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ROLE OF THE SOVIET MERCHANT FLEET  
IN INTERNATIONAL SEABORNE TRADE

DIRECTORATE OF INTELLIGENCE

Office of Research and Reports

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FOREWORD

The Soviet maritime fleet is in the midst of a vigorous expansion program involving the acquisition of large numbers of fast, efficient tankers and dry cargo ships. This program has created considerable alarm in shipping circles of the Free World and has led to claims, particularly by US and British shipbuilders and shipowners, that the growing Soviet fleet represents a serious threat to the shipping of the Free World. The alarm has been heightened by reports of rate cutting on the part of certain European Satellite liner services, by charges that the maritime policy of the USSR is influenced more by political considerations than by economics, and by statements from the Soviet press incorrectly interpreted to mean that the USSR will be able to carry its entire seaborne foreign trade in its own ships by 1966. The purpose of this report is to place in perspective the threat that the growing Soviet fleet presents for shipowners in the Free World by reporting on the role of the USSR as both a shipper and a shipowner during 1958-70.

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ROLE OF THE SOVIET MERCHANT FLEET IN INTERNATIONAL SEABORNE TRADE\*

Summary

Although the USSR has embarked on an ambitious program for the expansion of its merchant fleet, there is no evidence available at present to indicate that the Soviet program, even if fully implemented, poses a threat to shipping interests in the Free World. In 1963 the Soviet fleet made up 3.4 percent of the world fleet in terms of deadweight tonnage, and Soviet seaborne foreign trade made up 6.4 percent of the world total. In 1970 these percentages are expected to be no higher than about 6 and 11 percent, respectively.

The USSR is increasing the size of its merchant fleet in order to reduce the number of foreign vessels that it is required to charter in moving its seaborne foreign trade. The chartering of these vessels constitutes a drain on the foreign exchange resources of the USSR because, in the majority of cases, the fees for chartering these vessels are payable in convertible currencies.

Even though the USSR is acquiring increasing numbers of modern competitive dry cargo vessels and tankers, Soviet seaborne foreign trade, until recently, has grown faster than the fleet. During the first 3 years of the Seven Year Plan (1959-65), Soviet seaborne foreign trade increased faster than planned, largely because of increased quantities of petroleum available for export and because of Soviet involvement in the foreign trade of Cuba. As a result, the percentage of Soviet seaborne foreign trade carried in Soviet ships declined from 55 percent in 1958 to 37 percent in 1961 and in 1962. This trend was reversed in 1963 when the percentage carried in Soviet ships increased to 44 percent. At the same time, the volume of trade in Soviet-chartered foreign ships began to drop off, partly as the result of an increasing volume carried by Soviet ships and partly as the result of an increasing volume carried by foreign ships at the expense of the foreign buyer or seller.

Shipping interests in the Free World have been concerned in recent years because the growing Soviet merchant fleet has absorbed increasing amounts of shipping business that otherwise would go to shipowners in the Free World. Soviet competition with the Free World will continue to grow as the USSR (1) expands its cargo liner services, (2) increases the volume of foreign interport cargoes carried by Soviet vessels returning to the USSR after delivering Soviet exports, and (3) implements a new policy of making ships available on the world tramp market for limited periods when

\* The estimates and conclusions in this report represent the best judgment of this Office as of 1 March 1965.

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seasonal factors substantially reduce Soviet shipping needs. Because of the large volume of Soviet trade moving in foreign vessels, it will be a long time before Soviet competition on the tramp charter market presents a serious threat.

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I. First Three Years of the Seven Year Plan (1959-65)

During 1959 through 1961, the first 3 years of the Seven Year Plan, the rapidly expanding seaborne foreign trade\* of the USSR increased more than 28 percent per year and rose from about 29 million tons\*\* in 1958 to more than 62 million tons in 1961 (see the chart, Figure 1\*\*\* and Table 1). In spite of an ambitious program of expansion, the Soviet fleet

Table 1

Soviet Seaborne Foreign Trade Carried by Soviet and Foreign Vessels  
1958-66 and 1970

Year	Soviet Vessels		Foreign Vessels		Total
	Volume Carried (Million Metric Tons)	Percent of Total	Volume Carried (Million Metric Tons)	Percent of Total	Volume Carried (Million Metric Tons)
1958	16.1	55	13.3	45	29.4
1959	17.8	47	20.0	53	37.8
1960	19.8	41	28.7	59	48.5
1961	22.8	37	39.5	63	62.3
1962	26.4	37	44.9	63	71.3
1963	35.4	44	45.2	56	80.6
1964 <u>a/</u>	44.6	48	47.4	52	92.0
1965 <u>Plan</u>	53.8	52	49.2	48	103.0
1966 <u>a/</u>	61.0	53	54.4	47	115.4
1970 <u>a/</u>	115.0	64	66.0	36	181.0

a. Estimated.

\* Under the accounting system employed by the Soviet Ministry of the Maritime Fleet, all Soviet foreign trade cargoes that move on the Danube River are included in the seaborne foreign trade of the USSR. The ministry takes this approach partly because the Soviet steamship company that operates on the Danube is subordinate to the ministry and partly because a part of the Soviet cargo moving on the Danube is carried on seagoing vessels and may have a seaport as its origin or destination. Because of the difficulty of extracting purely river cargo from data provided by the Ministry of the Maritime Fleet, the statistics on Soviet seaborne foreign trade used in this report include Soviet foreign trade on the Danube.

\*\* Unless otherwise indicated, tonnages are given in metric tons and miles are given in nautical miles throughout this report.

\*\*\* Following p. 4.

failed to grow as fast as did this Soviet trade. As a result, the share of Soviet seaborne foreign trade carried by Soviet vessels (which had reached 55 percent in 1958) dropped to 37 percent in 1961. The absolute volume carried in Soviet vessels during 1961 was about 23 million tons, and that carried in foreign vessels was more than 39 million tons.

At a time when the USSR was attempting to conserve foreign exchange, particularly convertible currencies, this need to rely on foreign vessels provided a strong stimulus for accelerated expansion of the Soviet merchant fleet. Part of the cargo carried in foreign vessels was carried in vessels under charter to the USSR. Most of this cargo consisted of c.i.f. (cost, insurance, and freight included in the price) exports -- a situation whereby the USSR eventually was reimbursed for the cost of transport. However, because the USSR had to pay for the chartered vessels in convertible currency and was reimbursed in most cases from clearing accounts, the chartering constituted a drain on holdings of convertible currency.

Soviet foreign trade cargoes that are carried on foreign vessels not under charter to the USSR consist largely of cargoes under foreign control.\* The foreign buyer or seller arranges shipment for these cargoes, which consist, by definition, of f.o.b. exports and c.i.f. imports (see the chart, Figure 2 and Table 2\*\*). V.G. Bakayev, the Minister of the Maritime Fleet, openly stated in 1961 that two important goals in expanding the Soviet merchant fleet are (1) freeing the USSR from the necessity of chartering foreign ships and (2) carrying 75 percent of Soviet seaborne foreign trade in Soviet ships. 1/\*\*

The attainment of the first of these goals would mean an end to the disbursement of convertible currencies for chartering foreign vessels and would mean that all cargoes under Soviet control (c.i.f. exports and f.o.b. imports) would be carried in Soviet vessels. The attainment of the second goal would mean the extension of Soviet control to all but 25 percent of Soviet seaborne foreign trade. If at the same time the USSR were carrying all cargoes under its control, the result would be a significant increase in the foreign exchange earnings of the Soviet fleet.

\* The remainder consists of cargoes under Soviet control that are carried by foreign cargo liners.

