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Interagency Intelligence Memorandum

The Emerging Role of the Soviet Merchant Fleet in World Shipping

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THE EMERGING ROLE OF THE SOVIET MERCHANT FLEET IN WORLD SHIPPING

SUMMARY [1]

Since the early 1960s, Moscow has aggressively expanded its maritime assets, nearly quadrupling the size of its merchant fleet and making it one of the 10 largest in the world. However, with less than 3 percent of world tonnage, the Soviet fleet is overshadowed by those of leading shipowning countries like Japan, whose fleet is four times larger. Soviet fleet expansion has permitted some penetration of shipping markets formerly monopolized by Western shipowners, but Soviet competition has been limited by persistent deficiencies in the quality of their fleet and its large role in the domestic and foreign trade of the USSR.

Long-standing qualitative deficiencies afflict the fleet's two largest components. In the liner fleet, 98 percent of the tonnage consists of outmoded general purpose freighters. Such ships are not competitive on major international liner routes where faster and more specialized container and roll-on/roll-off (ro/ro) ships of Western fleets predominate. Because of shallow drafts in most Soviet ports, Soviet tankers average only 17,000 deadweight tons (DWT), less than one-third the world average.

Despite a rapid increase in the carriage of cross trade [2] goods between foreign ports, the Soviet fleet is still predominantly employed in the carriage of Soviet trade. Shipments by the fleet in 1975 were divided as follows: Soviet exports and imports, 45 percent; USSR internal trade, 40 percent; and cross trades, 15 percent.

Three motives account for most of the fleet's current operations:

— the desire to maintain a fleet nucleus capable of carrying all internal seaborne trade and most vital imports and of providing routine support for the Soviet military,

[1] This Intelligence Memorandum was prepared under the auspices of the NIO for Economics. It was drafted [redacted] in CIA's Office of Economic Research. The paper was not formally coordinated, but benefited from an interagency discussion with representatives from the Departments of State, Treasury, Defense, Commerce, Transportation, Navy, and Justice, the Defense Intelligence Agency, and the Federal Maritime Commission.

[2] Cross trade cargoes are those carried between two countries by ships of a third country.

— the need to possess sufficient tonnage to meet foreign aid commitments made in pursuit of international political goals, and

— the need to use the fleet as a major earner and conserver of foreign exchange.

The first and second motives each required 27 percent of fleet tonnage in 1975; the third occupied 46 percent of the fleet. The heavy allocation of tonnage for balance of payments purposes reflects the fleet's contribution of 6 percent to the country's gross hard currency income, a figure surpassed only by the oil, timber, and goldmining industries. This hard currency is earned in the carriage both of Soviet exports and of cross trade cargoes. Although it is not observable in day-to-day fleet operations, the desire to possess a contingency capability for large-scale overseas deployment and supply of military forces has also influenced fleet expansion.

Although Soviet ships carry more cross trade cargo as tramp ships [3] under foreign charter than they do as liners,[4] the Soviet fleet's greatest impact on US and other Western shipowners derives from its cross trading activity in the liner trades. This occurs because most Soviet cargo lines (a) operate outside the Western-dominated system of cartels or "conferences"[5] that set rates charged by member lines on the world's key trade routes and (b) undercut conference rates. Because of the inferior service it provides on most routes due to heavy reliance on general purpose ships, the fleet must cut rates to attract cargoes. Cut rates in liner services linking the US with Japan and Europe have won a 3 percent share of that trade for Soviet ships at the expense of US and other Western competitors. Low rates for container shipments between Japan and Europe via the Trans-Siberian Landbridge have similarly taken 8 percent of business away from Western container-ship operators on that route. Under prodding from the US Federal Maritime Commission, the Soviets have taken limited steps to abate their rate cutting in US trade—moving to eliminate all rates lower than those charged by other carriers on the North Pacific and arranging to place seven of their North Atlantic lines in conferences.

Soviet cross trade activity on the more competitive tramp charter market, often involving back-haul cargoes carried by ships returning from the delivery of bulk Soviet exports, evokes few complaints from

[3] As used in this memorandum, the term "tramp" refers to ships outside of scheduled liner service carrying bulk and other goods in shipload lots under charter.

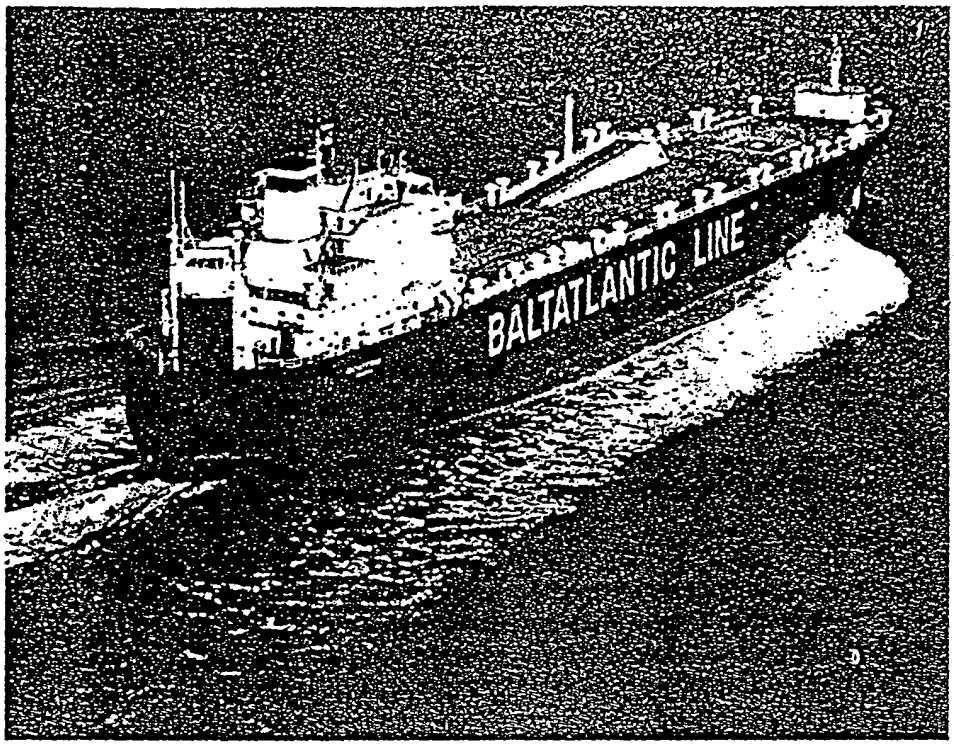
[4] Liners are ships in scheduled services that offer a prescribed number of sailings per month for general cargo on given trade routes.

[5] A conference is an association of liner owners operating in a given direction on a given trade route. The conference sets rates charged by its members and allots sailings among them. Other companies operating on the same route are referred to as "outsiders" or "independents."

