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SINO-SOVIET BLOC OIL ON WORLD MARKETS

Note by the Economic Service

Exports of crude oil and petroleum products by the Sino-Soviet bloc are of growing importance in the economic offensive in the underdeveloped countries. These exports have more than doubled over the past five years and probably reached about 30 million tons by 1959 (see Annex I for net exports). Apparently, nearly half of these exports are being directed to countries of the Free World.

2. Though detailed statistics, broken down by source and destination, are not available, it is evident from information published by the United Nations and the OEEC that in 1959 some 6 to 7 million tons of oil went to Western Europe and probably about the same amount to underdeveloped countries. The principal markets in Western Europe are Finland, France, the Federal German Republic, Sweden and, more recently, Italy. Other important markets include Egypt, Argentina, Uruguay, and Syria (see Annex II). It is indicative that exports of crude oil alone by the USSR in 1958 to Egypt reached 1.33 million tons, to Argentina 670,000 tons and to Uruguay 110,000 tons.

3. Great efforts are apparently being made to expand sales further, particularly to underdeveloped countries. Negotiations are, for example, reported to be in progress or have been concluded to expand sales of Soviet oil to India, Brazil, Chile, Uruguay and Japan. India apparently intends to import some 100,000 tons of kerosene and also possibly other petroleum products from the USSR. Brazil concluded a trade agreement with the USSR in December 1959, which entails an annual import of some 300,000 tons of Soviet crude oil. Sales of Soviet oil to Japan are expected to rise to 1.5 million tons in 1960. The USSR was negotiating with Australian firms at the beginning of 1960 concerning the sale of Soviet oil.

4. This expansion of sales has been greatly facilitated by the steady expansion of oil production in the Sino-Soviet bloc, which rose from 98 million tons in 1956 to 146 million tons in 1959 (see Annex III). Last year production in the bloc already accounted for 15% of total world production. Furthermore, under

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the Soviet Seven-Year Plan (1959-65) it is expected that production will rise 11% annually on average, to reach between 230 to 240 million tons by 1965. Though production in the satellites has been rising somewhat less rapidly, it is expected that total oil production of the bloc may well reach some 260 million tons by 1965. The refining capacity of the bloc is also to rise considerably. While a considerable growth is expected in oil consumption within the bloc itself, it would appear that the Sino-Soviet bloc will be in a position to place increasing quantities of oil on world markets over the next few years. Some estimates place this exportable surplus as high as 90 million tons by 1965. Although there is little precise information on the pricing of crude oil and petroleum products marketed by the Sino-Soviet bloc, it appears that sales to the Free World have been facilitated by selling at slightly less than world market prices.

5. The new pipeline sponsored by COMECON, which will begin to be constructed this year, should contribute further to the ability of the Sino-Soviet bloc to intervene on world markets in a few years. This pipeline, which will originate at Kuibyshev in the USSR, will divide into a northern and a southern branch, with the northern branch serving Poland and East Germany and the southern serving Czechoslovakia and Hungary. Unconfirmed reports indicate that the northern branch will have an outlet on the Baltic, either in Poland or East Germany.

6. Though oil exports by the Sino-Soviet bloc still play a relatively insignificant role on world markets, only accounting for some 3% of world oil exports, these exports have had some disruptive effects. World oil prices, already adversely affected by oil surpluses, have been further depressed by current Soviet oil sales and prospects for further sales. Also in certain countries, Sino-Soviet bloc exports of crude oil and petroleum products account for a large proportion of total oil imports. Thus, in the case of Finland and Iceland the bloc provides some 70% of total oil requirements. Though conditions on world markets are still rather unfavourable with production generally exceeding demand, longer-term prospects point to a steadily rising level in world demand and the Sino-Soviet bloc will undoubtedly make every effort to take advantage of this expansion.

OTAN/NATO,
Paris, XVIe.