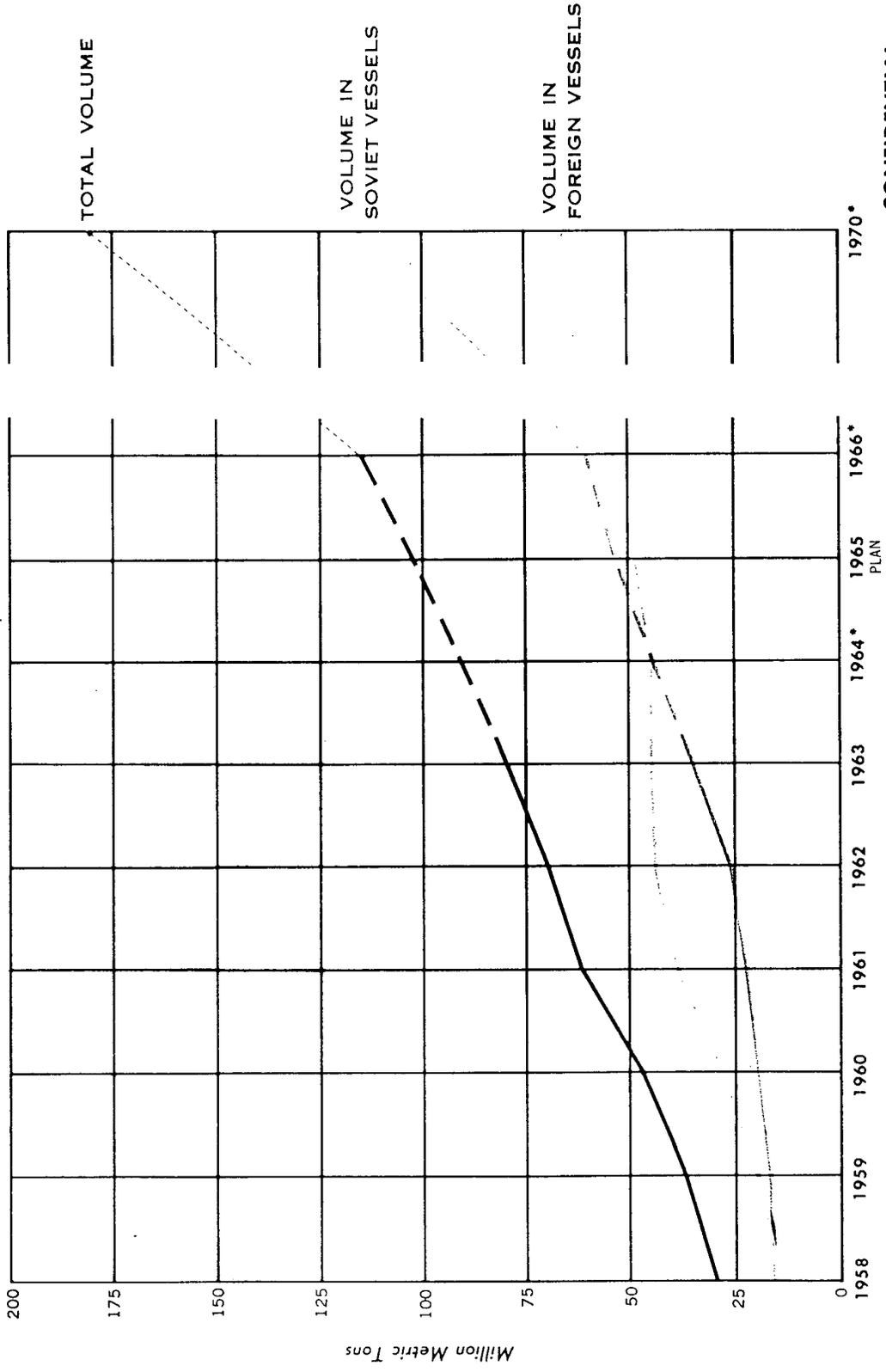
\*\* P. 5, below.

\*\*\* For serially numbered source references, see Appendix B.

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### SOVIET SEABORNE FOREIGN TRADE CARRIED BY SOVIET AND FOREIGN VESSELS, 1958-66 AND 1970

Figure 1



\* Estimated

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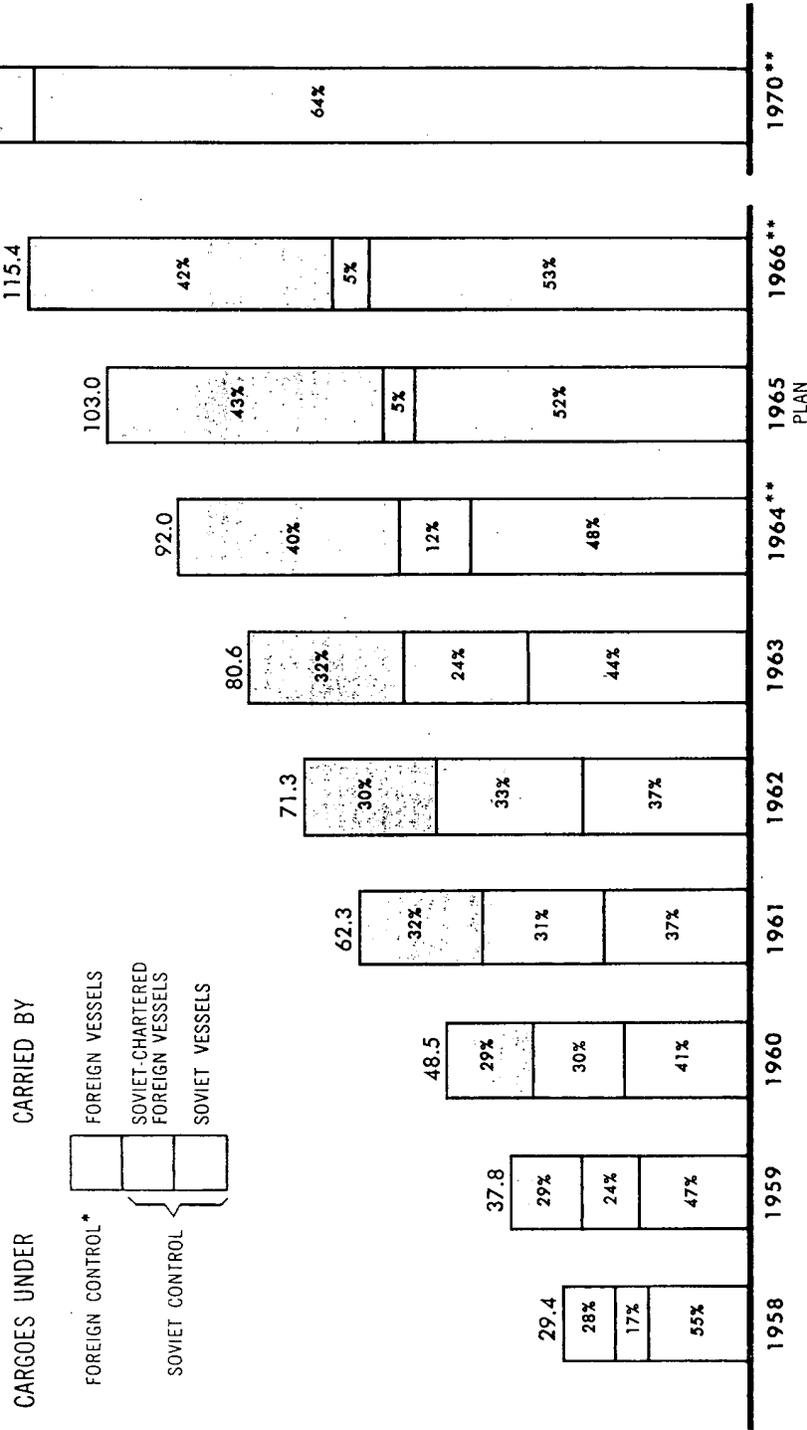
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# CONTROL OF SOVIET SEABORNE FOREIGN TRADE AND THE ROLE OF SOVIET-CHARTERED VESSELS IN THAT TRADE

1958-66 AND 1970

(Million Metric Tons)

Figure 2



\* All but a negligible quantity of tonnage presumed to have been carried in foreign vessels.  
\*\* Estimated.