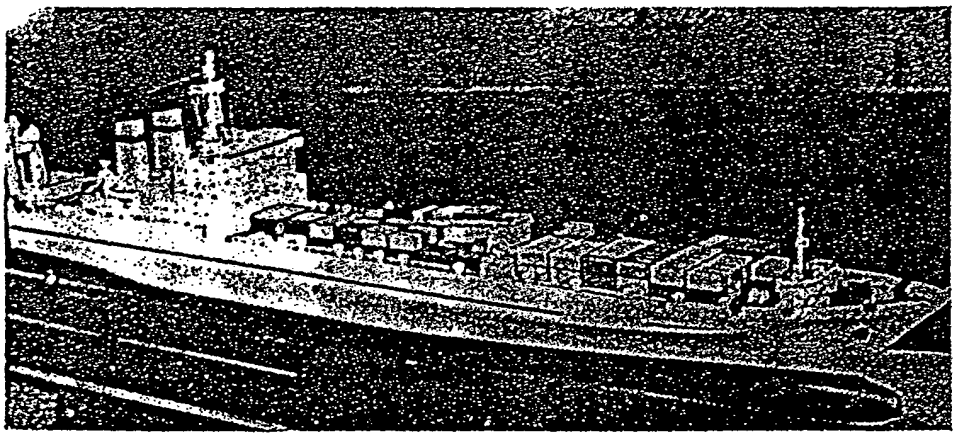
Western owners. The volume of cross trade cargo carried by Soviet tramps is still less than the volume of Soviet exports and imports carried on chartered foreign ships.

Planned deliveries of 4.6 million DWT to the Soviet merchant fleet under the 1976-80 Five Year Plan will upgrade a small portion of the Soviet liner fleet with modern ro/ro vessels and full container ships. With greatest emphasis on ro/ro ships, some of which are up to the highest Western standards, Soviet competition with Western operators on some routes will be much more serious, but the number of lines affected will be small.

The heaviest deliveries under the new plan will consist of tankers and dry bulk carriers for the Soviet tramp fleet. By permitting Soviet ships to carry a higher percentage of the country's imports and exports, acquisition of these ships will benefit the USSR's hard currency balance of payments. It will also take a large volume of business away from non-US Western shipowners currently engaged in Soviet trade. The role of US ships in bilateral trade with the USSR will presumably not be affected because it is determined by the cargo sharing provisions of the recently bolstered US/Soviet Maritime Agreement.



The Finnish-built Magnitogorsk—21,000 DWT and 22 knots—is the largest and most advanced Soviet ro/ro ship in service. It is assigned to the Soviet Baltic Steamship Company's Baltic/Western Europe-US east coast line.



Model of the high-speed gas turbine ro/ro ship Kapitan Smirnov—18,000 DWT and 27 knots—under construction at Nikolayev, USSR, for the Soviet Black Sea Steamship Company.

DISCUSSION

I. FLEET GROWTH AND ITS MOTIVATION

1. Soviets' efforts to restore and expand their merchant fleet showed steady growth during the years after World War II, but the volume of annual ship deliveries remained low until the early 1960s. The upturn in deliveries stemmed from a surge in the volume of Soviet seaborne foreign trade which grew by a record 36 percent in 1959 and similar percentages in 1960 and 1961. To counter the resultant increase in its dependence on foreign ships in international trade, the USSR undertook the most ambitious ship acquisition program in its history. Yearly deliveries rose from 400,000 deadweight tons (DWT) in 1961 to an all-time high of 1.3 million DWT in 1964 and averaged more than 800,000 DWT through 1970, causing fleet tonnage to nearly triple. Following a temporary cutback in 1971 and 1972, deliveries are again close to their historic high.

2. Four key motives are discernible in Soviet merchant fleet expansion:

- fulfillment of basic economic and security needs with a national merchant fleet capable of carrying all Soviet coastal cargoes and vital imports and meeting the routine peacetime demands of the Soviet armed forces,
- acquisition of a merchant fleet large enough to assure carriage of all economic and military aid cargoes to Communist and Third World client countries in Soviet bottoms,
- development of the merchant fleet as a major earner and conserver of foreign exchange, and
- creation of a large contingency capability within the merchant fleet for overseas deployment and resupply of Soviet military forces.

Most requirements for the first motive had been met prior to 1962 when the USSR began to accelerate its fleet expansion. Before the end of the 1960s, the second motive had also been largely satisfied—despite the full-time commitment of almost 2 million DWT to Cuba and North Vietnam as the result of US efforts to keep Western ships from trading with those countries. Once the needs of its aid program were covered, the USSR stepped up the efforts already underway to acquire ships for the earning and saving of foreign exchange.

3. With the exception of support for specialists sent to fulfill aid commitments in various countries and troops deployed to Cuba at the time of the missile crisis in 1961, the Soviet merchant fleet has not been called upon to fulfill its obvious military contingency role. Nevertheless, the acquisition of all the freighters and tankers used in providing military and economic assistance and at least some of the ships of these types carrying export and cross trade cargo to earn foreign exchange was probably motivated by a concern for military contingencies as well as for the economic and political needs these ships serve. This is true also of the roll-on/roll-off (ro/ro) ships Moscow began adding to the fleet in 1974.

II. THE SOVIET MERCHANT FLEET TODAY

Size and World Standing

4. The latest speed-up in deliveries brought the number of ships in the Soviet merchant fleet to 1,650 and its tonnage to 15.3 million DWT at the end of 1975. At that size, it ranked ninth in the world with less than 3 percent of total tonnage (see Tables 1 and 2). Despite its having almost quadrupled in capacity since 1961, the Soviet merchant marine continues to be overshadowed in terms of quality and capacity by the fleets of leading shipowning nations such as Japan, the UK, and Norway.

5. Dry cargo ships—the backbone of the Soviet fleet—accounted for nearly 10 million DWT, 65 percent of total tonnage. Of these, 6.7 million DWT or 43 percent of fleet capacity were vessels suitable for liner[6] service (see Table 3). General purpose dry cargo ships are the most common vessels in this category, accounting for 6.5 million DWT. At the end of 1975, full container and ro/ro ships made up only 2 percent of the Soviet liner fleet; none were as large or as fast as their Western counterparts.

[6] Scheduled services that offer a prescribed number of sailings per month for general cargo on given trade routes.

