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THE SOVIET MERCHANT AND FISHING FLEETS:  
RECENT DEVELOPMENTS

Note by the Acting Secretary General

Attached for the Council to note is a report on recent developments in the Soviet merchant and fishing fleets.

2. This report was prepared by the Economic Committee mainly on the basis of contributions from Alliance capitals and on information presented during a meeting of the Economic Committee with experts.

(Signed) Rinaldo PETRIGNANI

NATO,  
1110 Brussels.

This document includes: 4 Annexes

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THE SOVIET MERCHANT AND FISHING FLEETS:  
RECENT DEVELOPMENTS

Note by the Chairman of the Economic Committee

1. The Economic Committee's review of the attached report occasioned a debate on two points in particular, to which the Committee wishes to draw the Council's attention.

2. The first point is that Soviet international shipping activities could pose a threat to Allied shipping interests and that a watch should be maintained of possibly disruptive effects. The Economic Committee views this aspect as meriting attention. It will continue to keep it under review and suggests that the report be sent to the Senior Civil Emergency Planning Committee.

3. The second point is that the widespread use of the Soviet merchant and fishing fleets in intelligence gathering could pose a serious threat to Alliance military interests. Since this gathering is usually in conjunction with economic activities of the fleets it is of concern to the Economic Committee, but the Committee considers that it is mainly a matter for other NATO bodies. The Economic Committee suggests that this report be transmitted to the Military Committee for consideration.

(Signed) J-N. GIBault

THE SOVIET MERCHANT AND FISHING FLEETS:  
RECENT DEVELOPMENTS

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THE SOVIET MERCHANT AND FISHING FLEETS:  
RECENT DEVELOPMENTS

Report by the Economic Committee

I. SUMMARY

1. With 18.4 million deadweight tons (DWT) the USSR possesses the tenth largest merchant fleet in the world, and continues to add to it new tonnage of about one million DWT annually, or slightly above the yearly global rate. Recent additions of tanker and modern cargo-handling tonnage to the Soviet fleet have improved its quality and cargo-carrying flexibility; but it is still composed principally of general cargo ships and tankers of less than half the world average size for these types of ship.

2. Current and planned additions continue to stress specialized types of ship and advanced cargo-handling tonnage, indicative of an intent to make the fleet more effective for the transport of Soviet cargoes, especially to and from developing countries, and to continue participating in world liner cross-trades. Because of anticipated retirement of older general-cargo tonnage, however, the fleet's total capacity by 1985 should not greatly exceed 22 million DWT, thus maintaining its rank in world fleets.

3. The volume of all types of goods carried in 1978 amounted to 229 million tonnes, or around 7% of total world seaborne shipments; cargo carried grew by 4% over the previous year, thus following the trend of world seaborne trade in general. Participation in cross-trading, which earns the USSR over \$1 billion annually, dropped fractionally to 13% of total tonnage carried by Soviet merchant ships. In the next three years, although tonnage shipped will probably progress at about 4% a year, cross-traded goods are likely to occupy their present share of total cargoes. If Western Governments take effective measures to control Soviet use of possibly unfair rates to capture business from their nations' private shipping lines, however, the share of cross-trade might even decline.

4. The merchant fleet supports the Soviet military mainly by providing a readily available, world-wide transport capacity by participating in Soviet naval operations and support activities, and by collecting intelligence. Modern tonnage currently being added gives the fleet the capability of rapidly delivering large quantities of military equipment and personnel to any part of the world, if need be under the guise of normal commercial operations. The intelligence collection activities of the merchant fleet are apparently frequent and widespread.

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5. Through the development of capacities for the Northern Sea Route, inland waterways, and the Trans-Siberian "Landbridge", the Soviet merchant and river-sea fleets will be used to increase Soviet transport efficiency, particularly for the carriage of vital supplies for the development of Siberia, and for the extraction of valuable mineral resources from that region. The development of the routes and associated transport capacity will also enhance Soviet capabilities for participating in the cross-trades, especially between the Far East and Europe.

6. The merchant fleet will continue to play an important rôle in promoting Soviet political influence throughout the world, particularly through arms deliveries and economic aid, which occupy for over one-fourth of all capacity deployed, and through participation in foreign joint shipping and fishing ventures.

7. While also promoting Soviet political influence abroad and collecting intelligence, the Soviet fishing fleet's most vital rôle is to provide an important source of protein for the population. Its catch in 1978 fell by around one million tonnes to approximately 9 million tonnes, largely as a result of restrictions arising from the world-wide establishment of 200-mile national fishing zones. The USSR is rapidly modernizing its 4.6 million DWT fishing fleet with larger, more efficient ships to overcome the effect of these zones.

II. MERCHANT FLEET GROWTH TRENDS

Present Size and Composition

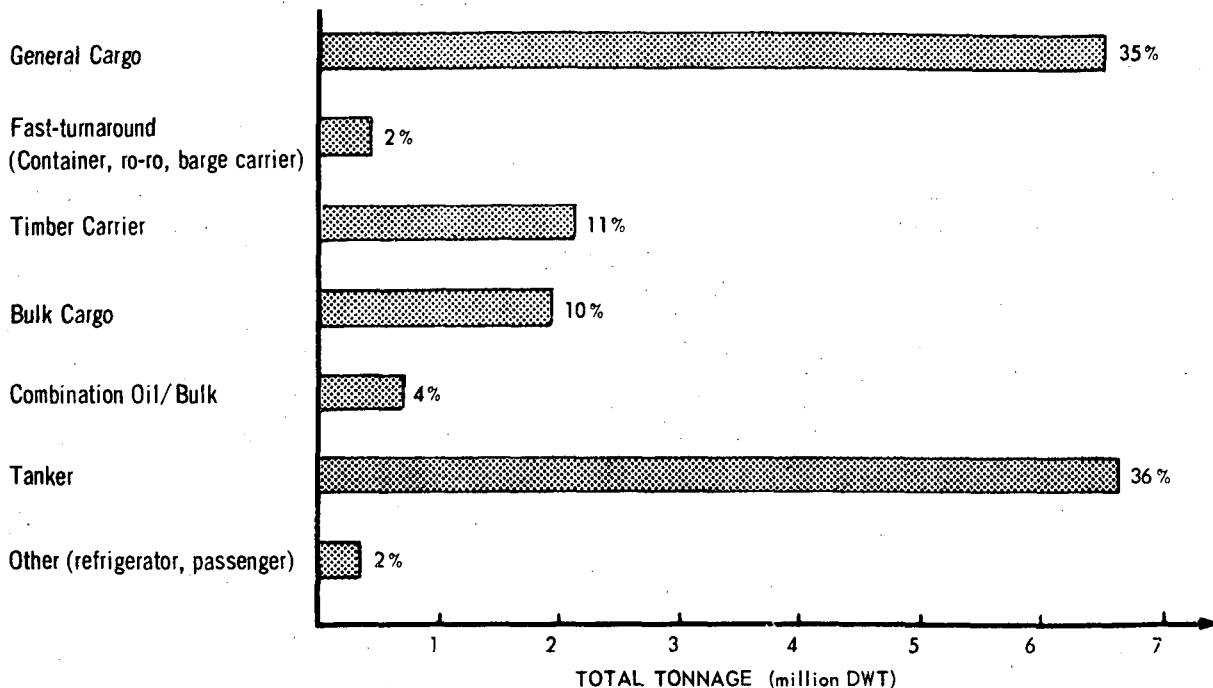
8. With a year-end capacity of 18.4 million deadweight tons (DWT) and 3% of world tonnage, the Soviet merchant fleet in 1978 dropped from ninth to tenth largest in the world(1). Composition by main types of ships at the end of 1978 was as follows(2).

