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ECONOMIC COMMITTEE

IMPORTS OF IRON ORE BY THE COMECON COUNTRIES  
(USSR EXCEPTED) AND YUGOSLAVIA FROM NON-COMMUNIST COUNTRIES

Note by the German Delegation

INTRODUCTION

Because of inadequate national iron ore deposits, the East European Communist countries are largely dependent on imports for their supplies of this commodity. The Soviet Union is the main supplier of iron ore although imports from the non-Communist countries increased between 1971 and 1975. This development is explained by the limited Soviet export capacity, frequent transport bottlenecks, the superior quality of Western raw materials and international raw material prices. In 1975, some 23% of the iron ore used in the European Communist countries came from non-Communist sources.

(a) Growing importance of iron ore imports

2. The COMECON members, Poland, Czechoslovakia, the GDR, Rumania and Hungary, have to import most of the iron ore they require for steel production. The Soviet Union and Eastern Europe possess reserves of 120 milliard tons of iron ore or a third of the world total.

3. However, some 92% of the deposits occur in Soviet Russia and the remainder mainly in Bulgaria and Yugoslavia. Very little iron ore is mined in Poland, Czechoslovakia, the GDR, Rumania and Hungary. The figure for 1975 was 1.8 million tons of Fe (metallic iron) (in the same year steel production in these countries was 49 million tons). With well developed mining industries, Bulgaria and Yugoslavia in 1975 extracted 2.7 million tons of metallic iron and produced 5.2 million tons of steel.

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4. The Russians provide the bulk of their COMECON partners' iron ore supplies. Long-term supply contracts concluded between the COMECON countries and Soviet Russia ensure that the latter will continue to be the main supplier of iron ore to COMECON. The Russians themselves do not import iron ore. However, the decline in imports of Russian iron ore by the COMECON countries since 1971 has benefited imports from non-Communist countries, and there are many signs that this trend will continue.

To meet the steel output targets of the Five-Year Plans up to 1980, the COMECON countries (except Russia) and Yugoslavia will require 13.1 million tons of Fe in 1980 over and above the 1975 figure. The Soviet Union's output of steel in 1980 will require an additional 16.5 million tons of Fe compared with the 1975 figure. It is not certain that the additional 30 million tons or so needed in 1980 by all the COMECON countries will be forthcoming. The Russians would only be able to supply this amount if they invested far more heavily in the mining industry than was the case between 1971 and 1975. By modernizing mines and opening up new ones, output was increased by 21 million tons of metallic iron between 1971 and 1975.

5. Except in Bulgaria, ore output in the COMECON countries cannot be further developed and has, in fact, been dropping for years. Consequently, more than the extra 30 million tons referred to above will be needed, and it will only be possible to bridge the raw materials gap by importing iron ore from non-Communist countries.

6. Most of the iron ore supplied by the Soviet Union to the European Communist countries comes overland. But the transshipment of ore from large gauge to normal gauge railway wagons has proved troublesome in the past, especially in winter, and the resulting delays have made it necessary to import extra ore from non-Communist countries in order to keep the blast furnaces going.

7. Temporary supply bottlenecks will increase with the rising volume of ore transported and will not completely disappear even after large gauge track has been laid between the Russian frontier and Poland, Hungary and Czechoslovakia.

8. Russian iron-bearing minerals contain only between 30 and 40% Fe and their quality is greatly reduced by the presence of harmful foreign bodies. The COMECON countries are making greater use of high-grade, better quality ores from non-Communist countries to increase the productivity of their blast furnaces.

9. For the reasons given above, the COMECON countries and Yugoslavia increased their procurements of iron ore from non-Communist countries from 3.8 million tons of metallic iron in 1971 to 7.4 million tons in 1975. In 1975, the proportion of such imports to overall iron ore imports by the European Communist countries was 26.4% compared with 17.8% in 1971. In other words, some 23% of their total iron ore consumption was covered by imports from these sources in 1975 (Annexes I and II refer).

10. The European Communist countries get their ore direct from the producer country with no go-between; this was a decisive factor in their decision to purchase from non-Communist sources. The procurements are covered by long-term supply contracts which are generally offset agreements.

11. The cost of the transport mode tends to determine the volume of imports: countries like Poland, the GDR and Rumania which have seaports import large quantities of ore from non-Communist sources (cf. Annex II).

