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COMMITTEE OF ECONOMIC ADVISERS

AD HOC STUDY GROUP ON SOVIET OIL POLICY

DRAFT REPORT TO THE COMMITTEE OF ECONOMIC ADVISERS

Note by the Secretary

At their meeting on 30th and 31st January, 1961, the Ad Hoc Study Group(1)

"(1) invited the International Staff to prepare a draft report in the light of the discussion in the Group;

(2) agreed that this draft should be considered by the Working Group on Oil Statistics, meeting on 14th February at 10 a.m. and probably on the 15th·

(3) agreed that the Report, revised in accordance with the decisions of the Working Group on Oil Statistics, should be circulated to the Ad Hoc Study Group not later than 1st March

(4) decided to consider the draft Report at their next meeting, to be held on 14th, 15th and possibly 16th March."

2. In accordance with the above decisions, the International Staff has prepared the attached draft report which has been revised in the light of the discussion held in the Working Group on Oil Statistics meeting on 14th, 15th and 16th February, and of contributions made by certain delegations.

OTAN/NATO,
Paris, XVIe.

(1) AC/127(O)-R/2, Item IV.

3. An advance copy of this paper has already been circulated informally to delegations.

(Signed) M. JORDAN

AD HOC STUDY GROUP ON SOVIET OIL POLICY

Draft Report to the Committee of Economic Advisers

I. INTRODUCTION

1. Impressed by the increasing activity of the Soviet Bloc in the world oil market, the Committee of Economic Advisers, in October, 1960 recommended that the Council set up an Ad Hoc Study Group on Soviet Oil Policy. At their meeting of the 2nd November, 1960, the Council approved this proposal(1), with the following terms of reference for the Group:

(i) to study the present and future trends of Sino-Soviet bloc oil exports, including:

(a) production and consumption in the bloc;

(b) effects on world markets of bloc trading practices in NATO countries and elsewhere;

(ii) to attempt to assess the significance of future bloc oil exports to NATO countries and to the rest of the world;

(iii) to endeavour to determine the considerations on which member countries might base their policies in face of increasing exports of Soviet oil, and of their likely impact on the free world;

(iv) to report its finding to the Committee of Economic Advisers.

2. In addition, the Council, in a private meeting, specified that the terms of reference should be understood to include the question of sale and chartering of tankers to the Soviet Union.

3. The Ad Hoc Group on Soviet Oil Policy, under the Chairmanship of Mr. K. Stock (United Kingdom), has met on the 9th December, 1960, 30th and 31st January and 14th and 15th March, 1961 to carry out the task given to it by the Council. In the intervals between these meetings, special working groups prepared the statistical material, reviewed special problems related to oil transport and assisted in the drafting of the report.

(1) C-R(60)41, Item VI.

4. The present report of the Ad Hoc Group is now submitted to the Committee of Economic Advisers. It is divided into the following main sections:

II. SOVIET BLOC OIL EXPORTS(1)

A. Oil Production in the Bloc

5. The Russian oil industry dates back to the last century, when the famous Baku oilfields in the Caucaucus enabled Russia to become the world's leading exporter. At the beginning of the first world war Russian production amounted to nearly one-fifth of world output. Production fell after the 1917 Revolution but in time recovered to 21 million tons in 1932 and some 30 million tons in 1939. (Roumanian production in 1939 amounted to 6.2 million tons.) In the USSR output fell by about one-third during the War. Since then it has risen sharply - fourfold in the last decade to reach 148 million tons in 1960. As the output in the free world increased slightly less rapidly, the share of the USSR in the world output of oil rose to 14%. In 1960, including other Communist countries, the total output of the Soviet bloc amounted to 167 million tons, representing some 16% of the world total.

6. The present high rate of growth in bloc oil production can be expected to continue for some time. The production target under the current Seven-Year Plan in the USSR is 230-240 million tons by 1965, and a tentative target has been set of 350-400 million tons by 1972. In view of the current successes in expanding production and the growing effort being put into the search for oil, it appears that it will be well within the USSR's capacity to meet even the higher production targets. Crude oil production in 1961 is now expected to reach 164 million tons, nearly 8 million tons above the original target under the Seven-Year Plan. As USSR oil reserves are exploited at a very slow rhythm (about 2% per annum) it is commonly asserted that production might easily reach 270 million tons in 1965 providing the necessary transport facilities, which seem to be insufficient

(1) Throughout this report the term "Soviet bloc" is used; account has, however, been taken of the fact that import requirements of China will be met by USSR oil.

at present, are then available. Roumanian output, the largest in the bloc outside the USSR, is only expected to rise by about 1% a year to reach 12.2 million tons in 1965. In Communist China, oil output, while still relatively small, is expected to rise very rapidly in the next few years, although it will probably not exceed 7.5 million tons by 1965. In 1965 the bloc may account for about one-fifth of world oil production. (A breakdown of Soviet bloc production of oil by country is given in Annex I.

7. Since the pattern of energy production in the USSR is entirely planned, oil production may at any time be adjusted to take into account changes in the production of other kinds of energy. USSR oil production therefore seems to a large extent dependent on the production of natural gas which in 1965 is planned to reach 150 billion cubic meters against 30 billion in 1959. This expansion of gas production is dependent upon the construction of an important network of pipelines, storage and distribution facilities. According to the estimates of the Seven-Year Plan part of the energy requirements met by oil and natural gas should rise respectively from 24.2% to 30.3% for oil and 5.4% to 17% for gas between 1958 and 1965.

B. Bloc Oil Exports

8. Before the first war and again in the 1930's, Soviet oil was a factor on the world market. Exports rose to a peak of 6 million tons to Western Europe in 1932. According to USSR sources their oil accounted for 14% of total oil imports of Western Europe in the period 1925 to 1935 and 19% during the years 1930 to 1933. (It should be borne in mind that these percentages refer to a market in which oil did not play its present decisive role as a source of energy.) After 1932 exports declined and in 1938 amounted to only about 1 million tons to Western Europe. The reasons for this decline were probably the greater demand of the Russian internal economy for oil and the mechanisation of their military forces. During World War II Soviet oil exports disappeared but since then they have once again become important. In 1953 they were little more than 4 million tons; by 1959 they had reached about 25 million tons, including exports to other members of the bloc. (A table showing inter-bloc oil trade is given in Annex II).

9. If the Soviet bloc oil exports to the free world are considered as a whole, they have tripled during the last four years to reach about 21 million tons in 1960. These exports still represent only 6% of the oil moving in international trade, or relatively less than the pre-war contribution of the USSR to the world oil trade, but the head of the USSR oil export agency has stated that the intention is to regain the USSR's former share of the market, although no date has been announced for reaching this goal.

10. Details of Soviet bloc oil exports are found in Annexes III and IV, from which it appears that the greater part of the Soviet bloc exports to the free world are directed to the world's major importing area. the industrialised nations of Western Europe. Thus three-quarters of the crude and products exported were shipped to free Europe in 1960. Countries outside Europe have offered a smaller market for Soviet bloc oil, but Cuba, the UAR and Japan have imported substantial quantities of oil from the Soviet bloc. Soviet bloc oil has been taken by an increasing number of countries, especially outside Europe. Among the newcomers can be mentioned for example, Morocco, Tunisia, Guinea, Cuba, Brazil, Uraguay, India and Japan. A few countries have increased their imports to the point where they are almost exclusively dependent on bloc oil, i.e. Cuba, Finland, Iceland and perhaps Guinea. The UAR, which, in recent years, covered nearly half of her oil requirements by imports from the bloc, will, with the expansion of her domestic oil industry, probably take less Soviet oil in the future.

11. The fact that Soviet bloc countries do not dispose in the free world of marketing organizations or refining and distributing facilities presents an obstacle to their oil exports. In countries where the government owns all or part of these facilities, this difficulty is easily overcome (for example, Egypt and Argentina). In some instances, governments of importing countries have found ways to use the facilities of the oil companies to handle Soviet bloc oil, e.g. in Cuba, where all the facilities were taken over, or in Finland and Iceland, where the western companies - under pressure from the governments - have agreed to handle imported Soviet bloc oil. In India, a request from the Government to this effect was later withdrawn, while the Cingalese Government is considering legislation which would enable it to use the facilities of the oil companies for handling Soviet bloc oil. In certain countries some companies have facilitated import and handling of Soviet bloc oil. The Soviets are also able to deal with some large-scale consumers, such as railways, power stations, and large industrial concerns. The present insufficienty of refining capacity in the bloc explains the effort of the bloc export agencies to sell crude oil. It appears, however, that the development in bloc countries of refining capacity will enable them to sell a greater proportion of refined products. Besides increasing the value of bloc exports this would facilitate the taking over of a larger share of the European market for products, such as fuel oil, which require no great investments.

12. Although some information is available about the exports of Soviet bloc oil included in existing trade agreements (see Annex V), it is hazardous to forecast the growth of exports by the Soviet bloc in the next few years, since this depends on many factors in the bloc and outside. The quotas of oil included in

trade agreements do not give a precise indication of future imports; in some cases they may be exceeded, in others not fulfilled. However, in the view of the Group, it is a plausible possibility that some 50 million tons of Soviet bloc oil will be available for export to the free world by 1965 - against some 20 million exported in 1960. This, of course, does not exclude the possibility that the level of exports will, in practice, be larger or smaller. If, for example, production in the USSR were to reach 270 million tons in 1965, this would leave 80 million tons for export. The Group agrees that for the purpose of the present report the figure of 50 million may be accepted as an illustration of likely Soviet bloc exports in 1965 unless special steps are taken to limit these exports.

