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COMMITTEE OF ECONOMIC ADVISERS

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. Out of total exports by the bloc of some 30 million tons in 1959, some 16 to 18 million tons were directed to countries of the Free World. Exports of oil to the non-communist world, which have more than doubled since 1957, now represent some 12% of oil production by the Sino-Soviet bloc. About half these exports consist of crude oil, the balance being petroleum products.

2. Though detailed statistics, broken down by source and destination, are not available, present information indicates that of the oil exported to the Free World some 12 million tons went to Western Europe, mainly to Italy, the Federal Republic of Germany, Finland, Sweden and France. Outside Western Europe, Egypt has been steadily expanding purchases of oil from the Sino-Soviet bloc and is now the principal market in the underdeveloped areas. Argentina, Uruguay, Brazil and Japan have also been taking increasing quantities of oil from the bloc in the past several years (see Annex II).

3. Great efforts are being made to increase exports further, particularly to underdeveloped countries. The USSR concluded agreements for the sale of oil with Brazil in December, 1959, with Cuba in February, 1960, and with India and Japan in March, 1960. Cuba has already arranged for the import of 600,000 tons of crude oil and petroleum products and, in order to assure local facilities for the Soviet crude oil, has even resorted to the seizure of the local refineries. Guinea is also taking increasing quantities of oil from the USSR. Preliminary negotiations are also being conducted with Chile on the sale of oil.

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4. This expansion of exports 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 accounted for 15% of total world production. Furthermore, under the Seven-Year Plan (1959-65), it is expected that production in the USSR alone will rise by 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 substantial 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. It seems probable that the surplus available for export will be about 50 million tons of which as much as 25 million tons might be placed on Free World markets. Although there is little precise information on the pricing of crude oil and petroleum products marketed by the Sino-Soviet bloc, it appears that they are prepared to reduce their prices as far as it is necessary to secure an outlet for the oil. It is thus reported that the USSR has offered to supply all the petroleum products that Ceylon requires at 10 to 20% below ruling world prices⁽¹⁾.

5. The new pipeline sponsored by COMECON, on which construction will start this year, should contribute further to the ability of the Sino-Soviet bloc to intervene on world markets. This pipeline, which will originate at Kuibyshev in the USSR, will divide into a northern and a southern branch, the northern branch serving Poland and East Germany and the southern serving Hungary and Czechoslovakia, with a terminal at Bratislava near the Austrian border. The USSR is also building pipelines to Klaipeda on the Baltic and to the port of Nakhodka in Siberia.

6. Though oil exports from the Sino-Soviet bloc still play a relatively small part in the world oil trade as a whole, they have an effect out of proportion to their size. 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; in the case of Finland and Iceland they already account for some two-thirds of oil requirements and, insofar as Cuba is

1) The Soviet oil export agency, Soyuzneftexport, is reported to have offered 83 octane petrol at 20% below the current price f.o.b. Abaden; kerosene 15% cheaper; oil 20% lower and fuel at a 10% discount.

concerned, they are soon expected to meet about a third of domestic demand. It has been reported that all the petroleum requirements of Guinea will be provided by the USSR next year. 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, XVIc.

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

(1,000 metric tons)

	Crude Oil (a)		Major Petroleum Products	
	Production	Net Imports (+) or Exports (-)	Refinery Output	Net Imports (+) or Exports (-)
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
	128,560	- 3,660	115,300	- 8,030

(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.

SINO-SOVIET BLOC EXPORTS OF CRUDE OIL AND PETROLEUM PRODUCTS
TO THE FREE WORLD

(thousand metric tons)

	1957	1958	1959
<u>Europe</u>			
Italy	820 0	1,150 ⁽¹⁾	2,771 ⁽¹⁾
Western Germany	910	1,180	1,990
Finland	1,460	1,500	1,800
Sweden	510	750 ⁽¹⁾	1,440 ⁽¹⁾
France	550	1,070 ⁽¹⁾	1,110 ⁽¹⁾
Austria	260	440	900
Greece	280	230	600
Yugoslavia	390	340 ⁽¹⁾	410 ⁽¹⁾
Norway	180 ⁽¹⁾	150 ⁽¹⁾	370 ⁽¹⁾
Belgium	160	240	350
Iceland	310	280	300
Denmark	-	40	100
Netherlands	100	210	70 ⁽¹⁾
United Kingdom	-	-	89 ⁽¹⁾
Portugal	-	-	50 ⁽¹⁾
Switzerland	-	40	50
<u>Near East</u>			
United Arab Republic	1,220	2,110	2,540
Turkey	-	40	5
<u>Latin America</u>			
Argentina	-	940	650
Uruguay	-	170	350
Brazil	-	-	40
<u>Others</u>			
Japan	-	-	80
Miscellaneous	570	590	540
TOTAL	7,720	11,470	16,515

(1) Based on information provided by Delegations to NATO.

Source: Petroleum Press Service
 Vol. XXVII, No. 4 (April, 1960) p. 124

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	449,539	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	145,230	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).