970s in general: Nove 1982, 17-44, especially 17-25.

²³ Zavalishin 1862, 273.

tion program. In line with Lenin's credo of 1920 that "Communism equals Soviet power plus electrification of the whole country,"²⁴ the focus of Soviet energy policy was on the construction of gigantic hydroelectric power stations along some of Siberia's vast rivers. From these power stations, electricity was transported southwards to the populated parts of the Soviet Union.²⁵

Some Soviet geologists had speculated since the late 1920s that the remote parts of Siberia held large deposits of oil, gas, and other valuable resources, yet the country's leadership did not give permission to send expeditions in order to exploit the area systematically. It was only when the Stalinist regime began fully to appreciate the huge relevance of oil to modern warfare and industrialization during World War II that it understood that it urgently needed to look for new producing regions.²⁶ Thus, it was at this point that Siberia came back into focus. Though the existence of oil and gas deposits in the Tiumen' region was confirmed in the 1950s, it was not until a decade later that the Soviet leadership finally granted permission to exploit the vast northern parts as well. The respective governmental decisions "On Measures to Intensify the Geological Exploration of Oil and Gas in Western Siberia" (1963) and "On the Organization of Preliminary Preparations for the Industrial Exploitation of Located Oil and Gas Deposits" (1964) initiated the industrial development of the region, to be followed by around a dozen governmental decrees over the next few years.²⁷

Rising production rates could not, however, mask the concurrent economic and social problems facing Soviet planners in Western Siberia.²⁸ The biggest challenge was to find qualified personnel ready to work in the harsh Siberian conditions. Although the party leadership engaged thousands of members of the Communist youth organization Komsomol²⁹ and also forced a considerable number of prisoners to work in Western Siberia,³⁰ there was a serious lack of a spe-

²⁴ Lenin's quote of November 21, 1920 can be found in: W. I. Lenin. 1966. *Werke*, vol. 31, 414. Berlin: Dietz-Verlag.

²⁵ Gestwa 2010, 14-26.

²⁶ Perović 2013, 6-11.

²⁷ Koleva 2007, 96.

²⁸ On production rates: Slavkina 2002, 69.

²⁹ Cf. Andrei Kortunov's speech at the 12th conference of the Tiumen' Regional *Komsomol* Organization in January 1966. In *Neft' i gaz Tiumeni v dokumentakh*, vol. 2: 1966-1970, ed. D. A. Smorodinskoy and V. N. Klepnikov, 20-1. Sverdlovsk: Sredne-Uralskoe knizhnoe izdatel'stvo. (1973).

³⁰ It is not clear to what extent the Soviet Union used prisoners for oil and gas exploration work and the building of pipelines in the 1960s and 1970s. The German news magazine *Der Spiegel* in August 1982 referred to 100,000 prisoners and an unspecified number of workers from the German Democratic Republic: Dreckige Lüge. 1982. *Der Spiegel* 33 (August 16): 94-6, 94. See also the report by the CIA on the use of prisoners for pipeline construction in the early 1980s: Central Intelligence Agency. 1982. *Alleged Use of Forced Labor on Siberian Pipeline*, memorandum for Richard Burt, Assistant Secretary of State, August 20. Washington, DC: Central Intelligence Agency <http://www.foia.cia.gov/sites/default/files/document_conversions/89801/DOC_0000102966.pdf> (accessed September 29, 2013).

cialized work force. Already in 1967, the Tiumen' Regional Party Committee complained about this situation in a decree addressed to Viktor Muravlenko, the first head of Glavtiumenneftegaz, the region's main oil and gas department.³¹ The party committee suggested that in order to make the region more attractive to highly educated specialists, they were to be paid higher wages.³² Student groups were to be engaged to assist in the building of infrastructures, including schools, apartment buildings, and parts of the railway, which were to be finished on the occasion of the anniversary of the Great October Revolution in 1967.³³ Although some of these demands were implemented later (workers in Western Siberia got markedly higher salaries than those in other parts of the country, and enjoyed various other benefits), the topic of manpower remained a problem and continued to be discussed at various scientific and party conferences.³⁴

Another key issue was technology. The Soviet planners were well aware of the fact that their "energy problem" was very different from the one Europe was facing. At least from the mid-1960s onwards, when additional large deposits of oil and gas were discovered in the northern part of the Tiumen' region, the question was never whether there was enough energy in the ground, but how to exploit and transport these resources to the far away industrialized zones in the Western part of the country. The transportation issue was all the more challenging as the Soviet industry was not able to produce sufficient high-quality steel pipes and the technical equipment needed for constructing a vast energy infrastructure, as Soviet Deputy Minister of Gas Yuri Bokserman noted in 1967.³⁵ It was precisely for this reason that Soviet representatives from the oil and gas sector travelled abroad in order to gain knowledge and build up contacts with specialists in the West and frequently took part in international energy meetings.³⁶

Certainly, a lack of manpower and technical equipment, combined with the problem of insufficient financial means, constituted severe obstacles in the development of Western Siberian energy resources. Still, when investigating the issue, one cannot fail to notice the gap between the large numbers of governmental decrees repeatedly ordering the exploitation of the region and the slow progress on the ground during most of the 1960s and well into the mid-1970s. Thus, apart from the obvious obstacles, another factor slowing devel-

³¹ Decree by the Tiumen' Regional Party Committee "On the work with leading and technical cadres on enterprises of the oil industry," January. 1967. In *Neft' i gaz Tiumeni v dokumentakh*, 78-9.

³² Decree on Glavtiumen'neftegazstroi, February 1967, in *Ibid.*, 88.

³³ Cf. "Socialist duties of the workers [...] for 1967," and letter from the Tiumen' Regional Party Committee about the work of the student working groups, October 1967, in *Ibid.*, 83-4, 114.

³⁴ Cf. "Decree on the conference on problems of development and placement of workforce," January 1969, in *Ibid.*, 180-87.

³⁵ Högselius 2013, 137.

³⁶ Scientists started to travel abroad already in the 1950s: *Ibid.*, 26-7.

opment was internal party opposition and in-fighting among the numerous ministries and branches of central and local bureaucracy, all of which were competing for scarce investment resources. In order to streamline the decision-making process and avoid the “bazaar” of the various ministries fighting over the allocation of resources ahead of each five-year planning process,³⁷ First Party Secretary Brezhnev already in the mid-1960s sought to strengthen GOSPLAN, the committee responsible for economic planning, and thereby also its head, Nikolai Baibakov, who had made a name for himself as minister of the oil industry under Stalin.³⁸

Bureaucracy was, in Brezhnev’s mind, the biggest foe of development. In a public appearance before representatives of local state and party committees and enterprises in 1965, Brezhnev complained that in order to realize big ideas, any five-year planning needed to determine where to concentrate investment: “If we give each 20 kopeks, no idea can be realized.”³⁹ At this time, however, the Soviet party leader did not yet favor the development of Western Siberia, which was also in line with the thinking of Nikolai Baibakov, who was to become one of Brezhnev’s key advisors on economic issues. Baibakov was initially skeptical. He did not believe the “overtly positive sounding indicators” that the famous Soviet geologist, Farman Salmanov, presented to him during a meeting with members of the local party of the Tiumen’ region in the mid-1960s. Also, given the lack of technology and the problem of finding enough manpower, Baibakov doubted whether it would be feasible, let alone economically sustainable, to develop Siberia.⁴⁰ Instead, he believed that it would be sufficient to further increase oil and gas production in the existing oil regions in the Volga-Ural, the Caucasus, and the newly developed fields of the more accessible parts of Siberia. Also, during the second half of the 1960s, Baibakov concluded gas and oil import deals with Iran and Afghanistan in order to supply the adjacent Caucasus and Central Asia regions with energy in exchange for Soviet technical equipment and investment.⁴¹

It was only in the late 1960s that the Soviet leadership started to pay more attention to the development of Western Siberia. The change of mind was due to the increasing evidence that the middle and northern parts of the Tiumen’ region indeed held vast oil and even bigger gas reserves. Also, with the easing of East-West tensions and positive first experiences resulting from commercial deals with Western European companies, international technical cooperation on a large scale now seemed a real option. In order to bring about cooperation with the West, however, a major shift in Soviet foreign policy was needed.