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Table 2

Control of Soviet Seaborne Foreign Trade  
and the Role of Soviet-Chartered Vessels in That Trade  
1958-66 and 1970

Year	Soviet Control										Total Seaborne Foreign Trade Volume Carried (Million Metric Tons)		
	In Soviet Vessels					In Soviet-Chartered Foreign Vessels						Foreign Control a/	
	Volume Carried (Million Metric Tons)	Percent of Total Seaborne Foreign Trade	Volume Carried (Million Metric Tons)	Percent of Total Seaborne Foreign Trade	Percent of Total Seaborne Foreign Trade	Volume Carried (Million Metric Tons)	Percent of Total Seaborne Foreign Trade	Volume Carried (Million Metric Tons)	Percent of Total Seaborne Foreign Trade	Volume Carried (Million Metric Tons)		Percent of Total Seaborne Foreign Trade	
1958	16.1	45	5.0	17	21.1	72	8.3	28			29.4		
1959	17.8	47	9.1	24	26.9	71	10.9	29			37.8		
1960	19.8	41	14.7	30	34.5	71	14.0	29			48.5		
1961	22.8	37	19.4	31	42.2	68	20.1	32			62.3		
1962	26.4	37	23.5	33	49.9	70	21.4	30			71.3		
1963	35.4	44	19.6	24	55.0	68	25.6	32			80.6		
1964 b/	44.6	48	11.0	12	55.6	60	36.4	40			92.0		
1965 Plan	53.8	52	4.9	5	58.7	57	44.3	43			103.0		
1966 b/	61.0	53	5.5	5	66.5	58	48.9	42			115.4		
1970 b/	115.0	64	Negl.	Negl.	115.0	64	66.0	36			181.0		

a. All but a negligible quantity of tonnage presumed to have been carried in foreign vessels.  
b. Estimated.

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At the end of 1961 the USSR was far from attaining either of the above goals, and Soviet seaborne foreign trade was broken down as follows:

	<u>Percent</u>
Under Soviet control	
In Soviet vessels	37
In Soviet-chartered foreign vessels	31
Under foreign control	
In foreign vessels	32
	<u>100</u>

Through 1961 the absolute volumes as well as the percentage shares both of cargoes in chartered foreign vessels and of cargoes under foreign control were rising.

Soviet shipping needs in 1961 were considerably greater than envisioned in the control figures for that year in the original Seven Year Plan (formulated in 1958). Much of the responsibility for this increase lies with two developments not foreseen in 1958: a dramatic increase in the tonnage of petroleum available for export\* and intensive Soviet involvement in the foreign trade of Cuba. These developments increased both the volume of cargo to be carried by the Soviet fleet and the average distances over which this cargo had to be carried. The Soviet maritime fleet achieved 85.9 billion ton-miles in 1961, more than 10 billion ton-miles higher than the level set in the control figures for the plan (see Table 4\*\*).

## II. Developments in 1962 and 1963

The rate of growth in the capacity of the Soviet merchant fleet,\*\*\* which had been only 9 percent in 1961, increased to 15 percent in 1962 and to 18 percent in 1963. Fleet tonnage increased from 4.6 million

\* During 1959-61 the average annual increase in the volume of Soviet petroleum exports by sea was about 40 percent (see Table 3, Appendix A, p. 17, below).

\*\* Appendix A, p. 17, below.

\*\*\* The percentage increase in the deadweight tonnage (DWT) of the fleet from one year to the next.

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tons (DWT)\* in 1961 to 5.2 million DWT in 1962 and 6.1 million DWT in 1963 (see Table 5\*\*). Most of the vessels acquired in 1962 and 1963 were modern tankers and dry cargo vessels that were built in shipyards in the Bloc and in the Free World.\*\*\* Particular emphasis was placed on fast, large-hatch dry cargo vessels for tramp operation; on large tankers in the range of 19,000 to 48,000 DWT; and on timber carriers in the range of 3,400 to 5,000 DWT.

The Soviet fleet operating out of the Black Sea on foreign trade routes was augmented by the transfer of some vessels from the Caspian Sea. Tankers of 10,000 DWT were transferred permanently. Shallow draft tankers and cotton/timber carriers of 4,500 DWT were transferred for the winter, when operations on the Caspian are curtailed drastically.

Soviet exports of petroleum by sea, which had achieved an average annual rate of growth of about 40 percent in 1959-61, averaged only a modest 12 percent during 1962 and 1963. At the same time, the commitments of the Soviet fleet in the Cuban trade increased, partly because of the military buildup in Cuba and partly because of the US program to deny Free World shipping to Cuba. Additional demands on the Soviet fleet in 1962 and 1963 arose from the participation of the USSR in military buildups in the UAR, Iraq, and Indonesia and from the upsurge in wheat imports that began in the second half of 1963.

In spite of the increased pace of deliveries to the fleet, large increases in Soviet seaborne foreign trade caused the share carried in Soviet vessels during 1962 to remain at 37 percent. At the same time, the percentage share that moved in Soviet-chartered foreign vessels increased slightly, whereas that under foreign control decreased slightly. The situation improved in 1963. The share in Soviet ships increased to 44 percent and the share in Soviet-chartered foreign ships decreased from 33 to 24 percent. This percentage decrease was accompanied by the first significant drop in the absolute volume of cargo carried in Soviet-chartered foreign ships (from 23.5 million to 19.6 million tons) since the advent of the Soviet foreign trade offensive in the mid-1950's. At the same time, however, the percentage share of cargoes under foreign control increased again, rising from 30 percent in 1962 to 32 percent in 1963. For the moment at least, the USSR was shifting from Soviet to

\* The term deadweight tonnage refers to the total lifting capacity of a vessel expressed in tons of 2,240 pounds. The cargo deadweight capacity is determined by deducting the weight of fuel, stores, crew, and passengers. Deadweight tonnage is the difference between the loaded displacement and light displacement of a vessel.

\*\* Appendix A, p. 18, below.

\*\*\* Deliveries in 1963 also included 10 World War II Liberty ships purchased on the used ship market. This purchase was unusual for the USSR, which normally buys only new vessels, and probably reflects Soviet concern with the maintenance of shipping services to Cuba, which had been restricted in 1963 as a result of the US denial program.

foreign control some of the cargo that had to be carried in foreign ships. Such a shift is accomplished by changing the terms of trade for certain goods -- that is, selling more exports f.o.b. and/or buying more imports c.i.f.

Late in 1962, Sovfrakht, the Soviet ship chartering agency, was transferred from the jurisdiction of the Ministry of Foreign Trade to that of the Ministry of the Maritime Fleet. Sovfrakht has the responsibility for booking shipping space and chartering vessels for all Soviet shippers that are engaged in international trade. Because it is authorized to arrange shipments on both Soviet and foreign vessels and because more efficient use could therefore be made of vessels in the Soviet fleet, Sovfrakht was made an organic part of the Ministry responsible for that fleet. Soviet authorities claim that as a result of this move they were able to use the fleet more effectively in 1963 and that they were thereby able to reduce the volume of cargo carried in Soviet-chartered ships during that year.