Table 1

SOVIET MERCHANT FLEET SIZE AND GROWTH

Year	Inventory as of 31 December: Number	Inventory as of 31 December: Million DWT	Net Increase in Tonnage: Million DWT	Net Increase in Tonnage: Percent	Deliveries During Year: Million DWT
1959	590	3.3	0.3	6	0.4
1960	650	3.9	0.6	18	0.6
1961	680	4.2	0.3	8	0.4
1962	740	4.8	0.6	14	0.7
1963	820	5.7	0.9	19	0.9
1964	900	6.9	1.2	21	1.3
1965	990	8.0	1.1	16	1.2
1966	1,070	8.9	0.9	12	1.0
1967	1,150	9.7	0.8	9	0.8
1968	1,230	10.4	0.7	8	0.8
1969	1,310	11.2	0.8	7	0.8
1970	1,400	11.9	0.7	7	0.8
1971	1,440	12.3	0.4	3	0.5
1972	1,460	12.6	0.3	2	0.5
1973	1,520	13.4	0.8	6	1.0
1974	1,570	14.2	0.8	6	0.9
1975	1,650	15.3	1.1	8	1.2

Table 2

WORLD FLEET TONNAGES, 31 DECEMBER 1975

Flag	Million DWT	Percent of World Fleet
World Total	556.6	100.0
Liberia[1]	132.7	23.8
Japan	63.2	11.4
United Kingdom	54.9	9.9
Norway	47.8	8.6
Greece	37.6	6.8
Panama[1]	22.1	4.0
France	17.7	3.2
Italy	16.8	3.0
USSR	15.3	2.8
United States (active)[2]	14.6	2.6
Other	133.9	24.0

[1] The fleets of Liberia and Panama are "flag of convenience" fleets, owned by US, Greek, overseas Chinese, and other foreign firms. US firms have more than 30 million DWT under the Liberian flag, close to 5 million under the Panamanian flag, and at least 15 million under a variety of other foreign flags. Total US-owned tonnage thus exceeds 65 million DWT.

[2] Excluding approximately 2.9 million DWT of obsolete government-owned tonnage in the reserve fleet.

Table 3

SOVIET MERCHANT FLEET COMPOSITION

31 December 1975

	Number	Thousand DWT	Percent of DWT	Average DWT
Total	1,652	15,313	100	9,269
Dry cargo	1,363	9,975	65	7,318
Liner types	838	6,654	43	7,904
General purpose	(809)	(6,505)	(42)	(8,041)
Full container	(12)	(82)	(1)	(6,833)
Roll-on/roll-off	(17)	(67)	(negl.)	(3,941)
Refrigerator	28	134	1	4,786
Timber carrier	387	1,910	13	4,935
Bulk carrier	110	1,277	8	11,609
Combination oil/dry bulk carrier	4	365	2	91,250
Tanker	285	4,973	33	17,449

6. Tankers comprised the second largest component of the Soviet fleet, accounting for 5 million DWT or 33 percent of capacity. Timber carriers formed the next largest segment with a total capacity of 1.9 million DWT and 13 percent of total tonnage, followed by dry bulk carriers with 1.3 million DWT and 8 percent of total tonnage.

Persistent Deficiencies

7. The greatest qualitative weaknesses of the Soviet fleet are the small average size of its ships and the large number of older general purpose dry cargo ships in its big liner fleet. Because of the shallow depths at most Soviet ports—few of which can handle dry cargo ships larger than 30,000 DWT or tankers over 50,000

DWT—the average size of Soviet ships has always been well below world standards, raising operating costs and contributing to fleet inefficiency.

— On 31 December 1975, the average Soviet ship was 9,300 DWT compared with a world average of 25,000 DWT.

— Soviet tankers averaged 17,400 DWT compared with a world average of 57,000 DWT; Soviet dry bulk carriers averaged 11,600 DWT compared with a world average of 35,000 DWT; and Soviet timber carriers and container ships were also undersized.

— Soviet ship sizes were close to world standards only in their general purpose liner fleet and small ro/ro and refrigerator fleets.

8. The preponderance of outmoded general purpose vessels in the Soviet liner fleet is a major hindrance in Soviet efforts to expand into other countries' liner trades. Although such ships are well suited for coastal deliveries to Soviet Far Eastern and Northern Sea Route ports and for trade with many LDCs, they are not competitive on major international routes such as the North Pacific, the North Atlantic, and Europe-Far East, where the faster and more efficient container and ro/ro ships of Western fleets predominate.

Role in Soviet Trade

9. The chief mission of the Soviet merchant fleet is the carriage of Soviet cargo in domestic and international trade. Domestic trading activities, in which the Soviet fleet has a complete monopoly, consist largely of bulk cargo movements in the Black Sea, Caspian, and Far Eastern basins and the delivery of general cargo to remote ports in the Far East and along the Northern Sea Route. Domestic cargo movement totaled around 78 million tons in 1975, about 40 percent of the total cargo carried by the fleet (see Table 4).

10. The pattern of Soviet seaborne foreign trade is the most important determinant of the employment of the Soviet merchant fleet in international trade. In 1975, Soviet seaborne foreign trade reached 155 million tons, of which Soviet ships carried 92 million tons, 59 percent of the total. In addition, the Soviet fleet moved 30 million tons of cross trade cargoes for foreign shippers between non-Soviet ports, bringing total cargo handled by the Soviet fleet in international trade to 122 million tons.

11. Because exports make up 77 percent of Soviet seaborne foreign trade, the chief role of the USSR's fleet is the delivery of exports. The fleet's most remunerative activity is the movement of Soviet oil, coal, and other bulk commodities to Western Europe and Japan. The carriage of Soviet exports yielded $400 million in 1975, 75 percent of fleet hard currency earnings.

