

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 1973 AND PROSPECTS

Note by the Economic Directorate

This note examines recently published statistics concerning the level and growth of imports of oil by Alliance countries from Communist countries.

2. The OECD statistical data analyzed in Part A below pertain to imports of Communist oil by member countries in 1973. These figures are completed by the presentation of Soviet data and other indications regarding Soviet oil exports during 1973-1974 (see Part B) and future prospects (Part C).

A. 1973 TOTAL OIL IMPORTS AND CONSUMPTION OF NATO COUNTRIES (OECD data)

3. The attached statistical Tables I, II and III have been prepared with the assistance of the Statistical Service on the basis of 1973 data assembled by the OECD Oil Committee(1) and delivered to the NATO International Staff in April 1975. They show that in 1973 (i) the degree of dependence of NATO countries on oil imports from Communist countries(2) remained low (under 3%); (ii) the volume of such imports grew, but more slowly than did total oil imports of member countries; and (iii) the USSR remained by far the largest Communist supplier.

4. The downward trend since 1968 in the degree of dependence of NATO countries on oil imported from European Communist countries continued in 1973 (see Table I). Oil imported from those areas accounted for no more than 2.7% of total NATO imports(3) and 1.9% of total consumption. For European

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- (1) As OECD data on Greek oil imports from Communist countries in 1973 are not yet available, estimates of such figures in this report are based on Soviet statistics (0.8 million tons), which account for most Communist supplies and in 1972 were close to OECD data (0.9 million tons)
- (2) In this Note the term "Communist countries" refers only to the Soviet Union, Albania, Bulgaria, Czechoslovakia, Hungary, Poland, Romania, the GDR and East Berlin
- (3) Of crude oil and products combined (see Table III)

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NATO countries these proportions were 3.7% and 4.6%, respectively. Relatively high degrees of dependence continued to be registered by Iceland, which received 72.3% of its consumption of oil from Communist sources. This ratio was still considerably lower than the 80-90% dependence registered in the early and middle 1960s.

5. Imports of Communist crude and refined oil by NATO countries rose an estimated 1.6 million tons (6%) in 1973 (see Table III). The increase was divided between NATO Europe (up about one million tons) and North America (plus 0.7 million tons).

6. The Soviet Union remained the major Communist supplier of NATO countries in 1973, its share of total Communist sales to this market rising to approximately 87%. The volume of Soviet oil deliveries increased to 26.0 million tons, up 11.6%, and was directed largely at the United States and Belgium (up 0.7 million tons each) and France (up 1.5 million tons). The proportion of refined oil therein also grew from about 38% in 1972 to 45%.

7. Sales of petroleum (almost entirely products) by other Communist countries to NATO members in 1973 continued to fluctuate, declining 1.1 million tons (21%) following a 40% increase in 1972. Most of the decrease was reflected in exports of Romania, the largest single non-Soviet Communist supplier, whose deliveries fell from 2.3 million tons in 1972 to 1.6 million tons. Oil exports of other Communist countries, presumably including East Germany, declined about 0.4 million tons.

8. This trend in East-West trade of oil is to be compared with the general world trade of NATO countries. A continued acceleration in rate of growth was reflected in their total oil imports and consumption in 1973, the last year before the temporary Arab oil embargo and the sharp price rise took full effect. Gross imports(1) of crude oil and petroleum products amounted to 1,117 million tons, rising 13.6% compared with 9.2% in 1972 and 6% in 1971. With the exception of Denmark the increase was general for NATO countries and was most pronounced for the United States (up 29% or 70 million tons) and Greece (up an estimated 57% or 5.7 million tons). Total consumption of refined oil by members (1.47 billion tons) was 5% higher than in 1972 (see Table II).

B. SOVIET DATA ON OIL EXPORTS IN 1973

9. Soviet statistics show that, as a share of total Soviet oil availability, oil imports from the USSR by NATO countries in 1973 rose slightly (amounting to 6.5%) but were still below the 6.9% share of 1971. Similarly, developed Western countries as a

(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 import of products

group accounted for 10.9% of Soviet oil exports in 1973 compared with 10.7% in 1972 and 12.1% in 1971. The slight increase over 1972 proportions - and similar or greater growth in allocations of Soviet oil to Communist markets - were made possible by a contraction of the portion exported to developing countries and by a pronounced increase in Soviet imports of oil, primarily from the Middle East.