³⁷ *General'nyi sekretar' L. I. Brezhnev*, 37.

³⁸ On Baibakov: Slavkina 2010.

³⁹ *General'nyi sekretar' L. I. Brezhnev*, 43.

⁴⁰ Bajbakov 1985, 347.

⁴¹ Stern 1983, 372.

4. Détente and Energy: The Enthusiasm of the Early Years

Brezhnev was genuinely afraid of another major war. He had personally experienced the devastating consequences that World War II had brought to the Soviet Union and Europe, and had witnessed Khrushchev's dangerous brinkmanship in the early 1960s over Berlin and Cuba, which almost caused a nuclear confrontation with the West. However, it was one thing to strive for "peaceful coexistence," as Khrushchev had propagated, and another matter entirely to engage with one's ideological adversary in mutual trade and long-term economic cooperation projects. In the sensitive field of energy, it was not only the sellout of the country's wealth to the Capitalists that provoked sharp criticism in the ranks of the CPSU, but a more general uneasiness about the ideological foundations upon which Soviet power rested. Contrary to what "scientific Communism" taught, some argued, by concluding long-term economic agreements with Western states in the field of energy, the Soviet Union was in fact helping Capitalism to emerge from its crisis, thus postponing Socialist revolution to a remote future.⁴²

Brezhnev was not greatly preoccupied with the need to justify détente in ideological terms. Lasting peace, he maintained, was essential to prevent the possibility of war, and this peace could be achieved only through mutually advantageous economic cooperation. Close relations between the USSR and the West were all the more urgent as Brezhnev now saw China as the main threat to the Soviet Union and worried over Chinese expansionist intensions with regard to the Far East and Siberia.⁴³ According to Brezhnev, détente was not historically unprecedented, but was in fact a continuation of Lenin's concession policy of the 1920s, when the Soviet government had allowed Western companies access to the Soviet market in return for investment and technology.⁴⁴ Most importantly – and this was a point that he carefully withheld from the public – Brezhnev, or rather his closest advisors, knew that the Soviet Union simply had no choice. The Soviet Union had longstanding experience in oil and gas production, but not in the kind of harsh environment that prevailed in Siberia.

The Soviet Union was willing to enter into business with the West, and the most attractive area of cooperation was, from Moscow's perspective, the development of Siberian gas. In fact, in the years to follow, Soviet representatives conveyed very much the same message to all parties interested, be they the Americans, the Germans, the Japanese, the French, or the Canadians: Siberia

⁴² *The Diary of Anatoly S. Chernyaev, 1973*. 2013. Ed. Svetlana Savranskaya, trans. Anna Melyakova, 46 (entry of June 24, 1973). Washington, DC: National Security Archive <http://www2.gwu.edu/~nsarchiv/NSAEBB/NSAEBB430/Chernyaev_1973_final_PDF_version.pdf> (accessed September 6, 2013).

⁴³ *Diary of Chernyaev, 1973*, 29 (entry of April 29, 1973); Wishnick 2001, 40-3.

⁴⁴ *General'nyi sekretar' L. I. Brezhnev*, 133.

was up for grabs, and everybody could take whatever they wanted, only if they provided the necessary equipment and paid for it. This was illustrated in an episode in January 1971, when a high-ranking German business delegation led by Otto Wolff von Amerongen, president of the German Industry and Trade Organization, returned from a business trip beyond the Urals, and Kosygin allegedly greeted him by saying: “You saw Siberia and the enormous possibilities – help yourself!”⁴⁵

Not everyone subscribed to this point of view. The prospect that the Soviet Union, a truly global power that never before in its history had such military might and international political impact, was to become dependent on foreigners for inputs and markets was regarded with considerable distaste by many within the USSR.⁴⁶ When, in April 1972, the Soviet Politburo discussed US President Richard Nixon’s upcoming visit to the Soviet Union, Soviet Head of State Nikolai Podgornyî feared that with regard to deals on gas and oil pipelines, it would appear as if the Soviet Union was “planning to sell off the whole of Siberia; plus, it makes us look technologically helpless.”⁴⁷

According to Brezhnev and his group of advisors, however, the Soviet Union could simply not afford to isolate its economy from the international market. An expansion of trade served both the purpose of generating foreign currency and as a means to attract Western technology and investment needed in those areas of the economy where the Soviets lagged considerably behind developments in the West. Thus, during the Politburo meeting of April 1972, GOSPLAN leader Baibakov countered Podgornyî’s argument on the grounds that although “[t]echnologically we could lay down the pipeline ourselves,” the Soviet Union simply had “no metal for pipes, nor for machines or other equipment” and the whole process of developing difficult fields would take “at least 30 years.”⁴⁸

Although Baibakov had, until recently, been opposed to engaging in a gas developing program for Western Siberia and the building of large export pipelines,⁴⁹ he was now one of the most ardent advocates of such a program and in favor of economic cooperation with the West, together with like-minded people, including Prime Minister Kosygin, Minister of Foreign Trade Nikolai Patolichev, or Foreign Minister Andrei Gromyko. What the Soviet leadership would definitely not publicly communicate was that a major part of the rationale for seeking cooperation with the West on energy was the Soviet Un-

⁴⁵ Sibirien: ‘Greifen sie zu!’ 1973. *Der Spiegel* 3 (January 15): 60–71, 62.

⁴⁶ Goldman 1983, 634.

⁴⁷ *The Diary of Anatoly S. Chernyaev, 1972*. 2012. Ed. Svetlana Savranskaya trans. Anna Melyakova, 11 (entry April 8, 1972). Washington DC: National Security Archive <<http://www2.gwu.edu/~nsarchiv/NSAEBB/NSAEBB379/1972> as of May 24, 2012 FINAL.pdf> (accessed September 6, 2013).

⁴⁸ *The Diary of Anatoly S. Chernyaev, 1972*, 12 (entry of April 8, 1972).

