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SUB-COMMITTEE ON SOVIET ECONOMIC POLICY

THE SOVIET MERCHANT NAVY

Comments by the Netherlands Delegation on AC/89-WP/175

First of all it should be put on record that Document AC/89-WP/175 gives an excellent picture of Soviet Russian merchant service policy and its possible implications for the West. The only purpose of the present commentary is to state some additional facts which will not affect the conclusions laid down in Document AC/89-WP/175. The addition relates in the first place to Soviet Russian merchant navy policy, but it would seem useful also to give a concise account of the size and growth of the merchant fleets of the other communist countries.

I. THE SOVIET MERCHANT NAVY

(a) Growth of the fleet (see AC/89-WP/175 para. 9-15)

2. Further to what is stated in Document AC/89-WP/175 about the scheme to enlarge the Russian merchant fleet we would recall that in "Fairplay" Mr. N. Bykov, of the Ministry of Shipping in Moscow recently gave some information on the principal types of ships to be added to the fleet. They were :

(i) General cargo ships of between 10.000 and 16.000 DWT for the ocean going trade and ships of 5.000 DWT for the short-distance trade to foreign countries and for the coasting trade, and general cargo ships of about 9.000 DWT for use in the Arctic without the assistance of ice-breakers.

(ii) Ships of about 6.000 DWT for carrying timber, general merchandise and bulk cargoes. Timber ships of between 1.000 and 3.500 DWT mainly for use in European waters and in the Far East, and ships of between 1.000 and 2.000 DWT for carrying various kinds of goods in the coastal trade.

(iii) Ore carriers of up to about 23.000 DWT.

(iv) Tankers of between 15.000 and 50.000 DWT for the transatlantic trade and for the trade between Europe and the Far East, and of between 1.500 and 4.500 DWT for the international short-distance and coastal trades.

(v) Average-sized cold storage ships for use in various regions and freighters with considerable passenger accommodation for the ocean going trade and with limited passenger accommodation for the routes to the Black Sea, the Caspian Sea and the Far East.

3. No information is available on the number of ships ordered or on how the shipbuilding programme described above has been divided up between Russian and foreign shipyards. Italy and Japan are among the suppliers named in addition to the principal shipbuilding countries of the COMECON, vis. Poland and the Soviet occupied Zone of Germany.

(b) Shipbuilding for foreign account (see AC/89-WP/175 para. 36-38)

4. In the light of the foregoing information on new vessels to be built for the Soviet fleet, it is important to note V/O Sudoimport's recent announcement that Soviet Russian shipyards would be pleased to accept foreign orders for trawlers of about 700 BRT. The Franco Shipping Company of Athens may have ordered a number of these ships ; the same company seems to have placed an order for 12 bulk carriers of 36.000 DWT, 6 bulk carriers of 17.000 DWT, 9 dry cargo ships of 12.800 DWT, one of which, the Eftyhia, has recently been delivered, 5 fishery factory ships of 3170 BRT of which one, the Thetis, has been delivered and 2 cooling ships with 1500 tons refrigerated space. This order would involve a total expenditure of $ 100 million. It is said that part of the payment is to be made in the form of suppliers of Greek tobacco, oranges and olive oil. As Russia has so far only occasionally sold an old ship to one of the East Bloc States, the acceptance of these Greek orders may mean a drastic change in the country's maritime and commercial policies, especially as the Russian merchant navy seems to be needing such ships herself.

(c) Scheduled Soviet Russian services

5. Russian merchant ships now operate 11 scheduled services in the North Sea and the Baltic, partly in pool with Western European shipping companies. The Dutch K.N.S.M. , for instance, operates a fortnightly service to a number of Baltic ports, such as Klaypeda, Ventspils and Leningrad. Russian ships operate 18 different scheduled services to overseas countries such as Egypt, India, Ceylon, North Vietnam and Indonesia, and to

countries in Africa, such as Guinea, Nigeria and Ghana. Transport by these services generally takes place under trade agreements with the countries concerned, both parties reserving the carriage of the goods exchanged between them for their own merchant fleets.