### III. Soviet Shipping Activity Under Revised Plan Goals for 1964 and 1965

The pace of expanding the Soviet merchant fleet was accelerated before 1963 because of increased demands on the fleet owing to Soviet involvement in Cuba, increased availability of petroleum for export, and other factors. As the rate of expansion increased, the performance of the fleet responded accordingly. The Ministry of the Maritime Fleet found it expedient to revise its plan goals for 1964 and 1965 for a number of important indexes, including the cargo-carrying capacity of the fleet, the over-all ton-mile performance, and the ton-mile performance in carrying foreign trade cargoes. Under the revised plan goals for 1965, which were published at the end of 1963, the cargo-carrying capacity of the fleet\* is to increase to 2.6 times\*\* the level of 1958 instead of to 2.0 times as originally planned. 2/ The over-all ton-mile performance of the fleet is to increase to 3.5 times the level of 1958 instead of to 2.2 times. The ton-mile performance of the fleet in carrying foreign trade cargoes is to increase to 4.5 times the level of 1958 instead of to 2.6 times. 3/ Although no revised goal for the volume of cargo in tons was published, it appears likely that the original goal of an increase to 1.7 times the level of 1958 by 1965 will not be attained, because of the increase in average length of haul\*\*\* that is anticipated for 1965. The original Seven Year Plan specified that the average length of haul per ton of cargo carried by the fleet in 1965 would be

\* Equal to the total DWT minus the capacity allotted to fuel and stores.

\*\* Data available on Soviet contracts for deliveries from foreign shipyards and estimates of production for Soviet shipyards in 1964 and 1965 indicate that the size of the Soviet merchant fleet at the end of 1965 will be closer to 2.5 than to 2.6 times the level of 1958.

\*\*\* The average length of haul per ton of cargo for a given period of time is the performance of the fleet in ton-miles divided by the volume of tons carried.

1,056 nautical miles (nm) -- the revised plan specifies that it should be in excess of 1,700 nm, an increase that is reflected also in the substantial upward revision of the goal for ton-miles.

Other data published with the revised plan goals for 1965 indicated that Soviet vessels would transport 52 percent of Soviet seaborne foreign trade in 1965. 4/ The absolute tonnage carried by foreign vessels will exceed that in any previous year, and most of these cargoes will be under foreign control.\* The volume of foreign trade cargoes under Soviet control in chartered foreign vessels, which began dropping in 1963, may fall to less than 5 million tons in 1965 -- 5 percent of the total tonnage of seaborne foreign trade predicted for that year. The USSR has indicated that it intends to carry in its own ships in 1965 92 percent of the cargoes under its control. 5/

#### IV. Prospects for the Soviet Merchant Fleet, 1966-70

Although it will be nearly a year before the USSR publishes details of the goals for the merchant fleet under the forthcoming Five Year Plan (1966-70), statements made in official publications of the Soviet Ministry of the Maritime Fleet at the end of 1963 and during 1964 provide important insight into the status of Soviet seaborne foreign trade and the role contemplated for the fleet under that plan. During the early months of 1964, spokesmen for the Ministry appeared to be confident that the USSR would be in a position by 1966 to carry 100 percent of the cargoes under its control, but an article in the official journal of the Ministry, Morskoy flot, for September 1964 states that the Soviet fleet will carry the same proportion in 1966 that it plans to carry in 1965 -- 92 percent. The same journal for October 1964 states that chartering of foreign tonnage to carry petroleum exports will be eliminated in the near future. 6/ Whether or not the USSR carries in its own ships 92 or 100 percent of the cargoes under its control in 1966, the increase will not have been achieved entirely through expansion of the Soviet fleet but will have been achieved in part by the short-run expedient of shifting cargoes from Soviet to foreign control -- that is, by selling more exports f.o.b. instead of c.i.f. and by purchasing more imports c.i.f. instead of f.o.b. In 1963 the volume of Soviet seaborne foreign trade under foreign control (f.o.b. exports and c.i.f. imports) was about 26 million tons, or 32 percent of the total. By 1965 this volume will have increased to more than 44 million tons, or 43 percent of the total tonnage planned for that year. The tonnage under foreign control during 1966-70 will continue to increase although at a slower rate than that for the total Soviet seaborne foreign trade. As a result, if the USSR does not change its policies, the share of cargoes under foreign control should fall to approximately 36 percent of the total by 1970.

\* Shipments of US wheat under the contracts made with Continental Grain and Cargill would fall into this category because they represent c.i.f. imports by the USSR.

On 31 March 1964, Bakayev stated that rates of growth for expanding the fleet under the Five Year Plan (1966-70) would be comparable to those during recent years of the Seven Year Plan. <sup>7/</sup> On the assumption that the annual rate of growth for the fleet during 1966-70 is the same as that achieved during 1961-63, the tonnage of the fleet should increase to 16 million DWT by the end of 1970. Planned increases in the volume of cargo handled by Soviet seaports during 1966-70 indicate that the volume of Soviet seaborne foreign trade may be about 180 million tons in 1970. <sup>8/</sup> Allowing for likely increases in average length of haul, the USSR should be able, with a fleet of 16 million DWT, to carry two-thirds of its seaborne foreign trade in 1970.

V. Growing Soviet Merchant Fleet as a Threat to Free World Shipping

Spokesmen for the shipping and shipbuilding communities in the Free World, particularly in the US and the UK, have expressed concern in recent years about the threat of the growing Soviet merchant fleet to the shipping of the Free World. The exact nature of the threat seldom has been well defined. The chief cause for concern is the fact that the Soviet fleet is absorbing increasing amounts of shipping business which otherwise would go to Free World ships. The discussion so far in this report has emphasized the effect of the expansion of the Soviet fleet on the participation of foreign ships (predominantly Free World) in the movement of Soviet seaborne trade. The expansion of the Soviet fleet through 1963, at least, has chiefly affected the amount of Soviet shipping business available to Free World ships, but there is now reason to believe that the USSR may begin to compete more actively in the world market for the shipping business of other countries. In the issue of Morskoy flot for March 1964, Captain A.A. Savel'yev, the head of Sovfrakht, recommended three ways in which Soviet ships may increase their participation in the seaborne foreign trade of other nations. If these recommendations were carried out, Soviet ships in the future might carry greater volumes of both liner and tramp cargoes for shippers in the Free World. The three courses of action that Savel'yev recommends are (1) the allocation under certain conditions of a number of vessels to carry cargoes on tramp voyages for foreign charterers, (2) an increase in the volume of foreign interport cargoes carried on a tramp basis by Soviet vessels returning from delivering Soviet export cargoes, and (3) an expansion of service on Soviet international cargo lines. The explicit aim of these proposals is to increase Soviet earnings of foreign exchange as well as to improve the utilization factor of the Soviet fleet.

The first course of action probably carries the greatest potential threat to shipowners of the Free World. Savel'yev's recommendation is the first indication that the USSR has reached a point at which it feels justified in offering for hire to foreign charterers any of its vessels other than those returning in ballast from delivering exports. In recommending this radical course of action, Savel'yev made the following qualifying remark: "In spite of the fact that at the present time there

is on the world market a surplus of seagoing tonnage, at certain times and in certain areas we can flexibly utilize our fleet in this new capacity." Savel'yev clearly implies that when freight rates are sufficiently high and business is available, the USSR should release certain of its ships from carrying Soviet cargoes and make them available for charter to foreign shippers.

