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ORIGINAL: FRENCH
7th March, 1979

WORKING PAPER
AC/127-WP/599

ECONOMIC COMMITTEE

NATO COUNTRIES' IMPORTS OF OIL AND NATURAL GAS
FROM THE COMMUNIST COUNTRIES(1) IN 1977

Note by the Economic Directorate

The purpose of this report is to describe the development in 1977 of NATO countries' oil and natural gas imports from the Communist countries. As before(2) it is based mainly on International Energy Agency statistics(3) compiled by the Statistics Service of the International Staff.

2. In 1977 the scale of imports of oil (product and product equivalents)(4) by member countries of the Alliance (except Turkey)(5) from the Communist countries amounted to 46.1 million tons, or 9.7% more than last year (see Table II at Annex). Sales by the Soviet Union and East European countries rose twice as fast as total oil procurements by Alliance members (4.2%), although not nearly as quickly as during the two preceding years, bearing in mind, of course,

- (1) The term "Communist countries" denotes the Soviet Union, Albania, Bulgaria, Czechoslovakia, Hungary, Poland, Rumania and the GDR.
- (2) The previous study, on NATO countries' imports of oil and natural gas from the Communist countries in 1976, was issued on 4th May, 1978 (C-M(78)26).
- (3) The 1977 edition of "Oil Statistics", published in January 1979.
- (4) "Product equivalents" have been obtained by converting crude and semi-refined oil into petroleum products by applying a notional factor of 7% in volume terms.
- (5) The IEA statistics for 1977 do not break down Turkey's imports by country of origin; in the interests of uniformity the increase from 1976 to 1977 in sales by the Communist countries has been calculated with Turkey's 1976 purchases from this source (667,000 tons) deducted.

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that growth rates like 22% in 1975, and 39% in 1976 could not have reasonably been maintained over a long period. Moreover, price rises in 1977(1) meant that the European Communist countries were able to increase their earnings with the same level of sales.

3. The improved sales performance was accounted for mainly by a 12% increase in sales of crude and semi-refined product for a total of 25.2 million tons; imports by Alliance members of petroleum products (22.6 million tons) registered a comparatively small rise of 4% (c.f. Table III). This is a trend similar to that observed in 1975 and 1976 but is in marked contrast with the pattern between 1970 and 1974 when sales of petroleum products rose fastest. Surplus refining capacity in certain Allied countries probably made them decide to give preference to imports of crude.

4. Among the member countries of the Alliance, the Federal Republic of Germany, followed by Italy, remained the Communist countries' best customers. At the same time, German imports (11.2 million tons) dropped by 10% and Italy's (10.4 million tons) marked time, whereas both countries recorded sizeable increases in 1976. Purchases by the next best customers, (France, United Kingdom and Belgium) amounted to 4.7, 4.4 and 4.1 million tons respectively and were 30%, 19% and 99% up on the figures for the preceding year (c.f. Table II).

5. It will be seen from Table I that in 1977 the proportion of Soviet and East European oil in the overall Alliance imports of this product remained at a modest 4.3%(2). But for the European members of the Alliance, although the scale of supplies from the Communist countries remains relatively small it has none the less doubled in the space of three years from 3.5% in 1974 to 7.3% in 1977. For certain member countries such as Iceland, Greece, Portugal and Denmark, dependence on the Communist countries is much more marked.

6. For certain European members of the Alliance, the relative importance of the Communist countries as supply sources tends to increase when it is estimated in relation to total consumption rather than to total imports (c.f. Table I). The difference, which is particularly notable in the case of Belgium and the Netherlands, is explained by re-exporting. Lastly, when making a global assessment of the dependence of

- (1) According to the information available, the Soviet Union probably introduced a 10% rise on 1st January, 1977.
- (2) By way of comparison, the relative shares of other suppliers in overall imports (product and product equivalents) again for 1977 were as follows: Saudi Arabia: 2.4%; Iran: 11.3%; Libya: 7.2% and Algeria: 4.0% (Source: percentages derived from IEL statistics).

the NATO European area in 1977 on Soviet and East European oil, it has to be remembered that the oil re-exported went mainly to other European members of the Alliance(1)(2).