C. Import practices by NATO Countries

13. According to information provided by member countries, direct imports from the Soviet bloc of crude and products are subject to administrative controls, i.e. licensing, except for imports of crude oil in Italy. Annex X gives a summary of the situation in this respect in NATO countries. In most cases, import licences are granted automatically within the limits of amounts foreseen in bilateral trade agreements, which tend to be more fully reached for products than for crude oil.

14. Discussion in the group shows that trade in products derived from Soviet bloc crude between NATO countries or between NATO and non-NATO countries is quite substantial. Such trade consists either of re-exports of Soviet bloc products or exports of products (including output from processing arrangements) derived from Soviet bloc crude treated in Western refineries. It is likely that most countries where products of Soviet origin are delivered indirectly through western countries are not able to check the volume of such imports, if, as may be the case, they are registered by the customs authorities as western products. /In order to take into account the final usage of soviet oil, the working group has invited members to provide information about the extent to which their authorities exercise control of exports of crude oil and products, and an indication of the means at their disposal to check the origin of the oil imported./

D. Transport Problems

15. In Soviet countries, transport has long been a bottleneck which has hampered the full development of existing economic resources, and caused difficulties to the Soviet planners. The transport of oil, in particular, presents a serious problem, as the oil fields in the Soviet bloc are not located particularly near ports or industrial centres, which are the main consumers. A large share of oil transport requirements (about 60% in 1958) is met by the railways in the USSR (the corresponding figure for the United States in 1955 is close to 5%). To fulfil its programme

of oil exports in the coming years, the Soviet bloc will need larger transport facilities. In this respect, it is to be noted that the various means of transport are to some extent interchangeable: for example, completion of the pipelines carrying Soviet oil to the satellites and to Baltic or Pacific ports would greatly relieve the overworked railway system in the bloc, and would also reduce the demand for tankers to carry oil from Black Sea ports to northern European countries and Japan. Conversely, if the Soviet bloc had no difficulty in meeting its tanker demand, the completion of, for example, the pipeline to the Baltic would be less urgent, since oil could be carried from Black Sea ports, as has been done up to now. It is, however, likely that completion of the pipeline programme will in any case be given a high priority in Soviet bloc planning. In the following paragraphs, only pipelines and tankers are dealt with.

(1) Pipelines

16. The Soviet Union aims at meeting 35% of oil transport requirements by pipeline in 1965, against 15% in 1958(1). The expansion of the system of oil pipelines, apart from its economic and military advantages, would relieve the overworked railway system. The large expansion of natural gas production also requires an elaborate network of gas pipelines, and the total tonnage of steel involved in those production programmes is very substantial. The present seven-year plan provides for the construction of some 25,000 km.(1) of oil pipeline and nearly 20,000 km.(1) of gas pipeline; this represents some 7-9 million tons of steel pipe, mainly large-diameter pipe, in addition to the normal requirements of industry and other users. Certain pipelines of direct significance for the export capability of the Soviet bloc are included in the pipeline programme, especially the following:

(i) the Satellite Line which will carry oil from the Urals to the satellites. This project, which is planned for completion between 1961 and 1963, is expected to have a capacity of 11.5 million tons of crude oil in 1965, a capacity which will later be increased to 25.5 million tons;

(ii) the Baltic Line. Reports have repeatedly appeared of plans for a pipeline to bring oil to the port of Klaipeda, mainly intended for exports to Scandinavia and northern Europe. The reports do not coincide, and it appears that the project most likely to be carried out is that of a trunk line from the satellite line. If a pipeline of this kind is completed by 1965, it will greatly reduce the tanker requirements for oil exports to the northern European market, and

(1) These figures are quoted from SHAPE document 1470.3/17, dated 21st January, 1961.

it will make it advantageous to use small-sized tankers for exports to the countries in this area;

(iii) the Trans-Siberian Line, which would carry oil from the Urals through Siberia to a port at the Pacific coast, probably Vladivostock. This line, which would also cover exports to China, would cut tanker requirements for exports to the Far East if it were decided to pump the oil by pipeline and ship it by tanker from Vladivostock. It is doubtful whether this would be an economic proposition.

The construction of these lines alone, which amount to some 10,000 km., would require about 2.5 million tons of steel.

17. The capacity of the Soviet bloc steel industry to produce steel pipe of all types is considerable, and is given great emphasis in the present seven-year plan(2). The steel tube production in the USSR in 1958 amounted to about 4.6 million tons(2) and the planned production for 1965 is 9.2 million tons(2). To this should be added the capacity of the satellite countries: the Soviet-occupied zone of Germany plans to increase its production from about 125,000 tons in 1958 to 300,000 in 1965, and also Poland, Czechoslovakia, Hungary and Roumania have a production capacity for steel pipe, although mostly for small-diameter types. The USSR imported about 150,000 tons of pipe in 1958, but she was still a net exporter of this commodity; most of the exports went to China and the satellites, and only small quantities were sold to free world countries. Since then, the Soviet bloc has become an importer of substantial quantities of pipe, largely intended for the completion of the bloc pipeline programme. In 1959, USSR imports increased to 500,800 tons, of which more than 300,000 were from Western countries(1). Imports from the free world in 1960 included a few thousand tons of pipe and fittings from the United Kingdom, [ ] tons from Germany, and [ ] tons from Italy. French steel manufacturers have also been approved by Russian purchasers with demands for steel pipes, but so far the policy of the French Government has been to discourage such exports. Outside the NATO area, the bloc has purchased pipe in Austria, Sweden and Japan. The Austrian deliveries in 1960 amounted to about 900 km. of pipe(2) (i.e., probably 150 to 200,000 tons); Sweden has just signed a trade agreement with Russia, providing for the supply of 45,000 tons of pipe yearly from 1962 to 1964, and negotiations are reported to be under way with Japan for the purchase of 270,000 tons of large-diameter pipe.

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(1) These figures are quoted from SHAPE document 1470.3/17, dated 21st January, 1961

(2) See SHAPE document AG 1470/3 INTEL, dated 2nd February, 1960.

18. It has been estimated that if the overall pipe requirements in the Soviet bloc are compared with the capabilities a yearly deficit exists of some 100,000 to 150,000 tons of large-diameter pipe. This quantity would have to be met by imports from the free world to avoid delays in the completion of the pipeline programme.

19. There seems to be little doubt that the completion in time of the Soviet bloc pipeline system will increase the Soviet bloc oil exports capability. It is also a fact that Western deliveries of large-diameter pipe and equipment for the pipelines are assisting the Soviet in completing their pipeline construction programme.

(2) Tankers

20. The present tanker fleet of the Soviet bloc is estimated at about 1.1 million d.w.t., or 1.8% of the total world tanker fleet, the larger part sailing under USSR flag. (For details see table VII). For the purpose of this study, it is assumed that the tanker tonnage belonging to the satellites will counterbalance requirements for inter-bloc maritime transport, leaving the equivalent of the USSR tanker fleet free to deal with transports to the outside world.

21. The Soviet bloc exports of oil in 1959 and 1960 were mainly to free Europe and therefore involved a relatively short haul from Black Sea ports where nearly the entire Soviet bloc exports are loaded. Small quantities also go from the Baltic port of Klaipeda. It has been estimated that the tonnage required to ship the Soviet bloc oil exports in 1960 amounted to approximately 2.5 million d.w.t., i.e., more than twice the present Soviet tanker fleet, or about 4% of total world tanker tonnage.

22. As the Soviet bloc tanker fleet is not sufficient to carry all Soviet exports of oil, a considerable portion of these exports has been shipped on free world tankers chartered by the Soviet bloc countries. This has been facilitated by the state of the world tanker market.

23. Since the summer of 1957, there has been a serious depression in the tanker market. Rates have been very low (varying around Scale less 45%), just enough to cover operating costs for ships of 30 - 35,000 d.w.t., and insufficient to cover even operating expenses for most smaller tankers. There are several reasons for the depressed tanker market among which one may mention especially the fact that the fleet of new tankers ordered at the time of the Suez crisis has led to a surplus of tanker tonnage. In 1959 this surplus was estimated to be about 18%, and it is expected that it will last for some years. One element tending to limit demand for tankers has been the United States import restrictions for oil, which have led to a decrease

in the tanker tonnage needed to carry Venezuelan and other oil to the United States.

24. The demand for tankers - especially for small tankers - from the Soviet bloc has been extremely important. It has been estimated that for the period 1st January, 1959 to 1st March, 1960, about 16% of short-term charter contracts for tankers was for Black Sea loading, and the corresponding percentage for tankers under 20,000 d.w.t. even reached 27 per cent. Owing to the restricted capacity of most Black Sea ports, the degree of competition from the larger tankers is less severe for loading in the Black Sea than elsewhere, and the rates paid for these loadings to the smaller tankers tend to be correspondingly higher. It is to be noted that the exports of Soviet oil do not lead to any greater use of free world tankers: the transportation of Soviet oil is merely substituted for that of oil from other sources, mainly from the Middle East. Insofar as the distance for Soviet oil is shorter, there is even probable reduction in the use of free world tankers. However, Soviet oil exports have changed the shipping pattern: some owners of tankers have benefited from these exports, while other tanker owners have felt the depression more strongly.