Statements by officials of the Ministry of the Maritime Fleet during August and September 1964 and developments on the charter market indicate that the course of action recommended by Savel'yev already may have been incorporated into Soviet shipping policy. In August, officials of Sovfrakht told a businessman from the Free World that Soviet ships were available for charter, especially during the winter months. In September the Minister of the Maritime Fleet told a West German freight forwarder that it is quite possible that during certain short periods of time as the result of seasonal influences there will be surpluses of tonnage in the Soviet fleet and that the USSR will endeavor to obtain cargoes for such ships. A Swedish firm time chartered two Soviet dry cargo vessels during January through March 1964 for voyages that required withdrawal of the vessels from the trade routes which they follow in carrying Soviet cargoes. A number of Soviet vessels have been chartered under similar circumstances for voyages beginning in November 1964 and later.

In view of the recent expansion of the Soviet merchant fleet and the fact that Soviet shipping requirements decrease drastically during the winter, there is good reason to believe that the USSR is now making available to charterers in the Free World both vessels that are returning from delivering exports and vessels that are temporarily rendered surplus by seasonal factors. Whether or not Savel'yev's recommendations extend to vessels beyond these two categories is uncertain, but a number of reasons indicate that they might. Under certain circumstances it would be to the advantage of the USSR to make available to charterers in the Free World for relatively long periods vessels that normally are engaged in carrying Soviet exports, even if it meant abandoning plans to increase to 75 percent the share of Soviet seaborne trade carried in Soviet ships. As recently as 1963, exports made up 88 percent of the tonnage volume of Soviet seaborne foreign trade. Some of the Soviet ships delivering export cargoes can load imports for the return voyage, and others can find employment for a part of the return voyage by picking up foreign interport cargoes, but a large proportion must return to the USSR in ballast, a costly practice.

It is possible that many Soviet ships would be employed more profitably if they were hired out to foreign charterers either on a time charter basis or on a voyage charter basis on trade routes where there is a likelihood of obtaining cargoes in both directions. If this were done, the USSR probably would change the conditions of sale from c.i.f. to f.o.b. for the exports that otherwise would be carried by these vessels. Control over such cargoes and responsibility for their shipment from the USSR would thus pass to the foreign purchaser. It would also mean a

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loss to the USSR of foreign exchange revenue equivalent to the freight charges for carrying the exports in Soviet ships. This loss in foreign exchange revenue, however, would be more than compensated for by improved use of ships and increased earnings of foreign exchange resulting from chartering vessels to foreign shippers. It is likely that any net increase in foreign exchange earnings would be accompanied by a net increase in receipts of convertible currency. Most of the proceeds from chartering Soviet ships to shippers in the Free World would be in convertible currency, whereas much of the foreign exchange revenue sacrificed by shifting exports from c.i.f. to f.o.b. would be in clearing accounts.

Estimates of the volume of Soviet seaborne foreign trade to be carried by Soviet ships in 1970 are presented elsewhere in this report and have been made with allowances for an increase in the volume of foreign interport cargoes to be carried on Soviet ships during 1966-70. The estimates, however, do not reflect the prospect of the assignment of a block of ships to compete on the world tramp charter market over an extended period. If the USSR were to take such a step, the share of Soviet ships carrying Soviet seaborne foreign trade in 1970 may be less than the projected two-thirds of the total.

Since the publication of Bakayev's book in 1961, there has been no repetition or retraction of the statement that the USSR plans eventually to carry 75 percent of its seaborne foreign trade in its own ships. Whether or not this goal has been abandoned, Savel'yev's statements indicate that the USSR intends to increase the share of Soviet seaborne foreign trade carried in Soviet ships above the level of 52 percent that was planned for 1965. 9/

The Soviet fleet has a substantial nucleus of modern dry cargo vessels and tankers suitable for competitive tramp operation -- a factor that increases the likelihood that, in the near future, certain Soviet vessels will be made available over extended periods for charter on the tramp market. At the end of 1963 the fleet included 800,000 DWT of fast twin-decked dry cargo vessels of between 9,000 and 15,000 DWT and 900,000 DWT of fast modern tankers of between 20,000 and 48,000 DWT. By the end of 1965 these totals will have increased to 1.5 million and 2.2 million DWT, respectively. Deliveries in 1966 and later will include a large proportion of vessels in these same categories. On the other hand, any Soviet attempts in the near future to enter the charter market for tramp dry cargo vessels will be confined to certain trades because of a lack of large bulk carriers. Until the delivery sometime after 1965 of an undetermined number of Polish-built bulk carriers of 23,000 DWT, the largest bulk carriers in the Soviet fleet will be vessels of less than 10,000 DWT.

For many years, Soviet vessels returning from the delivery of export cargoes on certain trade routes have picked up foreign interport cargo on the return voyage. Many Soviet tankers returning to the Black Sea from the delivery of petroleum to the Far East fall into this pattern. They frequently stop in the Persian Gulf to load cargoes for delivery

~~C O N F I D E N T I A L~~

to Italian, French, and Greek ports in the Mediterranean. This and other situations where it is feasible for Soviet vessels returning from the delivery of exports to carry interport cargoes on foreign account are shown in Table 6.\* Since the beginning of the Seven Year Plan the volume of foreign interport cargoes carried by Soviet vessels has ranged between 1.3 million and 2.3 million tons a year (see Table 7\*\*). In January 1964, Morskoy flot announced plans for a sharp increase in the volume of foreign interport cargoes to be carried in Soviet ships during 1964 and 1965. Although part of the increase will consist of shipments by vessels returning from the delivery of exports, the new role of vessels withdrawn completely from their normal patterns of activity during slack seasons must not be discounted.

As of 30 June 1964, Soviet dry cargo vessels were operating on 31 international lines. In most cases the services on these lines are more loosely organized than the usual services on cargo lines operated by steamship companies in the Free World. There are few advertised schedules, specific vessels are not always permanently assigned to the lines, and often the service consists of nothing more than a guarantee that a Soviet vessel will call in a given port once a month. Without exception these lines operate on routes where Soviet seaborne trade is already substantial or is developing. Ten of the 31 lines are operated jointly by Soviet and foreign steamship companies on the basis of shipping agreements which specify that cargoes moving on the routes in question will be shared on a 50-50 basis. The remaining 21 lines involve only Soviet vessels. The unilateral and the joint lines functioning as of 30 June 1964 are shown in Tables 8 and 9,\*\*\* and the routes on which these lines operate are shown on the map, Figure 3.† Although there have been some instances of rate cutting by Polish and East German cargo lines, there is no evidence that the USSR has engaged in this practice. The USSR has announced its intention to increase its liner services, but it did not specify the areas into which the services would be extended. At present the Soviet fleet does not include any modern fast three-deck cargo liners constructed especially for carrying general cargo, such as those employed by many operators in the Free World and Scandinavia. Until this situation is remedied, the USSR might be at a disadvantage in attempting to enter some of the more remunerative and competitive liner trades in the Free World. In writing his article, Savel'yev apparently had this situation in mind. He stated: "The further development of regular lines requires the creation of a specialized fleet to operate on such lines." 10/

Some articles on the threat of the growing Soviet merchant fleet to shipping in the Free World suggest that the USSR may some day dominate world seaborne trade by establishing a virtual monopoly over shipping.

\* Appendix A, p. 19, below.

\*\* Appendix A, p. 20, below.

\*\*\* Appendix A, pp. 20 and 23, respectively, below.

† Following p. 14.