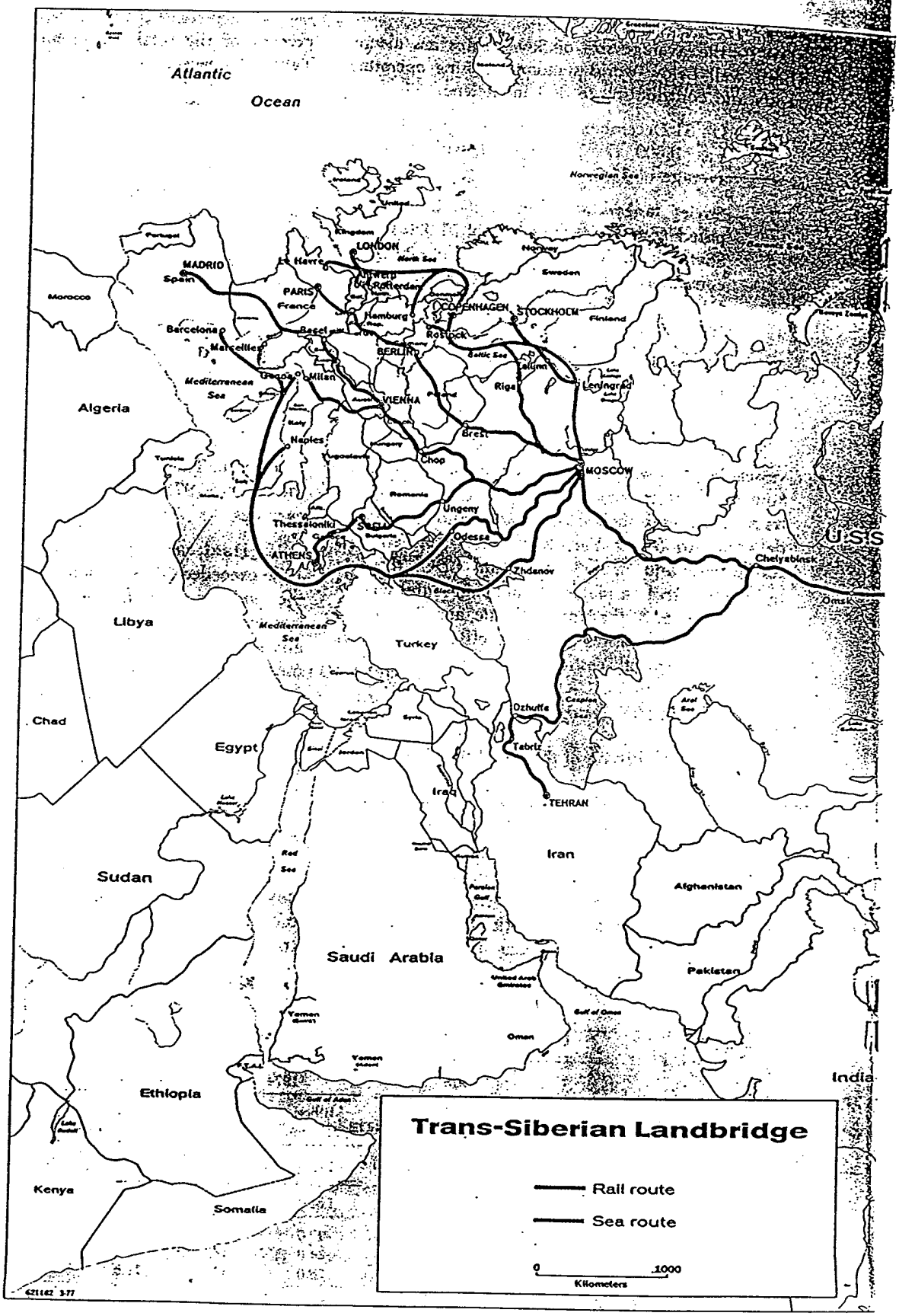
12. Hard currency earnings by the Soviet fleet in 1975 exceeded $535 million, 6 percent of the total for the country. The fleet's contribution to the hard currency balance of payments was greater than that of any single manufacturing industry and was exceeded only by the oil, goldmining, and timber industries (see Table 5). One of the advantages the merchant fleet has as an earner of hard currency is that its hard currency operating costs are low. Most of the capital it requires, for example, consists of ships which the USSR obtains either for rubles from its own shipyards or by payment through clearing accounts from East European and Finnish builders.

13. The fleet also aids the Soviet balance of payments by earning clearing credits in the export of oil, phosphates, and other bulk goods to Warsaw Pact trading partners. In carrying these cargoes, the USSR

Table 4

CARGO TONNAGE CARRIED BY THE SOVIET MERCHANT FLEET

Class of Shipment	1975		1974		1970		1965	
	Million metric tons	Percent	Million metric tons	Percent	Million metric tons	Percent	Million metric tons	Percent
Total	199.8	100	192.0	100	161.9	100	119.3	100
International trade	122.0	61	114.0	59	90.3	56	57.5	48
Soviet	92.0	46	90.0	47	75.3	46	50.0	42
Cross trade	30.0	15	24.0	12	15.0	9	7.5	6
Domestic (cabotage)	77.8	39	78.0	41	71.6	44	61.8	52


Atlantic
Ocean
Norwegian Sea
LONDON
MADRID
Spain
Le Havre
Rotterdam
Norway
Sweden
Finland
Portugal
Morocco
PARIS
France
Hamburg
COPENHAGEN
STOCKHOLM
Barcelona
Marseilles
Basel
Rostock
BERLIN
Baltic Sea
Mediterranean Sea
Genoa
Milan
VIENNA
Riga
Leningrad
Algeria
Brest
Naples
Chop
MOSCOW
Tunisia
Ungeny
Thessaloniki
Sofia
Odessa
ATHENS
Zhdanov
Chelyabinsk
U.S.S.R.
Omsk
Libya
Mediterranean Sea
Turkey
Ozhuffa
Caspian Sea
Aral Sea
Chad
Egypt
Tabriz
Iraq
TEHRAN
Iran
Red Sea
Sudan
Afghanistan
Saudi Arabia
Pakistan
United Arab Emirates
Gulf of Oman
Yemen
Oman
India
Ethiopia
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Trans-Siberian Landbridge
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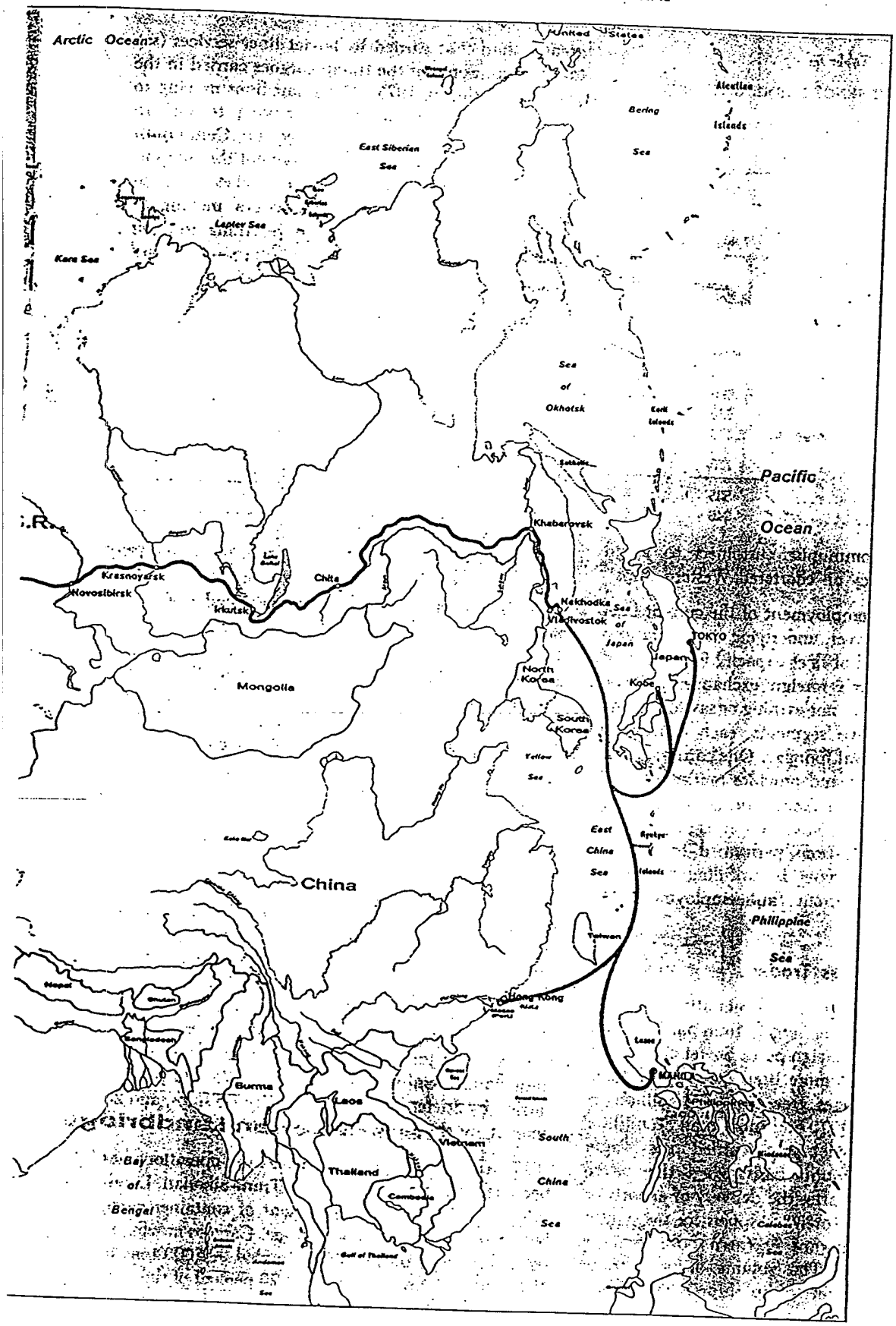
Arctic Ocean
United States
Aleutian
Islands
Bering
Sea
East Siberian
Sea
Laptev Sea
Kara Sea
Sea
of
Okhotsk
Kuril
Islands
Pacific
Ocean
Khabarovsk
Krasnoyarsk
Novosibirsk
Irkutsk
Chita
Nakhodka
Vladivostok
Sea
of
Japan
TOKYO
Japan
Kobe
North
Korea
South
Korea
Yellow
Sea
Mongolia
East
China
Sea
China
Philippine
Sea
Taiwan
Hong Kong
Nepal
Cambodia
Burma
Laos
Vietnam
Thailand
Cambodia
Bay of
Bengal
South
China
Sea
Gulf of Thailand

