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ECONOMIC COMMITTEE

† Corr.

NATO COUNTRIES IMPORTS OF OIL FROM THE COMMUNIST COUNTRIES IN 1974

Note by the Economic Directorate

This note analyses the trend of Alliance country oil imports from the Communist countries in 1974(1); it comes within the framework of the studies on this subject which are regularly undertaken for the information of the Economic Committee(2) and supplements the yearly report in which the Committee itemizes the composition of East-West trade.

2. Tables I, II and III have been prepared with the help of the Statistical Service on the basis of data assembled by the OECD Oil Committee and published early in 1976.

3. Table II shows that Alliance country oil imports (product and product equivalents)(3) from Communist countries in 1974 (25.7 million tons) fell by 3.3 million tons or 11.4% as compared with the previous year. In relative terms, this drop was twice as great as the reduction in total Alliance country oil purchases (-5.4%)(4); it reflects, first and foremost, the contraction of crude and semi-refined oil deliveries by the Communist countries which fell from 14.5 to 8.2 million tons (see Table III). On the other hand, deliveries of petroleum products rose significantly, from 15.5 to 18 million

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- (1) In this paper, the term "Communist countries" covers the Soviet Union, Albania, Bulgaria, Czechoslovakia, Hungary, Poland, Rumania and the GDR
- (2) The previous study was issued on 11th June, 1975 under reference AC/127-WP/430
- (3) "Product equivalents" are obtained by converting crude and semi-refined oil into petroleum products by means of a fictitious reduction figure of 70%
- (4) This last figure does not take account of imports by Greece, for which no 1974 figures are available

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tons. These 1974 figures provide further evidence of a change in the pattern of Communist country oil exports to the Alliance with the proportion of petroleum products growing relatively faster than that of crude and semi-refined oil. Crude and semi-refined oil accounted for 70% of the total as compared with 53% in 1973 and 44% in 1971. This development can be explained by the fact that profit margins on refined products are generally higher than on crude oil; it could also be indicative of increased Soviet refinery capacity.

4. Among the Communist countries, the Soviet Union remained the main Alliance country supplier throughout the reference period (see Table III); the volume of Soviet sales (21 million tons) nevertheless fell by 19% by comparison with the previous year whereas deliveries from other East European countries (5.3 million tons) were up by 33%, particularly as a consequence of the increase in Rumanian exports. Table II shows that the Federal Republic of Germany overtook Italy as the leading Alliance customer. Imports by other NATO member countries followed differing trends; in France, for example, imports dropped sharply (from 4.6 to 1.5 million tons) mainly as a consequence of the energy preservation measures whereas in the Netherlands purchases, which consisted practically entirely of oil petroleum products, soared from 1.2 to 2.2 million tons.

5. Table I shows that in 1974, oil from the Soviet Union and Eastern Europe accounted for a very small proportion of total Alliance country imports (only 2.5% for NATO as a whole and 3.5% for NATO Europe) with the exception however of Iceland which obtained three-quarters of its requirements from the USSR (an established practise which can be explained by the geographical closeness of the USSR and the pattern of trade between the two countries). A point worth noting is that the degree of dependence of the NATO economies on the Communist countries, oil-wise, continued the downward trend which began in 1968. Expressed in terms of percentages, however, the figures for imports are, in some cases, higher. This can be attributed to re-export transactions. Thus, the percentage recorded for the Netherlands (10.1%) is of little significance since the latter imported three times as much oil as it needed for its requirements.

1974

6. Soviet foreign trade statistics indicate that Soviet receipts in 1975 from sales of oil and petroleum products on the Alliance markets totalled \$1.9 milliard or 39% of the value of total Soviet exports to the Alliance countries(1)(2); the figure for the previous year was only 31%. These figures show that the Soviet Union is heavily dependent on this type of export for the currency earnings it needs to finance its purchases in the West, a growing proportion of which, moreover, are being assigned to the harnessing of its hydrocarbon resources.