⁴⁹ Högselius 2013, 41.

ion's desperate need for hard currency, if only to be able to pay for the grain it had to regularly acquire from the United States or Canada in order to compensate for the devastating effects of bad harvests and agricultural mismanagement.⁵⁰ The only valuable goods the country could offer, and which the West was genuinely interested in, were oil and gas, as Baibakov bluntly told the members of the Politburo meeting in April 1972.⁵¹ Trade in these commodities seemed all the more lucrative as oil prices began to surge from the early 1970s onwards, and Soviet export revenues had increased commensurately.⁵²

The model of cooperation was to be based on the barter/cash agreements with Western European companies established in previous years, namely the "pipe for gas" deal concluded with West Germany in February 1970 in the framework of Bonn's *Ostpolitik*. Under the terms of this trade deal, German steel manufacturers delivered the pipelines necessary to transport natural gas from Siberia to Central Russia, and the Soviet Union agreed to pay in kind with natural gas deliveries. The USSR was committing itself to ship gas for at least 20 years, and the whole endeavor was secured by a credit in the range of DM 1.2 billion provided by a German bank consortium. Once the credit had been paid off with earnings from natural gas exports, the Germans would have to start paying in foreign currency.⁵³

The form of cooperation was to follow previous experience, but the plans the Soviets set out to discuss with their Western partners during 1972/73 were much more ambitious. The two largest energy projects considered at the time both regarded Siberian natural gas. The so-called "North Star" project was to build a gas pipeline from the recently discovered Urengoi fields in the Tiumen' region to a gas liquefying plant near Murmansk on the Kola Peninsula. From there, gas was to be shipped to the US East Coast.⁵⁴ The other was to construct a gas pipeline from fields in Yakutia in Eastern Siberia, to Yakutsk, on to Magadan on the Pacific, and from there in liquefied form to Japan and the US West Coast.⁵⁵ In both cases, Western companies would provide all of the equipment for the construction of pipelines, power stations, and LNG plants and grant the credits, which the Soviet Union would pay off through gas deliveries over several years.⁵⁶

⁵⁰ Figures of Soviet grain imports from 1970 to 1985, based on Soviet statistics, can be found in Gaidar 2006, 98.

⁵¹ *The Diary of Anatoly S. Chernyaev*, 1972, 12 (entry of April 8, 1972).

⁵² Thornthorn 1983, 600.

⁵³ Röhren-Kredit: Salto am Trapez. 1970. *Der Spiegel* 7 (February 9): 34.

⁵⁴ The only comprehensive Western study on the "North Star" project dates back to 1975: Kosnik 1975.

⁵⁵ A description of the project is found in: "Memorandum from the President's Special Consultant for Energy (DiBona) to the President's Assistant for National Security Affairs (Kissinger), March 19, 1973. In *FRUS, 1969-1976, vol. XXXVI, Energy Crisis 1969-1974*, 441-3. Washington, DC; also: *The Diary of Anatoly S. Chernyaev*, 1972, 12 (entry of April 8, 1972).

⁵⁶ Stern 1983, 375-6.

Unlike under the Soviet-German agreement, Siberian gas was thus not to be shipped first to the European part of Russia and fed into the Soviet pipeline system, but would be transported directly from the Tiumen' fields in Western Siberia to the West. Also, the deal with the Americans to develop Siberian natural gas was in the range of \$4-5 billion US and, thus, no "small potatoes," as US Secretary of Commerce Maurice Stans explained to Nixon in mid-November 1971.⁵⁷ The volume of deliveries was to be in the range of 25 billion cubic meters of gas per year⁵⁸ and thus about ten times larger than the volumes agreed upon with the Germans in 1970.⁵⁹

Given the problems the Soviet economy was facing at the time, it was clear that the USSR needed cooperation with the West more than vice versa. Nevertheless, Moscow was careful not to appear desperate. Thus, at one point during the US-Soviet Moscow Summit talks in May 1972, Kosygin pretended that the USSR could easily do without the United States, as it had already concluded such large deals with the West Europeans and all of the Socialist states and thus it had "almost more potential consumers" of gas than it needed.⁶⁰ When addressing the West Europeans, however, the Soviets changed tactics and talked about the deals with the United States as if they were a *fait accompli*. Thus Brezhnev, clearly as a way to play both sides, boasted to German Chancellor Willy Brandt during his first official visit to Germany in May 1973 that he had offered the Americans "one trillion cubic meters" of gas; if the United States imported "250 to 300 billion cubic meters annually, this would last for 40 to 50 years," thus clearly urging the Europeans to explore similar options as quickly as possible, if they did not want to miss out on Siberian energy.⁶¹

Western government and business circles were generally interested in exploring new business options with the USSR, but far less enthusiastic. Apart from fundamental questions regarding the economic merits of such large pro-

⁵⁷ Conversation Among President Nixon, Secretary of Commerce Stans, Secretary of State Rogers, and the President's Deputy Assistant for National Security Affairs (Haig), Washington, November 15, 1971. 2006. In *FRUS, 1969-1976, vol. XIV, Soviet Union, October 1971-May 1972*, 37-46, 40. Washington, DC: United States Government Printing Office.

⁵⁸ According to Kosygin during the US-USSR Moscow Summit talks, May 22, 1972. 2007. In *Soviet-American Relations: The Détente Years, 1969-1972*, ed. Edward C. Keefer, 881. Washington, DC: United States Government Printing Office. Later, the contract was scheduled for 25 years with a delivery of 20 billion m³ of gas per year, starting in 1980. The estimated cost was \$6.7 billion US: Stern 1983, 375.

⁵⁹ West Germany was to get 53 billion m³ over a period of 20 years (or 2.6 billion m³ gas per year): 1970. *Der Spiegel* 7 (February 9): 34.

⁶⁰ Quote from Kosygin during the Moscow Summit talks, May 24, 1972. In *Soviet-American Relations*, 874.

⁶¹ Brezhnev on May 20, 1973, during talks with German Chancellor Brandt in Bonn: 1973. *AAPD, 1973, vol. II: May 1-September 30, 1973*, 758-65, 760-1.

jects,⁶² the US administration in particular initially feared that this could result in a loss of political leverage. When Nixon discussed the natural gas project with his advisors in November 1971 for the first time, he was noticeably hesitant, as he understood that trade was “infinitely more important” to the Soviet Union than it was for the US, and he was reluctant to easily give away what he saw as a “bargaining position.”⁶³ US Secretary of State William Rogers even saw trade as “something of a weapon” that the US could wield vis-à-vis the USSR.⁶⁴ For the Europeans, the challenge was that the projects the Soviets had in mind were simply too big and thus too risky for one party to sustain alone, as these ventures required large financial sums. Moreover, any engagement on this scale required political backing. In the case of the US, the most powerful economy in the world, an expansion of trade on this scale meant removing restrictions on trade with Communist states and granting the USSR Most-Favored-Nation status.⁶⁵ This, however, required approval from the US Congress, where strong opposition from anti-Communist and neo-conservative circles led by the influential democratic Senator Henry M. Jackson was certain.⁶⁶

Against the background of considerable economic and political uncertainties, the United States initially remained reserved and, unlike their Soviet counterparts, the US delegation did not push this issue during the Moscow Summit in May 1972.⁶⁷ A year later, however, US President Nixon, in defense of his détente policy, seemed to have been much more inclined towards closer economic cooperation with the USSR. In April 1973, two months before Brezhnev’s visit to the United States, Nixon, against the advice of people such as Charles DiBona, the President’s special consultant on energy,⁶⁸ or Walter Levy, the renowned US oil analyst and consultant to the Department of State,⁶⁹ urged

⁶² See the US government paper on the Soviet LNG project: “Memorandum From the President’s Special Consultant for Energy,” Washington, DC, March 19, 1973. In *FRUS, 1969-1976, vol. XXXVI, Energy Crisis 1969-1974*, 441-3.