12. The exact prices paid by these countries for this ore are not known(1).

13. A further incentive for such purchases is that in 1975 the COMECON countries had to pay up to 48% more per ton of Soviet ore than in 1971, which means that the Russians have brought their prices into line with world prices.

(b) Iron ore imports by the COMECON countries  
(USSR excepted)

Poland

14. Poland is COMECON's biggest producer of steel after Russia and its biggest purchaser of ore from non-Communist sources after Rumania (2.3 million tons of metallic iron was imported in 1975 or more than twice the 1971 figure of 1.1 million tons). In 1975, 28% of the ore imported and about 27% of the ore processed came from this source (cf. Annex III).

15. The main supplier is Sweden, which in 1975 delivered 1.2 million tons of Fe or some 15% of all Polish imports of iron-bearing minerals. According to the Polish press, the Swedish ore costs much less than the Russian variety because of the easier transport, and this may explain the big rise in imports of this commodity from Sweden since 1971 (365,000 tons of Fe in 1971 and 1,215 million tons in 1975). Other suppliers are Norway, Brazil, India, Venezuela and (until 1972) Algeria.

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(1) They are probably the world market prices

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16. The bulk of the imported ore is carried on Polish ships and unloaded in Gdansk. When the new ore terminal, which will take vessels of up to 150,000 tons, is completed in 1979, the transport capacity will greatly increase.

17. In the next few years, the Poles intend to step up their purchases of iron ore from non-Communist sources.

18. Sweden is expected to supply Poland with 17 million tons of ore containing 62-64% Fe from Kiruna, between 1976 and 1980. It is planned that deliveries should reach 4.5 million tons a year up to 1985. Between 1975 and 1985, the COMPANHIA VALE DO RIO DOCE will be exporting 11.9 million tons of iron ore, which will be offset by imports of 14.8 million tons of coking coal.

19. In October 1976, new contracts were negotiated with India for the supply of ore in 1977 and 1978, but no information is available on the amounts programmed.

#### Czechoslovakia

20. Czechoslovakia, the third biggest steel producer in COMECON, is a net exporter of steel goods and, because the high quality of its products makes them comparable to those of the West, is one of the most important steel producers in the grouping, alongside the Soviet Union.

21. Because Czechoslovakia is land-locked, only a small proportion of its ore imports come from non-Communist sources. The figure for 1975 was only about 17% and covered some 16% of the total iron ore consumption. All in all, 1.4 million tons of metallic iron were imported in 1975 from non-Communist countries; this is an increase of around 60% over the 1971 figure (cf. Annex IV).

22. The Czechoslovak foreign trade statistics show that the main suppliers are Brazil, India, Sweden and Algeria. Ore is also obtained from Liberia, Morocco, Norway, Peru, Tunisia and Venezuela. Czechoslovakia's ore imports transit through the GDR port of Rostock. The lack of additional transport facilities means that there is little likelihood of any big increase in the next few years in the proportion of these ore imports to overall imports of this commodity.

23. Czechoslovakia is at present negotiating with the Yugoslavs for the transit of ore imports through Yugoslav ports. It is planned to import 100,000 tons of iron ore a year in this way from the Sudan between 1980 and 1990. Brazil will continue as the main supplier of ore; under a contract signed in

November 1975 between the COMPANHIA VALE DO RIO DOCE and KERAMETAL, Czechoslovakia will be supplied with between 700,000 and 950,000 tons of Brazilian iron ore every year until 1990. In return, Prague will provide equipment for hydraulic and thermo-electric power plants.

Rumania

24. Rumania's independent attitude towards Moscow has led to far greater reliance on iron ore from non-Communist sources than is the case for the other COMECON countries. The 2.5 million tons of Fe imported cover well nigh 42% of all Rumanian iron ore imports (cf. Annex V).

25. The Rumanian foreign trade statistics provide no details of the source countries. It is known, however, that most of the ore comes from the following developing countries listed in order of their importance as exporters: Algeria, Brazil, India, Liberia and (since 1975) Peru, which made a test delivery of 35,000 tons.

26. The ore is brought through the Bosphorus and the Dardanelles to Constanta and then goes on to the blast furnaces by way of the Danube. The relatively small port capacity of Constanta and the limitations of the Danube as a transport axis strictly curtail imports of iron ore from non-Communist sources.