- (1) Excluding fishing vessels, passenger ships, river-sea craft, and vessels under 1,000 Gross Registered Tons (GRT). "Deadweight tons" is a standard measure of a ship's cargo-carrying capacity, and represent a ship's displacement when fully loaded (including cargo, stores, and other ship supplies), less the ship's own weight; "gross registered tons" is a measure of a ship's enclosed space, including non-cargo space (1 ton = 100 cubic feet). Soviet sources give the end-1978 size of the fleet as 17.9 million DWT; British estimates, which include vessels over 100 GRT and certain fishing support ships, put the fleet size at 20.6 million DWT. Neither of the alternative measures has a significant effect on the fleet's size relative to other world fleets, however. See Table 1, Annex I, for a listing of the world's principal national merchant fleets.
- (2) See Table 2, Annex I, for a statistical inventory of the fleet by ship type, and Annex II for an explanation of terminology describing ship types.

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COMPOSITION OF SOVIET MERCHANT FLEET  
BY SHIP TYPE, DECEMBER 1978

SHIP TYPE



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9. Additions to the merchant fleet in 1978 led to modest improvements in its quality. Average ship size rose from 10,100 to 10,600 DWT, about 40 per cent of the world average. The average size of Soviet tankers went up from 19,900 to 20,900 DWT, still less than 30 per cent of the world average. Small conventional freighters continue to dominate the liner fleet. Although now totalling 451,000 DWT, modern cargo-handling liners still account for less than 3 per cent of the fleet's tonnage.

10. Ship acquisitions in 1978 reached 1.3 million DWT, close to the 1976 record. Since ship losses and retirements were negligible, the fleet grew by approximately 7 per cent - slightly above its annual average of around 5 per cent since 1970(1). Fleet capacity will thus apparently reach 19.8 million DWT by the end of 1980, rather than the 18.4 million DWT set forth in the original 1976-1980 Five-Year Plan. Retirements from the fleet have been well below levels envisaged in the original Plan, and annual deliveries have averaged 20 per cent more than the targets set in the Plan.

Expansion Emphases

11. In the current five-year period (1976-1980), the USSR has added a large amount of tanker tonnage to its fleet, to handle growing oil exports and possibly to take over some of the world oil trade. In 1978, however, the number of tanker additions declined, as did the volume of Soviet oil shipments out of the Black Sea. It thus appears that the USSR may be approaching sufficient tanker capacity for its own needs and so might sharply reduce the rate of tanker acquisitions in the future.

12. A considerable amount of bulk and combination carrier tonnage has also been added to the fleet in the current five-year period, mostly to handle Soviet grain and raw materials shipments. None the less, the USSR continues to charter some of its bulk-carrying requirements from other flags. To avoid this situation in the future, the USSR will probably put increased emphasis on expanding its bulk fleet, particularly with specialized bulk carriers designed for trade in particular commodities and with the Developing World.

13. Striking expansion has occurred in the liner fleet with sizeable additions of modern cargo-handling tonnage. In 1978 alone, the liner cargo fleet received an additional 18 ships totalling 184,000 DWT, or more than double the 1977 increment to the liner fleet. The 1978 additions included the fleet's first large high-speed Soviet-built roll-on/roll-off (ro-ro) ship, and its first barge carrier, built in Finland. The fleet also received its first Danish-built "multiflex" ro-ro. Although

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(1) See Table 3, Annex I, for annual rates of growth of the fleet since 1959

the Soviets do not seem to put any particular emphasis on acquiring this type of ro-ro, none the less ro-ro vessels are currently being added at a rate of about five ships or 45,000 DWT a year and are among the most technologically advanced in the international seaborne trades. Cellular container ships are being added at a similar rate, although their number is still small compared to that in other world fleets(1).

14. The build-up of fast-turnaround liner capacity is doubtless being undertaken to attain greater cargo-handling efficiency, both in Soviet foreign trade and in cross-trade participation(2). Expanded ro-ro capacity, for instance may be designed for additional Soviet exports of automobiles, and new barge carriers may put the USSR in a position to use the Rhine-Main-Danube Canal for exports to Europe or for cross-trading when the waterway is opened, probably in 1985. The rapid growth of fast-turnaround capacity is probably also motivated by a desire to enhance Soviet naval capabilities, since such ships are readily adaptable to the transport of military materiel.

15. Some additions of foreign-made tonnage may be made largely to achieve political gains. For instance, the USSR has been exploring the purchase of additional fishing-ship tonnage from Spain in order to attain economic and political leverage there.

Projected Fleet in the Eleventh (1981-1985) Five-Year Plan

16. While the USSR has released few figures on fleet development during the 1981-1985 period, projections based on currently available information suggest that by 1985 the fleet as a whole may not exceed 22 million DWT, although the USSR will probably continue to add about 1 million DWT each year.

- (1) In addition, the fleet is beginning to acquire significant quantities of long-term chartered tonnage. The lease is paid out of profits from the transport of foreign cargoes in these ships, and eventually they are to be transferred into the possession of the USSR. At present, the Soviet Union has about forty such ships, with a total deadweight of more than 1.3 million tons. About 40 per cent of their cost is already paid off. All of the ships will be transferred into USSR ownership in a few years, after which they will continue to transport cargoes for at least ten more years, bringing in anticipated foreign revenues.
- (2) The shipping of non-Soviet cargoes between foreign ports. The issue of Soviet cross-trade participation is dealt with at length below.



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17. The number of general cargo carriers will continue to decline as old, small vessels are retired. By 1985, general purpose liners will probably account for under 30 per cent of total fleet tonnage, and fewer than 800 ships.

18. After rising to around 40 per cent of total tonnage by the end of 1980, tanker capacity may stabilize in the coming five-year period at slightly over 300 ships, including six super-tankers of over 150,000 DWT.