7. Among the Communist countries, the Soviet Union strengthened its position in 1977 as the top supplier with sales (up by 12% compared with plus 45% in 1976) of 40.8 million tons or 85% of overall deliveries(3). At the same time, Romanian sales (2.1 million tons), which grew rapidly in 1975 showed a big drop of 46%. Allied imports from the East European countries (4.9 million tons) continued to rise (plus 25% compared with plus 13% the previous year).

8. According to the Soviet statistics(4), in 1977 earnings from foreign exports to Alliance members amounted to \$4.5 milliard(5), which is an improvement of 19% on the previous year. This figure is 56% of the value of all Soviet sales to the NATO grouping and it shows the high and increasing level(6) of Soviet dependence on this category of exports as a hard currency earner.

9. In the case of Romania, it appears that the relative scale of oil sales in the country's overall convertible currency earning exports is high, although not as high as for the Soviet Union. The latest available figures for 1976 (when the volume of Romania's exports was exceptionally high) show that the share of oil in total exports to the OECD group of countries was 28%.

10. Because the 1977 edition of the Soviet Foreign Trade Statistical Yearbook makes no mention of the volume of Soviet oil transactions it is no longer possible to compare either the unit value of delivery or the amounts imported by different purchasers or groups of purchasers (developed Western countries,

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- (1) It is not possible to make a precise distinction for the NATO countries with the AEI statistics; the latter do however show that in 1977 92% of Netherlands exports went to European members of the OECD; the corresponding figure for Belgium was 95%.
- (2) In any event, if oil sales by the Communist countries to the European members of the Alliance as a whole are compared with the total imports of the latter, after deducting mutual imports of POL (to avoid duplication), the rate is in the region of 8.4%.
- (3) The proportion was 82% in 1976.
- (4) Soviet Foreign Trade Statistical Yearbook.
- (5) At the official exchange rate of 1 rouble to \$1.34.
- (6) The share of oil in the overall value of Soviet exports to the NATO countries was 54% in 1976, 43% in 1975 and 39% in 1974.

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East European countries, etc.). All that can be said is that according to the OECD statistics, Soviet sales to the members of this Organization as a whole in products and product equivalents amounted to 59.0 million tons as against 53.5 million tons in 1976, i.e. an increase of 10%. The only information on Soviet oil imports concern purchases made in Iraq, the traditional main supplier, which apparently went down from 5.8 million tons in 1976 to 4.6 million tons in 1977(1). There is also talk(2) of an agreement with Iran covering one million tons.

11. According to the IEA statistics, in 1977 Soviet sales of natural gas to Italy increased by 46% to a total of 6.7 milliard cu.m and sales to France (1.3 milliard cu.m) were 3.4 times higher(3). The OECD figures give no breakdown by country of origin for the Federal Republic of Germany's imports, but according to another Western source(4) the volume of Soviet deliveries was the same as in 1976 and amounted to 2.0 milliard cu.m. In 1977 Soviet natural gas accounted for half of Italy's total imports of this product and for 12% of France's. However, expressed in relation to available resources (i.e. domestic production plus imports) of the two countries, the relative importance of Soviet supplies is much less; 25% for Italy and 8% for France.

12. According to Soviet statistics, the value of natural gas sales to members of the Alliance amounted to \$416 million in 1977 compared with \$225 million the year before. The relative share of these sales in overall Soviet exports to these countries remained small (5%).

1978 trends

13. Some idea of the 1978 trend in Alliance member imports of oil from the Soviet Union can be gleaned from the quarterly statistics put out by the International Energy Agency(5). These figures, which it would be unwise to

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- (1) Source "Petroleum Economist", September 1978.
 (2) See "Financial Times", 4th August, 1977.
 (3) To all intents and purposes, until the Central European gaslines are completed (in 1980) Soviet gas for France will be exchanged by the latter with Italy for Netherlands gas.
 (4) "Petrole 77", Comité Professionnel du Pétrole, Paris.
 (5) These statistics are not strictly comparable with the Agency's yearly statistics on which Tables I, II and III are based; by way of comparison, Table IV also contains the figure for Soviet deliveries for the whole of 1977 as given in the quarterly statistics. All in all, however, the differences between the two sets of statistics are not great.

extrapolate and which may be modified later by the Agency, reveal that during the first three-quarters of 1978 the volume of oil sales (in products and product equivalents) from the Soviet Union to members of the Alliance (except for Belgium, Portugal, Turkey and Iceland) amounted to 26.8 million tons, compared with 23.4 million tons between January and September 1977; in other words an increase of 14.5% (c.f. Table IV at Annex(1)). Contrary to what happened in 1977, it appears that during the first nine months of 1978 Soviet sales of petroleum products rose appreciably faster than crude sales (29% instead of 7%). This would indicate that exports of oil must have risen faster in value than in volume.