6. A short time ago, another regular service was started between N.W. Europe and Iran via the Wolga-Baltic Canal and the Caspian Sea. The European ports of call are Rotterdam, Amsterdam, Copenhagen and Szczecin, and the Iran ports of call are Palevi and Noshahr, the North-South cargoes consist mainly of industrial equipment and chemical products while the South-North cargoes are mainly cotton, ores and linseed cake. The service is operated with ships of between 2.500 and 3.000 DWT. Moreover, in the early summer of 1965 a passenger service was started between Batum/Odessa and Adriatic ports. The service is operated by s.s. "Adsharia" which has accomodation for 320 passengers.

7. In April 1966 the Baltic Steamship Line is opening a regular service with the liner "Alexander Pushkin" (19.860 BRT) between Leningrad and Quebec/Montreal with London as an intermediate port of call. This ship was built in the Soviet Zone of Germany as the second ship in a series of three and can carry 750 passengers. There will be six sailings between April and November 1966. The Baltic Steamship Line has applied for membership of the North Atlantic Passenger Conference and been accepted as such.

8. The Russian scheduled services are expected to carry between 13 and 14 million tons of cargo in 1970, half of which will be on international routes. The intention is to run special services for the transport of timber and pulp from the Baltic and North Russian ports to European countries. Much is also expected of the trade between the Danube and the Mediterranean (by Russian inland vessels from Austria and other Danube countries to the Russian down-stream ports of Ismail and Reni, and thence by sea-going ships). Moreover the number of scheduled sailings from the Baltic and the Black Sea to West and East Africa are to be increased in the near future. Goods traffic from Tallinn to West Africa (at present about 200.000 tons per annum) and that from the Black Sea ports to East Africa (now about 70.000 tons per annum) will then be doubled.

(d) Seaports (See AC/89-WP/175 para. 33 - 35)

9. A short time ago the Soviet Ministry of Shipping announced that the Seven-year Plan (1959-1965) for the expansion and improvement of the ports has been carried out satisfactorily. The capacity of the port of Leningrad, for instance, has been doubled by extending the quays and improving the loading and unloading facilities. The capacity of the ports of Novorossisk, Nikolayev and Vanino has even more than doubled. The latter port, in the Far East, is a railway terminus and one of the principal ports for the export of timber.

10. Mr. A. Kachalov, the secretary of the regional Krasnodar Commission of the communist party, however, severely criticizes the way this Seven-year Plan has been realised, particularly with respect to the Black Sea area. This official points out that the Russian tanker fleet, which is plying between the Black Sea and as many as 36 countries, has been more than doubled in the last seven years, but that the oil loading facilities are quite inadequate and considerably delay the handling of the tankers. This applies especially to the ports of Novorossisk, Tuapse, Odessa and Batumi. Novorossisk is by far the most important port and will become more important still as soon as the new oil harbour of Sheshharis has been completed. It should be noted, however, that the work on this oil harbour is far behind schedule. According to Mr. Kachelov, the loss to the Russian economy in consequence of the slow handling of the tankers can be put at 3 million Roubles per annum. Mr. Kachalov also severely criticizes the bunkering facilities for large ships, particularly those at Novorossisk and Tuapse, and the repair yards which have not kept abreast with the growing size of vessels. Therefore he urges that the management of the tanker fleet and the oil harbours and that of the repair yards in those ports be centralized.

(e) <u>Shipping policy</u> (see AC/89-WP/175 para. 39 - 47)

11. On various occasions in the last few months, Mr.V.Bakayev, the Minister of Shipping, has advocated the principle of the free, international exchange of shipping services; he stated he was against the 50-50 principle. It should be remembered, however, that in the last few years the Soviet Union has concluded a number of bilateral trade agreements on the 50-50 principle now condemned. In a recent article specially written for "Shipping World and Shipbuilder", Mr. Bakayev says that the main task of the Russian fleet in the years ahead will be "to transport the greater part of the goods bought and sold on terms stipulating the use of its own means of transport." He visualizes a 70-30 ratio, viz. Russian ships carrying 70% of the traffic and the remaining 30% distributed among the ships of the trading partners concerned and among ships sailing under the flags of third countries.

II. THE GROWTH OF THE MERCHANT FLEETS AND THE DEVELOPMENT OF SHIPBUILDING IN THE OTHER COUNTRIES OF THE SINO-SOVIET BLOC AND IN YUGOSLAVIA AND CUBA

12. By the middle of 1956 the six East European countries : Poland, Soviet Zone of Germany, Bulgaria, Rumania, Czechoslovakia and Hungary jointly commanded 1.4% of the total world tonnage. The combined tonnage of these six countries is 20% of the total Soviet Russian tonnage.