19. The fleet is scheduled to see significant additions of specialized bulk carrier tonnage to make up for present shortages. Hence, it might have some 150 bulk carriers by 1985 and perhaps fifteen combination carriers, together totalling over 15 per cent of total fleet capacity.

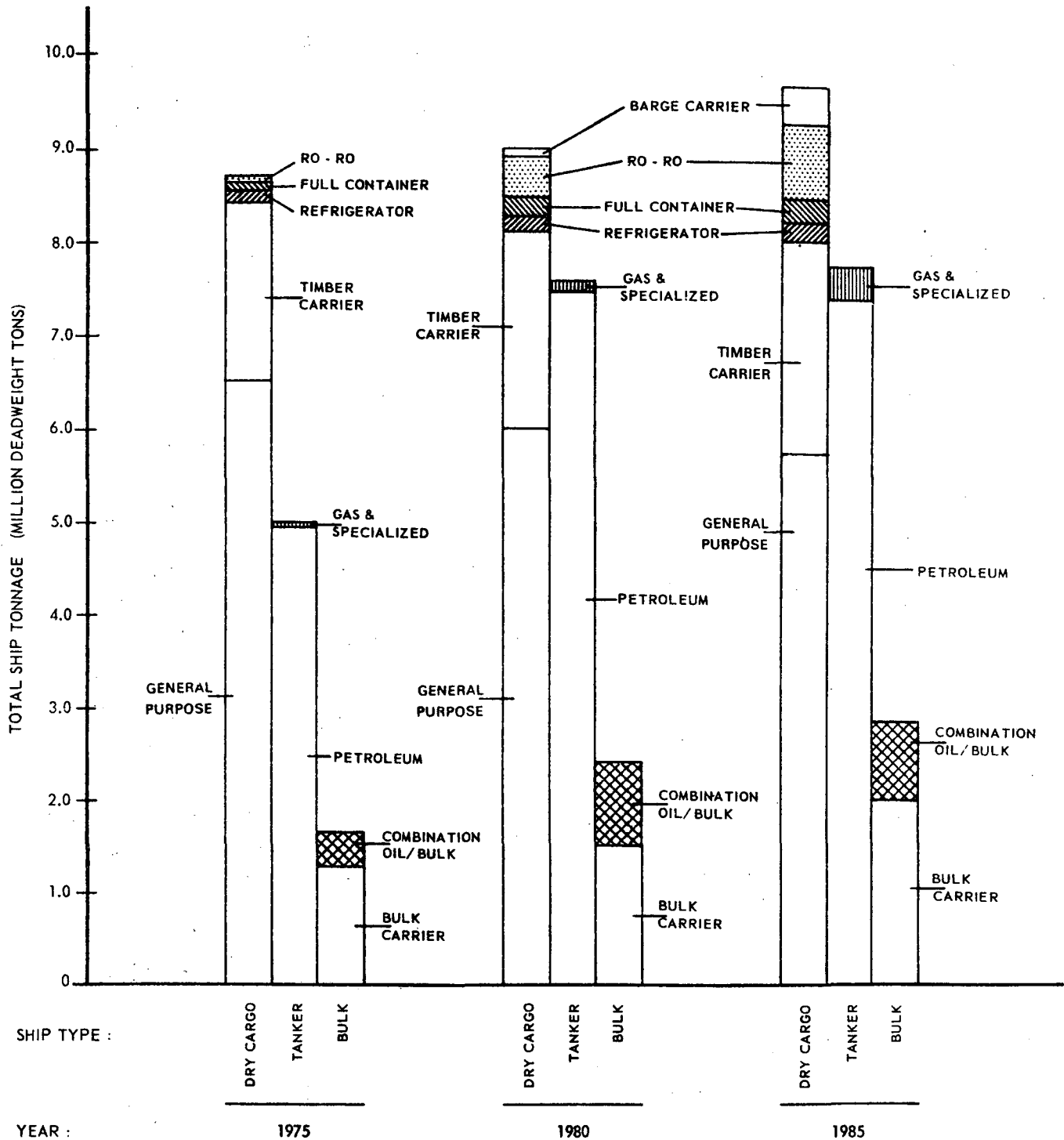
20. Modern cargo-handling liner tonnage may increase from its present 3 per cent to as much as 7 per cent of carrying capacity, or around 1.5 million DWT. The fleet might thus have about 80 container ships, some 90 ro-ro's, and perhaps four barge carriers.

21. There will also be substantial additions of the two ship types which make up most of the remaining tonnage - timber transports, in line with the development of Soviet wood production and exports; and refrigerator ships, to allow for increased transport of perishable foodstuffs.

22. Fleet expansion in the 1981-1985 period will give particular attention to the development of nuclear propulsion and icebreakers, in order to allow the USSR to make increased use of the Northern Sea Route to transport valuable mineral resources from Siberia and to supply the area. Three nuclear-powered icebreakers, which have operated successfully on the Northern Sea Route, are now in service, and a nuclear-powered 25,000 DWT barge carrier is being designed for use on the same route.

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MAJOR COMPONENTS OF THE SOVIET MERCHANT FLEET, 1975,  
AND PROJECTIONS FOR 1980 AND 1985



Source: Estimates based on US Government and Morflot projections, and Vodny Transport (June 12, 1979) Interview with Minister of Maritime Fleet, T.B. Guzhenko

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III. CURRENT OPERATIONS

Domestic and Foreign Cargo Transport

23. In 1978, as in previous years, the bulk of goods carried by the merchant fleet were Soviet cargoes - either goods being shipped domestically, or Soviet imports or exports. Of total tonnages shipped, around 85% were such cargoes, as compared to the same share in 1975 and 91% in 1970(1).

24. The volume of all types of goods carried by the Soviet merchant fleet in 1978 amounted to 229 million tonnes, or around 7% of total world seaborne shipments. Soviet cargo volume grew by 4% over that of the previous year, or at about the same rate as the growth of world seaborne trade in general. The biggest increase in USSR shipments involved carriage of Soviet exports and imports, which apparently went up largely because of increased imports of US grain. Coastal domestic shipments rose slightly, and the volume of cross-trade cargoes diminished from 14% in 1975 and 1976, to 13% of total tonnage carried. Soviet hard-currency receipts from export shipments and cross-trade cargoes currently amount to over \$1 billion annually, or more than 6% of total convertible currency earnings.

25. Even though composed of a large number of relatively small ships, the fleet effectively serves Soviet commercial maritime transport needs. It is large and diversified enough to permit considerable flexibility in ship assignments. Its overhead costs are low, because of such factors as low crew wage scales, state-set insurance and fuel rates, and often fully depreciated capital equipment. Furthermore, most Soviet ports, as well as those in many developing countries, can accommodate only smaller, shallow-draft ships, such as predominate in the Soviet fleet. Periodic shortages of bulk-carrying capacity, especially in bad harvest years when large quantities of grain have to be imported, appear to be the result of an earlier decision to utilize relatively cheap world bulk charter markets to maximum advantage.