25. In 1960, some American oil companies attempted to restrict chartering of tankers to Soviet bloc countries by blacklisting tanker owners who contracted to carry Soviet oil. A study of the tonnage chartered for Soviet oil exports in the first and second halves of 1960 - i.e., before and after the boycott was declared - shows that the number of contracts reported during the second half of 1960 is considerably smaller than that reported during the first half of the year. Thus the reactions of the oil companies led many owners to abstain from chartering their vessels for the transport of Soviet bloc oil, but the total tonnage made available for Soviet bloc countries did not decline.

26. It has been estimated that in 1965, the demand for tankers to ship Soviet bloc oil exports will rise to some 3.5 to 4.5 million d.w.t. Obviously, this figure is based on a number of assumptions concerning the quantity exported, the geographical distribution, the effects of the pipeline construction programme the average speed of tankers used, etc.

27. Information about the Soviet bloc tanker fleet in 1965 is also available, although it naturally should be considered with all due reserve. On the basis of information about tanker tonnage to be built in bloc shipyards, the total bloc tanker fleet will reach 1.9 million d.w.t. in 1965. Taking into account the deliveries expected to take place from Italy and Japan on the basis of contracts already negotiated, the Soviet bloc tanker fleet in 1965 may reach [2.1 million d.w.t.].

28. In order to meet this apparent deficit in tanker tonnage in 1965 of between [1.4] and 2.6 million d.w.t., various possibilities are open to the bloc: they could charter free world tankers purchase tankers in the free world, either by ordering new tankers from free world shipyards, or by purchasing used tankers whenever they may be available, or step up the tanker construction programme within the Soviet bloc. The chartering by the Soviet bloc of free world tankers would be facilitated by the fact that a [large] part of tanker tonnage is not under direct control of NATO governments. [However, these tankers are traditionally used for the transportation of Western oil, and, to this extent, some influence might be exerted on their owners.] It is also to be noted that by chartering free world tankers, Soviet oil exports have recently been transported at extremely low cost, owing to the depressed level of freight rates and that this advantage for the Soviets may not prevail in the future. Known orders for the construction of tankers in the Soviet bloc (mainly USSR and Poland) as of 30th June, 1960 amounted to 12 ships totalling some 200,000 d.w.t. The USSR has planned the construction of more than 450,000 d.w.t. tankers during the period 1961 to 1965. [According to a SHAPE document on Oil and Gas Problems in the USSR dated 21st January, 1961 only two tankers of 27,000 d.w.t. were under construction in the USSR and none were on order from Poland.] Should the Soviet bloc decide to increase sharply the construction of tankers they would have to overcome a serious shortage of steel. Two tankers in the Netherlands are under construction for Panamanian interests, but are known to be ultimately destined for the USSR. With the exception of these ships and the planned construction in Italy of two tankers for the USSR, no NATO country has at present any orders for tankers for the Soviet bloc. Outside NATO, only Japan and Sweden are in a position to undertake construction of tankers on a large scale. The question arises what counterpart the Soviets would be in a position to offer in order to pay for the chartering of the purchase of tankers; it is possible that oil would be offered in exchange, thus increasing the pressure of the Soviet oil exports on the world market. If, for some reason, the completion of the pipelines programme were delayed in Russia, the need for tankers from Black Sea ports would increase.

29. In the light of present policy and the present depressed state of the tanker market there is no reason to suspect that the Soviet bloc countries would have very great difficulties in finding the tanker tonnage which would be required to carry 50 million tons of Soviet bloc oil exports in 1965. If the Soviet bloc thought it necessary, a speeding up of the tanker construction programme in bloc shipyards would probably not present major difficulties, especially since resources otherwise planned to be used for construction of freighters could be diverted to this purpose, and freighters bought from the free world.

E. Soviet Export Practices

30. Oil supplies in the Soviet bloc are a monopoly of the state and exports to the free world are handled by the state, operating in the case of Russia - the primary source of Soviet bloc supplies - through a single export agency. By virtue of this centralised state control, the export of Soviet oil is managed under conditions which confer inherent organizational advantages on the Soviet bloc by comparison with Western commercial suppliers operating in competition with each other.

31. Both the scale and direction of Soviet oil exports are subject to centralised government control. In determining the quantities to be made available for export the Soviet bloc is able, if it wishes, to give overriding priority to requirements for the home market rather than for export. Given the importance which is attached in the Soviet bloc to rapid industrialisation and the large expansion of indigenous energy supplies which is planned to fuel this economic expansion, the major part of Soviet oil production will continue to be absorbed at home. Important though oil exports may be for the foreign trade of the bloc or as a means of obtaining foreign currency, they will represent only a marginal part of total oil output, and it will be open to the Soviet authorities to tailor the marginal quantities for export to fit any unforeseen variations in the development of their internal energy budget.

32. It is equally open to the Soviet bloc to determine the direction of their oil exports in the light of political and economic considerations and to vary the pattern of their exports in a manner which is beyond the reach of Western suppliers operating on a commercial footing. Between the last two wars when Russia was an important international supplier of oil, exports of Russian oil were marketed in a number of countries through Russian-owned concerns with oil facilities and other investments in the markets which they served; but before the last war all these overseas investments were disposed of, and this is still the situation today. The Soviet Bloc sells on the world market a small margin of its total oil production and has, so far, shown no signs of committing itself to capital investment in the markets where Soviet oil finds an outlet. Where it embarks on, for example, a refinery project, it does so as part of its aid programme, and not as the owner and operator of the enterprise. In short, the Soviet Bloc trades in oil abroad purely as a seller <u>to</u> countries, rather than <u>in</u> them, and is able to consider reducing the level of its exports or altering their destination without jeopardising any foreign investment in its oil trade. So long as this pattern persists, the cost of the refining and distributing facilities necessary to market Russian oil exports makes no demands on Soviet bloc resources and does not enter into the cost of Soviet oil supplies.

33. The export of Soviet oil under the aegis of a single state agency also carries with it the advantage that markets can be sought in the form of a bilateral trade agreement negotiated intergovernmentally. Such agreements can have the effect of enlisting the assistance of a Western government in mobilising exports from their country to serve as counterpart for imports of Soviet oil. In many cases these agreements amount to barter deals and, where they are arranged over two or three years at a time, they may be specially attractive to developing countries anxious for assured outlets for their exports in order to plan economic development on a stable basis. Countries in the free world may thus obtain a double advantage through developing exports which could not be placed elsewhere in the free world, and at the same time securing cheaper supplies of oil.

34. On the other hand, a vested interest tends to result in special exports to the Soviet bloc which is not necessarily matched by a comparable interest on the Soviet side and which would not arise in respect of oil supplies drawn from Western suppliers. Western suppliers, of course, are not in a position to enlarge or, indeed, to maintain their trade in the face of competition backed by intergovernmental trading agreement, nor can they very well match the offers made by the bloc in some cases to accept local currency in payment for oil supplies or to extend generous credit or other tempting financial terms. Indeed, it may be supposed that, having the resources of the state behind it, an Export Agency such as that of the USSR could always - if the USSR decided it was worthwhile - better whatever commercial competition is brought against it.

35. Soviet motives in pressing the export of oil appear very largely to determine their pricing policy. In part, oil provides a kind of currency for securing the imports the Soviet need from time to time: it is a commodity widely in demand in comparatively few forms. Where therefore the Soviet aim to make good a shortage of manufactured and in particular capital goods, as in Western Europe, they may be concerned to keep up prices in order to obtain the maximum foreign currency with which to purchase the goods they need. On the other hand, in trading with developing countries, political motives may be present: for example, in the Cuban affair. (Indeed, the Soviet have a psychological advantage in the underdeveloped world in their insistence upon the "imperialist, capitalist, monopolist" nature of the major oil companies; they claim that the supply of Soviet oil will liberate the country in question from dependence upon the big Western companies.)

36. But even in the markets of Western Europe, the Soviet are prepared to, and do, cut their prices to whatever extent they consider necessary to gain the outlet. In developing countries the low price they offer may sometimes be offset by a correspondingly low price for the counterpart exports they agree to buy.

But in all cases, it is the lower price of the oil that attracts the importer, and it is with these prices (and not prices adjusted to take account of the price of the counterpart exports) that Western supplies have to compete.

37. It cannot yet be said that a main purpose of the bloc's export drive is to undermine the general level of oil prices, but the Soviet, by the nature and purpose of their operations, do not have the same basic interest as Western suppliers in maintaining stability in markets. The truth is that though the costs of their oil have to be borne somewhere in their economy, the bloc oil exporters are not bound by the financial disciplines which the individual commercial enterprises of the West must abide by. This is shown by the markedly higher prices for oil which the USSR charges for exports to the satellites (see Annex VIII). Soviet costs are not known at all, but they certainly do not include a number of charges which Western suppliers have to meet. The oil supplies of Western countries are drawn overwhelmingly from countries whose national revenues depend mainly on their oil exports. The payments which these oil countries receive by way of royalties and taxes on their oil exports constitute an important element in the price of Western oil supplies, but no corresponding charge is borne by Soviet oil exports. The price of Western oil also reflects the costs of providing the full range of facilities for the production, refining and marketing both of present and of future supplies, whereas Soviet oil prices do not reflect the cost of any overseas investment whether for current needs (as has been indicated above) or for the growing volume of investment required to safeguard continuity of supply as free world oil consumption expands.

III. EFFECTS ON WORLD MARKETS OF SOVIET BLOC OIL EXPORTS

38. Since 1958 the international oil market has suffered from over-supply, and prices have been weak. This development has taken place in spite of (outside North America) a steady and in some areas a considerable increase in demand. The reasons are twofold: first, following the Suez interruption (as was to be expected), an enlargement of capacity to produce, refine and transport oil, and secondly, the entry into the international trade of many newcomers concerned - naturally - to break into markets.