7. Despite a 19% drop in the volume of deliveries, the value of Soviet oil exports to the NATO countries jumped by 93% in 1974 as compared with the previous year(3), following the steep increase in oil prices. It can be calculated on the basis of Soviet statistics(4) that the average price (expressed FOB - Russian frontier) of oil products delivered by that country to the Alliance markets more than doubled between one year and the next, rising from \$36 a ton (\$5 a barrel) in 1973 to \$85 a ton (\$12 a barrel) in 1974. This trend follows the world pattern but the figures quoted above only represent average values covering the price of both crude oil and the

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- (1) Source: Soviet Statistical Yearbook of Foreign Trade; the figures in roubles have been converted into dollars at the official exchange rates published in the UN Monthly Bulletin of Statistics, i.e. for 1974, 1 rouble = \$1.321 and for 1973, 1 rouble = \$1.340.
- (2) It should be noted that overall Soviet oil exports in 1974 totalled 116,000,000 tons broken down as follows: 68 million tons to the Communist countries, 44 million tons to the non-Communist countries and 4 million tons to Yugoslavia. The Soviet Union also imported small amounts of oil (5.4 million tons), mainly from Iraq. It should also be noted that the volume of Soviet oil exports to the Alliance countries entered in Soviet statistics (22.8 million tons) is slightly higher than the figure reported by the OECD (21 million tons); discrepancies of this kind between the statistics of trading partners are frequent and are due to various factors (lead times between shipments and deliveries, differences in accounting methods used, re-routing of shipments while en route and so on).
- (3) Figure based on Soviet foreign trade statistics.
- (4) It has been necessary to use Soviet statistics since the data published by the OECD for 1974 are expressed either in volume terms only (oil statistics) or in value terms only (foreign trade statistics, Series B); previous studies have indicated (see in particular document AC/127-WP/453, paragraph 32, footnote (1) that it is difficult to match the figures obtained from these two sources.

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different petroleum products: no distinction between these different types of product is made in Soviet published data available to the International Staff. This being so, a comparison between the price of Soviet deliveries and the prices applied by other producer countries (in particular the OPEC countries) can only be approximate.

8. Significant quantities of natural gas from the Soviet Union began to reach the NATO countries in 1974; deliveries totalling 2.65 milliard cubic metres were taken, on the one hand, by the Federal Republic of Germany (1.82 milliard cubic metres) and on the other hand by Italy (0.83 milliard cubic metres)(1). Deliveries to Germany in 1973 had only totalled 0.3 milliard cubic metres. Gas from the Soviet Union accounted for 6% of total German procurement of natural gas in 1974 and of 18% of total Italian procurement; the actual dependence of the two countries on Soviet supplies was less in both cases, Soviet gas representing only 4% of available resources (internal production plus imports) of this commodity.

9. According to Soviet data, receipts from sales of natural gas to the Federal Republic and to Italy totalled \$48 million(2) and had a very modest impact on its balance of trade with the Allied countries. Using the same source (1), it can be estimated that the price of Soviet gas delivered to Germany during the reference year was between \$18 and \$19 per thousand cubic metres which is about the same as the price charged to Austria(3). On the other hand, the rate for deliveries to Italy is believed to have been considerably lower: about \$10 per thousand cubic metres(4). It should be noted, for the record, that the average price of natural gas imported by the Federal Republic from the Netherlands in 1974

(1) Source: OECD, oil statistics. Figures were based on a conversion rate of: 1 million tons = 1.11 milliard cubic metres.

(2) Soviet Statistical Yearbook of Foreign Trade; it has been necessary to use Soviet data for the same reasons as those given in footnote (1) to paragraph (7).

(3) Austria took 2.3 milliard cubic metres of Soviet gas in 1974.

(4) Italy was the first Alliance country to enter into contracts, signed during the second half of the sixties, for the purchase of Soviet gas from the USSR. It may be assumed that the lower price charged by the USSR is in line with the contractual agreements between the two countries; there is no actual evidence of this however.

was \$20.5 per thousand cubic metres(1). However, measurement by an international yardstick is difficult given the differences in transport costs and the contractual nature of the prices; in addition, the system of floating exchange rates has brought in additional fluctuation factors.

10. The Soviet price charged to Austria, the only non-Communist country which has been importing gas from the Soviet Union for a number of years, rose from \$14 per one thousand cubic metres in 1973(2) to \$18 the following year; this increase, of 29%, is not significantly different from the increase in the price of Dutch gas imported by the Federal Republic of Germany (+ 23%)(3) and could be an indication that the Soviet Union is adjusting the prices in some of its contracts.