10. In 1973, (in million tons) Soviet oil production amounted to 421 - a rise of 27 over the 1972 level. Imports of crude and refined petroleum totalled 15 (11 from Iraq, 1.7 from Libya), up from nine the year before. Of the total availability of 436(1), domestic consumption accounted for 318 - an increase of 22.

11. The USSR exported 118 million tons of oil in 1973, rising 11 million over the tonnage of 1972. Eastern Europe remained the largest and fastest-growing market, purchasing 55 (up six). NATO countries took 28.5(2) (up 2.6), other industrial Western countries 19 (up one), other Communist countries 12 (up one) and developing countries 3 (down one).

12. Soviet oil export earnings in dollars increased more than 100% in hard currency markets in 1973 - rising from \$573 million in 1972 to \$1,260 million. Although Soviet oil deliveries rose only 7% in terms of tonnage, the price was doubled, reaching \$35 per ton (\$5 per barrel). Presumably this reflected upward world price trends, devaluation of the dollar, and possibly a bunching up of Soviet deliveries at the end of the year. The USSR continued to reserve its best terms for Eastern Europe and Cuba, where its oil prices remained at roughly 16 roubles (\$21) per ton, or \$3 per barrel.

C. OUTLINE OF SOVIET OIL EXPORTS IN 1974 (Soviet sources)

13. As forecast about a year ago(3), the oil price rise appears to have enabled the USSR simultaneously to increase oil consumption at home, expand oil exports to its allies, and augment hard-currency earnings from oil exports - three priority objectives which had not previously been concurrently attainable. According to advance reports, Soviet oil sales in convertible currency doubled again in 1974 as a result of the delayed impact of increases in world prices. Moreover, this gain was achieved despite an apparent decline in the volume of Soviet sales of crude and refined petroleum in the industrial West.

(1) Crude and products combined

(2) Tonnage data for 1972 exceed by over 2 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, differing statistical methodologies, re-routing of shipments while en route

(3) See paragraphs 11 and 12, C-M(74)20, 22nd April, 1974: last year's report in this series

14. While the tonnage of Soviet oil exports to NATO and other Western countries have not yet been announced, a decrease of six million tons in Soviet oil shipments has been reported as regards non-Communist markets (of which NATO countries have accounted for almost 60% in past years)(1). As in 1973, this shift primarily reflected a fluctuation in Soviet oil imports, which fell about 10 million tons. Another important factor was a further expansion of the share of Soviet oil supplies allocated to domestic consumption - 75.4% last year compared with 72.3% in 1971; domestic demand clearly remained strong despite continued shortfalls in planned Soviet oil production. Finally, Soviet oil exports to Western and developing countries were squeezed by the continued increase in Soviet sales to Communist countries, which rose four million tons last year(1). Presumably some of this increase was directed to Eastern Europe.

D. GENERAL PROSPECTS

15. For 1975 and beyond, prospects are complicated as regards competing claims for Soviet petroleum. While Soviet production capacity is considerable - about 15% of world output - most of it is committed to the needs of its domestic economy and its East European allies. Beyond a certain point, however, East European demand will probably be deflected more and more to Middle Eastern suppliers by a series of Soviet measures: (i) pressures have increased for East European investment in development of Soviet oil-fields; (ii) agreements of last winter reportedly require partial East European payment in convertible currency for Soviet oil; (iii) the agreements also doubled the Soviet oil price to its allies and established pricing criteria that make further increases likely.

16. By contrast, Western markets are currently attractive to the USSR, the major Communist supplier, because oil prices are relatively high (\$10.50 per barrel f.o.b. compared with \$7.50 for Soviet oil sold within COMECON) and payment is entirely in convertible currencies, the key to Soviet acquisition of advanced technology and foodstuffs. Free-world demand for oil, including Soviet, has recently declined, however.