14. For the whole of the industrialized OECD grouping, all imports (in products and product equivalents) during the first three-quarters of 1978 totalled 44.4 million tons(2). This would mean a 14% increase in Soviet sales by comparison with the same period the year before(3).

NATO,
1110 Brussels.

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- (1) As already stated, product equivalents have been obtained by applying a notional reduction factor of 7% in the volume of crude.
 - (2) Crude oil: 27.6 million tons; petroleum products: 18.7 million tons.
 - (3) Portugal, Belgium, Turkey and Iceland have been excluded from the calculation because complete data covering the two reference periods are not available.

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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 1977

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	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	Average % 1960-65	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977
(0)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)
Belgium	2.3	1.7	2.5	4.3	1.1	3.1	4.4	3.0	4.2	3.4	5.3	5.4	9.7	3.2	2.3	3.2	6.1	1.6	4.3	6.2	4.3	6.3	5.1	8.0	8.2	16.8
Denmark	4.3	2.6	2.9	5.8	5.0	4.3	4.1	6.5	5.6	6.2	7.7	10.9	12.6	4.7	3.0	3.4	6.3	5.5	4.9	4.6	7.3	6.5	7.9	11.4	12.0	14.1
France	3.4	5.2	4.8	4.6	3.7	2.8	4.0	3.1	3.5	1.2	3.0	3.0	4.1	4.1	6.6	6.1	5.4	4.3	3.3	4.6	3.5	4.0	1.3	3.2	3.3	4.5
FR Germany(1)	8.4	7.1	7.0	6.6	5.8	6.6	5.8	6.1	5.4	6.9	8.4	9.2	8.4	8.3	7.0	7.1	6.8	5.9	6.9	6.0	6.2	5.6	7.5	8.6	9.6	8.7
Greece(2)	33.4	25.8	21.3	17.3	19.0	15.2	14.0	10.7	5.3	-	9.5	11.7	19.4	31.7	26.7	22.3	17.7	19.8	15.6	13.7	11.9	8.5	-	13.9	18.0	27.2
Iceland	90.8	93.3	81.7	78.7	74.1	70.8	73.0	72.3	72.3	74.4	78.5	84.8	60.4	92.0	96.8	80.6	86.1	75.0	73.2	71.5	72.1	72.3	83.1	78.5	84.8	69.0
Italy	14.3	10.5	12.5	13.1	9.8	8.7	7.7	7.6	6.7	5.4	5.6	9.9	9.6	20.3	17.9	20.4	18.1	13.0	11.3	10.0	9.3	8.4	6.6	5.9	10.9	11.3
Luxembourg	-	-	-	-	-	-	na	-	-	-	-	-	-	-	-	-	-	-	-	na	-	-	-	-	-	-
Netherlands	neg	neg	0.1	0.1	neg	0.8	1.2	1.8	1.6	3.2	4.0	3.7	3.9	neg	neg	0.2	0.1	neg	1.6	2.5	3.5	3.4	7.2	7.7	7.1	7.5
Norway	6.5	5.7	7.4	5.3	5.6	4.6	6.3	3.6	3.9	3.4	3.5	2.9	8.3	7.8	6.9	9.1	6.6	6.5	5.9	7.4	4.5	5.2	4.5	3.7	3.7	9.7
Portugal	1.7	-	-	-	-	-	-	-	0.3	-	9.6	15.9	13.3	1.9	-	-	-	-	-	-	-	0.3	-	9.6	16.6	14.0
Turkey(3)	0.7	2.8	6.4	6.0	8.6	5.3	1.3	-	0.9	0.2	-	5.5	na	0.7	2.0	4.3	3.1	4.4	3.3	0.8	-	0.7	0.2	-	4.7	na
United Kingdom	0.2	neg	neg	neg	neg	neg	0.1	0.2	0.3	0.5	1.4	4.0	5.6	0.3	neg	neg	neg	neg	neg	0.2	0.2	0.4	0.6	1.6	4.4	5.2
Total NATO Europe	5.4	5.0	5.4	5.5	4.3	4.2	4.2	4.0	3.8	3.5 (5)	5.0	6.0	7.3 (7)	6.7	6.2	6.7	6.6	5.2	5.1	5.1	4.8	4.7	4.4 (6)	5.7	7.6	8.4 (8)
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	0.6	0.5	0.4	-	-	neg	neg	neg	neg	neg	0.1	0.2	0.2	0.2	0.2	0.2
Total NATO North America	-	-	neg	neg	0.2	0.3	0.1	0.4	0.5	0.5	0.5	0.4	0.3	-	-	neg	neg	neg	neg	neg	0.1	0.2	0.2	0.2	0.2	0.2
Total NATO	3.6 (4)	3.6	3.6	4.0	3.2	3.2	3.1	3.0	2.7	2.5 (5)	3.4	4.2	4.3 (7)	1.9 (4)	2.0	2.2	2.4	2.0	2.0	2.0	2.0	2.0	1.7 (6)	2.4	3.1	3.3 (8)