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(1) See Table 4, Annex I, for a tabulation of types of cargoes shipped since 1965. If fleet performance were measured in tonne-kilometres instead of tonnes carried, international shipments, both of Soviet and cross-traded goods, would amount to 93% of tonne-kilometres carried, instead of their indicated 65% of total tonnage. Growth in fleet performance in both tonne-kilometres and tonnes carried does not appear to be keeping up with fleet expansion, and 1980 freight-transport goals may not be fulfilled.

26. In the next three years, the fleet's tonnage carried internationally may increase about twice as fast as total tonnage shipped, which will probably continue to expand at the rate of around 4% a year. Most of the increase in Soviet international shipments will arise from increased Soviet imports and exports. Cross-traded goods will probably continue to occupy their present share of total cargo transported. Shipping of Soviet domestic coastal cargoes, however, is expected to increase strongly, largely as a result of the prolonged operation of the Northern coastal routes, through the use of increasingly powerful icebreakers. In 1979 alone, tonnage shipped by Northern coastal routes may rise by 20%.

Military Functions

27. The merchant fleet directly supports Soviet military interests in at least four ways: (1) It provides a readily available, world-wide transport capacity for military personnel and equipment. (2) It participates in Soviet naval operations, especially refuelling and naval exercises. (3) Because of the similarity of merchant fleet ship configuration and discipline to that of Soviet naval ships, merchant ships serve to train crews for military emergencies. (4) Finally, the fleet lends itself to widespread military and political intelligence collection. In sum, on any given day, 0.9-1.0 million DWT, or 5 per cent of merchant shipping capacity, is outside Soviet territorial waters on military-related functions: 8-12 ships carrying arms, an average of five tankers for naval refuelling and some 30 research vessels, also of ten engaged in military intelligence collection activities.

28. The Soviet merchant fleet provides a ready vehicle for the transport of Soviet military personnel and equipment. Passenger ships are routinely used to move military personnel, and provide berthing and messing facilities in crisis situations. With the support of its merchant fleet, the USSR has the ship capacity in its ports at any given time to offlift six divisions. Each of the fleet's four Skulptor Kononov ro-ro's, for instance, has the capacity to carry 270 battle tanks below deck and 80 above deck, and can off-load two thousand tonnes of cargo in an hour. In all, some 1.7 million tonnes of merchant shipping capacity is at sea on any given day, much of which could potentially be rapidly commandeered for military purposes. The Soviets appear to keep specific ships on certain routes, such as an advanced ro-ro serving Liverpool, largely for possible crises. The tonnage of merchant ships on specific military missions on a given day is estimated at around 300,000 DWT, or under 2% of total fleet capacity.

29. Soviet merchant ships also provide direct support to Soviet naval operations. Around half of all naval ship replenishment is accomplished by merchant ships. To equip them for emergency refuelling operations, merchant ships are routinely given an extra sixty days' supply of fuel in their balast and bunker tanks. To further provide rapid support capabilities for the navy, naval radio operators are generally stationed on merchant ships. Moreover, Soviet merchant ships often take part in Soviet naval exercises, either in routine or emergency situations, and even in the course of commercial deliveries. In the Ethiopian build-up, a merchant ro-ro convoy gave advance warning of Soviet intentions.

30. The merchant fleet serves a naval training function in that much of its equipment is common with that of the navy. Moreover, to help prepare merchant crews and personnel for a possible wartime rôle, each of the sixteen Soviet merchant shipping companies has a naval team of about twenty persons headed by an Admiral. Self-contained teams of naval personnel are also sometimes assigned to merchant ships, often as part of the hospital staff.

31. The most extensive peacetime rôle of the merchant fleet, however, is probably intelligence collection. In all the 1,400 ports in 123 countries visited by Soviet merchant ships, there are allegedly KGB departments led by officers ranking from captain to colonel, depending on the significance of the port, to instruct and debrief ship personnel. On the merchant ships themselves, many evidences of intelligence collection and transmission equipment have been noted, such as satellite communication apparatuses, unusual bow protrusions, and extra radio rooms. Recent British surveillance of Soviet merchant ship activity suggests extensive intelligence collection off the coast of Scotland and Britain's South-East coast. Merchant ships have an advantage in intelligence collection in that they can use commercial transactions as pretexts for entry to otherwise closed ports. Soviet merchant ships repeatedly enter the strategic US port of Jacksonville, Florida, for example, under a multi-year agreement for the purchase of US phosphates.

32. Partially to counter potential espionage activities, the US has a system of requiring prior permission from all Soviet ships for entry to US ports. Although some other Alliance member countries have limited notification requirements, Soviet merchant fleet activity in their ports seems to be substantial and on the increase. It is estimated, for example, that 120 Soviet merchant ships enter German ports each month, that 60 call on Denmark and 50 a month pass through French harbours. Italy has noted a yearly increase of 6-30 Soviet merchant ships entering its port of Polermo during the 1976-1978 period; they are largely tankers under the direction of SOVMEDRON, which pick up provisions for Soviet battle ships and submarines in the middle Mediterranean.

Cross-Trade Participation

33. In terms of tonnage, over 80 per cent of the Soviet merchant fleet's cross-trading continues to be in the carriage of bulk raw materials, which has little impact on Western shipping markets. Soviet penetration of the more lucrative world liner cross-trades in 1978 appears not to have grown appreciably, and in many areas seems to have declined. The continuing addition of modern cargo-handling ships to the Soviet liner fleet, however, gives the USSR growing capacity to compete efficiently with Western services in world liner shipping. Heretofore, Soviet competition in such markets has been based principally on lower rates, to compensate for slower and less dependable service.

34. The primary motivation for Soviet participation in the cross-trades appears to be a desire to keep merchant fleet capacity fully occupied and to earn convertible currency. In terms of volume, Soviet exports, including arms shipments, still greatly exceed imports. Consequently, if Soviet merchant ships were used only for the carriage of the USSR's own bilateral trade, they would have to undertake a large number of unladen or partly laden return voyages.

35. The implications for the West of Soviet participation in the cross-trades and rapid expansion of its modern cargo-handling capacity are twofold: Western liner operators lose profits from business taken by the USSR; and the Soviet merchant fleet's military potential continues to be enhanced, since modern cargo-handlers are easily transferable to the transport of military equipment and supplies.

