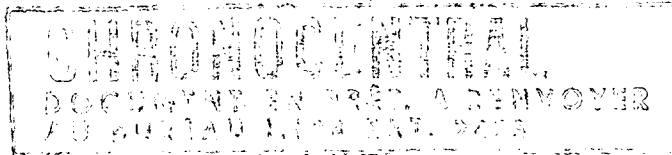


CONSEIL DE L'ATLANTIQUE NORD  
NORTH ATLANTIC COUNCIL



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

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NATO-COUNTRY IMPORTS OF OIL FROM THE  
COMMUNIST COUNTRIES IN 1972 AND PROSPECTS

Report by the Economic Committee

The attached statistical Tables I, II and III have been prepared with the assistance of the Statistical Service on the basis of 1972 data assembled by the OECD Oil Committee and published in December 1973. They show that in 1972 (i) the degree of dependence of NATO countries on oil imports from Communist countries(1) continued to decline; (ii) the volume of such imports grew, but more slowly than did total consumption and gross imports; and (iii) a slight decline in the volume of oil imports from the USSR was counterbalanced by increases from other Communist areas. Complementary information from Soviet sources (Tables IV and V) indicates that the share of Soviet oil exports directed to NATO and other industrialized Western countries also continued to decline in the wake of production shortfalls in the USSR, increasing demand at home and in Eastern Europe, and dollar devaluation (which permitted the USSR to hold its oil earnings in dollars approximately even despite the decreased export volume).

A. IMPORTS OF COMMUNIST OIL BY NATO COUNTRIES IN THE  
CONTEXT OF THEIR TOTAL OIL IMPORTS AND CONSUMPTION

2. The downward trend since 1968 in the degree of dependence of NATO countries on oil imported from European Communist countries continued in 1972 (see Table I). Oil imported from those areas accounted for no more than 3% of total NATO imports(2) and 2% of total consumption. For European NATO these proportions were 4% and 5% respectively.

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- (1) In this Note, the term "Communist countries" refers only to the Soviet Union, Albania, Bulgaria, Czechoslovakia, Hungary, Poland, Rumania, the GDR and East Berlin  
(2) Of crude oil and products combined (see Table III)

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An upward trend was perceptible in the case of Denmark, the FRG and Holland in 1972 but this did not entail any significant increase in the Communist share of their imports and consumption of oil. Higher degrees of dependence continued to be registered by Iceland (receiving 72.1% of its consumption of oil from Communist sources), Greece (11.9%) and Italy (9.3%). This ratio was lower than in 1971 in the latter two cases, and in all three cases, has declined substantially over the past five years.

3. Imports of Communist crude and refined oil by NATO countries rose only 1.1 million tons (4.4%) in 1972 (see Table III). Over half of the increment was reflected in sales to the United States, which rose almost fourfold to 0.98 million tons. While increasing their purchases from Communist areas by only 2%, European NATO countries continued to be the principal market, importing 27.4 million tons - about 3 million tons more of products and 2 million tons less of crude than in 1971 (see Table III).

4. While the Soviet Union remained the major Communist supplier of NATO countries in 1972, its share of total Communist sales to this market declined by 5 percentage points, to 82%. The volume of Soviet oil deliveries fell slightly (by 1.5%) to 23.3 million tons, but the proportion of products therein rose (from about 30% in 1971 to 38%). NATO Europe (France for the most part) absorbed the decrease in volume and most of the shift in assortment.

5. In 1972 sales by Rumania and other Communist countries (excluding the USSR) grew rapidly (over 40%), exceeded 5 million tons, and continued to be almost entirely in the form of petroleum products. Purchases by NATO countries from Rumania exceeded 2.3 million tons, increasing 20% for the second successive year; most of the increment was directed to the United States. Imports of oil from other Communist sources continued to be confined to European NATO countries.

6. Substantially higher rates of growth were reflected in total oil imports and consumption by NATO countries in 1972, a year of accelerating economic growth in the West. Gross imports(1) of crude oil and petroleum products amounted to 983 million tons, rising 9.2% (compared with 2% in 1971). Gross European NATO imports of crude and products combined rose 6.5% and totalled 698 million tons. Total consumption of petroleum products (1.4 billion tons) was 8% higher than in 1971.