Table 5

SOVIET HARD CURRENCY EARNINGS IN 1975

	$ Million	Percent
Total	9,575	100
Gold sales	1,000	10
Exports		
Merchandise	7,800	82
Crude oil and petroleum products	3,165	33
Wood and wood products	700	7
Diamonds	450	5
Coal and coke	390	4
Metals	330	4
Cotton	290	3
Natural gas	220	2
Manufactures and other	2,255	24
Services	775	8
Ocean shipping	535	6
Tourism	240	2

often enables its Communist customers to avoid spending hard currency on chartered Western ships.

14. Analysis of the employment of the current fleet on the basis of motives underlying its operations reveals that 46 percent of fleet capacity is being used to bolster the country's foreign exchange position. That portion of the fleet not earning or saving foreign exchange falls into two segments, each containing about 27 percent of total tonnage. One carries coastal trade and vital imports and provides routine support to the Soviet military; the other fulfills the international political goals of Moscow's foreign aid program. The precise functions performed by various Soviet merchant ship types in fulfilling the three motives revealed in current fleet employment are outlined in Table 6.

Activity in the Cross Trades

15. Fleet hard currency earnings not attributable to the carriage of exports stem largely from participation in cross trades linking foreign ports. Soviet carriage of cross trade cargoes has more than quadrupled since the mid-1960s. Tonnages grew from 7.5 million in 1965 to 15 million in 1970 and more than 30 million in 1975. Initially, Soviet ships carried cross trade cargoes only on a tramp basis when they were returning to the USSR after the delivery of exports or when chartered out to foreign shippers for the winter months when the icing of northern ports reduces Soviet shipping needs. The volume of cross trade cargoes carried by Soviet tramp ships is still much greater than that carried by Soviet liner services (see tabulation). Some of the tramp cargoes carried in the cross trades during 1975—Canadian flour moving to Cuba and Middle Eastern oil moving to Eastern Europe, for example—were carried for Communist and LDC trading partners with payment through soft currency clearing accounts. Other cargoes—such as Persian Gulf oil and Philippine copra moving to Western Europe on Soviet ships returning to their home ports after delivering Soviet exports—earn hard currency.

Shipments by the Soviet Merchant Fleet in Foreign Navigation, 1975

Million Metric Tons

	Tramp	Liner	Total
Soviet Trade	84.0	8.0	92.0
Cross Trade	26.0	4.0	30.0
Total	110.0	12.0	122.0

Liner Operations

16. By the mid-1960s, Soviet liners had begun to carry cross trade cargoes and, for the first time, Soviet liner services were initiated whose primary purpose was cross trading to earn foreign exchange. The Soviet Union controls the third largest liner fleet in the world, exceeded only by Greece and Japan. In 1964, the USSR had 31 international cargo lines, all handling only Soviet traffic. By mid-1976, the total number of Soviet lines had risen to 67—26 engaged largely or entirely in the cross trades (see Table 7). The greatest boost to Soviet cross trade liner activity resulted from the improvement in shipping relations with the United States after the signing of the US/Soviet Maritime Agreement in 1972. The USSR currently operates at least eight liner services in the transpacific and transatlantic trades of the United States. Two-thirds of the cargo carried consists of manufactured goods in US trade with other non-Communist countries, generating hard currency shipping revenue for the USSR. US/Soviet bilateral liner trade totaled only 300,000 tons in 1975—42 percent carried by Soviet ships, 32 percent by US ships, and 26 percent by third-flag ships (see Table 8).

17. Another stimulus to Soviet liner operations has been the development of the Trans-Siberian Landbridge (TSLB) for the movement of container cargo between the Far East and Europe. Cargoes moving in both directions on the TSLB totaled 900,000 tons in 1975 and accounted for at least 20 percent of the cross

Table 6

EMPLOYMENT OF THE SOVIET MERCHANT FLEET BY SHIP TYPE, 31 DECEMBER 1975
(Million DWT)

Motives/Employment	Percent	Total	Ship Type: General Purpose Dry Cargo	Tanker	Timber Carrier	Bulk Dry Cargo	Combination Oil/Dry Bulk Carrier	Refrigerator	Cellular Containership	Roll-on/ Roll-off
Total	100	100	42	33	13	8	2	1	1	negl.
		15.3	6.5	5.0	1.9	1.3	0.3	0.1	0.1	0.1
To fulfill basic economic and security needs	27	4.1	2.9	0.5	0.1	0.5	—	0.1	—	—
Carriage of internal trade	10	1.5	0.8	0.4	0.1	0.2	—	—	—	—
Carriage of imported capital goods	13	2.0	2.0	—	—	—	—	0.1	—	—
Carriage of vital bulk imports and foodstuffs	3	0.4	—	—	—	0.3	—	—	—	—
Routine peacetime support of Soviet armed forces	1	0.2	0.1	0.1	—	—	—	—	—	—
To support international political aims	27	4.1	2.6	1.5	—	—	—	—	—	—
Carriage of economic and military aid cargos to Communist and Third World client countries	27	4.1	2.6	1.5	—	—	—	—	—	—
To earn and conserve foreign exchange	46	7.1	1.0	3.0	1.8	0.8	0.3	—	0.1	negl. 0.1
Carriage of exports to OECD countries for hard currency	30	4.7	—	2.5	1.7	0.2	0.3	—	—	—
Carriage of exports to CEMA partners	8	1.2	—	0.5	0.1	0.6	—	—	—	—
Carriage of cross trade and transit cargo for hard currency	8	1.2	1.0	—	—	—	—	—	0.1	0.1