~~C O N F I D E N T I A L~~

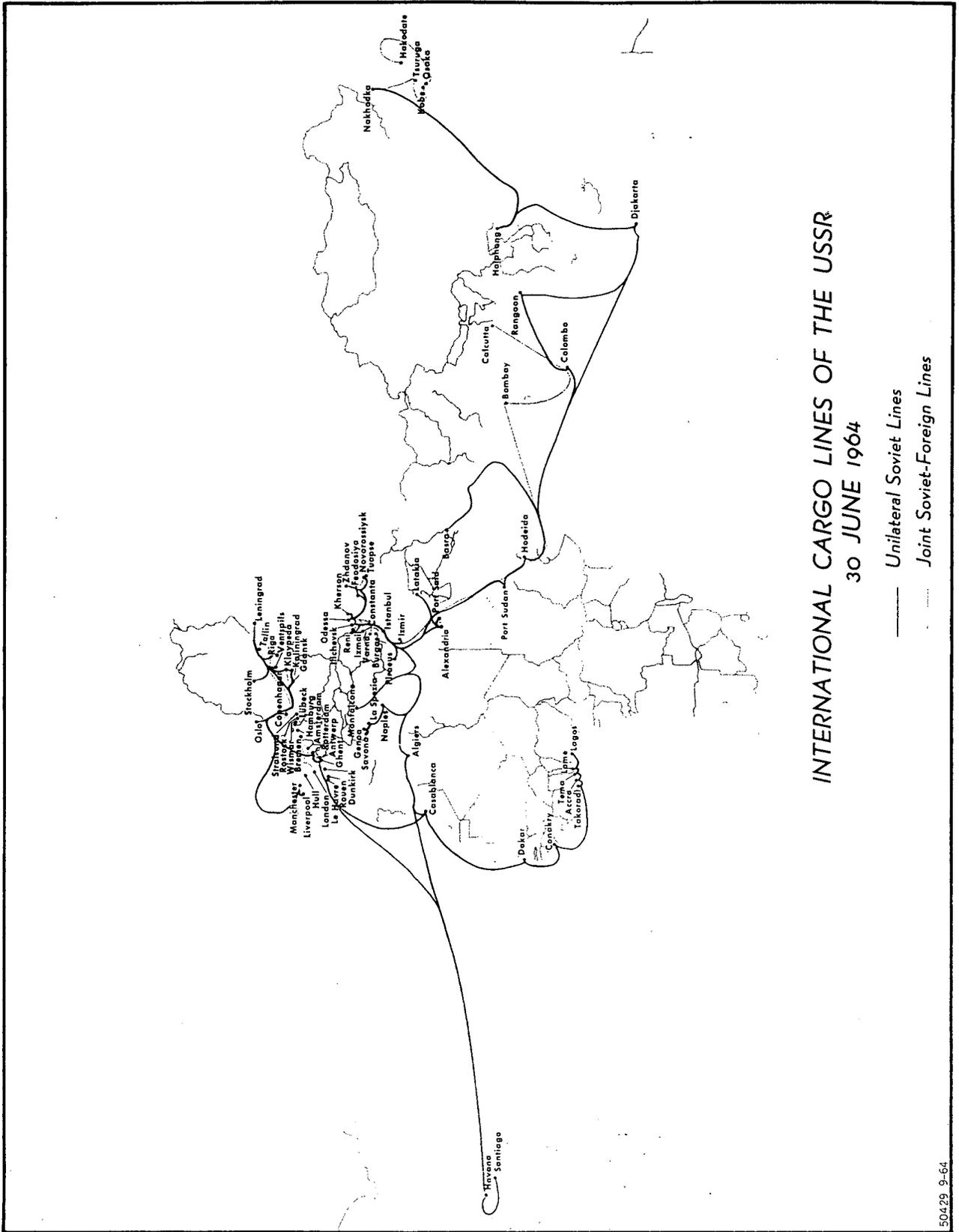
Projections of the size of the Soviet fleet and of the volume of sea-borne foreign trade that it could handle have been made through 1970. The results can be compared with similar data for the world fleet and world seaborne foreign trade (see the charts, Figures 4 and 5, and Tables 10 and 11\*). At the end of 1963 the tonnage of the Soviet fleet was 6.1 million DWT, 3.4 percent of the world fleet; by the end of 1970 it should be approximately 16 million DWT, or about 6 percent of the estimated world fleet for that year. The volume of Soviet seaborne foreign trade\*\* in 1963 was about 81 million tons, 6.4 percent of the world total; by 1970 the Soviet volume should be approximately 180 million tons, 11 percent of the estimated world total for 1970. From these figures it should be obvious that it is unrealistic to suppose that the USSR could monopolize world shipping in the foreseeable future.

\* Appendix A, p. 24, below.

\*\* Including cargoes carried by foreign ships.

~~C O N F I D E N T I A L~~

Figure 3

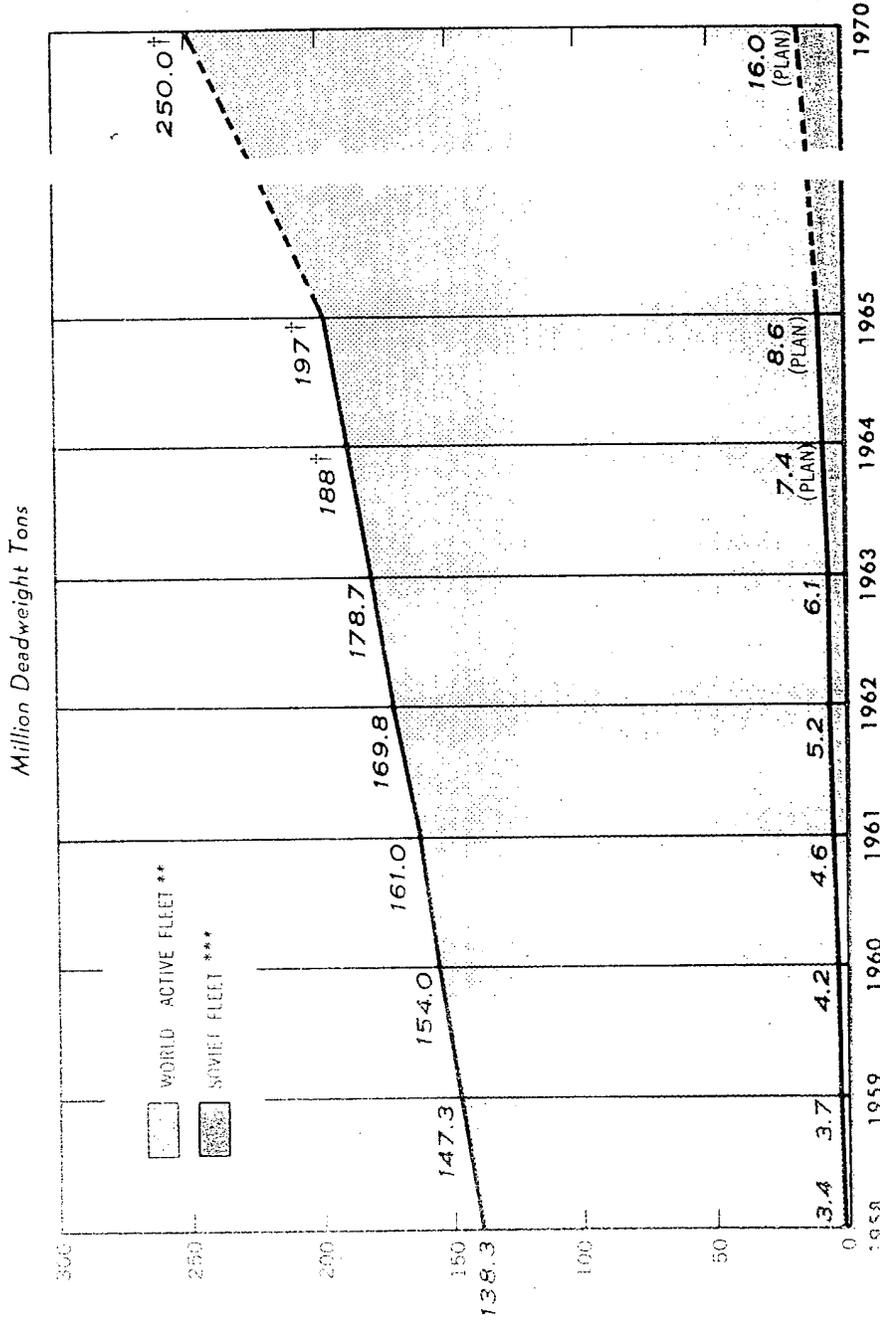


# INTERNATIONAL CARGO LINES OF THE USSR

30 JUNE 1964

Figure 4

MERCHANT FLEETS OF THE USSR AND THE WORLD\*, 1958-65 AND 1970



\* Data as of 31 December. Including only vessels of 1,000 gross register tons and above.