11. It is as yet too early to forecast the trend of Communist country oil and national gas exports to Alliance countries in 1975. This is because OECD data will not be published before the end of 1976 at the earliest and because the USSR does not so far appear to have published statistics on the volume and geographical distribution of its deliveries last year.

NATO,
1110 Brussels.

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- (1) Source: United Nations Monthly Bulletin of Statistics; this is the average price for gas at the German frontier whereas Soviet prices are probably expressed FOB - Russian border. Furthermore, the 1974 price for Dutch gas published by the United Nations is a monthly average over less than a year.
- (2) Source: Soviet Statistical Yearbook of Foreign Trade. As far as 1973 is concerned, this FOB price calculated on the basis of Soviet sources does not seem incompatible with the CAF price (\$16.7 per one thousand cubic metres) which can be deduced from OECD foreign trade statistics (Series C).
- (3) Source: United Nations Monthly Bulletin of Statistics.

TABLE I

DEGREE OF NATO COUNTRY DEPENDENCE ON OIL FROM THE COMMUNIST COUNTRIES(a)
PRODUCTS AND PRODUCT EQUIVALENTS(b)

AVERAGE PERCENTAGE BETWEEN 1960 AND 1965 AND ANNUAL PERCENTAGE BETWEEN 1966 AND 1974

NATO countries	Percentage of imports from Communist countries in relation to overall imports(c)										Percentage of imports from Communist countries in relation to overall consumption(d)									
	Average % 1960-65 (4)	1966	1967	1968	1969	1970	1971	1972	1973	1974	Average % 1960-65	1966	1967	1968	1969	1970	1971	1972	1973	1974
(0)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)
Belgium	2.3	1.7	2.5	4.3	1.1	3.1	4.4	3.0	4.2	3.4	3.2	2.3	3.2	6.1	1.6	4.3	6.2	4.3	6.3	5.7
Denmark	4.3	2.6	2.9	5.8	5.0	4.3	4.1	6.5	5.6	6.2	4.7	3.0	3.4	6.3	5.5	4.9	4.6	7.3	6.5	8.0
France	3.4	5.2	4.8	4.6	3.7	2.8	4.0	3.1	3.5	1.2	4.1	6.6	6.1	5.4	4.3	3.3	4.6	3.5	4.0	1.4
F.R. Germany(1)	8.4	7.1	7.0	6.6	5.8	6.6	5.8	6.1	5.4	6.9	8.3	7.0	7.1	6.8	5.9	6.9	6.0	6.2	5.6	7.6
Greece(2)	33.4	25.8	21.3	17.3	19.0	15.2	14.0	10.7	5.3	n.a.	31.7	26.7	22.3	17.7	19.8	15.6	13.7	11.9	8.5	n.a.
Iceland	90.8	93.3	81.7	78.7	74.1	70.8	73.0	72.3	72.3	74.4	92.0	96.8	80.6	86.1	75.0	73.2	71.5	72.1	72.3	74.4
Italy	14.3	10.5	12.5	13.1	9.8	8.7	7.7	7.6	6.7	5.4	20.3	17.9	20.4	18.1	13.0	11.3	10.0	9.3	8.4	6.9
Luxembourg	-	-	-	-	-	-	n.a.	-	-	-	-	-	-	-	-	-	n.a.	-	-	-
Netherlands	neg	neg	0.1	0.1	neg	0.8	1.2	1.8	1.6	3.2	neg	neg	0.2	0.1	neg	1.6	2.5	3.5	3.4	10.1
Norway	6.5	5.7	7.4	5.3	5.6	4.6	6.3	3.6	3.9	3.4	7.8	6.9	9.1	6.6	6.5	5.9	7.4	4.5	5.2	4.8
Portugal	1.7	-	-	-	-	-	-	-	0.3	-	1.9	-	-	-	-	-	-	-	0.3	-
Turkey(3)	0.7	2.8	6.4	6.0	8.6	5.3	1.3	-	0.9	0.2	0.7	2.0	4.3	3.1	4.4	3.3	0.8	-	0.7	0.2
United Kingdom	0.2	neg	neg	neg	neg	neg	0.1	0.2	0.3	0.5	0.3	neg	neg	neg	neg	neg	0.2	0.2	0.4	0.6
Sub-total I	5.4	5.0	5.4	5.5	4.3	4.2	4.2	4.0	3.8	3.5(5)	6.7	6.2	6.7	6.6	5.2	5.1	5.1	4.8	4.7	4.7(6)
Canada	-	-	-	-	0.1	-	-	-	0.1	0.1	-	-	-	-	neg	-	-	-	-	0.1
United States	-	-	neg	neg	0.2	0.3	0.1	0.4	0.6	0.5	-	-	neg	neg	neg	neg	neg	0.1	0.2	0.2
Sub-total II	-	-	neg	neg	0.2	0.3	0.1	0.4	0.5	0.5	-	-	neg	neg	neg	neg	neg	0.1	0.2	0.2
TOTAL - NATO	3.6	3.6	3.6	4.0	3.2	3.2	3.1	3.0	2.7	2.5(5)	1.9	2.0	2.2	2.4	2.0	2.0	2.0	2.0	2.0	1.8(6)