36. Loss of profits by Western firms from Soviet liner cross-trading activities, although primarily an economic issue, also has military implications. As a result of Soviet activities, Western liner capacity may be put out of business, resulting in deficiencies in shipping capacities in wartime. Current trends in the development of Soviet liner cross-trade operations, in comparison with Western liner activity, point to a possible lack of Western shipping capacity within 20 years. In addition, Western dependence on Soviet carriage of a portion of its liner cargoes gives the USSR the possibility in crisis situations of shutting off deliveries of such cargoes, which might include strategic supplies such as electronics equipment.

Extent of Penetration

37. It is difficult to estimate the exact amount of economic disruption in the West arising from Soviet participation in the liner cross-trades, since estimates of total Western shipping profits and losses are not readily available. Western

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shipping company losses stem not only from business taken over by the USSR in a period of particularly slow growth in world seaborne liner trade, but also from reduced rates which must be put in effect to compete with generally low Soviet charges and increasingly efficient service. In 1977, for instance, Western shipping firms on the Europe-East Africa route reportedly lost \$35-40 million in their efforts to match Soviet liner rate cutting.

38. In any case, Western firm rate-cutting has little or no effect in promoting carriage of goods to and from the Soviet Union, which might help make up for business lost as a result of Soviet penetration of the liner cross-trades. Bilaterally traded goods are almost entirely transported on Soviet ships because of the USSR's practice of buying on an f.o.b. basis and exporting c.i.f.(1). In 1978 Soviet ships carried 72% of the USSR's total bilateral maritime trade with the United Kingdom, approximately three-fourths of its trade with the Federal Republic of Germany, and virtually all of its trade with Japan. The growing number of Soviet freight-forwarding agencies in the West, moreover, helps ensure that the most lucrative liner transport business will be directed to Soviet ships.

39. In the absence of data on respective revenue earnings, Soviet penetration of the liner cross-trades must be measured on the basis of liner tonnage carried to and from individual Western countries on Soviet ships. These data are usually distorted by the fact that they include goods bilaterally traded with the Soviet Union. On the basis of available information, however, it appears that the Soviet merchant fleet in 1978 carried between 1 and 10% of liner goods shipped between major Alliance member countries and nations other than the USSR. On many routes, the percentage of such goods transported on Soviet ships marked a decline from the share of the previous year. In 1978, the Soviet fleet carried an exceptionally large share of around 16% of the liner goods exported from the United Kingdom to the Persian Gulf and the Indian Ocean, and just under 14% of liner shipments between the US Gulf of Mexico and the Far East, partly as a result of its increasing use of container ships.

40. Competition from the USSR in the liner cross-trades threatens to become keener with the Soviet Union's continuing acquisition of large fast ro-ro and container ships. Besides its own Soviet-built ro-ro, the USSR currently has two large Finnish-built ro-ro's and four Polish ro-ro's, all of which have been assigned to North and South Atlantic routes. Of the fleet's eight large container ships, three operate on the North Atlantic and five in a service between the United States and Japan, most often carrying only cross-traded goods.

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(1) f.o.b. = free on board, that is excluding most or all of the costs of transporting the goods to their final destination; c.i.f. = cost, insurance, freight, that is, including in the sale price of the goods the cost of insurance and delivery to the final destination.

Options for Government Action

41. To counteract the undesirable effects of shipment of their imports and exports on Soviet merchant liners at rates below those on their own national liners, Western nations have basically two options. On one hand, they can urge the Soviet lines to join conferences(1). On the other hand, they can institute unilateral or mutual measures designed to encourage the Soviet lines to conform to the rates set by the shipping companies of most other shipping nations - in general, conference rates. Both of these approaches help to ensure that Soviet liner shipping companies do not have an unfair advantage because of their perhaps artificially low state-set costs.

42. At present, Soviet shipping lines are members of only around 10 of over 100 world-wide conferences. Apparently part of the reason that they hesitate to join conferences is that they feel they can continue to optimize revenues, despite generally inferior service, by not having to conform to conference rates. Partly also, Soviet lines often cannot agree with the conferences on the conditions of membership, which may include limitations on the amount of freight which may be transported.

43. Currently, the chief measures of Alliance member governments which serve to counter additional Soviet incursion into their national liner trades are the US Controlled Carrier Act, passed in 1978, and the Dutch Retortion Bill, introduced in 1976. The European Community is now monitoring the Europe-East Africa and Europe-Central American liner trades and developing possible control mechanisms. According to a special EEC Council decision of 15th December 1978, the Federal Republic of Germany in May 1979 established legislation requiring more detailed reporting on foreign liner activities in German ports. The required data, given to Brussels in the Autumn of 1979, will be compiled and considered there together with similar information to be received from the other EC member states. Italy also has legislation which it could apply, but so far has been able to regulate Soviet liner activities through bilateral arrangements with the USSR. The United Kingdom has recently updated its Retortion Law, but still has no effective means of controlling Soviet liner shipment of British imports and exports; implementation of a Controlled Carrier Bill is being delayed by a lengthy court procedure.

44. The US Controlled Carrier Bill, which requires the public registry of liner shipping rates, has had moderate effect so far on Soviet liner cross-trade rates. A test case against

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(1) Conferences are international associations of shipping lines on established routes which set mutually agreed shipping rates (allowing rebates for certain customers) and sometimes allot sailings among their members. Such shipping cartels, against which "outsiders" can still compete at their own rates, help guarantee dependable service for shippers and a steady income for their members, who can therefore plan for expansion and improvement of services with greater certainty.