NET IMPORTS OR EXPORTS OF THE SINO-SOVIET BLOC IN 1958

	<u>Crude Oil (a)</u>		<u>Major Petroleum Products</u>	
	<u>Production</u>	<u>Net Imports (+) or Exports (-)</u>	<u>Refinery Output</u>	<u>Net Imports (+) or Exports (-)</u>
USSR	113,000	- 8,020(c)	98,000	- 5,150(d)
Albania	400	- 130	240	-
Bulgaria	220	- 150	70	+ 560
Czechoslovakia	100	+ 1,450	1,450	+ 110
E. Germany	-	+ 1,100	1,030	- 520
Hungary	830	+ 1,110	1,570	- 160
Poland	190	+ 680	620	+ 1,120
Rumania	11,560	- 100	9,920	- 5,750(e)
Asian countries(b)	2,260	+ 400	2,400	+ 1,760
	<u>128,560</u>	<u>- 3,660</u>	<u>115,300</u>	<u>- 8,030</u>

(a) Including shale oil

(b) Communist China, Outer Mongolia, N. Korea, N. 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 Nations, "World Energy Supplies", Statistical Papers, Series G, No. 3.

A. SINO-SOVIET EXPORTS OF CRUDE PETROLEUM AND PRODUCTS
 TO CERTAIN COUNTRIES OF THE FREE WORLD IN 1958

(1,000 US \$)

FROM TO	Czecho- slovakia	East Germany	USSR	Bulgaria	Hungary	Poland	Rumania	Albania	Com. China	Total
Austria	999	446	1,025	511	3,744	603	1,761			9,089
Belgium- Luxembourg		14	2,736			209	324			3,283
Denmark	21	28	659							708
Finland		63	38,609				5,027			43,699
France	528	628	28,401			80	10,153		343	40,133
West Germany	290		12,046		2,192	1,047	7,625			23,200
Iceland			9,554		33					9,587
Netherlands		54	1,577			119	244			1,994
Norway			1,651				1,051			2,702
Portugal			755							755
Sweden	47		15,797		24	559	600			17,027
Greece	60		6,296	238			2,729			9,323
Italy		184	487	21			2,354			3,046
Yugoslavia	146	122	8,829	266	126	240	2,027	195		11,951
Malaya									12	12
Thailand									53	53
Turkey							31			31
Japan			178							178
United Kingdom	15	561	1,972							2,548
United States	23	108								131
Total	2,129	2,208	130,563	1,036	6,119	2,857	33,926	195	408	179,441

Note: Sino-Soviet exports to Egypt, Argentina and Uruguay not available from this source.

Source: UN Commodity Trade Statistics January-December, 1958, Vd. VIII, No. 4(1959), pp. 152-55

P. SINO-SOVIET EXPORTS OF CRUDE OIL AND PETROLEUM PRODUCTS TO CERTAIN COUNTRIES OF THE FREE WORLD IN 1958

(metric tons)

FROM TO	Albania	Bulgaria	Com. China	Czecho- slovakia	East Germany	Hungary	Poland	Rumania	USSR	Total
(0)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
<u>Western Europe</u>										
Austria	-	19,214	-	46,400	11,555	167,921	26,269	71,896	37,226	380,481
Belgium- Luxembourg	-	-	-	-	82	-	7,634	20,584	127,253	155,553
Denmark	-	-	-	130	118	-	-	-	34,968	35,216
Finland	-	-	-	-	NA	-	-	NA	NA ⁽¹⁾	NA
France	-	-	9,789	15,156	2,207	-	2,300	304,599	892,318	1,226,369
West Germany	-	-	-	9,691	-	74,366	38,215	283,006	443,161	848,439
Greece	-	9,005	-	319	-	-	-	91,599	296,120	397,043
Iceland	-	-	-	-	-	422	-	-	322,543	322,965
Italy	-	1,153	-	-	1,181	-	-	109,691	26,547	138,572
Netherlands	-	-	-	-	253	-	3,723	8,726	58,315	71,017
Norway	-	-	-	-	-	-	-	47,530	105,214	152,744
Portugal	-	-	-	-	-	-	-	-	33,005	33,005
Sweden	-	-	-	301	894	263	-	-	751,659	753,117
Turkey	-	-	-	-	-	-	-	167	-	167
United Kingdom	-	-	NA	-	NA	-	-	-	NA	NA
Yugoslavia	4,979	10,580	-	1,670	437	1,374	2,587	77,381	364,821	463,829
<u>Others</u>										
Japan	-	-	NA	-	-	-	-	-	11,240	11,240
Malaya	-	-	NA	-	-	-	-	-	-	-
Thailand	-	-	NA	-	-	-	-	-	-	-
United States	-	-	-	NA	NA	-	-	-	-	-
	4,979	39,952	9,789	73,667	16,727	244,346	80,728	1,015,179	3,504,390	4,989,757

(1) Crude oil only - 471,613 tons in 1958.