\*\* Excluding US reserve fleet.

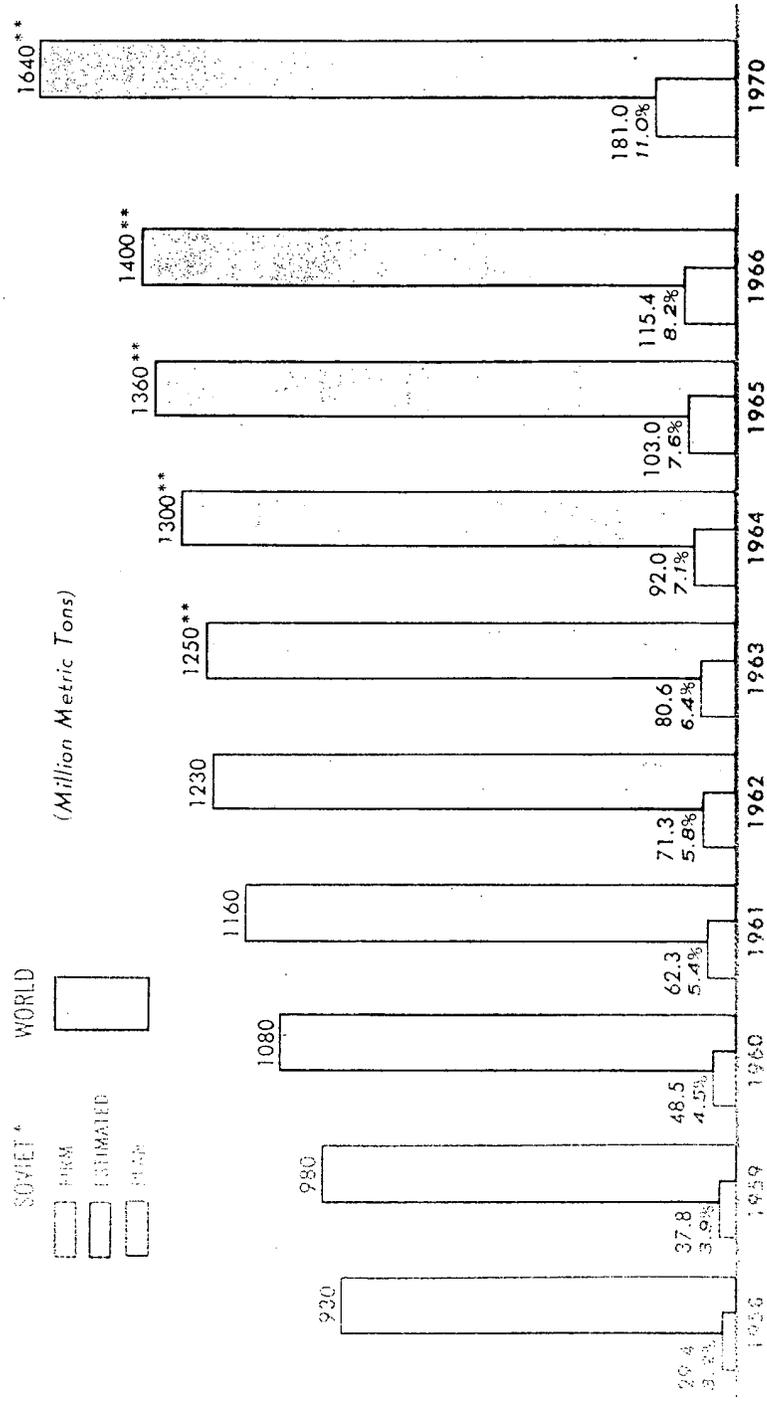
\*\*\* Seaport vessels subordinate to the Ministry of the Maritime Fleet but excluding vessels on the Caspian Sea.

† Estimated.

**CONFIDENTIAL**  
GROUP 1  
EXCLUDED FROM AUTOMATIC  
DOWNGRADING AND  
DECLASSIFICATION

Figure 5

**CONFIDENTIAL**  
**SEABORNE FOREIGN TRADE OF THE USSR AND THE WORLD**  
 1958-66 AND 1970



USSR data is based on statistics published in the *Decade Review*.

**CONFIDENTIAL**

~~C-O-N-F-I-D-E-N-T-I-A-L~~

APPENDIX A

STATISTICAL TABLES

~~C-O-N-F-I-D-E-N-T-I-A-L~~

Table 3

Soviet Exports of Petroleum by Sea  
1959-63

Year	Loaded by Area (Million Metric Tons)			Total Loaded	Annual Increase (Percent)
	Black Sea	Baltic Sea	Sakhalin Island		
1959	14.6	Negl.	Negl.	14.6	50
1960	18.9	1.3	0.1	20.3	39
1961	25.3	2.1	0.1	27.5	35
1962	26.0	4.5	0.4	30.9	12
1963	28.8	5.6	0.4	34.8	13

Table 4

Performance of the Soviet Merchant Fleet <sup>a/</sup>  
1958-63 and Plan for 1965

Year	Tons Carried (Million Metric Tons)	Ton-Miles Performed (Billion Metric Ton -- Nautical Miles)	Average Length of Haul (Nautical Miles)
1958	70.8	57.4	811
1959	73.5	62.5	850
1960	75.9	71.0	935
1961	78.5	85.9	1,094
1962	83.6	93.6	1,120
1963	93.6	121.9	1,302
1965 Plan	115.8	200	1,727 <sup>b/</sup>

a. These data reflect the performance of all vessels subordinate to the Soviet Ministry of the Maritime Fleet, including those on the Lena River and the Vozhok Sea but excluding those on the Amu Darya River and the Aral Sea.

b. The average length of haul is estimated by dividing the planned performance in ton-miles by the planned volume of tons carried.

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Table 5

Inventory of Tankers and Dry Cargo Vessels in the Soviet Merchant Fleet a/  
1958-63 and Plans for 1964 and 1965

Year	Tankers		Dry Cargo Vessels		Total Vessels	
	Number	Million Deadweight Tons	Number	Million Deadweight Tons	Number	Million Deadweight Tons
1958	102	0.8	555	2.6	657	3.4
1959	113	0.9	583	2.8	696	3.7
1960	128	1.2	625	3.0	753	4.2
1961	136	1.3	649	3.3	785	4.6
1962	150	1.6	706	3.6	856	5.2
1963	163	1.9	778	4.2	941	6.1
1964 Plan	180	2.6	853	4.8	1,033	7.4
1965 <u>b/</u>	204	3.2	927	5.4	1,131	8.6

a. Data are as of 31 December. Including only vessels of 1,000 gross register tons and above that are subordinate to the Ministry of the Maritime Fleet and excluding vessels assigned to the Caspian Steamship Company.

b. Estimates based on shipbuilding contracts and shipyard capacities.