13. Many shipping and shipbuilding activities are being co-ordinated by COMECON (Council of Economical Mutual Assistance). Co-ordination consist in encouraging the shipyards in the various European communist countries to specialize when building the various types of merchant ships and fishing vessels. For instance, the building of various types of large merchant ships for COMECON has been allocated to Poland. Poland's production capacity is more than sufficient for her own needs, but as the USSR has placed very large orders in Poland, the Polish merchant fleet is forced to buy second-hand ships in the World market. Rumania is busy modernizing and enlarging her shipyards. It will eventually be possible to have larger ships built in Rumanian shipyards. Bulgaria, one of the least industrialized states in Europe, is also busy increasing her shipbuilding capacity. Czechoslovakia, which does not border on the sea, has a merchant fleet consisting of foreign-built ships (most of them even outside the Soviet Bloc). Hungary's merchant fleet is still in the initial stages of development, and the target set for 1970 is low. The two largest merchant fleets belonging to satellite countries are those of Poland and the Soviet Zone of Germany.

14. In contrast to the USSR, the satellite countries have bought many second-hand ships (about 800.000 DWT in all since 1961). But as their shipbuilding capacity is expanding, second-hand purchases are bound to fall off. Second-hand cargo space totalling 440.000 DWT is expected to be bought in the years 1966 to 1970. The satellite countries will buy more and more new ships to meet their requirements.

POLAND

(a) Merchant Navy

15. The Polish merchant fleet has grown by 192% in the period 1956-1964, viz. from 83 ships (287.000 BRT) on 1st January 1956 to 196 ships (846.000 BRT) on 1st January 1965. Of the 196 ships were 26% over 20 years old and 58% less than 10 years. On 1st January 1965 the P.Z.M. (Polish Shipping Co.) owned 101 ships (totalling 297.000 BRT); 385.000 BRT is to be added to the fleet by 1971 and a number of Liberty ships (175.000 BRT) will be broken up. The net increase will therefore be 210.000 BRT. On 1st January 1971 the strength of the P.Z.M. fleet will be 155 ships (totalling 507.000 BRT).

16. In January 1965 POL (Polish Ocean Lines) had 76 ships (412.000 BRT) at their disposal and the Sino-Polish Shipping Co. had 19 ships (136.000 BRT).

(b) Fisheries

17. Total catches by Polish Fishing vessels doubled in the period 1956-1964, i.e. from 123.000 tons in 1956 to 244.000 tons in 1964. On 1st October 1964 the Polish fishing fleet (ships exceeding 100 BRT) consisted of 188 vessels (136.928 BRT).

There are plans to increase the fleet by 1980 to 255 ships, 190 of which will be refrigeration trawlers, 60 factory trawlers and 5 mother ships.

18. The fishing areas are the Baltic, North Sea, Norwegian waters and Barents Sea, N.W. Atlantic and the Gulf of Guinea.

(c) Shipbuilding

19. In the period 1961-1965 Poland supplied 122 ships (830.000 DWT) to the USSR and there are plans to supply the USSR with 175 ships in all (1.500.000 DWT) in the period 1966-1970. About 300 ships (totalling 1.920.000 BRT or 2.270.000 DWT) are to be built in the years 1966-1970. 105 of them will be for Poland herself (700.000 DWT).

20. In 1966 Polish shipyards will build 372.000 DWT in all and 561.000 DWT in 1970.

Production of the shipbuilding industry (ships of more than 100 BRT)	
1950	7.620 DWT
1955	103.660 DWT
1960	254.320 DWT
1962	290.070 DWT
1964	296.430 DWT
1965	380.000 DWT
Planned for : (1966)	(372.000 DWT)
(1970)	(561.000 DWT)

The principal Polish shipbuilding yards are the Czczecin Yard, the Gdansk Yard and the Gdynia Yard.

21. Although most of the ships were built for USSR account or for Poland's own account, a number of them were offered on the world market and sold to countries such as Norway, Britain, India, Pakistan, Brazil, Indonesia and France, and to communist countries such as Cuba, Albania and Communist China. Poland is to try to increase the proportion of ships she has to offer for sale on the world market. In 1964, about 45.000 men were employed in the Polish shipbuilding industry.