39. A large surplus of tankers persists which keeps freight rates low. The search for new crude deposits has gone on apace with successful finds in certain countries; e.g. in North Africa, from which oil is now flowing to markets. A number of importing countries have developed oil supplies of their own, e.g., Argentina, so reducing the scape for the international trade.

40. Some newcomers, with new oil in Venezuela, have been unable, owing to import restrictions, to ship it to their United States markets, and have therefore sought outlets in the Eastern Hemisphere, necessarily cutting prices to that end. Altogether, there are many times more concerns in the international business now than ten or even five years ago.

41. The market position was already weak, therefore, when Soviet bloc exports began notably to increase and to add their own aggravating influence. When stability will return is difficult, indeed, impossible, to foresee. The factors at work are many and complex (Soviet oil apart), though past experience indicates that the surplus situation could change quite quickly. But the continued increase of Soviet bloc exports - concentrated as these are on a limited number of countries - will certainly contribute to defer the achievement of stability and will constitute a continuing threat to prices.

42. Bloc exports already touch the interests of the traditional crude-exporting countries of the Caribbean and the Middle East. They were a contributory (though by no means the main) factor in the reduction of posted prices in August, 1960 which led to the setting up of OPEC (Organization of Petroleum Exporting Countries). Lower posted prices, of course, serve to reduce the oil revenues of these countries, based as these are on the equal division with the concession companies of the profits arising on the production and import of crude oil valued at the "posted prices." Exporting countries are also affected, however, by the displacement of their oil from markets by other oil, including Soviet oil.

43. With the interplay of countless shifting factors, it is, of course, quite impossible to forecast the scale and pattern of supplies far ahead with any assurance, but subject to this reservation, the following table illustrates the possible sources of oil supplies for Europe if 40 million tons of Soviet bloc oil are imported in 1965 (see Annex VI B):

TABLE: SOURCES OF SUPPLIES TO FREE EUROPE

	1960		1965	
	Million tons	%	Million tons	%
Demand	187.5	100	265	100
Supplies from:				
Middle East	122.0	65.1	130	49.0
North and West Africa	9.0	4.8	55.0	21.0
Soviet bloc	15.0	8.0	40.0	15.0
Caribbean	25.0	13.3	19.0	7.0
United States	1.5	0.8	1.0	0.5
Indigenous European	15.0	8.0	20.0	7.5

44. The source suffering the greatest displacement is with little doubt likely to be the Middle East. Conversely, if demand in free Europe increases only slightly (say, 1% per annum) more than is supposed in the above table, the Middle East would be likely to provide the bulk of the extra supplies and to improve its proportion of the market. The table does illustrate, however, a number of points.

45. First, supplies from the Caribbean are shown as falling further. This area has already largely lost its former big outlet in Europe and may not take too hard a further loss. But the drop in the Middle East share of the trade could be substantial, and

though the tonnages exported from the Middle East to Europe would still show an increase, the gain would be very much smaller than the increases of the last few years. Much of this displacement of Middle East oil is likely to happen anyway in order to accommodate the newly-developing African oil in European markets, but the loss to the oil revenues of the Middle East arising from existing bloc exports is already substantial. If the bloc exports in 1965 approach the scale shown in the table, and assuming that they do not lead to further reductions in crude prices, the loss to the Middle East would become very considerable, amounting to perhaps 12% of the revenues the area might otherwise have counted on, and restricting to a significantly slower pace the growth in prospect for its developing economies.

IV. SIGNIFICANCE OF SOVIET BLOC OIL EXPORTS FOR INDIVIDUAL NATO COUNTRIES

46. The significance of Soviet bloc oil exports varies from country to country; price considerations, the interests of national industries and security aspects all play their rôle in framing the attitude of individual countries to these exports.

47. Private and industrial consumers in all NATO countries have legitimate interest in low oil prices. In member countries where production of oil(1) or energy competing with oil plays little rôle in the economy, national policy, to a large extent, tends to reflect consumers' interests. In these countries, imports of Soviet oil will tend to be regarded as beneficial, insofar as they are cheaper than free world oil, or insofar as Soviet competition strengthens the bargaining position of the purchasers of oil vis-à-vis the traditional suppliers.

48. In a number of member countries, oil industries(1) represent an important national asset, and assure national control of vital supplies. From an economic point of view, it can consequently be in the national interest of these member countries to counteract competition from Soviet bloc oil to the extent that it endangers further development of their oil industries. Other member countries have large interests in the production of energy competing with oil, especially coal. Some of them might be concerned if increased competition from oil were to threaten important national industries.

49. Imports of Soviet bloc oil are not only motivated by price considerations; in most countries, trade considerations provide an additional motive, either because certain industries exercise pressure for a general expansion of trade with the Soviet bloc, or because the governments wish to dispose of products which it is difficult to sell in the free world. In some member countries with surpluses of agricultural and fishing products, this latter wish is the overriding motive. When negotiating barter deals with those countries, the USSR insists on the inclusion of oil, partly, perhaps, because she would find it difficult to propose sufficient other products of interest to her trade partners.

50. The degree of dependence of NATO countries on Soviet bloc oil appears from the following table:

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(1) A summary of supply and disposal of crude oil and products in all NATO countries is found in Annex IX, A and B.

DEPENDENCE ON SOVIET BLOC OIL IN NATO COUNTRIES (1960)

('000 metric tons)

Country	Direct Imports from Soviet bloc (a)	Retained Imports (a)	Total Imports	Total Consumption (b)	(1) as a % of (3)	(1) as a % of (4)	(2) as a % of (4)
(0)	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Belgium	355.4		10,638	7,057	3.3	5.0	
Denmark	90.0		5,065	5,262	1.8	1.7	
France	977.6		26,100	27,300	3.7	3.6	
Germany (FR)	2,202.6		31,041	29,651	7.1	7.4	
Greece	568.5		2,648.5	2,497.1	21.1	22.8	
Iceland	385.0		405	400	95.5	96.3	
Italy	4,055.0		30,987	22,383	13.1	18.1	
Luxembourg	-		197.2	195.3	-	-	
Netherlands	57.5		23,946	10,761	0.2	0.5	
Norway	340.4		3,951.5	3,635.5	8.6	9.4	
Portugal	25.6		1,759.4	1,561.2	1.5	1.6	
Turkey	-		1,208.5	1,395.4	-	-	
United Kingdom	205.0		59,547	43,858	0.3	0.5	
TOTAL	9,262.6		197,494.1	155,956.5	4.7	5.9	

(a) Figures in the column 'Direct Imports' are in 'product equivalent' crude oil imports being reduced by 7%, and show imports of Soviet bloc oil at the point of entry into the NATO area; i.e., not taking into account re-exports, exports of products produced from Soviet bloc crude, or the effect of processing arrangements for third parties. In column (2), adjustments have been made for these transactions, and the figures therefore show the final usage of Soviet bloc oil in the NATO countries.

(b) Inland consumption and bunkers.

51. Oil is a vital commodity in a modern economy, and a too large degree of dependence on imports of Soviet bloc oil involves special risks. Economic policy in the Soviet bloc is subordinated to political aims to a degree not known in the West. Furthermore, the marginal role played by foreign trade in their economy may result in changes of a more abrupt nature than is common in trade relations among free world countries. A country which covers a substantial part of its oil requirements by importing Soviet bloc oil may therefore find itself in a situation where these supplies are interrupted either for political reasons, or for economic reasons unrelated to its trade with the Soviet bloc.

52. If additional supplies and transport facilities from free world sources could be kept ready to replace, in case of interruption, supplies otherwise furnished by the Soviet bloc, the danger of dependence would obviously diminish. However, maintenance of such alternative supply possibilities would be costly and the traditional suppliers would have no incentive to bear these costs. Oil-producing countries or companies are not willing to enter into any kind of "stand-by" agreement.

53. Any country to a large degree dependent on Soviet bloc oil also runs the risk of the Soviet bloc taking advantage of this situation to exercise political pressure under the threat of interrupting supplies. This is particularly dangerous where oil imports are off-set by exports of products which cannot easily be sold on free world markets. Under a Russian threat of this kind, strong pressure is likely to be exercised by groups representing the sectors of the economy dependent on the Soviet bloc market and the government might find it difficult to refuse concessions.

54. The considerations above are deliberately limited to a peacetime perspective. It appears unnecessary to elaborate on the consequences of relying to any considerable extent on Soviet bloc oil supplies in case of war.

V. CONSIDERATIONS ON WHICH MEMBER COUNTRIES MIGHT BASE THEIR POLICIES

55. It is not the task of the Group to recommend policies to be adopted by NATO countries. The following paragraphs contain certain considerations which are found to be relevant for the attitude which member countries may wish to adopt in the face of the increasing exports of Soviet bloc oil to the free world.

General Considerations

56. The economic development in the Soviet bloc oil is leading to a change in the energy balance similar to the one experienced in Western industrialised countries: an increasing share of energy requirements is being met by oil and natural gas.

In spite of this process, given present prospects for rising oil production, it may be expected that Soviet bloc countries will find themselves with a growing export surplus in the next few years. Unless steps are taken to limit Soviet exports of oil, they may rise from about 21 million tons in 1960 to some 50 million tons in 1965. While this would not represent more than 4% of the supplies of the free world as a whole, the corresponding figure would be 7% in the free world outside North America, and 15% for free Europe.