Table 7

USSR: INTERNATIONAL CARGO LINES

30 APRIL 1976

Lines Operated Unilaterally by Soviet Steamship Companies

Company	Route
Baltic	Soviet Baltic/Western Europe—US East Coast (BALTATLANTIC)[1 3]
Baltic	Soviet Baltic/Western Europe—Australia[2 3]
Baltic	New Zealand westbound to Western Europe[2]
Baltic	Soviet Baltic/Western Europe—South America West Coast (BALT-PACIFIC)[1]
Baltic	Soviet Baltic/Western Europe—Central America/Venezuela/West Indies (BALT-CARIBBEAN)[1 6]
Baltic	Soviet Baltic—Netherlands/Belgium—Finland (BALT-SCAN)[1 3]
Baltic	Soviet Baltic—East Germany—West Germany[4 6]
Baltic	Soviet Baltic—West Germany/United Kingdom East Coast (London)[3]
Baltic	West Germany—United Kingdom East Coast (Hull)—Soviet Baltic[4 6]
Baltic	Soviet Baltic—West Germany/Netherlands[3]
Baltic	Soviet Baltic—Cuba
Baltic	Soviet Baltic—Sweden West Coast[6]
Baltic	Soviet Baltic—Belgium[3]
Baltic	Soviet Baltic—United Kingdom East Coast (Hull)—Belgium—Finland[3 4]
Baltic	Soviet Baltic/Western Europe—US East Coast/US and Mexican Gulf Coasts (BALT GULF)[1 3 6]
Baltic/Latvian	Soviet Baltic—Sweden—Italy—Egypt—Western Europe—(SCAN-MED-CONT)[1]
Baltic/Estonian	Soviet Baltic/Western Europe—Portugal/Spain (PORTOBALTICA)
Estonian	Soviet Baltic/Western Europe—East Africa (BESTA)[1 5]
Estonian	Soviet Baltic/Western Europe—Eastern Mediterranean (BALT-LEVANT)[1]
Estonian	Soviet Baltic—Sweden East Coast
Estonian	Soviet Baltic—Denmark/Norway-Eastern Mediterranean (SCANLEVANT)[1]
Estonian	Soviet Baltic—Norway/Denmark
Lithuanian	Soviet Baltic/Finland/Norway—Netherlands/Belgium[4]
Latvian	Soviet Baltic—West Germany[3]
Latvian	Soviet Baltic—United Kingdom East Coast (London/Tilbury)[3]
Danube	Soviet Baltic—United Kingdom West Coast (Ellesmere Port)[4 6]
Danube	Soviet Danube—Near East (Lebanon, Syria, Egypt, and Cyprus)
Danube	Soviet Danube—Turkey
Danube	Soviet Danube—North Africa
Danube	Soviet Danube—Greece
Black Sea	Soviet Baltic/Western Europe—Eastern Mediterranean[1 6]
Black Sea	Soviet Black Sea—Persian Gulf (Iraq)
Black Sea	Soviet Black Sea—Syria[4]
Black Sea	Soviet Black Sea—Vietnam
Black Sea	Soviet Black Sea—Cuba
Black Sea	Western Europe/Soviet Black Sea—Southeast Asia (ODESSA OCEAN)[1]
Black Sea	Soviet Black Sea/Mediterranean Europe—Eastern Canada/Great Lakes[2 3]
Black Sea	Soviet Black Sea/Mediterranean Europe—US East and Gulf Coasts (BLASCO MED-ATLANTIC)[1 3 6]
Black Sea	Soviet Black Sea—East Africa/Red Sea
Azov	Soviet Black Sea/Mediterranean Europe—Southeast Asia[6]
Azov	Soviet Black Sea—Turkey/Greece
Azov	Soviet Black Sea—Italy[3]
Caspian	Soviet Black Sea—Near East
Far East	Iran (Caspian)—Baltic—North Sea (via Volga—Baltic Waterway)[1]
Far East	Southeast Asia—Western Canada/United States (STRAITS PACIFIC)[1]
Far East	Soviet Far East/Japan—Western Canada/United States[1 3]
Far East	Soviet Far East/Japan—Southeast Asia/India[1]
Far East	Soviet Far East/Japan/Southeast Asia—Australia[1 3 6]
Far East	Soviet Far East—Hong Kong—Japan[1 3]
Far East	Soviet Far East—Philippines[1 3]
Far East	Soviet Far East/Japan/Southeast Asia—US Gulf and East Coasts[2 5]

Footnotes at end of table.

Table 7 (Continued)

USSR: INTERNATIONAL CARGO LINES

30 APRIL 1976

Lines Operated Jointly by Soviet and Foreign Steamship Companies

Soviet Company	Route	Nationality of Foreign Partners
Murmansk	Communist Baltic/Western Europe—Great Lakes/Canada East Coast (POLARCTIC)[1]	Polish
Baltic	Soviet Baltic—United Kingdom East Coast (London)[3]	British
Baltic	Soviet Baltic/Western Europe—South America East Coast (BALTAMERICA)[2]	Polish and East German
Estonian	Soviet Baltic—West Germany	West German
Estonian	Baltic/Western Europe—West Africa (UNIAFRICA)[2]	Polish and East German
Latvian	Soviet Baltic—United Kingdom West Coast—Ireland[3]	British
Latvian	Soviet Baltic—East Germany[3]	East German
Latvian	Soviet Baltic—France (Atlantic)[3 4]	French
Latvian	Soviet Baltic—Netherlands[3]	Dutch
Latvian	Soviet Baltic—Belgium[3]	Belgian
Black Sea	Soviet Black Sea—Bulgaria[3 4]	Bulgarian
Black Sea	Soviet Black Sea—Egypt[3]	Egyptian
Black Sea	Soviet Black Sea—India/Sri Lanka	Indian
Black Sea	Soviet Black Sea—Southern France	French
Azov	Soviet Black Sea—Algeria	Algerian
Far East	Soviet Far East—Japan[1 3]	Japanese

[1] An independent line operating largely or entirely in the cross (or transit) trades.
[2] A conference line operating largely or entirely in the cross trades.
[3] Line offering full or partial container service.
[4] Line offering full or partial ro/ro service.
[5] Line opened after 31 May 1975.
[6] Line created after 31 May 1975 by splitting up a previously existing service.