See notes on page 5

TABLE II
NATO COUNTRY IMPORTS OF OIL FROM COMMUNIST COUNTRIES(a)
TOTAL IMPORTS AND TOTAL CONSUMPTION
PRODUCTS AND PRODUCT EQUIVALENTS(b) - 1976 AND 1977

(thousands of metric tons)

NATO countries	Imports from Communist countries(c)		Total imports(c) (including Communist countries)		Total consumption(d)	
	1976	1977	1976	1977	1976	1977
(0)	(1)	(2)	(3)	(4)	(5)	(6)
Belgium	2,043.3	4,061.8	37,896.2	41,872.3	24,927.0	24,229.0
Denmark	1,970.3	2,321.9	18,065.4	18,446.2	16,452.0	16,449.0
France	3,650.3	4,747.8	121,212.0	117,174.2	109,412.0	105,637.0
FR Germany(1)	12,480.1	11,215.6	135,428.6	133,421.7	130,008.0	128,413.0
Greece	1,763.0	2,714.3	15,026.9	14,021.2	9,815.0	9,965.0
Iceland	424.0	435.0	500.0	720.0	500.0	630.0
Italy	10,413.8	10,384.2	105,657.4	107,633.9	95,888.0	91,874.0
Luxembourg	-	-	1,468.0	1,427.0	1,421.0	1,396.0
Netherlands	2,527.7	2,522.0	69,202.3	63,893.0	35,741.0	33,771.0
Norway	301.4	789.4	10,368.8	9,528.8	8,179.0	8,131.0
Portugal	1,117.2	933.9	7,038.0	7,025.0	6,714.0	6,674.0
Turkey	667.0	na	12,168.9	13,929.5	14,166.0	16,207.0
United Kingdom	3,751.6	4,446.6	94,842.4	78,798.2	85,148.0	86,082.0
Total NATO Europe	41,109.7	44,572.5	628,874.9	607,891.0	538,371.0	529,458.0
Canada	-	-	35,833.9	34,617.0	78,795.0	79,447.0
United States	1,604.9	1,533.0	355,158.2	420,506.7	745,663.0	793,466.0
Total NATO North America	1,604.9	1,533.0	390,992.1	455,123.7	824,458.0	872,913.0
Total NATO	42,714.6	46,105.5	1,019,867.0	1,063,014.7	1,362,829.0	1,402,371.0