17. The degree to which the USSR can satisfy all of the foregoing demands from output and imports is highly uncertain for 1975. A few million tons of additional Soviet oil might be freed for export to the West if domestic output attains the level of 489 million tons planned for 1975. Although this represents a

(1) Sales to non-Communist markets: 44 million tons; to Communist markets: 72 million tons
Source: Ekonomicheskaya Gazetta No. 15, April 1975, Moscow (translated in Press Review ED/EC/75/27, 8th May, 1975)

downward revision from the objective of 496 million tons established in the original Five-Year Plan, it may be difficult to achieve(1). An increase in oil imports (as in 1973) or a reduction (as in 1974) would probably also be reflected in total Soviet export capabilities.

18. In the medium term, fulfilment of Soviet oil requirements for consumption and export will require development of new reserves, most of which are located in regions similar to Tyumen, with both swamp and permafrost conditions. It may also prove necessary to rely more than hitherto on Western inputs of technology and to commence exploration and drilling in Eastern Siberia earlier than scheduled, possibly before the end of 1976. Another possible source of oil is offshore operations(2). These have generally been de-emphasized because of their cost and complexity in comparison with development of Soviet land areas, much of which remains to be explored. If sizeable reserves of crude oil were discovered offshore, however, its exploitation might prove less costly than Siberian oil and might forestall an export decline projected for the 1980s. Finally, Soviet capabilities for delivering oil to the West might be augmented by diverting domestic and East European demand to nuclear or other non-liquid energy; the COMECON meeting of June 1974 agreed to give greater emphasis to development of such fuels in future planning.

19. In sum, the magnitude of oil supplies forthcoming from the USSR in the coming years would seem to depend mainly on the imponderables of (i) the costs of exploration and output in Soviet conditions; (ii) the willingness of Western countries to assist with credits, co-operation, and technology; (iii) the rôle of the USSR as middle-man, re-exporting oil from OPEC countries; and (iv) world market conditions, including trends in the volume of Western demand and in world oil prices relative to those within COMECON.

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- (1) Through April, oil extraction was somewhat behind schedule. Production costs are rising in the Tyumen area of Western Siberia, which accounts for practically all the incremental output and in 1974 contributed about 30% of the total. Oil drilling has reached a depth of 2,500-3,000 metres under hazardous and costly conditions that require use of expensive technology.
- (2) Exploration of the Sakhalin Far East continental shelf is just getting under way with Japanese assistance.

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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 1973

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

See notes on page 9

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TABLE II

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NATO COUNTRY IMPORTS OF OIL FROM COMMUNIST COUNTRIES (a)
TOTAL IMPORTS AND TOTAL CONSUMPTION
PRODUCTS AND PRODUCT EQUIVALENTS (b) - 1972 AND 1973

(thousands of metric tons)

NATO countries (0)	Imports from Communist countries (c)		Total imports (c) (including Communist countries)		Total consumption (d)	
	1972 (1)	1973 (2)	1972 (3)	1973 (4)	1972 (5)	1973 (6)
Belgium	1,175,8	1,813,8	39.782,0	43.038,5	27.535,0	28.843,0
Denmark	1.368,0	1,157,0	21.083,7	20.627,1	18.649,0	17.748,0
France	3.652,4	4.638,0	118.550,5	132.811,6	104.193,0	116.942,0
Federal Republic of Germany(1)	8.183,6	7.914,6	134.432,3	145.876,5	131.954,0	140.323,0
Greece(2)	1.000,8	760,0	9,325,1	14.606,9	8.393,0	9.063,0
Iceland	401,0	491,0	555,0	679,0	556,0	679,0
Italy	8.866,9	8.382,9	116.211,5	124.625,5	95.063,0	99.895,0
Luxembourg	-	-	1.483,0	1.678,0	1.479,0	1.642,0
Netherlands	1.270,2	1.252,0	71.235,8	76.831,7	36.198,0	37.347,0
Norway	370,0	433,0	10.206,8	10.984,5	8.203,0	8.319,0
Portugal	-	17,0	5.734,2	5.998,6	5.279,0	5.841,0
Turkey	-	83,7	7.637,2	8.825,6	10.078,0	11.536,0
United Kingdom	189,7	401,4	120.600,9	125.189,5	102.919,0	104.860,0
Sub-total I	26.478,4	27.344,4	656.838,0	711.773,0	550.499,0	583.038,0
Canada	-	32,0	44.137,8	49.080,0	82.694,0	84.494,0
United States	978,6	1.642,5	229.535,1	295.992,9	768.740,0	803.609,0
Sub-total II	978,6	1.674,5	273.692,9	345.072,9	851.434,0	888.103,0
Total NATO	27.457,0	29.018,9	930.530,9	1.056.845,9	1.401.933,0	1.471.141,0