See notes on page 9

TABLE II

NATO COUNTRY IMPORTS OF OIL FROM COMMUNIST COUNTRIES(a)
TOTAL IMPORTS AND TOTAL CONSUMPTION

PRODUCTS AND PRODUCT EQUIVALENTS(b) - 1973 AND 1974

(thousands of metric tons)

NATO Countries	Imports from Communist countries(c)		Total imports(c) (including Communist countries)		Total consumption(d)	
	1973	1974	1973	1974	1973	1974
(0)	(1)	(2)	(3)	(4)	(5)	(6)
Belgium	1,813.8	1,278.9	43,038.5	37,517.8	28,843.0	22,560.0
Denmark	1,157.0	1,204.0	20,627.1	19,386.6	17,748.0	15,095.0
France	4,638.0	1,482.2	132,811.6	127,655.0	116,942.0	105,676.0
F.R. Germany(1)	7,914.6	9,255.7	145,876.5	134,142.9	140,323.0	122,213.0
Greece(2)	772.0	1,000.0	14,606.9	n. a.	9,063.0	n. a.
Iceland	491.0	468.0	679.0	629.0	679.0	629.0
Italy	8,382.9	6,388.1	124,625.5	117,844.2	99,895.0	92,480.0
Luxembourg	-	-	1,678.0	1,562.0	1,642.0	1,555.0
Netherlands	1,252.0	2,238.7	76,831.7	70,697.1	37,347.0	22,191.0
Norway	433.0	338.0	10,984.5	10,037.9	8,319.0	7,065.0
Portugal	17.0	-	5,998.6	6,605.9	5,841.0	5,175.0
Turkey	83.7	21.4	8,825.6	9,689.7	11,536.0	11,855.0
United Kingdom	401.4	550.9	125,189.5	119,689.8	104,860.0	92,852.0
Sub-total I	27,356.4	24,225.9	711,773.0	655,457.9(5)	583,038.0	499,346.0(6)
Canada	32.0	52.0	49,080.0	42,334.7	84,494.0	80,416.0
United States	1,642.5	1,451.4	295,992.9	287,698.6	803,609.0	831,973.0
Sub-total II	1,674.5	1,503.4	345,072.9	330,033.3	888,103.0	912,389.0
TOTAL - NATO	29,030.9	25,729.3	1,056,845.9	985,491.2(5)	1,471,141.0	1,411,735.0(6)

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TABLE III

NATO COUNTRY IMPORTS OF OIL FROM COMMUNIST COUNTRIES (a)
1973 AND 1974 (THOUSANDS OF METRIC TONS)