57. At present, there is already a surplus of oil in the world market, and the effects of Soviet bloc exports are therefore felt very strongly. Without looking at the situation in individual countries, it can be stated generally that if the Soviet share of the world oil market were to increase substantially in importance, this would present serious dangers to the security of the Alliance:

(a) the present close links between the West and the traditional oil-producing countries would be weakened;

(b) the investments required to secure that the major part of the free world's supply of oil will continue to come from free world sources would be endangered, and this could lead to permanent dependence on the Soviet bloc for a product vital to modern economics;

(c) in case of a crisis short of war, free world countries would be dependent upon the supply of Soviet bloc oil to an unacceptable extent;

(d) in the underdeveloped countries, the existence of the Soviet bloc as an alternative supplier of oil would weaken existing links between these countries and Western industries and therefore assist the Soviet bloc in their long-term political aim of separating these countries from the West.

58. Even if the Soviet bloc does not take over an excessive share of the oil market, it must be of concern to the Alliance if any one member country becomes so dependent upon Soviet oil deliveries that its economy would suffer seriously from an interruption of supplies, and that a threat to interrupt these supplies could therefore be used to exercise political pressure. In any case the exportable surplus of Soviet oil is of a marginal nature compared to overall production and consumption in the bloc. Since oil requirements are likely to develop very rapidly, it cannot be excluded that the Soviet bloc will in some foreseeable future withdraw from the world oil market as did the USSR in the late 1930's. This factor should be taken into

account when considering the reliability of the Soviet bloc as a source of supply for free world countries.

59. Soviet bloc exports of oil to the free world cannot be looked upon as an isolated phenomenon. They are one aspect of East-West trade, and an increasingly important one. In 1959, 12.1% of Soviet bloc exports to the Western Europe consisted of oil, against 10.9% in 1958. The Soviet bloc finds it convenient to offer oil in order to pay for their imports from the free world, and oil exports play a growing rôle as an earner of foreign exchange, without which it would be difficult to purchase from the industrialised Western countries goods required for the fulfilment of economic plans. Oil is also used by the Soviet bloc countries in barter-type deals; such deals normally provide the bloc with commodities of relatively low priority, but they have a political significance out of proportion to their economic value for bloc economies. In the same way as other foreign trade in the bloc the Soviet oil offensive, especially in the under-developed countries, is to a large extent subjected to political considerations. In this connection, the Group has been struck by the fact that the Soviet countries act as a monolithic bloc in their oil policy, whereas the Western countries in their bilateral relations with the bloc find themselves in a situation where co-ordination of Western policy has proved insufficient. It is therefore desirable that attempts be made to co-ordinate Western policy in this field.

<u>Considerations with regard to possible restrictions for trade in oil or related goods</u>

60. More specific considerations on import practices for Soviet oil, the Soviet tanker problems and the export by the free world of materials for pipelines to the Soviet bloc seem relevant.

(i) <u>Imports of oil</u>

61. The Group has examined the extent to which the present system of trade permits member countries to control the import of crude oil and petroleum products from the Soviet bloc. Annex X gives a summary of the situation in this respect in all member countries. It appears from this information that, with the exception of Italian imports of crude oil, imports directly from the Soviet bloc of crude and products are subject to administrative controls in all member countries. If it were decided to check these imports by means of direct import restrictions, the existing means of control would appear to be sufficient to limit the flow of Soviet bloc oil into NATO countries, provided the Italian authorities would find it possible to introduce controls on imports of crude oil. However, any possible restrictions on imports would, to be effective, have to be closely co-ordinated by all member countries. Through various

transactions, such as re-exports, exports of products derived from Soviet crude, processing arrangements for the account of third parties, unloading in bonded storage, etc., there is a danger that Soviet bloc oil may lose its "identity", so that import controls become inefficient. If it were decided to impose import limitations, they would probably have to be applied to the first entry into the NATO area in order to avoid the difficulty mentioned above.7

62. It is unlikely that other countries of free Europe and the rest of the free world would agree to introduce import limitations similar to those which NATO countries might decide to impose. Obstacles to the flow of oil into the NATO area might therefore lead the Soviet bloc to increase pressure on non-NATO countries in the free world to take part of the Soviet bloc oil which has not found a market in NATO member countries. This reaction appears likely, especially in non-NATO Europe, since sales of Soviet oil to Europe are largely motivated by economic considerations. In the underdeveloped countries, however, where political considerations are more decisive for the Soviets, an increased availability of Soviet oil for export would hardly have any effect on the oil offensive, the more so since oil exports to the less-developed countries are concentrated in a few countries which together provide only a relatively small market. In 1960, total Soviet bloc oil exports to the under-developed countries thus amounted to only 5.5 million tons.

63. Limitations on imports of Soviet bloc oil into NATO countries could be expected to have a considerable effect on East-West trade as a whole. They would reduce the possibility for the Soviet bloc to make purchases in the West, a fact which might have unfavourable repercussions on the economics of some member countries engaged in barter deals with the Soviet bloc through which they dispose of certain commodities which are difficult to place in free world markets. In any event, limitations designed to reduce sharply the imports of Soviet bloc oil from their present level would no doubt be more difficult to introduce than measures aimed at preventing a further expansion of these imports.

(ii) Tankers

64. In the coming years, the Soviet bloc will have increasing requirements for tankers to carry their expanding oil exports to the free world; if these were to reach 50 million tons in 1965, the corresponding tanker requirements would be some 4 million d.w.t., varying, inter alia, with the extent to which the pipeline programme is completed. According to present estimates, the bloc fleet will, in 1965, reach about 2 million d.w.t. In order to meet this deficit, various possibilities are open to the bloc.

65. The fact that a substantial amount of tankers are not under the direct control of NATO governments makes it difficult to introduce effective restrictions on the chartering of tankers by Soviet bloc countries, although it can be assumed that some pressure could be exerted on some of the non-NATO tanker fleet. These difficulties are at present increased by the depressed state of the market, although, it should be noted that, from an overall point of view, the substitution of Soviet oil for oil from other sources does not lead to any increased requirements for tankers.

66. While the sale of used tankers to the bloc could probably be controlled in NATO countries, similar restrictions would be very difficult to impose for tankers of non-NATO countries. The construction of new tankers in shipyards in NATO countries could be prevented as far as direct orders from the bloc are concerned. But two non-NATO countries - Japan and Sweden - have the capacity to build tankers on a large scale and it may be difficult - at least in the case of Sweden - to induce them not to accept Soviet bloc orders. Moreover, experience shows that ships built for third parties might be sold to the Soviet bloc immediately upon completion.

67. Present Soviet bloc plans provide for the construction of a substantial amount of tanker tonnage by 1965. Although a stepping-up of the programme might be hampered by a shortage of steel, it does not seem that such action would present major difficulties, especially since the possibility exists that the bloc would use shipyard capacity, otherwise planned for freighter construction, for the building of tankers, while importing freighters from the free world. In this respect, it has been argued by some members of the Group that, from a security point of view, it would be undesirable to create additional incentives for the Soviet bloc to build a tanker fleet large enough for the bloc to be completely independent of chartering free world tankers.

68. If restrictive measures were introduced in all the above-mentioned fields, this would probably create some difficulties for the Soviet bloc in meeting their tanker requirements, at least in the short run. In view of the arguments above, however, the Group is of the opinion that these difficulties would not be such as to prevent the Soviet bloc from finding the tanker tonnage which would be required to carry 50 million tons of Soviet bloc oil exports in 1965.

(iii) Pipes and pipeline equipment

69. The oil export capabilities of the Soviet bloc would be increased by early completion of certain major pipelines planned or under construction in the bloc. A shortage of materials, especially large-diameter pipe, required for the construction of these lines has developed in the Soviet bloc, and at present

represents a bottleneck which bloc countries try to overcome, inter alia, by imports from NATO countries. In 1958, COCOM released restrictions on the export to the Soviet bloc of pipes. The Group feels that in considering the desirability of free world exports of pipes and equipment for pipelines to the Soviet bloc, account should be taken of the fact that these deliveries will increase the oil export capability of the bloc. The Group is of the opinion that restrictions on the export to the Soviet bloc of large-diameter pipe, equipment for pipelines and certain technical know-how would have some delaying effect on the completion of the Soviet bloc pipeline programme.

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70. The Group wishes to point out that this report has been prepared on the basis of the present situation in a market which normally experiences rapid changes, and with the help of statistical information which, because of the short time available, leaves much to be desired. It may, therefore, be advisable for NATO, if it wishes to keep under observation the influence of Soviet oil exports in the market, to watch developments in this field, in order to create the best possible basis for co-ordination of Western oil policy vis-à-vis the Soviet bloc.

ESTIMATED CRUDE OIL PRODUCTION OF SINO-SOVIET BLOC AND FREE WORLD

('000 metric tons)

	1956	% World Total	1957	% World Total	1958	% World Total	1959	% World Total	1960	% World Total
(0)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
FREE WORLD										
United States	352,849	42.12	353,045	40.01	330,121	36.36	347,073	35.47	345,000	32.77
Other	386,954	46.19	416,519	47.21	449,537	49.51	484,709	49.54	540,696	51.36
Total	739,803	88.31	769.564	87.22	779,658	85.87	831,782	85.01	885,696	84.13
SINO-SOVIET BLOC										
USSR	83,796	10.00	98.340	11.15	112,900	12.43	129,500	13.24	148,000	14.06
Rumania	10,920	1.30	11,180	1.27	11,336	1.24	11,473	1.17	11,550	1.10
Hungary	1,202	0.14	675	0.08	829	0.09	1,036	0.11	1,200	0.11
Albania	280	0.03	490	0.06	403	0.04	479	0.05	600	0.06
Bulgaria	247	0.03	286	0.03	222	0.02	194	0.02	190	0.02
Poland	184	0.02	181	0.02	175	0.02	175	0.02	200	0.02
Czechoslovakia	110	0.01	110	0.01	110	0.01	110	0.01	110	0.01
China (Communist)(1)	1,176	0.14	1,460	0.16	2,230	0.25	3,700	0.38	5,200	0.49
Total	97,915	11.69	112,722	12.78	128,205	14.12	146,631	14.99	167,050	15.87
WORLD TOTAL	837,718	100.00	882,286	100.00	907,863	100.00	978,413	100.00	1,052,746	100.00

(1) Including oil from shale and coal.