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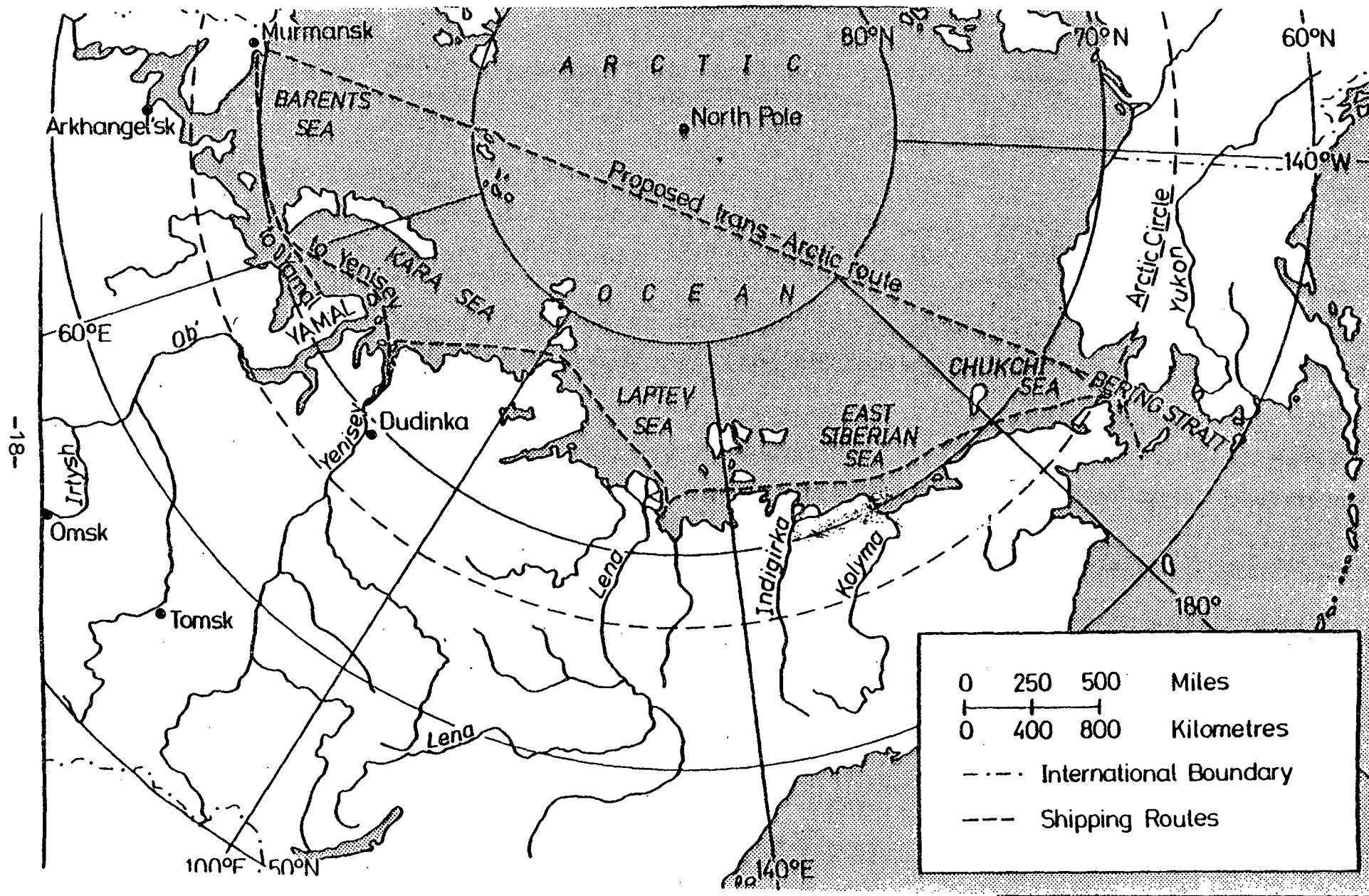
the Soviet line FESCO resulted in the upward revision, by as much as 30 per cent, of 280 out of 300 of FESCO's liner carriage rates to and from the United States. The Dutch Retortion Act, on the other hand, which resulted in a mutual reporting agreement with the USSR, has met with lesser success: Soviet shipping lines do not provide information on rates charged, as stipulated in the agreement, but only on the volume of their shipments. Part of the reason for the relatively greater US success may be the US Executive's legislated authority for closing US ports to Soviet ships, if he judges it to be in the national interest.

45. In sum, the Soviet shipping lines are aware of Western uneasiness about their penetration into national liner trades, and appear to have begun limiting their participation in such trades of their own accord. The volume of all Soviet cross-traded goods in 1978 remained about the same level as from its 1976 high of 30.4 million tons. Demonstration of mutual Western resolve in limiting such activity will probably encourage continued Soviet restraint in the future. Indeed, the lack of commercial viability of much of the Northern Sea Route suggests that military considerations figure prominently in its development.

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IV. OTHER SPECIAL-INTEREST TOPICS

Northern Sea Route

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46. The Northern Sea Route, passing along the northern coast of the USSR, is comprised of two principal sectors: the western sector, passing through the White, Barents, and Kara Seas to the Yenisey River and its principal port of Dudinka; and the eastern sector, passing through the Laptev, East Siberian, and Chukchi Seas to the Bering Straits (see adjoining map). Iced over the greater part of the year, it is none the less important to the USSR for the transport of mineral and timber resources from Siberia, and as an alternative to the Trans-Siberian Railway, which could be easily disrupted in war time. Through the introduction of increasingly powerful icebreakers, including the 15,000 horsepower nuclear icebreakers, "Artika" and "Sibir", the Soviets are now able to keep the western part of the route open virtually the year round. The eastern part of the route remains closed from the end of October to June because the value of the freight presently transported on it does not justify the expense of keeping it open.

47. By two experimental voyages in the winters of 1977 and 1978, respectively, the "Artika" and the "Sibir" demonstrated the feasibility of a route directly across the Arctic Ocean from Murmansk to the Bering Straits, at a saving of 1,300 kilometres over the Northern Coastal Route. At present, the direct route is also not commercially viable, since the costs of the icebreaker escort services is too high to justify the savings in distance. Partially as a result of such voyages, however, Soviet knowledge of ice navigation surpasses that of all other nations.

48. The growing shipment of valuable commodities via the western sector of the Northern Route contributes significantly towards the USSR's industrial and military requirements. Dudinka is the transshipment point for the nearby Norilsk mining and metallurgy combine; and the Yamal Peninsula, the other major destination of the western segment of the Northern Route, is the site of off-shore gas and oil exploration.

49. The amount of freight shipped on the Northern Route's western sector has increased greatly since the route was opened on a regular basis in 1970. The volume of goods shipped to and from Dudinka was twenty times higher in 1976 than in 1970. Shipments from the Norilsk Combine alone quadrupled in the same period. On the other hand, about 50,000 tons of goods are expected to be delivered to Yamal in 1979 via the Northern Route, whereas only 4,000 tons were transported on it in 1976.

50. To enhance its use of the Northern Sea Route, the USSR is developing specially designed vessels for navigating the shallow estuaries along the Route, and for the transportation of cargo to the many northern settlements lacking berthing facilities and cranes(1). If such vessels prove successful in the Northern Route service, they will quite likely be transferred to other areas served by the Soviet merchant fleet, such as the developing world.

