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SUB-COMMITTEE ON SOVIET ECONOMIC POLICY

THE SOVIET MERCHANT NAVY

Comments by the United Kingdom Delegation on AC/89-WP/175

While we would disagree on some details in the statistics presented in this paper we are in general agreement with the conclusions reached, i.e. -

> "Shipbuilding policy primarily reflects the need to remedy a serious lack of equilibrium: in 1960 the Soviet Union had a fleet ... incapable of meeting the demands ... of foreign trade (paragraph 3).
>
> It seems to be an exaggeration to say that there will be in the near future a war of merchant fleets which might lead to the progressive domination of world maritime traffic by the Soviet Union (paragraph 45). As regards the more distant future the problem can be seen as one of competition which need not necessarily rule out certain co-operation agreements (paragraph 46)."

2. The recent visit of the USSR Minister of Shipping, Mr. Bakaev, to London is an example of Soviet willingness to participate in international agreements and a tariff war could not ultimately be to the advantage of the USSR in employing profitably a growing merchant fleet.

3. The most interesting information which has come to hand since the cut off date (24th May, 1965) of AC/89-WP/175 has been the release for the first time of official statistics of the size of the Soviet Merchant Fleet. Since these statistics include all vessels down to 100 grt the tonnage claimed is rather larger than our previous information indicated and considerably larger than the Lloyds estimates used in this study (paragraph 14). At 1st January, 1964 the USSR had in service 5,210 vessels totalling 8,939,589 grt. The proportion of fishing vessels and miscellaneous service craft was unusually high and what might be called the "trading fleet" was said to include:

157	Passenger and Passenger Cargo Ships totalling	459,677 grt.
1,286	Dry Cargo Ships totalling	3,980,097 grt.
298	Tankers totalling	2,043,474 grt.

4. There is a problem of classification here since the total of 1,741 ships of 6,483,248 grt. is superficially very near to the French estimate. However, if they are based on Lloyd's the French figures probably include a high proportion of the 360 large transport and supply ships (in all nearly 1,500,000 grt.) subordinate to the Fishing fleet which are not included in the official Soviet figures quoted above.

5. A more recent statement by the USSR Deputy Minister of Shipbuilding that in five years time (i.e. 1970) the Soviet Fleet would total 13.6 million gross register tons is even more interesting. We would estimate from known orders abroad and the present level of output in Soviet yards that over 6 million tons of new shipping will be delivered to the fleet in the five years 1965-69. If this estimate is reliable it follows that about 1.5 million tons of old ships will be scrapped in the period. This is quite a departure from previous practice, for the tonnage scrapped hitherto has been insignificant and even ships over 60 years old have been kept in service. Two interesting conclusions can be drawn from this. Firstly the fleet will have an even higher percentage than before of modern ships (paragraph 16). Secondly the danger of over investment (paragraphs 39-43) with the possible consequence of a tariff war will be less than we might have supposed from the large tonnage on order.

6. It remains true however that the USSR will become progressively less dependant upon imports of ships. Present information on ship orders for the next five years suggests that the USSR and the East European Communist states will each provide about 40% and the rest of the world only 20% (paragraph 36). Of this 20% only 4% will come from West Europe and Japan, the remainder coming from Finland and Yugoslavia who are in a rather special relationship economically and politically with the USSR. It may well be that in the long-term severe repercussions may also be felt in Eastern Europe where several countries have indeed invested very heavily in shipbuilding capacity to meet Soviet orders (paragraph 42); it is unlikely that this capacity will ever find profitable outlets elsewhere. Thus further expansion of capacity in Poland is planned and large new yards are being built in Rumania and Bulgaria. Finland and Yugoslavia will export well over 50% of the total output of their yards to the USSR in the period 1966-1970 and in both these countries ships represent an unusually high proportion of total exports. These two countries might well be the hardest hit if there is any drop in Soviet orders.

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