Source: Petroleum Press Service, Vol. XXVII, No.1 (January, 1960) and Vol. XXVIII, No. 1 (January, 1961); Pravda (25th January, 1961), p.1.

NET OIL IMPORTS OR EXPORTS OF SINO-SOVIET COUNTRIES

('000 metric tons)

Country	1958				
	Crude Oil(a)		Major Petroleum Products		
	Production	Net Imports(+) or Exports (-)	Refinery Output	Net Imports(+) or Exports (-)	Apparent Consumption
(0)	(1)	(2)	(3)	(4)	(5)
USSR	113,000	- 8,020(c)	98,000	- 5,150(d)	92,850
Albania	400	- 130	240	-	240
Bulgaria	220	- 150	70	+ 560	630
Czechoslovakia	100	+ 1,450	1,450	+ 110	1,560
East Germany	-	+ 1,100	1,030	-- 520	510
Hungary	830	+ 1,110	1,570	- 160	1,410
Poland	190	+ 680	620	+ 1,120	1,740
Rumania	11,560	- 100	9,920	- 5,750(e)	4,170
Asian countries(b)	2,260	+ 400	2,400	+ 1,760	4,160
Total	128,560	- 3,660	115,300	- 8,030	107,270
	1959				
USSR	129,500	- 11,350	108,700	- 9,300	99,400
Albania	450	- 70	360	- 100	260
Bulgaria	200	nil	180	+ 720	900
Czechoslovakia	100	+ 1,800	1,750	+ 250	2,000
East Germany	50	+ 1,600	1,450	nil	1,450
Hungary	1,050	+ 1,200	2,000	nil	2,000
Poland	200	+ 700	850	+ 1,150	2,000
Rumania	11,450	nil	10,550	- 5,900	4,650
Asian countries(b)	2,550	+ 700	3,080	+ 2,950	6,030
Total	145,550	- 5,420	128,920	- 10,230	118,690

(a) Including shale oil.
(b) Communist China, Outer Mongolia, North Korea, North Viet-Nam.
(c) Embracing exports of 9,100 and imports of 1,080, of which from Austria 1,000.
Exports of crude oil in preceding years: 1957 - 5,920; 1956 - 3,900; 1955 - 2,920.
Separate figures of exports and imports of products not given.
(d) Preceding years' net exports: 1957 - 4,830; 1956 - 2,400; 1955 - 1,310.
(e) Preceding years' net exports: 1957 - 5,850; 1956 - 5,900; 1955 - 6,000.

Source: United Kingdom Delegation to NATO: United Nations, "World Energy Supplies", *Statistical Papers*, Series G, No. 3.

FREE WORLD DIRECT IMPORTS OF SOVIET BLOC OIL (a)

1957 - 1960

('000 metric tons)

Country	1957			1958			1959			1960		
	Crude	Products	Total	Crude	Products	Total	Crude	Products	Total	Crude	Products	Total
(0)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
NATO European Countries												
Belgium-Luxembourg (Bleu)	0	78.5	78.5	0	135.4	135.4	0	496.1	496.1	0	355.4	355.4
Denmark	..	..	..	0	34.5	34.5	0	70.0	70.0	0	90.0	90.0
France	..	..	368.9	195.6	684.4	880.0	123.2	939.0	1,062.2	105.0	880.0	985.0
Germany (F.R.) (b)	..	..	910.0x	0	421.6	421.6	214.6	582.0	796.6	1,058.9	1,217.8	2,276.7
Greece	..	..	280.0	0	230.0	230.0	360.0	240.0	600.0	450.0	150.0	600.0
Iceland	0	310.0	310.0x	0	280.0x	280.0x	0	365.0xx	365.0xx	0	385.0	385.0
Italy (c)	618.4	352.9	971.3	1,051.1	104.7	1,155.8	2,315.7	717.5	3,033.2	3,500.0	800.0	4,300.0
Netherlands (d)	0	5.0	5.0	0	71.0	71.0	0	74.0	74.0	0	57.5	57.5
Norway	0	100.0	130.0x	0	157.7	157.7	0	367.9	367.9	0	340.4	340.4
Portugal	0	0	0	49.6	0	49.6	0	12.5	12.5	0	25.6	25.6
Turkey	0	0	0	0	0	0	0	0	0	0	0	0
United Kingdom	0	181.0	181.0	0	37.6	37.6	0	102.8	102.8	0	205.0	205.0
Bunkering												
Total	..	..	3,284.7	1,296.3	2,156.9	3,453.2	3,013.5	3,966.8	6,980.3	5,113.9	4,506.7	9,620.6
Other European Countries												
Austria	..	..	260.0x	..	..	440.0x	445.0	406.0	851.0	450.0	450.0	900.0
Finland	..	..	1,460.0x	..	..	1,500.0x	870.0	929.0	1,799.0	900.0	1,200.0	2,100.0
Sweden	..	..	510.0x	..	..	750.0x	260.0	1,200.0	1,460.0	150.0	1,750.0	1,900.0
Switzerland	0	0	0	..	..	40.0x	0	80.0	80.0	0	50.0	50.0
Yugoslavia	..	..	390.0x	..	..	340.0x	350.0	105.0	455.0	270.0	80.0	350.0
Total	..	..	2,620.0	..	..	3,070.0	1,925.0	2,720.0	4,645.0	1,770.0	3,530.0	5,300.0
Middle East and Africa												
Egypt	..	..	1,220.0x	..	..	2,110.0x	760.0	1,435.0	2,195.0	600.0	1,150.0	1,750.0
Syria	..	..		..	..		0	450.0	450.0	0	500.0	500.0
Guinea	0	0	0	0	0	0	0	0.1xx	0.1xx	0	20.0	20.0
Lebanon	0	0	0	0	0	0	0	100.0	100.0	0	100.0	100.0
Morocco	0	0	0	[30.9]	0	[30.9]	65.0	0	65.0	50.0	0	50.0
South Africa	0	0	0	0	0	0	0	10.0	10.0	0	0	0
Tunisia	0	0	0	0	0	0	0	15.0	15.0	..	50.0	50.0
Total	..	..	1,220.0	..	..	2,140.0	825.0	2,010.1	2,835.1	650.0	1,820.0	2,470.0
Asia												
Afghanistan	0	40xx	[illegible]	0	[41.8]	[41.8]	0	40.0	40.0	0	50.0	50.0
India	0	0	0	0	0	0	0	0	0	0	30.0	30.0
Japan	0	0	0	[11.1]	0	[11.1]	70.0	25.0	95.0	750.0	0	750.0
Total	0	40	40	11.1	41.8	52.9	70.0	65.0	135.0	750.0	80.0	830.0
Caribbean and S. America												
Argentine	0	0	0	940x	0	940x	260.0	260.0	520.0	0	0	0
Brazil	0	0	0	0	0	0	60.0	0	60.0	0	100.0	100.0
Cuba	0	0	0	0	0	0	0	0	0	1,680.0	320.0	2,000.0
Uruguay	0	0	0	178xx	0	178xx	300.0	170.0	470.0	0	100.0	100.0
Total	0	0	0	1,118.0	0	1,118.0	620.0	430.0	1,050.0	1,680.0	520.0	2,200.0
GRAND TOTAL	..	..	7,[illegible].7	..	..	9,834.1	6,[illegible]	9,191.9	15,645.4	9,963.9	10,456.7	20,420.6

.. = Figure not available.

Sources: Unless otherwise indicated, figures on imports by NATO countries have been provided by the delegations concerned and figures on imports by other Free World countries by the United Kingdom Delegation. In those cases where delegations have not made figures available, the following annotations have been used: x for a figure taken from Annex II of AC/127-WP/56(Revised); xx for an estimate by the International Staff; [ ] for a figure from Table I of AC/127-WP/66.

(a) Imports of Soviet bloc oil at the point of first entry, not taking into account re-exports, exports of products produced from Soviet bloc crude, or the effect of processing arrangements for third parties.

(b) Figures for the Federal Republic of Germany do not include interzonal trade; 560,000 tons of products were purchased in the Soviet-occupied zone of Germany in 1960. Figures, on the other hand, do include 140,000 metric tons of crude oil which were imported from the bloc and refined for third countries in 1960.

(c) Figures for Italy include oil imported from the bloc and refined for third countries. The volume of these imports reached about 1.2 million tons in 1960.

(d) Figures for the Netherlands do not include oil from the Soviet bloc arriving in bonded storage.

COMPOSITION OF SOVIET BLOC EXPORTS OF OIL

I. Export of Crude Oil and Products by USSR to World

Information on the composition of Free World imports of Soviet Bloc oil is not complete. Some indication may be found in the table reproduced below which gives a breakdown of USSR exports of oil. These figures, which are taken from USSR sources, deal only with USSR exports and include deliveries to other Soviet Bloc countries.