Table 8

US/SOVIET SEABORNE TRADE, BY CARRIER, 1975

	Total		Soviet Ships		US Ships		Third-flag Ships	
	Million metric tons	Percent	Million metric tons	Percent	Million metric tons	Percent	Million metric tons	Percent
Total	10.063	100	2.057	20.5	1.915	19.0	6.091	60.5
US grain exports.....	8.042	100	1.662	20.7	1.814	22.6	4.566	56.8
Other bulk cargo	1.707	100	.262	15.4	—	—	1.445	84.6
Liner cargo	.314	100	.133	42.4	.101	32.2	.080	5.5

trade cargoes carried by Soviet liners. Westbound cargoes in this service—about two-thirds of the total—move on Soviet container ships from Japan, Hong Kong, and the Philippines to the Soviet Far Eastern ports of Nakhodka and Vladivostok (see map). They then move across the USSR by rail, some for further overland shipment to destinations in Europe and Iran and others to be picked up by Soviet container ships in Baltic and Black Sea ports for seaborne delivery to Western Europe. At least 12 Soviet cargo lines in the West and three in the Far East carry TSLB containers. Rates for container shipments between Europe and the Far East on through bills of lading via the TSLB are as much as 40 percent below conference rates charged by Western container lines offering services by sea between these two areas.

18. In managing its international liner services, the USSR has preferred to operate as an independent outside the conference system.[7] The Soviets choose to do this because they lack ships fast and modern enough to compete in terms of service, the principal form of competition between conference members. While they remain outside of conferences, the Soviets are not bound by their rate structures and can therefore compete more effectively by lowering their rates. In mid-1976, only six Soviet cargo lines were affiliated with conferences and only one had joined a conference since 1973. The Soviets do join conferences when their ships are competitive—as in a trade that has not been containerized—and when they feel that their revenues will be maximized by accepting higher conference rates and a ceiling on their participation.

[7] Conferences are organizations of steamship companies operating cargo lines on given trade routes. They set the rates charged by member lines and allot sailings among them. Nonconference lines often operate on the same routes as "independents" or "outsiders."

19. Like other independents, Soviet lines outside the conference system undercut conference rates. Independent rates are traditionally 10 to 15 percent below conference rates. Soviet rate discounts on certain commodities in certain trades are far greater than 15 percent.

Impact on Western Shipowners

20. The impact of Soviet shipping operations on Western shipowners has been greatest in the liner field even though the USSR's tramp ships carry six times more cross trade cargo. The expansion of Soviet liner services into the cross trades at low nonconference rates has taken business away from the Western conference lines that dominate these trades. Spokesmen for the Western lines contend that the Soviets, in seeking to attract business, charge rates that are below cost—an assertion that is impossible to substantiate for lack of data.

21. The Soviets have undeniably made inroads with their rate cutting. In the lucrative US liner trades on the North Atlantic and North Pacific, they attracted about 3 percent of the tonnage in 1975. In the equally profitable Europe-Far East container trade, Soviet intermodal rates on the Trans-Siberian Landbridge as much as 40 percent below conference levels have taken an 8 percent share of business from non-Soviet shipowners.

22. While Moscow continues to deny that its liner fleet is engaging in unfair competitive practices by cutting rates, its policy on rate cutting and conference membership is changing. At a meeting between the leaders of the Soviet Ministry of the Maritime Fleet and the US Federal Maritime Commission (FMC) in July 1976, the Soviets agreed to raise their liner rates in US trade at least as high as those of other nonconference operators and to seek membership in all appropriate conferences in US trade. Soviet officials met with representatives of major conferences operating on the North Atlantic in early September and agreed to have Baltatlantic—the Soviet line operating between the US East Coast and Atlantic and Baltic ports in Europe—join the seven conferences on this important route. The Soviet company will join five as full members and, subject to FMC approval, will join the other two under a special agreement permitting them to charge lower rates as long as their equipment and services remain inferior.

23. No steps have been taken to enroll other independent Soviet lines on the North Atlantic in conferences. On the North Pacific, the Far East Steamship Company (FESCO) has been negotiating with conference lines but appears reluctant to place additional lines in conferences at this time. In the meantime, FESCO representatives in the US have changed the way that commodities are classified in their liner tariffs on file with the FMC so they can align their rates with those of other independents.

24. Soviet failure to observe the cargo-sharing provisions of the 1972 US/Soviet Maritime Agreement has had a greater impact on the US fleet than rate cutting. Since the agreement went into effect at the end of 1972, Soviet foot-dragging has deprived US ships of the opportunity to carry more than a million tons of cargo to which they are entitled, with losses amounting to more than $12 million. Protocols to the US/Soviet Maritime Agreement signed in Moscow at the end of March by representatives of the Maritime Administration and the Soviet Ministry of the Maritime Fleet as the result of a US effort to assure Soviet compliance with the agreement should end Soviet abuses and assure US shipowners of future opportunities to make up for past undercarrying in US/Soviet trade.

25. Soviet tramp activity in the cross trades has caused little concern among Western shipowners. Ships in tramp service—usually carrying bulk cargoes in shipload lots—operate in competitive markets where charter rates fluctuate freely and business goes to the shipowner with the lowest rate. The world tanker and bulk carrier fleets and charter markets are too large for the small Soviet fleets to have any measurable influence on rates.

III. PLANNED EXPANSION OF THE FLEET THROUGH 1980

Plan Details

26. At the end of the 1976-80 Five Year Plan, the Soviet merchant fleet will probably exceed 19 million DWT,[8] an increase of almost 4 million DWT from 1975. The largest block of new tonnage—2.3 million DWT—will be added to the tanker fleet, raising its size to almost 7 million DWT, 37 percent of total fleet

[8] The USSR has announced 18.4 million DWT as its goal, but this figure is based on a rate of retirements much higher than any previously exhibited. The lower figure was probably fabricated to counter exaggerated forecasts of Soviet fleet growth by West European critics of Soviet rate cutting in the liner trades. The official Soviet target for additions to their merchant fleet under the Plan was lowered from 5 million DWT to 4.6 million DWT in the latest version of the Plan.

capacity. The liner fleet will acquire 800,000 DWT of new ships, but it will not expand as scrappings of aging general purpose liners will probably match new additions. As a result, its share of fleet tonnage will drop from 43 percent in 1975 to 36 percent in 1980.

27. Acquisitions of bulk dry cargo ships will total 650,000 DWT—14 percent of total new acquisitions—but this component of the Soviet fleet will remain small at 1.9 million DWT on 31 December 1980. Additions to the USSR's new fleet of combination oil/dry bulk carriers will also augment the USSR's capability to move bulk dry cargo. Tonnage in this versatile category is planned to double from 370,000 DWT at the end of 1975 to 810,000 DWT at the end of 1980 (see Tables 9 and 10).

28. Planned tanker deliveries will raise average Soviet tanker size by 57 percent from 17,500 DWT in 1975 to 27,500 in 1980, still less than half the current world average. Half of the new tonnage will consist of ships over 50,000 DWT, including Soviet-built Krym-class tankers of 150,000 DWT, tankers of 112,000 DWT from England's Swan Hunter Yard, and 100,000 tonners from Bulgaria. No existing Soviet oil terminal can handle ships this large. Moscow has, however, scheduled port improvements to accommodate larger tankers—on the Baltic at Ventspils (up to 100,000 DWT), and on the Black Sea at Novorossiysk (up to 250,000 DWT) and Grigoryevskiy Liman (up to 150,000 DWT). No significant increases in average ship sizes are anticipated for the USSR's fleets of liners and combination carriers.