SOVIET OCCUPIED ZONE OF GERMANY

(a) Merchant Navy

22. About the middle of 1959 the merchant fleet of the Soviet Zone consisted of only 31 ships (about 120.000 BRT).

- On 1st July 1965 there were 122 freighters and 2 liners, totalling 574.000 BRT.

- On 1st January 1967 the strength of the merchant navy will be 169 ships measuring 765.000 BRT.

- In 1970 the fleet will consist at least of 165 ocean-going ships totalling between 900.000 BRT and 1.300.000 BRT and a large number of smaller ships.

23. In 1965 a large order for coasters (12) was placed with shipbuilding yards in the north of the Netherlands.

(b) Fisheries

24. In 1950 only 2.000 tons of fish were caught, in 1959 85.000 tons and in 1960 114.000 tons. In 1963 the fishing fleet of the Soviet Zone consisted of 124 vessels (of more than 100 BRT) totalling 63.274 BRT. On 1st October 1964 there were 132 vessels (of more than 100 BRT) totalling roughly 75.000 BRT.

25. The fishing areas are the Baltic, North Sea, Norwegian waters and Barents Sea, and N.W. Atlantic.

(c) Shipbuilding

26. Tonnage built in 1948-1958 was 254.935 DWT, in 1959-1961 407.685 DWT and in 1962-1964 it reached 447.760 DWT. The most important shipbuilding yards are the WARNOV-WERFT à Warnemünde, the NEPTUN-WERFT at Rostock, the VOLKSWERFT at Stralsund and the MATHIAS THESEN WERFT at Wismar. A large proportion of their production is for the USSR. The MATHIAS THESEN WERFT, for instance, is building 19.000 DWT liners of the IVAN FRANKO class for the USSR. In the past 19 MIKHAIL KALININ class liners (about 5.000 DWT) were also built here for the USSR.

BULGARIA

(a) Merchant Navy

27. In 1960 the Bulgarian merchant navy consisted of 14 ships (including two tankers, totalling 44.365 BRT (70.981 DWT). On 1st January 1963 there were 24 ships (including 6 tankers), totalling 113.096 BRT. On 1st January 1965 there were 36 ships, totalling 283.000 DWT. About the middle of 1965 there were 46 ships (including 9 tankers), totalling 246.695 BRT (368.611 DWT).

28. 70 ships (including 10 tankers), totalling 390.000 BRT (550.000 DWT) are planned for construction by 1970. Efforts are being made to have a fleet of 1.100.000 BRT by 1980; inland shipping too, is to be expanded enormously up to 190.000 BRT.

(b) Shipbuilding

29. The production of the Bulgarian shipbuilding yards has gone up considerably. In 1961 27 ships were built; in 1962: 41 ; in 1963 : 56 and in 1964 : 66. A total of 580 ships of all types are to be built between 1966 and 1970. This is numerically 100% more than in the preceding five years. But the tonnage of the ships to be built will also have gone up, so the increase in production will be somewhere between 150% and 200%. Of the 580 ships 357 are being built for the USSR. If the shipyards work according to plan, their production should reach about 250.000 DWT in 1970. About 80% of the shipbuilding industry is working for export, mainly to Russia, Poland and Czechoslovakia.

30. Approximately 10.000 workers were employed in shipbuilding in 1964. The most important shipyard is the GEORGI-DIMITROV Yard at Varna. Building docks will be constructed with Japanese assistance which should eventually make it possible for 20.000 DWT freighters and even 60.000 DWT tankers to be built at Varna. The biggest ship that can be built in Bulgaria at present (10.000 DWT) is now on the stocks.

RUMANIA

(a) Merchant Navy

31. In 1960 the Rumanian merchant fleet consisted of 7 ships totalling 29.028 BRT (31.525 DWT); on 1st January 1965 there were 23 ships totalling 129.000 DWT, and about the middle of 1965 there were 27 ships (including 2 tankers) totalling 104.630 BRT (141.855 DWT). 31 freighters totalling about 200.000 BRT are to be added to the fleet by the end of 1970. So far, two tankers of about 35.000 DWT have been ordered in Japan for delivery in October 1967. Consequently, in 1970 the Rumanian merchant fleet will consist of about 60 ships (including 4 tankers) totalling 350.000 BRT (600.000 DWT).

