PREFACE

The present work is a modest attempt to study certain aspects of the Soviet oil industry with a view to assessing the prospects for Soviet oil exports. Although the Soviet Union is richly endowed with fuel reserves, the distribution of its energy resources is skewed. The Soviet planners have hence sought for a rational energy mix for each of the major economic regions of the country with a view to minimising the loss due to sub-optimal matrices of distribution and spatial substitution in the energy economy. The Soviet Union is fast approaching the point of equilibrium at the national level. Because of their heavy discounting of the future, the Soviets produce oil at a high recovery rate of production, one that exceeds the maximum efficiency rate of production (MER). This is likely to result ultimately in a heavy loss of oil.

The tactics used by the Soviets to gain admittance in the international market have stirred up a controversy over their possible ultimate objectives. Though political considerations do weigh with the Soviets in the conduct of their oil trade, it is possible to explain the oil-export policy of the Soviets in essentially economic terms. If, as this work presumes, the Soviet oil-export policy is motivated largely by economic considerations, its profitability is going to be conditioned in the long run by the comparative advantage that the Soviets possess in oil.

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Calculation of the cost of production of a representative type of Soviet oil confirms that the Soviets do enjoy comparative advantage in the cost of production.

Eastern Europe is the major market for Soviet oil. Its total dependence on the Soviet Union for its oil has conferred on the latter a monopoly position. And one expects that, as a rational monopolist, the Soviet Union would exploit the situation to its own advantage. The hypothesis that discrimination by the seller rises in direct proportion to the dependence of the buyer has been found on examination to be true, and with reference to the dependence of East Germany and Czechoslovakia on Soviet oil, it is significantly so.

This study has entailed consultation of sources both Russian and English. Some of these sources are as yet unpublished. Others such as the minutes or proceedings of meetings and conferences are not easily available. Yet others are confidential documents to which access is possible only to those who have the necessary official credentials. By casting the net wide I have been able to obtain a large mass of data sufficient for the purpose of my thesis. Some of these data are wholly new and have been used here for the first time.

It is not possible to identify all the sources of inspiration and help in the accomplishment of any venture. So it is with this work. Among those who supported this work right from the beginning, two persons stand out - Professor Jayashanker as Supervisor and Professor M.S. Venkataramani as