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TABLE III

NATO COUNTRY IMPORTS OF OIL FROM COMMUNIST COUNTRIES (a)
1972 AND 1973

(thousands of metric tons)

NATO countries	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
	1972	1973	1973	1973	1973	1972	1973	1972	1973	1973	1973	1972	1973	
(0)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Belgium	474,0	517,0	517,0	-	-	36.172,0	37.650,0	735,0	1.333,0	1.253,0	10,0	70,0	6.142,0	8.024,0
Denmark	-	-	-	-	-	10.061,0	9.799,0	1.368,0	1.157,0	935,0	7,0	215,0	11.727,0	11.514,0
France	1.766,0	3.357,0	3.357,0	-	-	117.793,0	134.929,0	2.010,0	1.516,0	1.229,0	286,0	1,0	9.003,0	7.336,0
Federal Republic of Germany(1)	2.863,0	2.777,0	2.744,0	33,0	-	104.425,0	112.750,0	5.521,0	5.332,0	3.048,0	405,0	1.879,0	37.317,0	41.019,0
Greece	617,0	400	400	na	na	6.999,0	12.673,0	427,0	400	400	na	na	2.816,0	2.821,0
Iceland	-	-	-	-	-	-	-	401,0	491,0	491,0	-	-	555,0	679,0
Italy	7.316,0	7.087,0	6.999,0	-	88,0	118.893,0	128.536,0	2.063,0	1.792,0	1.342,0	320,0	130,0	5.641,0	5.087,0
Luxembourg	-	-	-	-	-	-	-	-	-	-	-	-	1.483,0	1.678,0
Netherlands	11,0	-	-	-	-	67.788,0	72.161,0	1.260,0	1.252,0	1.192,0	60,0	-	8.193,0	9.722,0
Norway	-	-	-	-	-	6.517,0	7.050,0	370,0	433,0	428,0	-	5,0	4.146,0	4.428,0
Portugal	-	-	-	-	-	4.383,0	4.348,0	-	17,0	-	17,0	-	1.658,0	1.955,0
Turkey	-	90,0	39,0	-	51,0	7.969,0	9.306,0	-	-	-	-	-	226,0	171,0
United Kingdom	204,0	180,0	180,0	-	-	107.701,0	115.465,0	-	234,0	234,0	-	-	20.439,0	17.807,0
Sub-total I	13.251,0	14.408,0	14.236,0	33,0	139,0	588.701,0	644.658,0	14.155,0	13.957,0	10.552,0	1.105,0	2.300,0	109.346,0	112.241,0
Canada	-	-	-	-	-	39.160,0	45.528,0	-	32,0	19,0	13,0	-	7.739,0	6.739,0
United States	63,0	122,0	122,0	-	-	116.241,0	167.587,0	920,0	1.529,0	1.128,0	401,0	-	121.431,0	140.137,0
Sub-total II	63,0	122,0	122,0	-	-	155.401,0	213.115,0	920,0	1.561,0	1.147,0	414,0	-	129.170,0	146.876,0
Total - NATO	13.314,0	14.530,0	14.358,0	33,0	139,0	744.102,0	857.773,0	15.075,0	15.518,0	11.699,0	1.519,0	2.300,0	238.516,0	259.117,0

See notes on page 9

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) 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 1,282,821 tons in 1972 and 1,482,088 tons in 1973.
- (2) Greece, Table I: the percentages for 1970 are International Staff estimates (AC/127-WP/346).
- Greece, Table II (Columns (4) and (6) and Table III (Columns (7) and (14)): the figures for 1973 are OECD estimates.
- Greece, Table II (Column (2)) and Table III (Columns (2), (3), (9) and (10)): the figures 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 (Column (1)): 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 - NATO) therefore applies only to 1963, 1964 and 1965.

neg. = negligible

na = not available