(b) Shipbuilding

32. In 1966 and 1967 Rumania is to build a total of 350 freighters fishing vessels and other ships for the USSR
in 1970 total production will be 85.000 DWT
in 1975 total production will reach 150.000 DWT.

The biggest shipbuilding yard is the GALATI Yard, which started building 4.400 DWT freighters in 1958. A ship, probably of 10.000 DWT, is being built at the moment.

CZECHOSLOVAKIA

(a) Merchant Navy

33. In 1960 the merchant fleet consisted of 9 freighters and one tanker totalling 70.510 BRT (104.848 DWT).

- About the middle of 1964 the total tonnage was 90.429 BRT.
- About the middle of 1965 there were 12 ships (including one tanker, totalling 103.983 BRT (152.381 DWT).

34. According to plan, the fleet should consist of 19 freighters and one tanker, totalling 185.000 BRT (270.195 DWT) in 1970, but according to later information a 35.000 DWT tanker has also been ordered from Britain. Then the merchant fleet will number 21 ships (including two tankers) totalling about 205.000 BRT (305.000 DWT).

(b) Shipbuilding

36. 180 vessels (including dredgers, floating pumping stations, 2.000 DWT ships, etc..) are to be built for the USSR between now and the end of 1970. The shipbuilding industry employs about 12.000 men.

HUNGARY

(a) Merchant Navy

37. In 1960 it consisted of 8 ships totalling 9.643 BRT (9.523 DWT). On 1st January 1965 there were 12 ships totalling 15.000 DWT. About the middle of 1965 there were 14 ships totalling 17.200 BRT (17.600 DWT). 21 ships totalling 30.200 BRT (35.100 DWT) are planned for construction by 1970.

(b) Shipbuilding

38. 38 vessels (1.500 DWT), 85 tugs and 123 floating cranes are to be built for the USSR by the end of 1970.

ALBANIA

39. On 1st January 1965 Albania owned 8 ships totalling 44.000 DWT.

NORTH KOREA

40. On 1st January 1965 North-Korea had 2 ships totalling 5.000 DWT.

NORTH VIETNAM

41. On 1st January 1965 North Vietnam had 1 ship of 3.000 DWT.

COMMUNIST CHINA

42. The China Communist merchant fleet consisted of :

By the middle of 1962 : 522.481 BRT
1963 : 502.038 BRT
1964 : 535.427 BRT

On 1st January 1965 : 165 ships totalling 791.000 DWT.

YUGOSLAVIA

(a) Merchant Navy

43. The fleet has grown but slowly in recent years. In 1962 : 945.991 BRT; in 1963 : 965.449 BRT; in 1964: 966.521 BRT. On 1st January 1965 the Yugoslav merchant fleet numbered 200 ships totalling 1.301.000 DWT.

44. 195 ships (950.000 BRT) are to be added to the fleet by the end of 1970 while 120 old ships (420.745 BRT) will go to the breakers. Consequently, the net increase will be 75 ships (529.255 BRT). On 1st January 1971 the Yugoslav merchant fleet will number about 275 ships (1.500.000 BRT).

(b) Shipbuilding

45. The production of the Yugoslav shipyards has gone up considerably since 1960.

	Total production	for foreign account
1960	150.000 BRT	72.000 BRT
1963	250.000 BRT	215.000 BRT
1964	310.000 BRT	215.000 BRT
1965	330.000 BRT	240.000 BRT

In the period from 1st January 1966 till the end of 1970 Yugoslavia is to build 78 vessels for the USSR (including 12 tankers, 20 freighters, 4 docks, 11 tugs).

CUBA

(a) Merchant Navy

46. In 1959 the Cuban merchant fleet consisted of 19 ships, totalling 52.135 BRT.

About the middle of 1964 it numbered 26 ships totalling 113.942 BRT.
About the middle of 1966 it numbered 39 ships totalling 211.268 BRT.
According to plan, the total should have reached 300.000 BRT by the end of 1966.

47. Many orders for merchant ships are being placed in Poland and Spain, while in Hungary many auxiliary vessels, such as tugs, cranes, etc. were built and are being built for Cuba. For instance, 13.000-ton refrigeration ships are being built in Poland and the USSR has sold about 20 trawlers and 12 refrigeration trawlers of the TROPIC class to Cuba for her fishing fleet.

(b) Shipbuilding

48. Fishing vessels only are built in Cuba by the VICTORIA de CIRON Yard at Cardenas.