See notes on page 5

N.A.T.O. U.N.C.L.A.S.S.I.F.I.E.D

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TABLE III

NATO COUNTRY IMPORTS OF OIL FROM COMMUNIST COUNTRIES (a)
1976 AND 1977

NATO countries	(thousands of metric tons)												
	Crude and Semi-refined oil					Petroleum Products							
	Total		Communist countries		World-wide (including Communist countries)	Total		Communist countries		World-wide (including Communist countries)			
1976	1977	1977	1977	1976	1977	1976	1977	1977	1977	1976	1977		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Belgium	296	1,403	1,403	-	29,226	36,567	1,768	2,757	2,694	1	62	10,716	7,865
Denmark	939	1,373	1,368	5	7,637	7,383	1,097	1,045	773	-	272	10,963	11,580
France	1,738	3,175	3,175	-	121,143	117,397	2,034	1,795	1,608	84	103	8,549	7,995
FR Germany (1)	4,941	3,420	3,340	80	105,291	99,490	7,885	8,035	4,759	370	2,906	37,508	40,896
Greece	1,229	1,653	1,653	-	14,359	11,840	620	1,177	491	502	184	1,673	3,010
Iceland	-	-	-	-	-	-	424	435	435	-	-	500	720
Italy	8,974	8,855	8,690	104	102,795	105,830	2,068	2,149	920	1	1,228	10,058	9,212
Luxembourg	-	-	-	-	-	-	-	-	-	-	-	1,468	1,427
Netherlands	119	257	120	137	63,882	58,929	2,417	2,283	2,182	91	10	9,792	9,089
Norway	66	552	552	-	8,075	6,874	240	276	274	-	2	2,859	3,136
Portugal	1,069	1,001	1,001	-	5,971	6,215	123	183	2	-	1	1,485	1,245
Turkey	-	na	na	na	11,230	12,065	667	na	na	na	na	1,725	2,709
United Kingdom	3,063	3,349	3,349	-	90,466	70,697	903	1,332	1,331	-	1	10,709	13,050
Total NATO Europe	22,434	25,038	24,651	278	560,075	533,287	20,246	21,287	15,469	1,049	4,769	108,005	111,934
Canada	-	-	-	-	36,430	33,772	-	-	-	-	-	1,954	3,209
United States	87	186	186	-	301,383	366,805	1,524	1,360	527	770	63	74,872	79,378
Total NATO North America	87	186	186	-	337,813	400,577	1,524	1,360	527	770	63	76,826	82,587
Total NATO	22,521	25,224	24,837	278	897,888	933,864	21,770	22,647	15,996	1,819	4,832	184,831	194,521

See notes on page 5

TABLE III

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N.A.T.O. U.N.C.L.A.S.S.I.F.I.E.D

TABLE IV

RECENT TRENDS IN NATO COUNTRIES' OIL IMPORTS FROM THE USSR

(thousands of metric tons)

NATO COUNTRIES Importers	Crude and semi-refined product + condensates			Petroleum products		
	Total 1977	Jan.-Sept. 1977	Jan.-Sept. 1978	Total 1977	Jan.-Sept. 1977	Jan.-Sept. 1978
Belgium	na	na	757	na	na	1,352
Denmark	1,368	1,020	1,224	773	588	527
France	3,138	1,800	2,176	1,618	1,210	1,111
Federal Republic of Germany	4,019	2,818	3,700	4,025	2,422	2,663
Greece	1,653	1,214	1,292	491	350	315
Iceland	-	-	-	435	327	na
Italy	8,812	6,332	5,834	865	616	913
Luxembourg	-	-	-	-	-	-
Netherlands	120	120	338	2,182	1,544	3,690
Norway	553	400	491	275	193	137
Portugal	999	663	na	2	-	na
Turkey	na	na	-	na	230	na
United Kingdom	3,311	2,415	2,342	1,352	934	1,030
TOTAL NATO EUROPE		(16,119)(1)	(17,397)(1)		(7,857)(1)(2)	(10,386)(1)(2)
Canada	-	-	-	-	-	-
United States	160	160	-	527	431	276
TOTAL NATO NORTH AMERICA		160	-		431	276
TOTAL NATO		(16,279)(1)	(17,397)(1)		(8,288)(1)(2)	(10,662)(1)(2)

(1) Excluding Belgium, Portugal and Turkey

(2) Excluding Iceland

Source: International Energy Agency, Quarterly Oil Statistics, 1978, No. 4.

NOTES TO TABLES I, II AND III

- (a) For the purpose of this document, the term "Communist countries" covers only the USSR, Albania, Bulgaria, Czechoslovakia, Hungary, Poland, Romania and the GDR.
 - (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. From 1975 (included) the statistics take account of aircraft refuelling as well as bunkering.
 - (1) In the case of the Federal Republic of Germany, the figures cover deliveries by the GDR as part of intra-German trade.
 - (2) Greece: no data for 1974 are contained in the OECD statistics and in Table I the percentages for 1970 and 1973 are International Staff estimates.
 - (3) Turkey: Table I: the percentages for 1968 and 1969 are International Staff estimates (AC/127-D/388).
 - (4) Table I: Columns (1) and (12): the 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) applies only to 1963, 1964 and 1965.
 - (5) Table I: excluding Greek imports.
 - (6) Table I: excluding Greek consumption.
 - (7) Table I: excluding Turkish imports.
 - (8) Table I: excluding Turkish consumption.
- neg: negligible.
na: not available.