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(1) Some double-counting under this heading is unavoidable since some countries that import oil as crude re-export it to other NATO countries which report it again as imports of products

B. NATO-COUNTRY IMPORTS OF SOVIET OIL IN THE CONTEXT OF TOTAL SOVIET OIL EXPORTS

7. Soviet statistics (see Table IV) show that oil imports from the USSR by NATO countries had declined as a share of total Soviet oil availability, falling from almost 7% in 1971 to 6.1% in 1972. The share of the developed West as a whole fell somewhat more - from 12.1% to 10.7%. These decreases - and accompanying reductions in the volume of Soviet oil deliveries (e.g. 1 million tons less to Japan in 1972 than in 1971) - took place despite concurrent increases in total Soviet supplies. On the other hand, the shares and volumes of Soviet petroleum devoted to domestic consumption and to exports to Communist and developing countries grew.

8. Specifically, out of a total 1972 Soviet supply of 403 million tons of oil(1) (394 million tons in production and 9 million tons in imports(2), largely from Arab countries), about 107 million tons were exported, of which 57 were directed to Communist countries and 50 to non-Communist (7 million tons to developing countries(3) and 43 to the industrial West). This reflects volume increases of 22 million tons in output, 2 million tons in imports, 22 million tons in domestic consumption and 2 million tons in gross exports (+1 for deliveries to developing countries, +4 million tons for Eastern Europe and -3 for the industrial West). Gradual expansion of the East European market at the expense of the West dates back to 1961(4), when the Western share of Soviet oil exports was nearly double that of COMECON.

9. Soviet oil export earnings in dollars held almost even in hard-currency markets in 1972 - \$573 million, against \$571 million in 1971 (see Table V). The 2-million-ton decrease in Soviet oil deliveries to hard-currency areas was offset by upward world price trends, the average price per ton of Soviet oil rising from \$16 in 1971 to over \$17 in 1972. The increase in Soviet prices in dollar terms was less than both the rise in world prices and the amount of dollar devaluation. As expressed in roubles and in other currencies that appreciated in relation to the dollar in 1972, Soviet oil prices of that year are generally lower than in 1971. The explanation for this seeming anomaly in a seller's market could be that Soviet oil exports were to a large extent covered by long-term contracts concluded when the conditions of petroleum trade were still those of a buyer's market.

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- (1) Crude and products combined  
(2) Including 400,000 tons from Rumania and 208,000 tons from the FRG, UK and US - all fuel oil  
(3) Including Yugoslavia, in accordance with OECD procedures  
(4) The share of Soviet oil exports shipped to the industrial West and to Eastern Europe, respectively, were 48% and 27% in 1961; 45% and 34% in 1966; 43% each in 1971 and 40% and 46% in 1972

C. WESTERN IMPORTS OF SOVIET NATURAL GAS

10. Soviet exports of natural gas, including 1.6 billion cubic metres to Austria (the only Western recipient), remained relatively low (5 billion) in 1972. They were counterbalanced by imports at double the volume (8.2 billion cubic metres from Iran, 2.8 from Afghanistan) and half the price at which the USSR sells it.

D. FUTURE PROSPECTS

11. It does not seem that exports of Soviet oil to NATO and industrialized Western countries in 1973 or 1974 will be substantially above the 43-million-ton level of 1972. For 1973, Soviet production of crude (421 million tons, according to preliminary figures) was 8 million tons below Five-Year-Plan targets. Deliveries were reportedly behind schedule to various Western countries. For 1974, while indicating that existing oil contracts will be carried out, several Soviet spokesmen have publicly warned Western customers that, in future agreements, prices will be based on world trends and (with the exception of possible Siberian oil projects that would involve considerable time and presumably require Western credits) volume will probably not be increased. In a recent agreement on 1974 deliveries to Finland, usually a favoured customer, Soviet products' prices were raised more than three times although volume was held almost even at 3.1 million tons.

