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THE SOVIET MERCHANT FLEET

Note by the Chairman of the Committee of Economic Advisers

The attached report by the Committee of Economic Advisers, based on a note prepared by the Economic Directorate at the request of the Sub-Committee on Soviet Economic Policy, is a brief summary of the main findings of a French study(1), modified in the light of the comments circulated by the Netherlands, Norwegian, United Kingdom and United States Delegations(2).

2. Although in view of the delays needed to collate the statistical information and to finalise the report, the data contained in the latter are not completely up-to-date, the Committee has nevertheless considered that the Council might be interested by this document, which it may wish to note.

(Signed) F.D. GREGH

OTAN/NATO,
Paris, (16e).

- (1) AC/89-WP/175
(2) AC/89-WP/175/1 to 175/4

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THE SOVIET MERCHANT FLEET

Report by the Committee of Economic Advisers

Development and present structure of the Soviet merchant fleet

1. In recent years the tonnage of the Soviet merchant fleet has expanded rapidly from 3.4 million g.r.tons in 1962, to nearly 7 million g.r.tons in 1964(1). Over the same period, its share in total world tonnage has risen from 2.6% to 4.5%.

2. On 1st January, 1965, the trading fleet numbered 1,620 vessels of over 1,000 g.r.tons, namely:

- 1,190 cargo vessels, i.e. 61% of total tonnage;
- 115 passenger vessels, i.e. 7% of total tonnage;
- 315 oil tankers, i.e. 32% of total tonnage.

The merchant fleet as an instrument of economic strategy

3. The recent spurt in the Soviet ship building programme reflects the desire for self-sufficiency in this sector. If one takes the whole period 1950 to 1964, it can be seen that the 3.2 fold increase in the tonnage of the merchant fleet is no greater than the increase in Soviet maritime freight traffic over the same period. Although the share of foreign chartered vessels in Soviet maritime trade has declined in recent years, the absolute volume of freight carried by such vessels has increased.

4. Economically, self-sufficiency in shipping is desirable from the Soviet point of view, since freight rates on the world market are subject to wide fluctuations, and dependence on this source of transport constitutes a burden on the Soviet balance of payments.

5. Self-sufficiency in maritime transport also has political advantages. During recent years, the Soviet Union has taken a much closer interest in the developing countries of Asia, Africa, and Latin America. Economic relations with these countries have been considerably expanded. However, the case of Cuba has shown that the Soviets cannot always count on the use of foreign chartered vessels in their trade with these countries.

(1) These figures are taken from Lloyds Register of Shipping, and refer only to ships of more than 1,000 g.r.tons. According to official Soviet sources, which refer to all ships over 100 g.r.tons, the Soviet merchant fleet totalled 8.9 million g.r.tons in January 1964, but no comparable figures are available for earlier years.

6. From a military point of view, there are the advantages to be derived from the use of ostensibly non-military vessels for espionage purposes, the need to transport weapons and military equipment to client countries, and the desirability of a general increase in logistic resources.

7. Finally, quite apart from the desire for self-sufficiency, it should be noted that until recently Soviet merchant ships were, on average, too old, too small and too slow. There was thus a real need for a thorough modernisation of the merchant fleet.

Problems and prospects

8. One of the problems which has arisen in connection with the Soviet ship building programme is that the expansion of port facilities has not kept pace with that of shipping tonnage, with the result that shipping capacity is not fully utilised. This applies particularly to the Black Sea ports of Novorossisk, Tuapse, Odessa and Batumi. It will require both time and heavy capital expenditure before this problem can be satisfactorily solved.

9. Secondly, the Soviet ship building programme is heavily dependent on foreign suppliers. Of the new tonnage delivered in 1964, nearly half was built in the Free World. However, while substantial orders are still being placed outside COMECON it is likely that the Soviet Union will become progressively less dependent upon imports of ships from the West. Present information on ship orders for the next five years suggests that the Soviet Union itself and East European Communist countries will each provide about 40% and the rest of the world, mainly Yugoslavia and Finland, about 20%.

10. Apart from their purely political aspects, intra-COMECON orders have the advantage of permitting the rationalisation of production and probably facilitate the problem of monetary settlement. Furthermore, they provide the Soviet Union with an additional means of putting pressure on countries whose shipyards, despite the rapid growth of their own merchant fleets during recent years(1), are to a considerable extent engaged in fulfilling Soviet orders.

11. New deliveries of ships to the Soviet merchant fleet are expected to total about 6 million g.r. tons during the next five years. About a quarter of this new tonnage will be used to replace old ships due to be scrapped, so that the proportion of modern ships in the total, which is already very high (in 1964, over half the total tonnage was less than five years old, compared with about a quarter for the world as a whole), will increase further.

(1) By mid-1965 the total tonnage of the combined merchant fleets of Poland, the Soviet-occupied Zone of Germany, Bulgaria, Czechoslovakia, Rumania and Hungary amounted to 1.9 million g.r. tons.

12. The possibility that over-investment may eventually lead to a surplus of Soviet shipping cannot be excluded, but it is unlikely that such a situation will develop before the late 1970s. Nevertheless, as a consequence of the growth of its merchant fleet, the Soviet Union is likely to make its presence increasingly felt as a competitor in the international shipping business. But this does not rule out the possibility of certain co-operation agreements, and the Soviet Union may well increase its efforts to join and participate in international and regional shipping conferences.

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