⁶³ “Conversation Among President Nixon, Secretary of Commerce Stans, Secretary of State Rogers, and the President’s Deputy Assistant for National Security Affairs (Haig),” Washington, DC, November 15, 1971. In *FRUS, 1969-1976, vol. XIV, Soviet Union, October 1971-May 1972*, 38.

⁶⁴ *Ibid.*, 39.

⁶⁵ *Ibid.*, 41.

⁶⁶ “Memorandum From the President’s Special Consultant for Energy,” Washington, DC, March 19, 1973. In *FRUS, 1969-1976, vol. XXXVI, Energy Crisis 1969-1974*, 441. For further reading on the role and views of Henry Jackson: Kaufman 2000, especially 242-60.

⁶⁷ The project was discussed on several occasions during the Moscow Summit talks on May 23-25, 1972: *Soviet-American Relations*, 851-2, 873-4, 880-2, 918-9.

⁶⁸ “Memorandum From the President’s Special Consultant for Energy,” Washington, DC, March 19, 1973. In *FRUS, 1969-1976, vol. XXXVI, Energy Crisis 1969-1974*, 441-3.

⁶⁹ Walter Levy, in direct talks with the President’s Assistant for National Security Affairs (and later Secretary of State) Henry Kissinger in August 1973, suggested that rather than engaging in a potentially costly endeavor with the USSR, the US should strive to work together with the Soviet Union in the oil-rich states of the Near East, namely Iraq: “Memorandum of

the members of his Cabinet to consider not only the economic merits, but the effect that the building of “that great pipeline that they are talking about” might have on “the total relationship with the Soviet Union.”⁷⁰ At the same time, he wanted to present the gas deal as a means in his domestic struggle against opposition from Congress in order to say, “Look, we need them on gas and so forth.”⁷¹

Despite continuous reservations due to economic feasibility, the US government thus showed willingness to support its energy companies, and it was thanks to the engagement of US Foreign Minister George Schultz that in June 1973 a three-company US consortium signed a preliminary agreement with the Soviet Ministry of Foreign Trade.⁷² A month later, Occidental Petroleum signed a five-year agreement with the Soviet government on natural gas, crude oil, agricultural chemicals, and other products.⁷³ At the same time, negotiations with Japanese companies on research and development of Yakutian gas,⁷⁴ coal,⁷⁵ and Sakhalin oil and gas⁷⁶ were making progress, although not as fast as the Soviet government would have wanted.

5. The Oil Shock of 1973/74

Against this background, the outbreak of open war in the Middle East in October 1973 could not have come at a worse moment, as Western-Soviet rapprochement was put to a severe test. As the center of international Communism and self-declared protector of Third World countries, the USSR could not but extend solidarity and support to its allies in the Arab world, both politically and in terms of arms transfers, if it did not want to lose its credibility. At the same

Conversation,” Washington, DC, August 8, 1973. In *FRUS, 1969-1976, vol. XXXVI, Energy Crisis 1969-1974*, 502-9.

⁷⁰ “Conversation between President Nixon and Members of the Cabinet,” Washington, DC, April 20, 1973. In *FRUS, 1969-1976, vol. XXXVI, Energy Crisis 1969-1974*, 446.

⁷¹ *Ibid.*

⁷² Högselius 2013, 133.

⁷³ “Memorandum from Secretary of Commerce Peterson to the President’s Assistant for National Security Affairs (Kissinger) and the Executive Director of the Council for International Economic Policy (Flanigan),” Washington, DC, August 19, 1972. 2011. In *FRUS, 1969-1976, vol. XV, Soviet Union June 1972-August 1974*, 75-9, 76. Washington, DC: United States Government Printing Office.

⁷⁴ Conversation between the Soviet ambassador to Japan, O.A. Troianovskii, with the president of the Japanese “Export-Import-Bank” S. Sumit, February 25, 1974. In *Rossiiskii Gosudarstvennyi Arkhiv Ekonomiki (= RGAE) f. 413, op. 31, d. 6676, l. 23*.

⁷⁵ Memorandum of conversation between Deputy Minister of Foreign Trade I. F. Semichastkov, Foreign Minister T. Kimur, Minister of Foreign Trade and Industry Ia. Nakasone, and Minister of Finances M. Okhir, July 26, 1974. In *RGAE f. 413, op. 31, d. 6676, l. 91*.

⁷⁶ Memorandum of conversation between Deputy Minister of Foreign Trade I.F. Semichastkov with delegates from Japanese economic circles (Uemura, Nagano, Imadzato, and Andzai), July 25, 1974. In *RGAE f. 413, op. 31, d. 6676, l. 88*.

time, Moscow needed to proceed cautiously if it did not wish to seriously jeopardize détente.

When war broke out, Moscow officially sided with the Arabs and their “struggle for national liberation” and condemned Israeli “aggression.” But the Soviet Union showed restraint in attacking Western governments directly. Tellingly, information on the conflict never made headlines in the Soviet newspaper *Pravda*, the official mouthpiece of the Communist Party. The day after the outbreak of war, on October 7, 1973, *Pravda* reported on its front page at length on the visit of Japanese Premier Minister Tanaka to the Soviet Union and his talks with Soviet officials. Apart from a small note, all information on the conflict in the Near East was relegated to *Pravda*’s international section on page five.⁷⁷ Already in early November 1973, when military operations in the Near East ended, the Soviet government had shown a readiness to resume diplomatic relations with Israel and to work towards a post-war settlement in the United Nations.⁷⁸

A similar situation arose when the Arab oil-producing states announced the intention to cut production on October 17, 1973. In general, the Soviet Union supported this decision, stressing the legitimate rights of the Arabs to fight imperialism, and Israeli aggression in particular, with their own means. In an Arabic broadcast on November 5, 1973, Radio Moscow noted the success of the Arab oil weapon, declaring that this weapon “is capable of hitting its target effectively over a distance much greater than any other weapon.”⁷⁹ Although it was only to be expected that numerous observers in the West would see the Soviet Union as the instigator of the Arab oil embargo, the prospect of Western economies sliding into a serious recession was in fact hardly in Soviet interest, as this would have made it even more difficult for Moscow to get Western technical assistance and credits.⁸⁰ In fact, as the scope of the crisis became apparent during November and December of 1973, Moscow’s initial feelings of triumph dissipated fairly quickly. Again, this became evident in the way the Soviet printing press presented the crisis.

In an attempt to not unnecessarily strain relations with the West, *Pravda* put the blame not so much on Western government action against the Arabs, but on Western oil companies, which, due to higher oil prices, were reaping huge profits at the expense of the working classes. At the same time, *Pravda* started to report almost daily and in great detail, often illustrated by cartoons, on the economic crisis in the individual countries of the Western Europe and the United States, the severe economic hardship of the people, and social unrest.

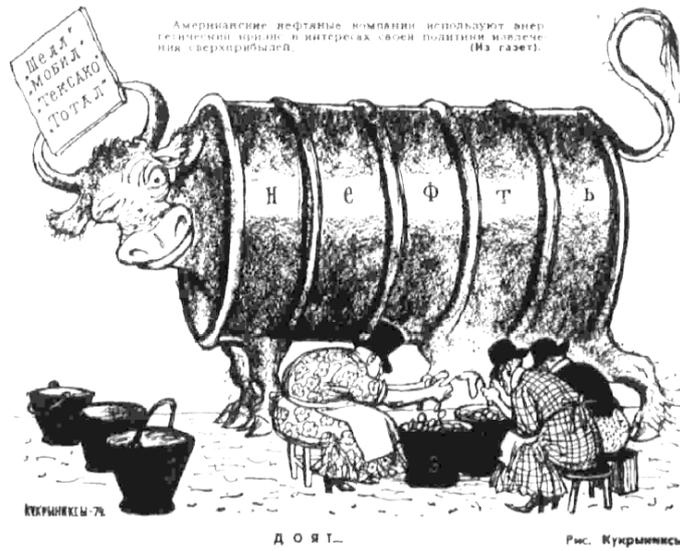
⁷⁷ *Pravda* 280 (October 7, 1973): 1, 5.