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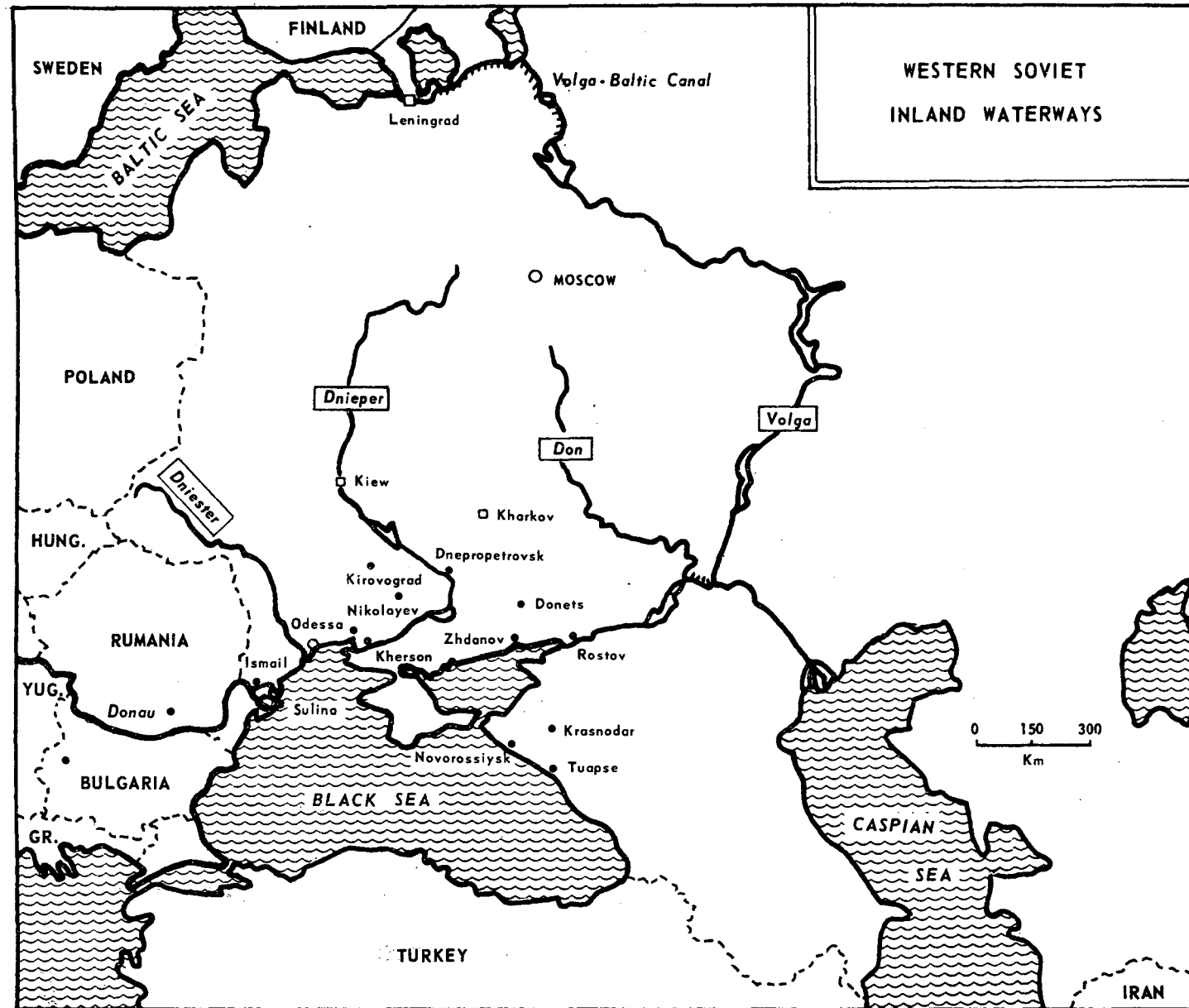
(1) One is the motorship Vavchuga, equipped with a twenty-metre jib which can load and unload cargo directly from and on to a ramp extending through the bow, which can be replaced by a twenty-six metre conveyer belt for bulk cargoes, or by pipes and pumps for liquids. Another is a platform supported on a cushion of air, which can be transported on a medium-sized vessel and can carry up to forty tons of cargo over land or water.

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

River-Sea Developments

51. The Soviet system of inland waterways in 1977 transported 520 million tonnes of cargo, or over twice as much as that carried in the domestic and international maritime trades by the Soviet merchant fleet, and 14 per cent of the freight volume moved by Soviet railroads. To move this large volume of freight, the USSR has a fleet of river vessels including river-sea vessels totalling about 1 million DWT; two-thirds of the river-sea ships are designed for the carriage of solid cargo, and one-third are tankers. Over 90% of the river and river-sea vessels are under the administration of the USSR Ministry of the River Fleet.

52. The river-sea fleet is growing at a rate of around 35 thousand DWT, or 3.5 per cent a year. Its total annual tonnage of freight carried, however, is expanding much faster: in 1977 it grew by 7 per cent, or 36 million tonnes. Part of the reason for the rapid freight expansion is the introduction of powerful new icebreakers to the river-sea fleet, including six 6,600 horsepower Finnish-built units delivered in the 1977-1979 period, and equipped with a patented air-bubbling system that increases efficiency, especially on snow-covered ice. With the use of all of the new units, Soviet authorities estimate that the 1979 inland waterway navigation season, which lasts only three months in some parts of Siberia and around eight months in the European part of the Soviet Union, will be extended by up to one month on some sections of important waterways and allow for additional annual cargo turnover of up to 30 million tonnes, or 20 billion tonne-kilometres(1).

53. Another important development in inland waterway transport for the Soviet Union will be completion of the Main-Danube Canal, scheduled for 1985, which may greatly enhance Soviet East-West transport capabilities. It could provide relief

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(1) The new units, along with more on order, will conduct icebreaking operations on the Volga-Baltic Waterway and on the Yenisey, Lena, and Ob Rivers in Siberia, all of which are capable of supporting seagoing ships of up to 6,000 DWT. The Volga-Baltic Waterway system, linking the Baltic, White, Caspian, and Black Seas, is an important commercial and naval route (see adjoining map); the Yenisey, Lena, and Ob Rivers, major north-south transport arteries for Siberia, link rapidly growing industrial, mining and agricultural centres with the major maritime and river ports of the north and transshipment points with the Trans-Siberian Railroad in the south. The USSR's increased use of its inland waterway system through lengthened seasonal navigability should thus help promote Soviet economic development and enhance potential strategic transport capabilities.