12. The apparent Soviet reluctance to raise oil export volume to the West in the near future may reflect continuing production and transport problems at home and also the recent surge in oil market prices, which may affect Soviet exporting propensities in three ways. First, price increases may encourage the USSR to adopt a speculative approach to the petroleum market, delaying volume commitments in the hopes of further price-rises. Second, rising oil prices tend to increase demands for Soviet oil by other Communist countries, whose requirements are rising faster than earlier anticipated. The oil of the USSR, obtainable by its allies on barter terms, is now rendered doubly more attractive by the rise in costs of acquiring alternative supplies payable largely in hard currency. Finally, this price increase may weaken Soviet interest in increasing the volume of oil exports to the West. Expansion of such exports for the sake of hard-currency earnings is of course a high Soviet priority but oil development costs are high and the USSR is also beset by other high-priority demands (domestic as well as East European) on its limited oil and investment resources. Moreover, substantially

increased earnings are obtainable without volume increases at the present world oil price of say between \$9 and \$12 per barrel; if applied to the export volumes of 1972, it could more than quadruple Soviet earnings, raising them possibly to \$2.8 billion for the 33 million tons that were sold for hard currency. As the recent agreement with Finland indicates, the USSR, like other oil-exporting countries, clearly intends to take corresponding advantage. This change in the market tends to throw a new light on possible industrial-cooperation agreements on hydrocarbon development under discussion between Western companies and the USSR, the latter no doubt trying to improve its bargaining position.

13. This report is forwarded to the Council for its information.

(Signed) Y. LAULAN  
Chairman

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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; ANNUAL PERCENTAGE BETWEEN 1966 AND 1972

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

See notes on page 9

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TABLE II  
 NATO COUNTRY IMPORTS OF OIL FROM COMMUNIST COUNTRIES (a)  
 TOTAL IMPORTS AND TOTAL CONSUMPTION  
 PRODUCTS AND PRODUCT EQUIVALENTS (b) - 1970 AND 1972

(1000 metric tons)

(0)	Imports from Communist countries (c) *		Total imports (c) * (including Communist countries)		Total consumption (d) **	
	1971	1972	1971	1972	1971	1972
(0)	(1)	(2)	(3)	(4)	(5)	(6)
Belgium	1,586.1	1,175.8	35,826.3	39,782.0	25,538.0	27,535.0
Denmark	825.0	1,368.0	20,063.9	21,083.7	17,798.0	18,649.0
France	4,292.2	3,652.4	108,209.9	118,550.5	94,176.0	104,193.0
Federal Republic of Germany(1)	7,420.3	8,183.6	128,489.5	134,432.3	124,476.0	131,954.0
Greece	968.5	1,000.8	6,933.6	9,325.1	7,062.0	8,393.0
Iceland	389.0	401.0	533.0	555.0	544.0	556.0
Italy	8,752.4	8,866.9	113,097.4	116,211.5	87,484.0	95,063.0
Luxembourg(5)	na	-	1,331.0	1,483.0	1,319.0	1,479.0
Netherlands	798.8	1,270.2	64,770.8	71,235.8	32,113.0	36,198.0
Norway	584.0	370.0	9,236.3	10,206.8	7,936.0	8,203.0
Portugal	-	-	5,427.3	5,734.2	4,957.0	5,279.0
Turkey	72.0	-	5,712.2	7,637.2	8,764.0	10,078.0
United Kingdom	146.9	189.7	119,267.9	120,600.9	97,170.0	102,919.0
Sub-total I	25,835.2	26,478.4	618,889.1	656,838.0	509,337.0	550,499.0
Canada	-	-	40,218.2	44,157.8	73,623.0	82,694.0
United States	252.0	978.6	192,430.2	229,535.1	712,945.0	768,740.0
Sub-total II	252.0	978.6	232,648.4	273,692.9	786,568.0	851,434.0
Total NATO	26,087.2	27,457.0	851,537.5	930,530.9	1,295,905.0	1,401,933.0

See notes on page 9

SOURCES: \* Derived from Table III

\*\* OECD Oil Committee 1972 Oil Statistics: Supply and Disposal (Paris 1973)