Table 6

Foreign Interport Cargoes Carried by Soviet Ships  
Returning to the USSR from the Delivery of Exports

<u>Commodity</u>	<u>Origin, Destination, and Carrier</u>
POL	From Persian Gulf to Italy, Greece, and France by tankers returning from delivering POL to the Far East
Ore	From India to Rumania in dry cargo vessels that are returning from making deliveries to Indonesia and North Vietnam
Sulfur	From Mexico to Poland in dry cargo vessels returning from making deliveries to Cuba
Coal	From England and Continental ports to Scandinavia in dry cargo vessels that are returning to the Baltic Sea from delivering cargoes to England and Continental ports on the North Sea and the English Channel
Ores and phosphates	From Spain and Morocco to the Continent and Scandinavia in dry cargo vessels returning to the Baltic Sea from making deliveries to Mediterranean ports
Wood	From Scandinavia to the Mediterranean in dry cargo vessels returning to the Black Sea from making deliveries to Baltic ports
Anthracite, pig iron, and scrap	From Western European ports to the Mediterranean in dry cargo vessels returning to the Black Sea from making deliveries to Baltic ports
Coke	From Polish ports to Swedish ports in dry cargo vessels returning from voyages outside the Baltic to Soviet Baltic ports
Ore	From Swedish ports to Polish ports in dry cargo vessels returning from voyages outside the Baltic to Soviet Baltic ports
Grain	From Canada to Poland in dry cargo vessels and tankers returning from making deliveries to Cuba

Table 7

Foreign Interport Cargo  
Carried by the Soviet Merchant Fleet  
1959-63

<u>Year</u>	<u>Million Metric Tons</u>
1959	1.8
1960	1.5
1961	1.3
1962	2.3
1963 <u>a/</u>	2.2

a. Estimated.

Table 8

International Cargo Lines  
Operated Unilaterally by the USSR  
as of 30 June 1964

<u>Soviet Steamship Companies Participating</u>	<u>Soviet Ports of Call</u>	<u>Area Served</u>	<u>Foreign Ports of Call</u>
Baltic	Leningrad	North Sea	Antwerp Rotterdam
Baltic	Leningrad Riga	West Coast of England	Manchester Liverpool
Baltic	Tallinn	Scandinavia	Copenhagen Oslo
Baltic	Tallinn	West Africa	Casablanca Dakar Conakry Takoradi Accra Tema Lome Lagos
Baltic	Leningrad Ventspils	Scandinavia	Stockholm

Table 8  
(Continued)

<u>Soviet Steamship Companies Participating</u>	<u>Soviet Ports of Call</u>	<u>Area Served</u>	<u>Foreign Ports of Call</u>
Baltic	Leningrad	Italy	Monfalcone Genoa Savona La Spezia
Baltic	Kaliningrad	Poland	Gdansk
Baltic	Leningrad Kaliningrad	Cuba	Havana Santiago and others
Black Sea	Odessa Ilichevsk Zhdanov	Italy	Naples Genoa
Black Sea	Odessa Ilichevsk Zhdanov	Iraq	Basra
Black Sea	Odessa Ilichevsk	Burma	Rangoon
Black Sea	Odessa Ilichevsk Zhdanov	Southeast Asia	Djakarta Haiphong
Black Sea	Odessa Feodosiya	Greece	Piraeus
Black Sea	Odessa Ilichevsk Zhdanov Novorossiysk	Cuba	Havana Santiago and others
Black Sea	Odessa Ilichevsk	Ceylon	Colombo
Black Sea	Odessa Ilichevsk Zhdanov	West Africa	Conakry Accra
Danube	Izmail Reni	Near East	Latakia Alexandria
Danube	Izmail Reni	North Africa	Algiers Casablanca

Table 8  
(Continued)

<u>Soviet Steamship Companies Participating</u>	<u>Soviet Ports of Call</u>	<u>Area Served</u>	<u>Foreign Ports of Call</u>
Danube	Izmail Reni	Red Sea	Hodeida Port Sudan
Danube	Izmail Reni	Turkey	Istanbul Izmir
Far East	Nakhodka Odessa	Round the world	Havana

Table 9

International Cargo Lines Operated Jointly  
by Soviet and Foreign Steamship Companies  
as of 30 June 1964

<u>Soviet Steamship Companies Participating</u>	<u>Nationality of Foreign Steam- ship Companies Participating</u>	<u>Soviet Ports of Call</u>	<u>Foreign Ports of Call</u>
Baltic	English	Leningrad Riga	London Hull
Baltic	East German	Riga Klaypeda	Rostock Wismar Stralsund
Baltic	West German	Leningrad Riga Klaypeda Ventspils	Hamburg Bremen Luebeck
Baltic	French	Riga Ventspils	Le Havre Rouen Dunkirk
Baltic	Dutch	Ventspils Klaypeda	Amsterdam Rotterdam Antwerp
Baltic	Belgian	Riga Ventspils Klaypeda	Antwerp Ghent
Black Sea	Indian	Odessa Tuapse	Bombay Calcutta Constanta
Black Sea	UAR	Odessa Kherson	Alexandria Port Said
Black Sea	Bulgarian	Ilichevsk Odessa Kherson Tuapse Zhdanov	Varna Burgas
Far East	Japanese	Nakhodka	Kobe Osaka Tsuruoka Hakodate

Table 10

Merchant Fleets of the USSR and the World  
1958-65 and 1970

Year	USSR		World Total <sup>b/</sup> (Million Deadweight Tons)
	Million Deadweight Tons	Percent of World Total	
1958	3.4	2.5	138.3
1959	3.7	2.5	147.3
1960	4.2	2.7	154.0
1961	4.6	2.9	161.0
1962	5.2	3.1	169.8
1963	6.1	3.4	178.7
1964	7.4 <sup>c/</sup>	3.9	188 <sup>d/</sup>
1965	8.6 <sup>c/</sup>	4.4	197 <sup>d/</sup>
1970	16.0 <sup>c/</sup>	6.4	250 <sup>d/</sup>

a. Data are as of 31 December. Including only vessels of 1,000 gross register tons (GRT) and above that are subordinate to the Ministry of the Maritime Fleet but excluding vessels assigned to the Caspian Steamship Company.

b. Excluding US Reserve Fleet.

c. Based on Soviet plan data.

d. Estimated.

Table 11

Seaborne Foreign Trade of the USSR and the World  
1958-66 and 1970

Year	USSR		World Total (Million Metric Tons)
	Million Metric Tons	Percent of World Total	
1958	29.4	3.2	930
1959	37.8	3.9	980
1960	48.5	4.5	1,080
1961	62.3	5.4	1,160
1962	71.3	5.8	1,230
1963	80.6	5.4	1,250 <sup>b/</sup>
1964 <sup>b/</sup>	92.0	7.1	1,300
1965	103.0 <sup>c/</sup>	7.6	1,350 <sup>b/</sup>
1966 <sup>b/</sup>	115.4	8.2	1,400
1970 <sup>b/</sup>	181.0	11.0	1,640

a. Including foreign trade cargoes carried on the Danube River.

b. Estimated.

c. Based on Soviet plan data.

APPENDIX B

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8. Morskoy flot, no 6, Jun 62, p. 3. U.
9. Morskoy flot, no 3, Mar 64, p. 39. U.
10. Ibid. U.