27. By means of certain agreements with developing countries, Rumania, more than the other COMECON countries, has catered for its future supplies of iron ore. Between 1975 and 1985, it is planned to purchase 25 million tons of iron ore from the COMPANHIA VALE DO RIO DOCE, which will be paid for by the Rumanian oil and steel plants. Between 1971 and 1980, India will provide 22 million tons of iron-bearing ores while supplies from Peru should within the next few years go up to 1 million tons, which will be paid for in mineral oil and Rumanian-built chemical industry equipment.

28. The Rumanians are also very active in countries which have not so far supplied them with iron ore; they are prospecting for deposits in the Nimba mountains in Guinea in conjunction with the Swedish LUOSSA VAARAKJJRUNA-VAARA AB (LKAB) consortium.

29. In 1974, an agreement on the working of the KALOUN deposits was signed by Guinea and Rumania and another between the latter and the Central African Republic on the exploitation of deposits in that country. Rumania has in the past prospected successfully for iron ore in south-west Libya, but no more is known of this venture.

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GDR

30. The GDR was urged by the Russians several times between 1969 and 1971 to acquire more of its iron ore from non-Communist sources and, as a result, its imports of this commodity rose from 71,000 tons to 644,000 tons between 1971 and 1975. Thus, in 1975 imports from non-Communist countries accounted for 30.4% of all iron ore imports and for 30.2% of iron ore consumption (cf. Annex VI). The other reason for the sharp increase in procurements of ore from non-Communist resources is the frequent delays to which deliveries of Soviet ore have been subject, especially in the GDR.

31. The GDR, as the leading industrial country in COMECON, cannot afford short-term raw material supply bottlenecks because of the adverse effects which disruption of the iron and steel industry would have on industry as a whole. It should be noted, moreover, that national mining of ore has virtually ceased and now accounts for only 0.7% of the GDR's iron ore supplies.

32. The GDR foreign trade figures do not give the names of the supplier countries, but most of the iron ore is obtained from Sweden, Brazil, Algeria, India and, in 1974, limonite from Morocco.

33. No information is available on agreements covering the supply of iron ore by non-Communist countries during the coming years. Nor is anything known of the promise made by the GDR to Tanzania in 1974 to provide East Germany with technical assistance in the tapping of the iron ore deposits in central Tanzania.

Hungary

34. In 1975, the Hungarian iron and steel industry covered 6.2% of its iron ore requirements from national resources and the bulk of its requirement from the Soviet Union. The 135,000 tons of metallic iron imported in 1975 from non-Communist sources accounted for only 5.9% of imports and 5.5% of consumption of iron ore (cf. Annex VII). This ore is used only for the enrichment of the pig iron obtained from the Soviet ores.

35. The suppliers are Brazil, Sweden, Turkey and India. Most of the ore is carried on Soviet ships and unloaded in the Yugoslav port of Rijeka. Transport costs are high.

36. Because of its geographical position, Hungary is unlikely to make any big increase in its imports from the non-Communist countries during the coming years.

Bulgaria

37. Thanks to its high-grade national deposits, Bulgaria is able to cover a large proportion of its raw material needs from national resources (about 41% in 1975). However, iron ore mining has been declining for a number of years. Consequently, since 1971 Bulgaria has depended heavily on the Soviet Union for its supplies. As a result, imports of iron ore from non-Communist sources, particularly Algeria, India and, since 1973, Brazil, rose by only about 43% between 1971 and 1975 while imports of the same commodity from Soviet Russia increased by about 64%. The 129,000 tons of Fe imported by Bulgaria in 1975 from non-Communist sources accounted for 12.5% of all Bulgarian iron ore imports (cf. Annex VIII), but for only 7.4% of iron ore consumption (cf. Annex VIII).

(c) Imports of iron ore by Yugoslavia

38. Yugoslavia is in a better position than Bulgaria to cover its iron ore requirements from national resources. In 1975, these resources accounted for about 86% of iron ore requirements; the remaining 14% came from non-Communist sources and particularly from Brazil, India and Liberia. Peru also sent iron ore to Yugoslavia after January 1976 (cf. Annex IX).