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**TABLE III**  
**NATO-COUNTRY IMPORTS OF OIL FROM COMMUNIST COUNTRIES AND WORLDWIDE(a)**  
**1971 AND 1972**  
**(1000 metric tons)**

NATO countries	Crude and semi-refined oil (b)							Petroleum products (c)						
	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		
	1971	1972	1972	1972	1972	1971	1972	1971	1972	1972	1972	1972	1971	1972
(0)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Belgium	513.0	474.0	474.0	-	-	30,867.0	36,172.0	1,109.0	735.0	666.0	27.0	42.0	7,120.0	6,142.0
Denmark	-	-	-	-	-	10,544.0	10,061.0	825.0	1,368.0	761.0	19.0	588.0	10,258.0	11,727.0
France	2,569.0	1,766.0	1,766.0	-	-	107,587.0	117,793.0	1,903.0	2,010.0	1,385.0	624.0	1.0	8,154.0	9,003.0
Federal Republic of Germany(1)	3,396.0	2,863.0	2,863.0	-	-	101,907.0	104,425.0	4,262.0	5,521.0	3,056.0	558.0	1,907.0	33,716.0	37,317.0
Greece	665.0	617.0	617.0	-	-	5,334.0	6,999.0	350.0	427.0	311.0	69.0	47.0	1,973.0	2,816.0
Iceland	-	-	-	-	-	-	-	389.0	401.0	401.0	-	-	533.0	555.0
Italy	8,295.0	7,316.0	7,290.0	24.0	2.0	117,309.0	118,893.0	1,038.0	2,063.0	1,476.0	459.0	128.0	4,000.0	5,641.0
Luxembourg	-	-	-	-	-	-	-	na	-	-	-	-	1,331.0	1,483.0
Netherlands	32.0	11.0	11.0	-	-	60,732.0	67,788.0	769.0	1,260.0	1,249.0	9.0	2.0	8,290.0	8,193.0
Norway	-	-	-	-	-	5,710.0	6,517.0	584.0	370.0	366.0	-	4.0	3,926.0	4,146.0
Portugal	-	-	-	-	-	4,067.0	4,383.0	-	-	-	-	-	1,645.0	1,658.0
Turkey	-	-	-	-	-	5,469.0	7,969.0	72.0	-	-	-	-	626.0	226.0
United Kingdom	158.0	204.0	204.0	-	-	107,730.0	107,701.0	-	-	-	-	-	19,069.0	20,439.0
Sub-total I	15,628.0	13,251.0	13,225.0	24.0	2.0	555,256.0	588,701.0	11,301.0	14,155.0	9,671.0	1,765.0	2,719.0	100,641.0	109,346.0
Canada	-	-	-	-	-	34,312.0	39,160.0	-	-	-	-	-	8,308.0	7,739.0
United States	-	63.0	63.0	-	-	89,712.0	116,241.0	252.0	920.0	379.0	541.0	-	108,998.0	121,431.0
Sub-total II	-	63.0	63.0	-	-	124,024.0	155,401.0	252.0	920.0	379.0	541.0	-	117,306.0	129,170.0
Total - NATO	15,628.0	13,314.0	13,288.0	24.0	2.0	681,280.0	744,102.0	11,553.0	15,075.0	10,050.0	2,306.0	2,719.0	217,947.0	238,516.0

See notes on page 9

SOURCE: OECD Oil Committee, 1972 Oil Statistics: Supply and Disposal (Paris 1973)



Notes 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) In Table II, crude and semi-refined oil has been converted into "product equivalents" by reducing by 7%, in accordance with the procedures specified in AC/127-D/181, 4th February, 1965. In Table III, the gross figures for crude oil have been retained. Country totals in this Table are accordingly larger than in Table II.

(c) Import figures given by OECD which have been used for the years 1968 onwards do not include bunker supplies from foreign sources. OECD figures used in accordance with the Economic Committee decisions of November and December 1969 (AC/127-R/263 and R/264).

(d) Total consumption consists of deliveries to inland consumption plus bunkers for sea-going vessels.