G. SINO-SOVIET EXPORTS OF CRUDE OIL AND PETROLEUM PRODUCTS TO
COUNTRIES OF WESTERN EUROPE

JANUARY - JUNE, 1959

(1,000 US \$)

FROM \ TO	Bulgaria	Com. China	Czecho- slovakia	East Germany	Hungary	Poland	Rumania	USSR	Total
Austria			322	97	2,319	218	879	743	4,578
Belgium- Luxembourg						429	1,049	2,443	3,921
Denmark							113	877	990
France		332	185	169			6,256	17,168	24,110
Western Germany			104		1,443	1,887	3,349	10,922	17,705
Greece	81							861	2,905
Iceland								4,772	4,772
Italy	73			63				436	16,835
Netherlands								835	835
Norway							1,917	1,330	3,247
Portugal								366	366
Sweden				97		187		182	12,831
United Kingdom			227	264				1,364	1,855
United States				118				177	295
TOTAL	154	332	838	808	3,762	2,721	15,219	71,409	95,243

Source: OEEC, Trade by Commodities, Volume II
(Imports), January - June 1959, pp. 127, 129

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D. SINO-SOVIET EXPORTS OF CRUDE OIL AND PETROLEUM PRODUCTS TO COUNTRIES OF WESTERN EUROPE

JANUARY - JUNE 1959

(metric tons)

FROM TO	Bulgaria	Com. China	Czecho- slovakia	East Germany	Hungary	Poland	Rumania	USSR	Total
Austria			17,084	1,390	121,557	10,804	45,784	32,136	228,755
Belgium- Luxembourg						15,577	72,590	135,748	223,815
Denmark				811			6,666	43,878	50,544
France		9,822	5,616				218,353	580,974	815,576
West Germany			4,258		46,296	67,042	126,479	447,019	691,094
Greece	3,049						33,610	79,669	116,328
Iceland								159,236	159,236
Italy	3,852			408			27,166	1,045,619	1,077,045
Netherlands								35,127	35,127
Norway							103,472	96,799	200,271
Portugal								16,080	16,080
Sweden (1)									
United Kingdom (1)									
United States (1)									
TOTAL	6,901	9,822	26,958	2,609	167,853	93,323	634,120	2,672,285	3,613,871

(1) Figures not available by quantity.

Source: OEEC, Trade by Commodities, Vol. II (Exports) January - June 1959, pp. 126, 128

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

(1,000 metric tons)

	1956	% World total	1957	% World total	1958	% World total	1959	% World total
<u>FREE WORLD</u>								
United States	352,849	42.12	353,045	40.01	330,121	36.36	346,500	35.47
Remainder	386,954	46.19	416,519	47.21	449,639	49.52	484,205	49.56
Total	739,803	88.31	769,564	87.22	779,760	85.88	830,705	85.03
<u>SINO-SOVIET BLOC</u>								
USSR	83,796	10.00	98,340	11.15	112,900	12.43	129,000	13.20
Rumania	10,920	1.30	11,180	1.27	11,336	1.25	11,500	1.18
Hungary	1,202	0.14	675	0.08	829	0.09	1,050	0.11
Albania	280	0.03	490	0.06	403	0.04	550	0.06
Bulgaria	247	0.03	286	0.03	222	0.02	200	0.02
Poland	184	0.02	181	0.02	175	0.02	170	0.02
Czechoslovakia	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	0.24	3,650	0.37
Total	97,915	11.69	112,722	12.78	128,205	14.12	146,230	14.97
World Total	837,718	100%	882,286	100%	907,965	100%	976,935	100%

(1) Including oil from shale and coal.

Source: Petroleum Press Service, Vol. XXVII, No. 1 (January 1960).