⁷⁸ *Diary of Anatoly S. Chernyaev, 1973*, entry of November 4, 1973, 69.

⁷⁹ Cited from *Oil Resources in Eastern Europe and the Caucasus*, 408.

⁸⁰ Sowjet-Union: Hinter den Kulissen. 1973. *Der Spiegel* 50 (December 10): 96-7.

Figure 1: "Milking:" Companies like Shell, Mobile, Texaco, and Total "take advantage of the energy crisis in line with their interests to reap super-profits"



Source: Pravda 40 (February 9, 1974): 5.

Figure 2: "Big business" Makes Profits from the Energy Crisis



Source: Pravda 47 (February 16, 1974): 5.

It was in this context that Moscow thought it opportune to seize the moment in order to achieve its goal of closer economic cooperation. Instead of celebrating the West's economic troubles, the Soviet Union launched a charm offensive in favor of joint cooperation projects on natural gas development in Siberia. In a discussion program for North America on November 4, 1973, Radio Moscow offered Soviet assistance to the West in overcoming the crisis and predicted the day when, thanks to Soviet-US cooperation, "cold Siberia will light and heat New York."⁸¹ Two weeks later, on November 16, 1973, Radio Moscow informed its listeners that "the energy crisis can be overcome" if the United States would open its market and remove discriminatory measures in trade with Socialist countries: "How can the US expect to cope with its economic and energy problems when it refuses countries rich in resources equal trade conditions?"⁸² USSR representatives also used every available opportunity to intensify their efforts to strengthen economic cooperation. Soviet Foreign Minister Gromyko, in a speech during a United Nations conference on resource problems and economic development in April 1974, while again condemning Israeli aggression and demonstrating loyalty to the Arabs, offered the West long-term energy cooperation on the basis of Soviet oil and gas exports without "artificial barriers" in trade relations.⁸³

However, time was not on the side of the Soviet Union, especially regarding cooperation efforts with US companies. While, during the energy crisis of 1973/74, the two sides did indeed come closer to reaching an agreement on the development of Siberian natural gas, US Congress, which was set against Nixon's détente policy, dealt this endeavor a severe blow with the enactment of the Trade Act of 1974, signed into law in January 1975.⁸⁴ The new Trade Act contained the Jackson-Vanik and Stevenson Amendments. While the first amendment denied the Soviet Union Most-Favored-Nation status, the second prevented the granting of large loans or financial guarantees without final approval of Congress. As a reaction to this resolution, the USSR refused to put into force the trade agreement concluded with the United States in 1972.⁸⁵

Neither the "North Star" nor the Yakutia projects, which required very large credits, died immediately. US companies sought to realize "North Star" with partial European support and to implement the Yakutia project with a combination of US commercial bank credits and Japanese Export-Import bank credits. Nevertheless, by 1976, neither of the projects was pursued any further.⁸⁶ The

⁸¹ Radio Moscow, November 4, 1973, cited in *Oil Resources in Eastern Europe and the Caucasus*, 408.

⁸² Radio Moscow, November 16, 1973, cited in *Ibid.*, 407-8.

⁸³ Na VI spetsial'noi sessii Genral'noi Asamblei OON: Vystuplenie A.A. Gromyko. 1974. *Pravda* 102 (April 12): 4.

⁸⁴ Jacobsen 1986, 142-7.

⁸⁵ Stern 1983, 376.

⁸⁶ *Ibid.*

shelving of these projects also meant that the plan to develop Siberian resources was severely thwarted.

6. The Oil Crisis and the Comecon

The global supply shortage caused by the Arab embargo and production cuts threatened not only to “embarrass” the Soviet Union’s standing as an oil supplier to Western Europe, but also have an impact on Soviet behavior towards its Eastern European allies, the Socialist members of the Council for Mutual Economic Assistance (commonly referred to as Comecon, or CMEA).

Up until the early 1960s, Eastern Europe was still largely energy self-sufficient, and the Soviet Union even imported modest quantities of energy from some of its Socialist neighbors. The German Democratic Republic (GDR) and Czechoslovakia, for example, held large reserves of lignite coal, while Poland had substantial reserves of hard coal. Only Romania, however, also disposed of significant reserves of liquid hydrocarbons and was an important oil producer. Largely due to the build-up of energy-intensive industries, such as the petrochemical industry, which the Soviet leadership started to actively promote under Khrushchev, Eastern Europe’s energy consumption grew at a quick pace.⁸⁷ Consequently, the Comecon-countries soon became dependent on Soviet energy imports. From the mid-1960s onwards, the USSR transported large parts of its oil via the new “Friendship” oil pipeline (inaugurated in 1964 and further enlarged during the 1970s). Starting in the late 1960s, Soviet gas reached Eastern Europe through the “Brotherhood” (*bratstvo*) pipeline, which opened in 1968 (with construction of additional sections during the 1970s).⁸⁸ To be sure, Eastern Europe also imported some of its oil from the Middle East,⁸⁹ either directly or indirectly, via the Soviet Union, which bought mostly from Iraq, Libya, Algeria, and Egypt.⁹⁰ However, by 1970, an estimated 85 percent of Eastern Europe’s oil requirement (exclusive of Romania) was covered by USSR production.⁹¹ Individual Comecon-countries, such as the GDR,

⁸⁷ Hoffman 1985, 7-8.

⁸⁸ Balmaceda 2004, 163.

⁸⁹ By 1973, Eastern Europe relied on the Middle East for about one-seventh of its oil imports: “National Intelligence Estimate NIE 1-1-73,” Washington, DC, December 5, 1973. In *FRUS, 1969-1976, vol. XXXVI, Energy Crisis*, 735-52, 741.

⁹⁰ To be sure, the quantities were fairly modest. In 1971, the USSR imported a total of 5.1 million tons of oil from Algeria and Libya. In 1972, this volume increased to 7.8 million tons (imported from Iraq, Libya, and Algeria). In 1973, the USSR imported a total of 15 million tons of oil exclusively from Iraq: *Oil Resources in Eastern Europe and the Caucasus*, 482.

⁹¹ “Memorandum from the President’s Special Consultant for Energy,” Washington, DC, March 19, 1973. In *FRUS, 1969-1976, vol. XXXVI, Energy Crisis*, 142.