Composition of USSR exports of oil to the Free World and Sino-Soviet Bloc

Crude Oil and Product	1958	1959
Crude oil	50.1%	49.2%
Gasoline	10.4%	10.3%
Kerosene	4.7%	3.6%
Diesel oil	19.2%	18.3%
Fuel oil	13.5%	16.8%
Lubricants	1.7%	1.3%
Other products	0.3%	0.3%
Total	100.0%	100.0%

Source: USSR trade returns.

II. Export of Oil by USSR to Free Europe

2. According to these same sources, USSR exports to free Europe of oil consist mainly of crude oil, gas /diesel oils and fuel oil. This might be explained partly by the fact that exports of gasoline require retail distribution facilities which are not at the disposal of Soviet Bloc countries in Western Europe.

Composition of USSR exports of oil to free Europe

Crude Oil and Product	1959
Crude oil	44.7%
Gas/diesel oils	21.5%
Fuel oil	29.9%
Gasoline	2.1%
Other products	1.8%
Total	100.0%

III. Imports of Oil by Free World from the Soviet Bloc

3. The composition of oil imported from the Soviet bloc by NATO and other free countries of Europe appears from the table below. In order to obtain a more complete picture, estimates have been used in a number of cases to supplement information provided by delegations or taken from other Western sources. Imports in 1959, shown in the table below, account for nearly all the Soviet bloc oil exported to free Europe. Any difference is probably accounted for mainly by products imported for bunkering, which are excluded.

Composition of imports by free Europe of oil from the Soviet Bloc (1959)

('000) metric tons)

Country	Crude oil(1)	Gas/diesel oil	Fuel oil	Gasoline
NATO European Countries				
Belgium and Luxembourg	0	59	429	4
Denmark	0	10	60	0
France	123	508	341	290
Germany (F.R.)(2)	215	493	538	200
Greece	360	150	0	0
Iceland	0	190	135	40
Italy	2,315	0	717	0
Netherlands	0	31	21	1
Norway	0	28	340	0
Portugal	0	12	0	0
Turkey	0	0	0	0
United Kingdom	0	0	56	0
Total	3,013	1,481	2,637	535
Other European Countries				
Austria	445	370	0	36
Finland	870	480	354	95
Sweden	260	641	455	0
Switzerland	0	0	80	0
Yugoslavia	350	15	0	90
Total	1,925	1,506	889	221
GRAND TOTAL	4,938	2,987	3,526	756
PERCENT	37.4%	22.6%	26.7%	5.7%

Source: Netherlands Delegation to NATO, unless otherwise indicated.

(1) From Annex III.
(2) Including interzonal trade.

ESTIMATED FREE WORLD IMPORTS OF SOVIET BLOC OIL FOR WHICH PROVISION MADE IN EXISTING TRADE AGREEMENTS 1961-1962(1)

('000 metric tons)

Country	1961			1962		
	Crude	Products	Total	Crude	Products	Total
NATO European Countries						
Belgium	0	267	267	-	-	-
Denmark	0	40(2)	40(2)	-	-	-
France	100	750	850	-	-	-
Germany (FR)	1,700	1,268	2,968	1,800	820(3)	2,620
Greece	450	600	1,050	450	630	1,080
Iceland	0	385	385	0	385	385
Italy	3,500(4)	800(4)	4,300(4)	-	-	-
Norway	0	340	340	-	-	-
United Kingdom(5)	0	215	215	-	215	215
Other European Countries						
Austria(6)	250	80	330	300	90	390
Finland	900	1,400	2,300	(7)		2,600
Sweden			2,500 to 2,700			
Africa						
Morocco	85	20	105	-	-	-
Asia						
Afgahnistan	0	80	80(8)	-	-	-
India	1.5 million tons of products over 4 years from August 1960					
Japan(9)	1,400	0	1,400	1,700	0	1,700
Ceylon	0	130	130	-	-	-
Latin America						
Brazil	600	100	700	600	100	700
Cuba(10)	3,500	950	4,450			

(1) The amount of oil agreed to be imported under trade agreement does not necessarily correspond to actual imports. The quotas may in some instances be exceeded or they may not be met completely. For NATO countries, however, the figures given provide the best available estimates of likely imports.

(2) The present trade agreement with the USSR expires on 31st May, 1961. The figures given, therefore, cover the first five months of 1961.

(3) Covers only trade agreement with USSR.

(4) As an indication only, the Italian reply quotes the amounts agreed for 1960 in the trade agreements in force with Rumania and the USSR.

(5) Estimates provided by the United Kingdom Delegation; these imports are outside the United Kingdom trade agreement with bloc countries.

(6) In recent negotiations, the USSR has suggested that Austria take 1.65 million tons of Soviet oil in 1961, rising to 2.15 million tons in 1965, of which crude oil would be 1.5 million and 1.9 million tons respectively.

(7) It has been reported by the USSR that Finland has agreed to import 5.7 million metric tons of crude oil during the period 1961 to 1965.

(8) Source: Monitoring Service of the BBC, Weekly Supplement No. 95, Part III Far East (8th February, 1961).

(9) Under the terms of the trade agreement, two Japanese companies have signed contracts to import a total of 6-8 million tons of oil from the USSR over 1961-1966.

(10) The USSR has undertaken to supply Cuba's demand indefinitely.

TABLE A

ESTIMATED SUPPLY AND DEMAND OF OIL IN THE FREE WORLD (1960)

('000 metric tons crude oil equivalent)

To:	Supply and Distribution from:								
	Domestic Demand	North America	Latin America	Free Europe	North & West Africa	Middle East	Asia	Soviet Bloc	Total Supply
North America	528,000	420,000	79,500	-	-	24,500	3,500	-	528,000
Latin America	84,500	500	77,000	-	-	4,000	-	3,000	84,500
Free Europe	187,500	1,500	25,000	15,000	9,000	122,000	-	15,000	187,500
North and West Africa	20,000	-	2,500	-	3,250	12,750	-	1,500	20,000
Middle East	19,000	-	-	-	-	19,000	-	-	19,000
Asia (1)	84,000	-	-	-	-	58,750	24,750	500	84,000
In transit, etc. (2)	16,250	1,750	4,250	-	-	10,250	-	-	16,250
TOTAL FREE WORLD	939,250	424,250	188,250	15,000	12,250	251,250	28,250	20,000	939,250

(1) Borneo, Burma, India, Indonesia, Pakistan, Japan and Philippines.

(2) In transit, stock change, and offshore military.

TABLE B

ILLUSTRATION OF A POSSIBLE DEVELOPMENT OF THE SUPPLY AND DEMAND PATTERN OF OIL IN THE FREE WORLD (1965)(1)

('000 metric tons crude oil equivalent)

To:	Supply and Distribution from:								
	Domestic Demand	North America	Latin America	Free Europe	North & West Africa	Middle East	Asia	Soviet Bloc	Total Supply
North America	648,250	523,750	91,750	-	-	29,000	3,750	-	648,250
Latin America	108,750	-	103,750	-	-	-	-	5,000	108,750
Free Europe	264,500	1,000	18,250	20,000	55,000	130,250	-	40,000	264,500
North and West Africa	25,000	-	-	-	22,500	-	-	2,500	25,000
Middle East	32,000	-	-	-	-	32,000	-	-	32,000
Asia (2)	11,700	-	5,000	-	-	78,250	31,250	2,500	11,700
In transit, etc.(3)	19,500	-	7,500	-	-	12,000	-	-	19,500
TOTAL FREE WORLD	1,215,000	524,750	226,250	20,000	77,500	281,500	35,000	50,000	1,215,000

(1) Under the assumption that no special measures are taken.

(2) Borneo, Burma, India, Indonesia, Pakistan, Japan and Philippines.

(3) In transit, stock change, and offshore military.

TABLE A

TANKER FLEET OF THE SINO-SOVIET BLOC

('000 dwt)

Country	1952	1953	1954	1955	1956	1957	1958	1959	1960
USSR	150	184	285	361	511	680	768	796	929
China (Communist)	-	-	-	-	-	-	-	-	30
Germany (Soviet Zone)	-	-	-	-	-	-	-	23	37
Poland	21	21	30	30	30	39	60	73	92
Czechoslovakia	-	-	-	-	-	-	-	19	19
Total bloc	171	205	315	391	541	719	828	911	1,107
Total world	31,100	34,000	37,100	40,000	43,000	47,000	52,600	58,700	62,800
Bloc as % world	0.5	0.6	0.8	1.0	1.3	1.5	1.6	1.6	1.8

Source: Compiled from Lloyds Register and statistics provided by John I. Jacobs and Co. Ltd. Since tanker fleets registered with small shipping countries are listed under "other countries," they cannot be extracted. Mid-year figures are used in each case.