39. The current Yugoslav Five-Year Plan (1976-1980) provides for an increase in the capacity and the modernization of mines. But iron ore requirements will rise more rapidly than the rate of mining. Consequently, the Yugoslavs will have to import more iron ore over the coming years and will rely exclusively on purchases from non-Communist sources. In 1976, negotiations were started with India for other sales of ore. Under the agreement concluded in 1976 between Yugoslavia and Zambia, the ENERGOPROJEKT engineering firm, which has its head office in Belgrade, will help to set up and equip a mine at Chisasi in Zambia. As long ago as 1970, the SIDCO Zambian-Yugoslav prospection company discovered large iron ore deposits. It is not known whether ore from these deposits will be exported to Yugoslavia.

40. At the beginning of May 1977, Yugoslavia signed an agreement with Guinea on iron ore test drillings to be carried out on the Guinean side of the Nimba mountains. Earlier explorations indicated that deposits of 125 milliard tons of ore containing 67.6 and 69.7% Fe are apparently to be found in this area.

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N A T O C O N F I D E N T I A LANNEX I to  
AC/127-WP/538COMECON COUNTRIES AND YUGOSLAVIA: IRON ORE MINING, IMPORTS AND CONSUMPTION  
(MILLION TONS FE)

	1971	1972	1973	1974	1975
Iron ore mining	4.7	4.6	4.6	4.6	4.5
Iron ore imports	21.3	22.4	24.7	26.9	28.0
consisting of:					
- from the USSR	17.5	18.3	19.7	20.2	20.6
- from non-Communist countries	3.8	4.1	5.0	6.7	7.4
Iron ore consumption	25.9(1)	27.0	29.3	31.5	32.5
% of imports from non-Communist countries in total iron ore imports	17.8	18.3	20.2	24.9	26.4
% of imports from non-Communist countries in total iron ore consumption	14.7	15.2	17.1	21.3	22.8

(1) Includes iron ore imports by COMECON countries from Yugoslavia

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COMECON COUNTRIES AND YUGOSLAVIA: % OF IRON ORE IMPORTS FROM NON-COMMUNIST COUNTRIES  
IN TOTAL IRON ORE CONSUMPTION AND IMPORTS

	1971		1972		1973	
	% of total consumption	% of total imports	% of total consumption	% of total imports	% of total consumption	% of total imports
Poland	15.7	17.0	14.3	15.3	17.9	18.8
Czechoslovakia	12.1	12.9	12.6	13.4	11.8	12.5
Rumania	30.3	38.0	33.1	40.5	33.3	38.9
GDR	4.3	4.5	7.5	7.8	16.8	16.9
Hungary	4.4	4.9	0.9	0.9	2.2	2.4
Bulgaria	5.5	14.0	6.1	14.3	7.9	14.8
Yugoslavia	7.2	100.0	9.3	100.0	10.6	100.0
Total for COMECON countries	14.7	17.8	15.2	18.3	17.1	20.2

	1974		1975	
	% of total consumption	% of total imports	% of total consumption	% of total imports
Poland	25.9	27.0	26.9	28.0
Czechoslovakia	14.5	15.4	16.4	17.4
Rumania	36.9	43.0	37.0	42.2
GDR	21.1	21.3	30.2	30.4
Hungary	4.5	4.8	5.5	5.9
Bulgaria	9.9	16.4	7.4	12.5
Yugoslavia	10.9	100.0	14.0	100.0
Total for COMECON countries	21.3	24.9	22.8	26.4

N A T O C O N F I D E N T I A LANNEX III to  
AC/12/-WP/538POLAND: IRON ORE MINING, EXPORTS AND CONSUMPTION (THOUSAND TONS FE)

	1971	1972	1973	1974	1975
Iron ore mining	588	497	400	367	335
Iron ore imports	6,712	6,776	7,381	8,421	8,328
consisting of:					
- from the USSR	5,569	5,736	5,992	6,150	5,997
- from non-Communist countries	1,143	1,040	1,389	2,271	2,331
Norway	138	152	163	166	265
Sweden	365	530	771	1,365	1,215
India	235	232	205	213	312
Brazil	129	124	250	384	437
Venezuela	-	-	-	143	57
Algeria	276	2	-	-	-
Other countries	-	-	-	-	45
Iron ore exports	1	1	1	3	-
Iron ore consumption	7,299	7,272	7,780	8,785	8,663
% of imports from non-Communist countries in total iron ore imports	17.0	15.3	18.8	27.0	28.0
% of imports from non-Communist countries in total iron ore consumption	15.7	14.3	17.9	25.9	26.9

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CZECHOSLOVAKIA: IRON ORE MINING IMPORTS AND CONSUMPTION (THOUSAND TONS FE)