Bulgaria or Czechoslovakia, became dependent on Soviet supplies for more than 90 percent of their oil requirements.⁹²

The global energy crisis of 1973/74 aggravated Eastern Europe's energy supply situation considerably. Already in late November 1973, Bulgaria, Poland, and Romania introduced measures to conserve fuel and power resources.⁹³ Even before the crisis, Poland, which imported all of its oil from the Soviet Union, started direct negotiations with Algeria, Iraq, and Iran on oil imports; immediately after the Arab embargo, and in anticipation of potential cut-backs of Soviet oil shipments, a Polish delegation held talks in Tripoli in order to look for additional energy sources.⁹⁴ In fact, it was the USSR herself that encouraged its Eastern European allies to seek a larger share of their oil from other producers in the face of her own export bottlenecks.⁹⁵

While the USSR eventually managed to stabilize its oil exports to Western Europe following the crisis, it did so at the expense of its allies in Eastern Europe. According to estimations by a report of NATO's Economic Committee, Moscow had cut back its oil exports to its Eastern European allies by more than a third by the mid-1970s.⁹⁶ Moreover, the Comecon-countries experienced a sharp increase in prize for the oil they received from the Soviet Union – if the Eastern Europeans paid 30.3 rubles (\$28.4) per ton of oil in 1973, they paid 45.4 rubles (\$60.4) in 1975.⁹⁷

Originally, prices for Soviet oil, which within the Comecon-area were based on payment in kind, had been generally lower than for oil traded on the international market. Among Comecon-states, the prices had, since 1958, been agreed upon the basis of the average world market price for the last five years. While in 1970, the price for Soviet crude oil was still roughly equal to the world market price, this gap started to widen as international prices increased starting in 1970/71, and then surged after the oil shock of 1973/74. As a consequence, Comecon-countries in 1974 paid less than a third of the international market price for Soviet crude oil.⁹⁸ Already in 1975, however, Moscow replaced the model of fixed prices with a new price regulation formula that took the average world market price of the preceding year as the basis.⁹⁹

⁹² Report on "Soviet Oil Supplies to East and West Europe," British Embassy, Bonn, March 18, 1974. In *Oil Resources in Eastern Europe and the Caucasus*, 451-85, 466.

⁹³ British government report, December 4, 1973, in *Ibid.*, 420-3, 422.

⁹⁴ According to a report by the British Embassy in Warsaw, December 21, 1973 in *Ibid.*, 430.

⁹⁵ "National Intelligence Estimate," Washington, DC, December 5, 1973. In *FRUS, 1969-1976, vol. XXXVI, Energy Crisis*, 741.

⁹⁶ This figure is provided by the NATO Economic Committee Working Paper titled "The Energy Situation in Comecon Countries in 1976," July 20, 1976, in *Ibid.*, 621-66, 624.

⁹⁷ *Ibid.*

⁹⁸ Dietz 1984, 77.

⁹⁹ Hoffman 1985, xxiv. See also André Steiner's article in this HSR Special Issue.

To be sure, maintaining and strengthening intra-bloc alliances would remain a top political priority for the Soviet party leadership. Even with the new price formula, Moscow would still negotiate prices and quantities with each Eastern European country individually, whereby political considerations always played a factor in these negotiations. But Soviet behavior in the mid-1970s also indicated that Moscow was less inclined to subsidize its Eastern European allies with cheap energy as larger economic considerations became increasingly important. Not only would Eastern Europe have to pay higher prices for Soviet oil in the years to come, but also intra-bloc energy trade, which used to be based exclusively on bartering, increasingly included cash as well, as Moscow demanded hard currency for oil shipments that exceeded initial supply agreements.¹⁰⁰

Faced with rising costs for imported Soviet oil, the Comecon-countries from the mid-1970s onwards advanced a series of alternative energy strategies.¹⁰¹ The second half of the 1970s saw accelerated efforts to develop non-fossil energy sources within the individual countries, namely in the field of nuclear energy, but also the promotion of regional energy cooperation projects.¹⁰² These included such large common infrastructure projects as the Orenburg gas pipeline (also called “Union”, or *soiuz*, pipeline), which was jointly built by workers from the GRD, Czechoslovakia, Poland, Hungary, and Bulgaria during 1975 and 1979 and transported Soviet gas from the Orenburg fields to Ukraine and Eastern Europe.¹⁰³ The Comecon-countries also advanced other joint pipeline projects (e.g. the Adria oil pipeline) and sought to strengthen regional cooperation in areas such as nuclear energy research and development, and energy saving technology.¹⁰⁴

Although these measures impacted the region’s energy map, it was clear that Eastern Europe as a whole would continue to rely heavily on imports of Soviet oil and, increasingly, gas. If the Soviet Union thus wanted to meet the growing energy demand at home and fulfill contractual obligations towards its consumers in both Western and Eastern Europe, the Moscow leadership had to take action. Therefore, the Soviet Union in the mid-1970s saw no alternative than to engage in the development of Western Siberian oil and gas sector on its own.

¹⁰⁰ Balmaceda 2004, 167-8.

¹⁰¹ Proposals by the Soviet delegation of the Permanent Commission of the CMEA of the Oil and Gas Industry (*Postoiannaia Komissiiia SÉV po neftianoi i gazovoi promyshlennosti*) for 1976, August 19, 1975. In *Gosudarstvennyi Arkhiv Rossiiskoi Federatsii (= GARF)* f. 5446, op. 109, d. 1194, ll. 90-93.

¹⁰² Bethkenhagen 1990, 18-9.

¹⁰³ Wörmann 1986, 99-102.

¹⁰⁴ Bethkenhagen 1990, 18; *Oil Resources in Eastern Europe and the Caucasus*, 624; Report on the work of the Soviet delegation on the 43rd session of the Permanent Commission of the CMEA of the Oil and Gas Industry, November 20, 1975. In *GARF* f. 5446, op. 109, d. 1194, l. 97.

7. The Siberian Campaign

In April 1977, the CIA released two reports on Soviet energy prospects that would make headlines. The reports predicted that annual oil output would drop sharply due to declining production rates in the existing oil fields of the Volga-Ural region and that, by the mid-1980s, the country would become a net importer of oil. Moreover, in these and subsequent reports published during the same year, the CIA implied that in light of this situation, the USSR might seek to expand its influence in the Persian Gulf and enter into competition with the United States and other Western states for the struggle for oil.¹⁰⁵ The Soviets naturally refuted the US forecast as “slander and falsification” and a typical method to “compromise the Soviet Socialist system of economy, to obstruct the further normalization of international relations, and to cast a shadow on the world aspirations of the foreign policy of the Soviet Union,” as Radio Moscow put it to its listeners in an English broadcast to Asia on August 1, 1977.¹⁰⁶ Although the CIA predictions on Soviet energy ultimately proved wrong, these reports drew heavily on official Soviet figures published in scientific journals, thus reflecting to a certain degree the current internal Soviet debate and fears of a looming energy crisis. In any case, it was probably no coincidence that it was precisely during this time that the campaign to develop Siberian energy gained speed.¹⁰⁷

The Soviet leadership had already launched its campaign to develop Western Siberia on the occasion of the 25th Party Congress, which took place in February 1976. Unlike previous initiatives, this was to be done in a comprehensive way, focusing not only on energy, but also on the development of a series of industrial and infrastructural complexes. This comprehensive development of Siberia was to receive similar priority in Soviet economic policy as the building of the Baikal-Amur Railway (*Baikalo-Amurskaia-Magistral’* – BAM), which was not intended to be solely an infrastructure project to transport Siberian resources, but was also an element of the Soviet plan to develop and populate the country’s East.¹⁰⁸ It was only from about 1978 onwards, however, that Soviet mass propaganda started to publicly celebrate the development of Siberia as means of an overall attempt to mobilize society and gain momentum for

¹⁰⁵ “The International Energy Situation: Outlook to 1985” was released on April 18, 1977 and “Prospects for Soviet Oil Production” on April 25, 1977; in the month to follow, the CIA would publish several other studies on the Soviet Union’s energy situation: *The Soviet Oil Situation: An Evaluation of CIA Analyses of Soviet Oil Production. Staff Report of the Senate Select Committee on the Intelligence United States Senate*, 1978, 1. Washington, DC: U.S. Government Printing Office.