29. The most modern ship types planned for delivery during the 1980 Plan will upgrade the Soviet liner fleet. These include ro/ro ships, full container ships, and barge carriers, the most advanced concepts for expediting the movement of general cargo by sea. Ro/ro ships are expected to increase by more than 220,000 DWT, full containerships by 116,000 DWT, and barge carriers by 78,000 DWT. It is likely that the Soviets are stressing ro/ros because of their unique suitability for arms shipments and military sealifts as well as for commercial vehicle deliveries. Total tonnage in these three specialized categories will grow 280 percent from 149,000 DWT in 1975 to around 565,000 DWT by 1980, but their share of total Soviet liner tonnage will rise only to a modest 9 percent (see Table 11).

Table 9

SHIP TYPES PLANNED FOR DELIVERY TO THE SOVIET MERCHANT FLEET
1976-80

	Thousand DWT	Percent of DWT
Total	4,600	100
Dry cargo	1,739	38
Liner types	799	18
General purpose	(383)	(8)
Full container	(116)	(3)
Roll-on/roll-off	(222)	(5)
Barge carrier	(78)	(2)
Refrigerator	15	negl.
Timber carrier	262	6
Bulk carrier	663	14
Combination oil/dry bulk carrier	548	12
Tanker	2,313	50
50,000 DWT and up*	1,261	27
40,000-49,999 DWT	360	8
20,000-39,999 DWT	421	9
10,000-19,999 DWT	223	5
Less than 10,000 DWT	48	1

* May include a small number of combination carriers.

Table 10

PLANNED SOVIET MERCHANT FLEET COMPOSITION
31 DECEMBER 1980[1]

	Thousand DWT	Percent of DWT
Total	18,391	100
Dry Cargo	10,662	58
Liner types	6,568	36
General purpose	(6,003)	(33)
Full container	(198)	(1)
Roll-on/roll-off	(289)	(2)
Barge carrier	(78)	negl.
Refrigerator	142	1
Bulk carrier	1,877	10
Timber carrier	2,075	11
Combination oil/dry bulk carrier	913	5
Tanker	6,816	37
50,000 DWT and up	1,406	8
40,000-49,999 DWT	1,777	9
20,000-39,999 DWT	2,031	11
10,000-19,999 DWT	1,120	6
Less than 10,000 DWT	482	3

[1]The following adjustments were made in the original Soviet Ministry table in order to make comparison with data from other sources easier:

Ferry boats were deleted.

Combination oil/dry bulk carriers (a minimum figure) were separated out from the large tanker category.

Certain classes of small bulk carriers were shifted from general purpose to dry bulk carriers.

Table 11

SOVIET CARGO LINER TONNAGE

As of 31 December

	1975		1980 Plan	
	Thousand DWT	Percent	Thousand DWT	Percent
Total liner tonnage ...	6,654	100	6,568	100
General purpose freighters	6,505	98	6,003	91
Fast turnaround types .	149	2	565	9
Full container	82	1	198	3
Roll-on/roll-off.....	67	1	289	5
Barge carrier	nil	nil	78	1

30. Among ship classes for liner use slated for delivery under the current plan, three new classes of ro/ro ships—the Polish-built Skulptor Konenkov, the Finnish-built Magnitorgorsk, and the Soviet-built Kapitan Smirnov—compare favorably in terms of size, speed, and flexibility with their best Western counterparts. This is not true, however, of the one modern container-ship class the Soviets will acquire—the East German-built Khudozhnik Saryan. These ships are slower and smaller than the leading classes in non-Communist container fleets. Barge carriers slated for acquisition in 1979 and after—the Finnish-built Yulius Fuchik-class and the Soviet-built Tavriya-class—are based on the world-leading US Seabee and LASH (lighter aboard ship) designs with adaptation for calls at the mouths of the Danube and Soviet Arctic rivers. Most of the 390,000 DWT of general purpose ships intended for the Soviet liner fleet will come from four classes of ships of less than 16,000 DWT in production prior to 1976, all of which can carry containers.

Impact of Expansion on Western Fleets

31. The USSR's limited plans for modernization of its liner fleet through 1980 will increase Soviet potential for competition in selected trades. At the same time, Moscow's buildup of its tanker and dry bulk fleets will reduce the volume of charter business available to Western shipowners in Soviet trade.

32. The greatest impact on Western liner operators from planned improvements in the Soviet liner fleet will result from the USSR's decision to stress ro/ros rather than container carriers. With ships comparable to or better than those of Western owners, the Soviet ro/ro fleet will be used in US trade with Europe and the Far East. It could provide serious competition for Western ro/ro operators on these routes and take business away from Western container-ship operators as well.

33. The USSR's planned 1980 container-ship fleet of 200,000 DWT will be small by Western standards, accounting for less than one quarter the tonnage of any of the three leading container fleets in 1975—the US, Japanese, and British. Its ability to compete will be little enhanced, because most of the vessels to be added under the Plan belong to the 21-knot, 13,300 DWT Khudozhnik Saryan class. While bigger and better than container carriers previously acquired by the USSR, they are inferior to most of their Western counterparts in the lucrative North Atlantic and North Pacific trades.

34. The degree of injury to Western liner operators from improvements to the Soviet ro/ro and container-ship fleets will depend in part on the success of efforts currently underway by the US and other OECD governments to induce the USSR to moderate its rate cutting practices and enter conferences. At present, the outlook for Western owners is better on the North Atlantic, where Soviet lines employing their best ro/ros are scheduled to become conference members, than on the North Pacific, where the one Soviet line employing modern container ships will probably remain independent until it attracts a larger share of the trade. In general, this issue remains unresolved.

35. The planned 80,000 DWT barge carrier fleet, while less than one-tenth the leading US fleet of 830,000 DWT, will be equivalent to today's second-ranking Norwegian fleet. Because of the great potential for barge carriers in Soviet domestic and foreign trade, acquisition of these ships is unlikely to result in increased cross trade competition. Their chief employment will be in servicing Soviet seaports linked with major river systems used for barge traffic such as the Danube, the Volga, and the larger Siberian rivers.

36. As the USSR completes planned additions to its container port capacity in the Soviet Far East, its capabilities for handling Landbridge cargoes will be increased. With steps to speed up the movement of TSLB containers also planned, the Western conference lines operating between Europe and the Far East—none of them US companies—may lose additional business to the Landbridge.

37. In tramp operations, the greatest impact on Western shipowners will stem from new Soviet

tankers, dry bulk carriers, and combination carriers. These ships will take business away from Western vessels formerly chartered to carry Soviet imports and exports. They will add to the USSR's hard currency revenues and reduce expenditures on chartered foreign grain carriers.

38. Finally, there will be some increase in Soviet tramp participation in cross trading—especially on backhaul voyages. With ship sizes in the Soviet bulk fleets up, it will become easier for Soviet tramps to obtain cross trade charters, adding to the Soviets' competitive stance in these trades.