- (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 769,400 tons in 1971 and approximately 1.3 million tons in 1972.
- (2) Greece, Table I: The percentages for 1970 are International Staff estimates (AC/127-WP/346).
- (3) Turkey, Table I: The percentages for 1968 and 1969 are International Staff estimates (AC/127-D/388).
- (4) Figures for Canada and the United States are not available for 1960, 1961 and 1962. The average percentage for NATO countries as a whole (total of NATO) therefore applies only to 1963, 1964 and 1965.
- (5) Luxembourg, Table II (column 5): OECD Secretariat estimate.

neg. = negligible

na = not available

TABLE IV: SOVIET DATA ON SOVIET PRODUCTION,  
IMPORTS AND EXPORTS OF OIL, 1971-72

(Million metric tons)

	1971	1972	Change 1972-1971	Share in Total Supplies	
				1971	1972
Domestic Output (crude oil)	372	394	+22	-	-
Imports: Total	+7	+9	+2	-	-
(crude)	(5)	(8)	-	-	-
(refined)	(2)	(1)	-	-	-
<b>TOTAL SUPPLIES</b>	<u>379</u>	<u>403</u>	<u>+24</u>	100%	100%
Domestic Consumption	274	296	+22	72.3%	73.4%
Gross Exports, including	105	107	+2	27.7%	26.6%
Communist Countries	<u>53</u>	<u>57</u>	-	-	-
Eastern Europe	45	49	+4	11.9%	12.2%
Other(a)	8	8	-	2.1%	2.0%
Non-Communist Countries	<u>52</u>	<u>50</u>	-	-	-
Developing(b)	6	7	+1	1.6%	1.7%
Industrial West(c)	46	43	-3	12.1%	10.7%
(NATO)(d)	(26)	(25)	(-1)	(6.9%)	(6.1%)

SOURCE: Tonnage data from Foreign Trade of the USSR in 1972, Soviet statistical yearbook.

- (a) Includes Cuba.
- (b) Includes Yugoslavia.
- (c) Includes Finland.
- (d) Tonnage data for 1972 exceed by over 1 million tons the OECD statistics in Table III above because of usual differences in statistics of trading partners resulting e.g. from lead times between shipments and deliveries and also possibly from differing statistical methodologies used by the Customs Authorities of the countries concerned. Another possible explanation is that certain consignments originally directed to NATO countries may have been re-routed by the buyers to other destinations.

TABLE V: SOVIET DATA ON DIRECTION OF OIL EXPORTS,  
VOLUME, VALUE AND PRICE, 1971-1972

	1971		1972		Price per ton (roubles)	
	Volume		Volume		1971	1972
	Million m. tons	Million roubles	Million m. tons	Million roubles		
TOTAL	105.1	1,648.2	107.2	1,663.8	15.7	15.5
Communist Countries	<u>52.9</u>	<u>814.6</u>	<u>56.7</u>	<u>889.8</u>	<u>15.4</u>	<u>15.7</u>
Eastern Europe	45.1	693.7	48.8	764.4	15.4	15.7
Cuba	6.4	73.5	7.0	92.2	11.5	13.0
Asian Communist	1.35	47.4	0.9	33.2	36.3	36.3
Non-Communist Countries	52.2	833.6	50.5	774.0	16.0	15.3
Developing Countries (including Yugoslavia)	6.6 (2.9)	124.1 (52.4)	7.3 (3.4)	116.6 (51.3)	18.7 (18)	16.0 (15)
Industrial West	45.6	709.5	43.2	657.4	15.6	15.3
Hard-currency	(35.5)	513.7	(33.4)	471.8	14.5	14.1
Hard-currency in \$ <sup>(a)</sup>	-	(\$571 million)	-	(\$573 million)	\$16	\$17.2
Clearing Account	(10.1)	195.8	(9.8)	185.6)	-	-

SOURCE: Foreign Trade of the USSR in 1972

(a) At existing exchange rates: in 1971, \$1.11111 per rouble; in 1972, \$1.215 per rouble (post-Smithsonian devaluation).