¹⁰⁶ A transcript of the Radio address is contained in: CIA Report on World Energy Crisis Refuted. *Daily Report, The Soviet Union*, FBIS-SOV-77-150, August 4, 1977.

¹⁰⁷ See also: Gustafson 1989, 28–9.

¹⁰⁸ Ward 2009, 6–11; for further reading, see also: Grützmacher 2012.

economic growth. Brezhnev himself was to become the driving force and personal promoter of these projects.

During the months of March and April 1978, Brezhnev undertook a much-publicized two-week journey through Siberia, visiting the biggest industrial and military cities and delivering speeches to workers, members of the party, youth organizations, and soldiers.¹⁰⁹ This trip marked the beginning of a massive media campaign propagating the comprehensive industrial development of Siberia. The slogan “Siberian might” (*Sibirskii razmakh*) served as the headline of an article in *Literaturnaia Gazeta* on May 1, 1978, on the development Western Siberia, which was, according to the article, to encompass a total of 24 individual projects, together forming a comprehensive “scientific program.”¹¹⁰ Other newspapers, such as *Pravda*, followed suit by regularly publishing columns reporting on Soviet achievements in Siberia.¹¹¹

Already in 1977, the Soviet government had nominated the Siberian branch of the Academy of Science to be the leading organization in charge of coordination and control of the different scientific organs involved in the complex development of Siberia, which ran under the program title “Siberia” (*Sibir*).¹¹² The Siberian branch was responsible for the overall scientific approach on development problems, the implementation of scientific solutions in the industrial branches and the education of specialized cadres. Siberia was to become the new “continent of discoveries” and was portrayed as a “future-oriented region” full of possibilities for innovative scientists and enthusiastic workers.¹¹³ The campaign in the Soviet newspapers was accompanied by political posters with titles like “Give Siberia” or “Siberian might” calling for people to take part in this great Soviet endeavor.¹¹⁴ In an effort to attract work force, the Siberian “oilman” (*neftianik*) and “gasman” (*gasovik*) were elevated to heroic status. Movies such as “Risk Strategy” (*Strategiia riska*; 1978) on the life of Farman Salmanov glorified Siberian workers, a myth cultivated further by numerous published memoirs.¹¹⁵

The Siberian campaign was accompanied by renewed efforts on the part of Brezhnev to activate foreign economic relations. In May 1978 he visited West

¹⁰⁹ Roos 1984, 45-6.

¹¹⁰ “Sibirskii Razmakh,” *Literaturnaia Gazeta*, May 1, 1978, 10.

¹¹¹ E.g. on industrial complexes in the Krasnoiarsk region: Khotia effekt podschytan. 1978. *Pravda* 134 (May 14): 3; on the development of the Tiumen' region: Mera zrelosti. 1978. *Pravda* 137 (May 17): 3. These and other articles were published under the column titled: “For Eastern regions – complex development” (*Vostochnym raionam – kompleksnoe razvitiie*).

¹¹² Trofimuk 1988.

¹¹³ Bajbakov 1985, 393.

¹¹⁴ V. N. Fekliaev. Daësh Sibir! <<http://www.plakaty.ru/posters?cid=4&sort=year&part=1978>> (accessed August 9, 2013); B. A. Parmeev. Sibirskii Razmakh! <<http://eng.plakaty.ru/posters?cid=4&part=1980&tid=721>> (accessed August 9, 2013).

¹¹⁵ See also: Èrv'e 1968; Bakhilov 1975. For further analyzes of these memoirs: Stafeev 2007.

Germany for the second time. The Soviet leader knew that the situation within the USSR was going from bad to worse. In letters addressed to the party and the people, Brezhnev complained quite frankly on economical ineffectiveness, unmotivated workers, problems in several industrial sectors, including the slow development of Western Siberian oil and gas.¹¹⁶ The USSR urgently needed to expand trade if only to stock up its foreign currency reserves in order to continue to be able to buy sufficient grain. In 1978, the USSR was once more compelled to import 15 million tons of grain from the United States due to yet another bad harvest. Brezhnev thus urged for the conclusion of new economic deals.¹¹⁷ However, it was yet another major event on the global oil market, the Iranian crisis of 1979, that provided the impetus for the USSR and Western Europe to finally engage in those discussions which would very shortly result in the building of a pipeline directly connecting the gas fields of northern Tiumen' with the West European market.

8. The Breakthrough: Building the "biggest pipeline of the world"

In order to free more oil and gas for export, the Soviet Union had never restricted itself to considering only the development of Siberia, but had been working since the late 1960s to build up relations with Iran and Afghanistan in order to import energy in exchange for technology and assistance. Iran had been a key exporter of oil on the global market. Although the country also held huge gas reserves, the industry was still underdeveloped. The Soviet Union was the only country importing gas from Iran. Going back to an arrangement concluded already in 1966, Iran shipped gas to the Soviet Union via the so-called Iran Gas Trunkline (IGAT I), completed in October 1970.¹¹⁸

It was after the oil shock of 1973/74, especially, that Europe became increasingly interested in Iranian gas as well. In light of their dependency on Arab oil, the Europeans were not only looking for alternative oil providers, but also sought to reduce the share of oil in their energy mix altogether. Gas was considered to be a perfect substitute for oil, and the Europeans thus increased their search for new gas import options. Next to Dutch, Libyan, Algerian, Soviet, and later Norwegian gas, Iran, with its massive yet still largely untapped gas reserves, was considered to be a most welcome alternative. Basically, three import options were discussed at the time: Europe could seek to access Iranian gas via the building of pipeline through Turkey, it could buy it in the form of

¹¹⁶ Liebe Genossen, besinnt euch! 1978. *Der Spiegel* 18 (May 1): 116-30, 124-6.

¹¹⁷ Ibid.

¹¹⁸ Goldman 1980, 81-2.

LNG directly from Iran, or it could attempt to conclude a deal including the Soviet Union.

The third option was the most appealing, as the Europeans would be able to draw on existing pipeline infrastructure with the possibility to expand these in the future. Any agreement of this sort implied transit of Iranian gas through the Soviet Union, whereby the most feasible option was a “switch arrangement” – that is, the Soviet Union would have to agree to deliver the same amount of gas it imported from Iran to the European partners from its own deposits. On the West European side, the German company *Ruhrigas* was the principal negotiator on behalf of a larger consortium that included several European energy companies. After a series of long and complicated negotiations, a basic agreement on a “switch deal” between Iran, the USSR, and *Ruhrigas* was reached in April 1975, and negotiations continued into the following years.¹¹⁹