TABLE B

TANKER FLEET OF THE USSR AS OF 1st JULY, 1960

('000 grt)

Class of tanker (GRT)(1)	Age (years)						
	Below 5	5-10	10-15	15-20	20-25	25 and over	Tonnage by class
100 - 500	-	-	-	-	0.5	-	0.5
500 - 1,000	0.8	-	-	2.0	2.1	0.8	5.7
1,000 - 2,000	3.7	25.1	-	-	3.5	1.6	34.2
2,000 - 4,000	39.8	3.4	-	2.3	-	-	45.5
4,000 - 6,000	-	-	-	-	-	-	-
6,000 - 8,000	14.3	15.9	-	-	-	[illegible]	87.2
8,000 - 10,000	255.2	189.9	-	-	-	[illegible]	453.3
10,000 - 15,000	-	-	-	-	-	14.8	14.8
15,000 - 20,000	19.5	-	-	-	-	-	19.5
20,000 - 30,000	-	-	-	-	-	-	-
30,000 and over	32.0	-	-	-	-	-	32.0
Tonnage by age	365.3	234.4	-	4.3	6.1	82.6	692.7

Source: Lloyds Register of Shipping

(1) One gross register ton corresponds to just over 1.5 dead weight tons

OIL PRICES

1. Comparisons of Soviet bloc oil prices with prices of oil from free world sources present certain difficulties in view of the complex oil price structure. The following paragraphs throw some light on part of the question by providing a basis for a comparison of crude oil prices.

2. The following table gives the posed prices for various types of free world crude oil:

Free World Crude Oil - Posted Prices(1)
(February 1961)

	$ per metric ton(2)
MIDDLE EAST	
Arabian (Safaniya), ex Ras Tanura	10.37
Arabia, ex Ras Tanura	13.26
Arabia, ex Sidon	15.98
Qatar, ex Umm Said	15.09
Iraq, ex Tripoli and/or Banias	
(i) N. Iraq (36-36.9°)	16.32
(ii) Jambur/Bai Hassan blend (34-34.9°)	15.24
Iraq-Basrah, ex Fao	12.74
Kuwait, ex Mena al Ahmadi	11.50
Iran Light, ex Bandar Mashur	13.11
Iran Light, ex Abadan	12.74
Iran Heavy/Med., ex Abadan	11.42
Iran Gach Saran, ex Kharg Is	11.78
VENEZUELA	
Tia Juana-Medium	16.12
Lagunillas-Heavy	13.66
Boscan	9.89

Source: Petroleum Press Service (February 1961)

(1) Published export prices in US $ per metric ton f.o.b. exclusive local Port or Government charges.

(2) The prices have been converted into $ per metric ton from $ per barrel.

3 It should be noticed that discounts on posted prices are traditonally granted for special categories of business. Recently discouts have been quite substantial and widespread, and according to some reports, they have ranged from about 10% to 30%.

4. The following table gives an idea of f.o.b. prices asked by the USSR for crude oil exported to various countries.

USSR Crude Oil Prices

	\$ per metric ton(1)
Outer Mongolia	25
Hungary, Czechoslovakia and Poland	22.5-23.75
China	21.5
East Germany	19.5
Yugoslavia	17.25
Uruguay - Brazil	15.75
Morocco	13.75
Western countries (average)	12.50
Argentina	11

Source: Petroleum Press Service, (September, 1960) and The Times, (6th-8th September, 1960).

(1) At 1 old rouble = \$0.25

These figures have been obtained by dividing the f.o.b. value in roubles by the volume of crude oil exports in 1959. This method is obviously not sufficient to obtain a full picture of USSR crude prices; it only gives average prices and does not indicate the quality of the crude sold to various countries. Furthermore it does not take into account the artificial nature of the USSR exchange rate.

5. It is possible to get more accurate indications of the prices of Soviet bloc crude oil sold to certain NATO countries. From information available to the Economic Service it appears that the average price of \$12.50 per m.t. for crude sold to Western countries given in the above table is probably too high. It seems that prices of about \$10.50 - \$11.00 f.o.b. Black Sea ports have been quoted for a crude oil which can be compared to North Iraq crude (36-36.9°) for which the posted price is \$16.47. If this information is correct it means that Soviet bloc crude of this type is offered at about 33% below the posted price for corresponding Middle East crude. A similar picture emerges from information available about the price asked for a Soviet bloc crude comparable to that of Kuwait. If account is taken of the difference in sulphur content, the price difference amounts to nearly 35%.

TABLE A

SUMMARY OF SUPPLY AND DISPOSAL OF CRUDE OIL AND FEEDSTOCKS

PROVISIONAL FIGURES (1960)

('000 metric tons)

Country	Crude Oil and Feedstocks					
	Indigenous production	Imports	Total Supply	Refinery throughput	Exports	Total disposals
(0)	(1)	(2)	(3)	(4)	(5)	(6)
Belgium	-	7,091	7,091	7,128	-	7,128
Denmark	-	34	34	34	-	34
France	10,200	23,250	33,450	32,500	-	32,500
Germany	5,541	23,273	28,814	28,672	-	28,672
Greece	-	1,736.5	1,736.5	1,731.6	-	1,731.6
Iceland	-	-	-	-	-	-
Italy	2,000	29,700	31,700	30,700	674	31,374
Luxembourg(1)	-	-	-	-	-	-
Netherlands	1,808	18,797	20,705	20,618	32	20,650
Norway	-	258	258	150.7	-	150.7
Portugal(1)	-	1,261.9	1,261.9	1,246.6	-	1,246.6
Turkey(1)	365	-	365	362	-	362
United Kingdom	148	46,302	46,450	45,132	56	45,188
Canada	25,555	18,248	43,803	43,001	5,566	48,567
United States	344,433	50,021	394,454	396,072	415	397,603
Total	390,050	219,972.4	610,122.4	607,347.9	6,743	615,206.9

(1) 1959 figures from OEEC document DT/E/PE/60.120(Revised)

TABLE B

SUMMARY OF SUPPLY AND DISPOSAL OF ALL FINISHED PRODUCTS

PROVISIONAL FIGURES (1960)

('000 metric tons)

Country	Refinery output	Imports	Other Fuels	Total Supply	Deliveries to inland consumption	Bunkers	Exports	Total Disposals
(0)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Belgium	6,711	3,547	-	10,258	6,328	729	3,032	10,089
Denmark	39	5,031	157	5,227	4,945	317	-	5,262
France	29,500	2,850	1,055	33,405	25,100	2,200	4,360	31,660
Germany	28,021	7,768	555	36,345	28,005	1,656	2,787	32,439
Greece	1,615.5	912	-	2,527.5	1,889.7	607.4	27.6	2,524.7
Iceland	-	405(b)	-	405	350(b)	50(b)	-	400(b)
Italy	28,980	1,287	-	30,267	18,885	3,498	7,791	30,174
Luxembourg (a)	-	197.2	-	197.2	195.3	-	0.5	195.8
Netherlands	18,750	5,149	-	23,899	8,605	2,156	12,900	23,661
Norway	116.1	3,693 5	-	3,809.6	3,285.4	350.1	13.7	3,649.2
Portugal (a)	1,173.4	497.5	-	1,670.9	1,216	345.2	320.6	1,881.8
Turkey (a)	337	1,208.5	-	1,545.5	1,395.4	-	-	1,395.4
United Kingdom	41,125	13,245	396	54,766	39,585	4,273	8,792	52,650
Canada	34,013	4,362	-	38,375	39,474(c)	-	398	39,872
United States	415,730	38,884	-	454,614	462,058	11,100	9,698	482,848
Total	606,111	890,036.7	2,163	697,311.7	641,316.8	27,281.7	50,120.4	718,701.9

(a) 1959 figures from OEEC document DT/E/PE/60.120(Revised)
(b) Secretariat estimate (c) Includes bunkering

SUMMARY OF COUNTRY REPLIES CONCERNING NATIONAL PRACTICES WITH REGARD TO IMPORT AND EXPORT OF SOVIET BLOC OIL

BELGIUM and LUXEMBOURG: Imports are subject to licensing Imports of gas oil and fuel oil are further limited by quotas.

CANADA: No quantitative restrictions in effect on imports. Re-exports are subject to licensing.

DENMARK: Import licences required in order to limit imports to the amounts foreseen in trade agreements.

FRANCE: Soviet bloc oil imports are kept within the limits of existing trade agreements by a licensing control system applicable to imports of crude oil and products from all countries.

GREECE: In order to fulfil trade agreements, government regulations ensure that 30% of the total imports of crude oil and products not refined in Greece come from countries with which Greece has bilateral trade agreements.

GERMANY: Imports of oil and oil products are subject to licensing in order to limit imports to amounts foreseen in trade agreements. These amounts do not constitute import commitments, but only guarantee that licences, if applied for, will be issued within the limits of the agreements.

ICELAND: In order to fulfil trade agreements, the entire requirements of Iceland of fuel oil, gas oil and automobile gasoline are imported from the Soviet bloc.

ITALY: Import of crude oil is free, while imports of oil products are subject to licensing control, in order to keep imported amounts within the limits of existing trade agreements

NETHERLANDS: Imports of crude oil are subject to licensing. Licences are, in principle, granted automatically, but so far none has been applied for. Imports of oil products are also subject to licensing. Licences are issued only for imports that are offset by sales of products of which exports are promoted by the government. Re-exports are subject to licensing, but are, in practice, free to all countries other than those of the Soviet bloc.

NORWAY: Oil imports from Rumania are in principle free, but in practice limited to the value of Norway's exports to Rumania. Oil imports from the rest of the Soviet bloc are subject to licensing, in order to limit imports to the amounts stipulated in trade agreements. Re-exports are subject to licensing.

PORTUGAL: Crude oil and gas oil have been imported from the Soviet bloc, but only to the extent that such imports were offset by exports to the bloc of Portuguese surplus products.

UNITED KINGDOM: Imports are subject to licensing control, and few licences are issued. Oil is not included in the trade agreement with the USSR.

UNITED STATES: No restrictions concerning Soviet bloc oil in particular exist, but in the application of global restrictions on imports of crude oil and petroleum products a number of advantages conceded to other countries are denied to Soviet bloc countries.