	1971	1972	1973	1974	1975
Iron ore mining	460	444	462	474	490
Iron ore imports	6,800	7,102	7,134	7,552	7,993
consisting of:					
- from the USSR	5,923	6,152	6,241	6,386	6,600
- from non-Communist countries	877	950	893	1,166	1,393
India	352	423	373	337	258
Brazil	107	151	218	256	356
Sweden	217	199	217	295	226
Algeria	16	55	65	132	134
Other countries	185	122	20	146	419
Iron ore consumption	7,260	7,546	7,596	8,026	8,483
% of imports from non-Communist countries in total iron ore imports	12.9	13.4	12.5	15.4	17.4
% of imports from non-Communist countries in total iron ore consumption	12.1	12.6	11.8	14.5	16.4

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RUMANIA: IRON ORE MINING, IMPORTS AND CONSUMPTION (THOUSAND TONS FE)

	1971	1972	1973	1974	1975
Iron ore mining	953	924	873	897	828
Iron ore imports	3,747	4,112	5,131	5,401	5,875
consisting of:					
- from the USSR	2,322	2,445	3,133	3,077	3,396
- from non-Communist countries	1,425	1,667	1,998	2,324	2,479
Iron ore consumption	4,700	5,036	6,004	6,298	6,703
% of imports from non-Communist countries in total iron ore imports	38.0	40.5	38.9	43.0	42.2
% of imports from non-Communist countries in total iron ore consumption	30.3	33.1	33.3	36.9	37.0

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GDR: IRON ORE MINING, IMPORTS AND CONSUMPTION (THOUSAND TONS FE)

	1971	1972	1973	1974	1975
Iron ore mining	80	67	13	13	15
Iron ore imports	1,561	1,601	1,775	1,802	2,118
consisting of:					
- from the USSR	1,490	1,476	1,475	1,419	1,474
- from non-Communist countries	71	125	300	383	644
Iron ore consumption	1,641	1,668	1,788	1,815	2,133
% of imports from non-Communist countries in total iron ore imports	4.5	7.8	16.9	21.3	30.4
% of imports from non-Communist countries in total iron ore consumption	4.3	7.5	16.8	21.1	30.2

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HUNGARY: IRON ORE MINING, IMPORTS AND CONSUMPTION (THOUSAND TONS FE)

	1971	1972	1973	1974	1975
Iron ore mining	169	169	169	128	153
Iron ore imports	1,704	1,904	2,004	2,217	2,301
consisting of:					
- from the USSR	1,621	1,886	1,956	2,111	2,166
- from non-Communist countries	83	18	48	106	135
Iron ore consumption	1,873	2,073	2,173	2,345	2,454
% of imports from non-Communist countries in total iron ore imports	4.9	0.9	2.4	4.8	5.9
% of imports from non-Communist countries in total iron ore consumption	4.4	0.9	2.2	4.5	5.5

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BULGARIA: IRON ORE MINING, IMPORTS AND CONSUMPTION (THOUSAND TONS FE)

	1971	1972	1973	1974	1975
Iron ore mining	993	1,052	890	846	716
Iron ore imports	644	788	1,018	1,294	1,036
consisting of:					
-- from the USSR	554	675	867	1,082	907
-- from non-Communist countries	90	113	151	212	129
Iron ore consumption	1,637	1,840	1,908	2,140	1,752
% of imports from non-Communist countries in total iron ore imports	14.0	14.3	14.8	16.4	12.5
% of imports from non-Communist countries in total iron ore consumption	5.5	6.1	7.9	9.9	7.4

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N A T O C O N F I D E N T I A LANNEX IX to  
AC/127-SEP/538YUGOSLAVIA: IRON ORE MINING, IMPORTS, EXPORTS AND CONSUMPTION (THOUSAND TONS FE)

	1971	1972	1973	1974	1975
Iron ore mining	1,413	1,493	1,779	1,898	1,995
Iron ore imports	105	153	211	232	323
consisting of					
- from the USSR	-	-	-	-	-
- from non-Communist countries	105	153	211	232	323
Iron ore exports	65	-	-	-	16
Iron ore consumption	1,453	1,646	1,990	2,130	2,302
% of imports from non-Communist countries in total iron ore imports	100	100	100	100	100
% of imports from non-Communist countries in total iron ore consumption	7.2	9.3	10.6	10.9	14.0

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