In early 1979, however, this whole endeavor came to an abrupt halt with the Iranian revolution, when the new Iranian government pulled out of the deal and stopped gas shipments to the Soviet Union altogether. If the Soviet Union was to adhere to the agreement with the Europeans, however, it had to look for ways to replace the shortfall of Iranian gas – and it was at this point precisely that the idea of building a pipeline directly connecting Western Siberian gas with the European market gained momentum. Discussions between German and Soviet trade representatives on building a direct transportation link had been going on since the early 1977.¹²⁰ It was only after the Iranian crisis, though, that such an option, after initial secret negotiations, was discussed in the highest circles of political power. Both Brezhnev and Kosygin took the chance to promote the pipeline project during the German-Soviet meeting in Moscow in July 1980. Kosygin made it plain and clear to German Chancellor Helmut Schmidt that the “geological and technical problems” were enormous, but given the immense reserves of natural gas, the pipeline project would in any case not be subject to short-term cyclical moods: “[Such a pipeline] would be operational for 30 to 35 years. This is how long the stocks last. It is going to be the biggest pipeline of the world.”¹²¹

Neither the Soviet intervention in Afghanistan in December 1979, the Polish uprising in 1981, nor the sanctions imposed by the United States in 1982 on the shipment of steel pipes and pipeline technology to the Soviet Union prevented the Europeans from going along with Moscow in their common efforts to realize what was to become the largest economic deal in the history of East-West relations during the Cold War. In late 1983, the pipeline under the name “Yamal” (the Urengoi-to-Uzhgorod pipeline) was inaugurated. It was capable

¹¹⁹ Högselius 2013, 172–9.

¹²⁰ *AAPD, 1981, vol. II: January 1–April 30, 1981*, 74. 2012. Munich: Oldenbourg.

¹²¹ Kosygin on July 1, 1980: *AAPD, 1980, vol. II: July 1–December 31, 1980*, 1047. 2011. Munich: Oldenbourg.

of transporting an additional 40 billion cubic meters of Soviet gas annually from the gigantic field of Urengoi over a length of 4500 km up to Uzhgorod on the Ukrainian border, and from there on to West Germany.¹²² Thus, with a delay of about ten years, the Soviet Union, assisted by technology and credits from the West, was finally able to realize the projects that the political leadership had been actively promoting since the early 1970s.

To be sure, the “Yamal” export pipeline was only one of six pipelines that were built in the first half of the 1980s, and which would also radically shift the geography of the Soviet Union’s internal gas structure.¹²³ The development of Western Siberian gas marked the beginning of the “gasification” of the Soviet economy. From 1981 to 1985, the overall share of gas in the Soviet Union’s energy production rose from 28.4 to 35.5 percent¹²⁴ and would continue to rise in the years to follow, making gas the single most important source in the energy mix of the Soviet Union (and later the Russian Federation).¹²⁵

Thus, at the time, the development of Western Siberia looked like the salvation for all of the Soviet Union’s economic troubles. Through an expansion of its energy base, Moscow was able to export additional oil and gas to Western Europe and buy Western consumer goods, high-tech, and grain in return. The Soviet Union was also in a position to meet the energy needs of its Eastern European allies and finance such costly enterprises as the arms race or the war in Afghanistan. All this, however, was possible as long as prices for energy remained high. When prices collapsed in the mid-1980s, the Soviet leadership was left with no choice but to tackle those unpopular reforms it so desperately sought to avoid in the past.

Ultimately, the growth in energy trade and foreign currency earnings did not save the Soviet Union from collapse. The Soviet crisis was systemic, and the remedies offered during Brezhnev’s long reign were cosmetic. Brezhnev died on November 10, 1982 and would thus not live to see the opening of the “Yamal” pipeline. At least, however, Brezhnev’s vision of connecting East and West via a big pipeline held what it promised, as it is via this same channel that a substantial part of Russian gas continues to flow to Europe.

¹²² Högselius 2013, 197; Gustafson 1983, 86.

¹²³ Högselius 2013, 197.

¹²⁴ *Narodnoe khoziaistvo SSSR v 1985 g.: statisticheskii ezhegodnik*, 157. 1986. Moscow: Finansy i statistika.

¹²⁵ Gas dominates Russian energy consumption, making up 54 percent of Russia’s total energy mix in 2006: Perovic and Orttung 2009, 117-57, 131.

9. Politics and Energy during the Cold War

Although the expansion of East-West trade during the 1970s and early 1980s was driven namely by economic considerations, the trajectories leading to energy interdependence between several Western European states and the Soviet Union cannot be disentangled from the broader dynamics within the international setting of the Cold War, the specific perceptions and political visions regarding East-West relations, and events in the global energy market.

In the case of Western Europe, German *Ostpolitik*, the idea of improving political relations through means of trade, was an important element facilitating closer economic ties between Eastern and Western Europe, starting already in the late 1960s and continuing throughout the 1970s and 1980s. Moreover, trade between Eastern and Western European countries was also something that many considered to be natural, given geographic proximity and historical traditions. Furthermore, due to Western Europe's poverty in oil and gas reserves, trade in energy was simply seen as a pragmatic undertaking that served interests on both sides of the Iron Curtain.

The rationale behind establishing US-USSR economic relations was slightly different. US energy companies may have had a genuine commercial interest in cooperating with the Soviet Union on gas, and the United States as a whole would have certainly profited from additional fossil fuel suppliers, especially when the country had to import more and more energy during the 1970s from the instable Arab world in order to meet rising domestic demand. Still, it was very clear that the United States was less interested in cooperation than the Soviet Union not only for economic reasons, but also because Washington never attached the same political meaning to an economic partnership. The USSR, on the other hand, was very keen on establishing cooperation based on economic deliberations, and Moscow was equally interested in the political benefits that such trade would bring.

The United States never seemed to fully appreciate that Brezhnev's vision of building "long-lasting peace" was not a hollow rhetoric formula or mere tactics to enlarge global Soviet power, but a program in which the Soviet leader actually believed. The two superpowers had, according to Brezhnev, a global responsibility to avoid another war, and thus their cooperation needed to be cemented not only through bilateral summit talks and arms reduction agreements, but also through trade expansion. Soviet behavior during the Yom Kippur War and the subsequent energy crisis brought about by the Arab oil embargo in 1973/74 are cases in point. In order to not endanger détente, Moscow not only showed restraint during the October War (although, due to the Soviet Union's continued support of the Arabs, including the shipment of arms, Washington remained highly suspicious of Soviet intentions), but also sought to seize the subsequent energy crisis in the West as a window of opportunity to expand

energy relations. In Brezhnev's view, this was the best way to tie the two superpowers together in a mutually advantageous long-term relationship.

The decision of the US Congress to put a stop to these endeavors came as a shock to Brezhnev. Brezhnev's illness, which started sometime in 1974, seriously impeded him from playing the same active role in politics as previously,¹²⁶ and it may even be that Brezhnev's passivity was a major reason for the delay of Western Siberian development during much of 1974-1977. It was not until 1978 that Brezhnev was back on the scene, resuming his travels and propagating the development of Siberia with renewed vigor. In fact, it was only then that the Siberian campaign really took off, and it was only after this point that the Soviet Union was able to substantially increase oil export volumes to the West, which had been stagnating for the previous four years. As oil prices increased again during the Iranian crisis, the influx of hard currency was greater than ever.¹²⁷

However, with the decline of détente and the dissolution of US-Japanese-USSR plans to develop Siberian gas by the mid-1970s, it was the Iranian crisis that finally provided the breakthrough in the European-USSR energy relationship. Looking back during his final visit to West Germany in 1982, Brezhnev deplored that so much time had been wasted in expanding East-Western energy relations.¹²⁸ This time, though, the deal was sealed, and not even US sanctions were able to thwart this project, as Western Europe decided to defy US policy.

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