NATO countries (0)	Crude and Semi-refined oil							Petroleum Products						
	Communist countries					World-wide (including Communist countries)		Communist countries					World-wide (including Communist countries)	
	Total		USSR	Rumania	Other Communist countries			Total		USSR	Rumania	Other Communist countries		
	1973	1974	1974	1974	1974	1973	1974	1973	1974	1974	1974	1974	1973	1974
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	
Belgium	517.0	102.0	102.0	-	-	37,650.0	30,574.0	1,333.0	1,184.0	1,086.0	9.0	89.0	8,024.0	9,084.0
Denmark	-	-	-	-	-	9,799.0	9,363.0	1,157.0	1,204.0	743.0	36.0	425.0	11,514.0	10,679.0
France	3,357.0	226.0	226.0	-	-	134,920.0	129,814.0	1,516.0	1,272.0	949.0	299.0	24.0	7,336.0	6,928.0
F.R. Germany(1)	2,777.0	3,062.0	3,062.0	-	-	112,750.0	104,458.0	5,332.0	6,408.0	3,656.0	808.0	1,944.0	41,019.0	36,997.0
Greece(2)	400.0	500.0	500.0	n.a.	n.a.	12,673.0	n.a.	400.0	500.0	500.0	n.a.	n.a.	2,821.0	n.a.
Iceland	-	-	-	-	-	-	-	491.0	468.0	468.0	-	-	679.0	629.0
Italy	7,087.0	4,041.0	3,923.0	72.0	46.0	128,536.0	120,312.0	1,792.0	2,630.0	1,912.0	588.0	130.0	5,087.0	5,954.0
Luxembourg	-	-	-	-	-	-	-	-	-	-	-	-	1,678.0	1,562.0
Netherlands	-	19.0	19.0	-	-	72,161.0	64,585.0	1,252.0	2,221.0	2,085.0	114.0	22.0	9,722.0	10,633.0
Norway	-	-	-	-	-	7,050.0	6,730.0	433.0	338.0	310.0	27.0	1.0	4,428.0	3,779.0
Portugal	-	-	-	-	-	4,348.0	5,758.0	17.0	-	-	-	-	1,955.0	1,251.0
Turkey	90.0	23.0	-	-	23.0	9,306.0	9,962.0	-	-	-	-	-	171.0	425.0
United Kingdom	180.0	158.0	158.0	-	-	115,465.0	112,817.0	234.0	404.0	395.0	-	9.0	17,807.0	14,770.0
Sub-total I	14,408.0	8,131.0	7,990.0	72.0	69.0	644,658.0	594,373.0(5)	13,957.0	16,629.0	12,104.0	1,881.0	2,644.0	112,241.0	102,691.0(5)
Canada	-	-	-	-	-	45,528.0	40,461.0	32.0	52.0	-	52.0	-	6,739.0	4,706.0
United States	122.0	123.0	40.0	83.0	-	167,587.0	177,020.0	1,529.0	1,337.0	858.0	479.0	-	140,137.0	123,070.0
Sub-total II	122.0	123.0	40.0	83.0	-	213,115.0	217,481.0	1,561.0	1,389.0	858.0	531.0	-	146,876.0	127,776.0
TOTAL - NATO	14,530.0	8,254.0	8,030.0	155.0	69.0	857,773.0	811,854.0(5)	15,518.0	18,018.0	12,962.0	2,412.0	2,644.0	259,117.0	230,467.0(5)

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AC/127-WP/463NOTES TO TABLES I, II AND III

- (a) For the purposes of this document, the term "Communist countries" covers only the USSR, Albania, Bulgaria, Czechoslovakia, Hungary, Poland, Rumania, the GDR and East Berlin.
- (b) Crude and semi-refined oil has been converted into "product equivalents" by reducing by 7%.
- (c) Including bunkering abroad.
- (d) Domestic consumption and bunkers.
- (1) In the case of the Federal Republic of Germany, the term "oil from Communist countries" also covers deliveries within the framework of trade between the Federal Republic and the GDR. These deliveries totalled 1,482,088 tons in 1973 and 1,595,786 tons in 1974.
- (2) Greece: no data for 1974 are contained in the OECD statistics; in addition:
- Table I: The percentages for 1970 and 1973 are International Staff estimates.
 - Tables II and III: Columns (3) and (5), and (6) and (13) respectively: OECD estimates.
 - Tables II and III: Columns (1) and (2), and (1), (2), (3) (8), (9) and (10) respectively: International Staff estimates based on Soviet foreign trade statistics.
- (3) Turkey:
- Table I: The percentages for 1968 and 1969 are International Staff estimates (AC/127-D/388).
- (4) - Table I: Columns (1) and (10): data for Canada and the United States are not available for 1960, 1961 and 1962. Consequently the average percentage for NATO countries as a whole (total NATO) only applies to 1963, 1964 and 1965.
- (5) - Tables I, II and III: excluding Greek imports.
- (6) - Tables I and II: excluding Greek consumption.

neg: negligible
na: not available