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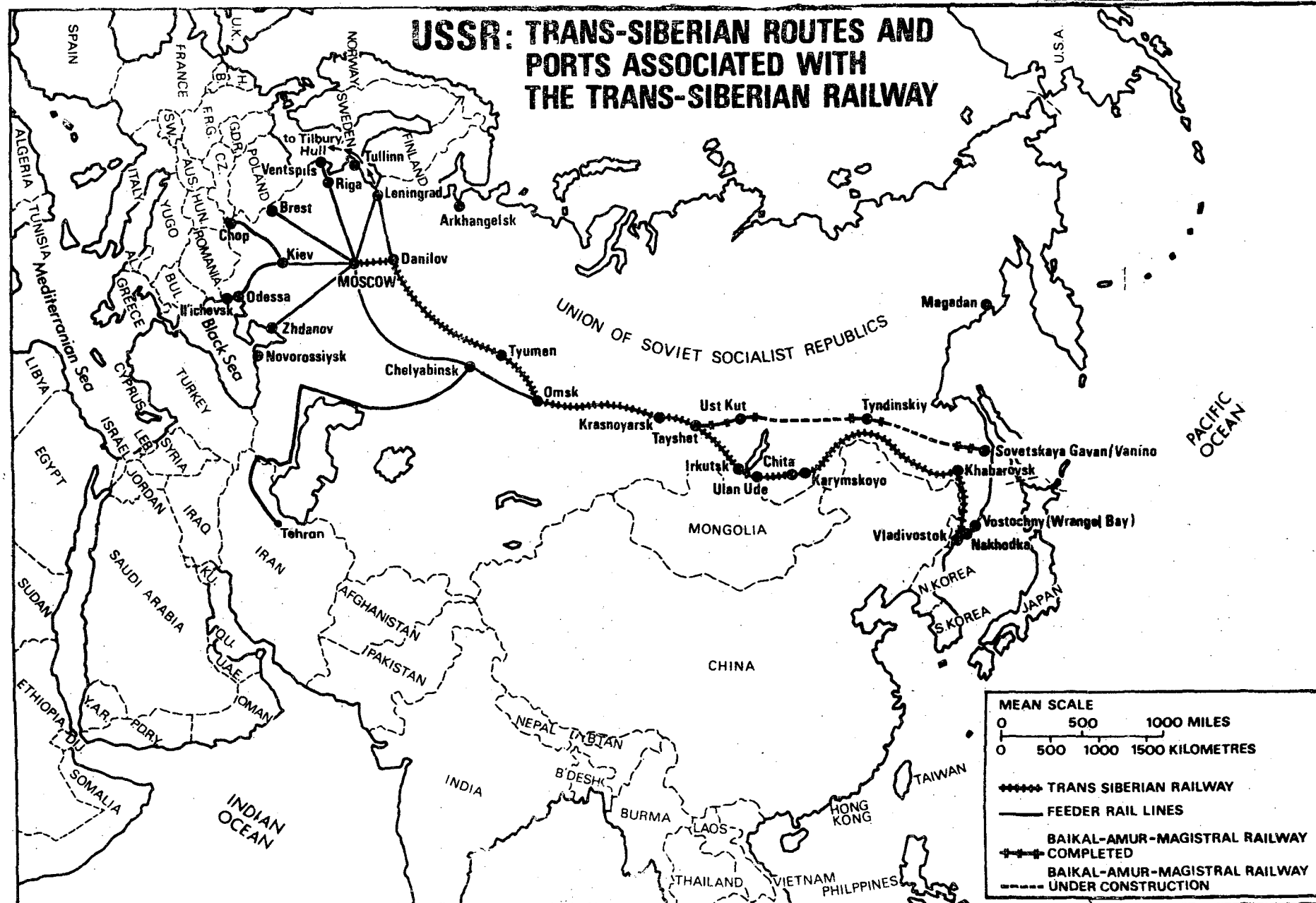
for the port of Leningrad, and also relieve intra-CMEA railway transport of goods destined for the West. Additionally, it will connect Black Sea ports directly with Hamburg and Antwerp, and complete a transport link between Iran, Afghanistan, and the West by way of the Volga-Don Canal.

54. With a view to participating in international carriage of freight on the Main-Danube Canal, which will depend on permission being given by the Federal Republic of Germany, the USSR plans to have at least six barge carriers in its fleet by 1985, each with twenty-six 1,300 ton barges. Such carriers, which eliminate the need for transloading at congested ports, will give the USSR considerable flexibility in competing in the Main-Danube Canal traffic. In addition, the barges can be used for storage pending shipment of goods to their final destination.

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Trans-Siberian Land Bridge

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55. Maritime trade between Europe and the Far East is particularly large and the USSR's so-called Trans-Siberian Land Bridge (TSLB) threatens to capture increasing portions of this trade(1). Although primarily used for the carriage of Soviet domestic cargo, the TSLB carries considerable transit foreign cargo, as the Trans-Siberian Container Service (TSCS). At present it is estimated that the TSCS carries 10% of total cargo movements and 20% of all container traffic between Europe and the Far East; for 1978 the USSR targeted a nearly 50% increase in container movement on the Land Bridge.

56. Although the transit time from door to door via the TSLB is currently slower than the fastest sea route, the USSR attracts cargoes through rate advantages; its rates currently are about 15 per cent lower than corresponding ones for sea shipment. There is a large imbalance between Eastbound and Westbound foreign cargoes on the Land Bridge, reflecting the preponderance of Japanese exports to Europe and Iran, which the USSR has tried to offset through especially attractive Eastbound rates.

57. To date, increases in liftings by the TSCS have done little more than keep pace with total increases in trade along Europe-Far East routes. In late 1978, however, the Far East Freight Conference felt compelled to offer a special discount rate of 20 per cent on two major Westbound commodities, textiles and electrical appliances, in order to meet competition from the TSCS.

58. The principal obstacle to more rapid development of the TSLB appears to be construction of port facilities at both ends of the Bridge. In September 1978, maximum transshipment capacities at the three principal Soviet eastern ports, Nakhodka, Vladivostok, and Vostochny, were estimated to be only 325 thousand TEUs, barely adequate to fulfil both foreign commercial and Soviet domestic needs. Once these facilities are developed, however, the TSCS may become more competitive, especially with the further establishment of links with Hong Kong, the Philippines and Australia. The shipping capacity of the TSLB is, none the less, additionally circumscribed by the still limited capacity of certain sections of the Trans-Siberian Railroad, and by competing demands on Soviet railway cars to meet other Soviet domestic transport needs.

Arms Deliveries

59. The Soviet merchant fleet plays an important rôle in the delivery of Soviet arms and economic aid, particularly to the Third World. Arms and aid shipments account for over one-fourth of all tonnage carried by the Soviet merchant fleet, and Soviet merchant ships deliver an arms shipment to some part of the world every 18 hours.

(1) The Trans-Siberian Land Bridge refers to the Soviet Union's shipping of cargoes via the Trans-Siberian Railway. See Appendix III for technical details of this route.

60. In other terms, most of the \$3.3 billion in arms and \$0.5 billion worth of economic aid which the USSR delivered to the developing world in 1977 was shipped by the Soviet merchant fleet. Even in an emergency, an airlift would be able to convey only about one-third of such goods. The merchant fleet, therefore, is vital to the delivery of these supplies, which provide not only for a growing source of hard currency earnings, but also for considerable political influence and strategic reinforcement throughout the world.

61. Four-fifths of Soviet arms deliveries are made to North Africa and the Near East. The merchant fleet is especially suited to these deliveries, since they can thus be made without having to pass over the territories of sometimes hostile states.

62. Moreover, arms shipments can be easily disguised on merchant ships. Because of their configuration, the USSR's growing complement of ro-ro ships lends itself especially well to disguised arms shipments, and competes effectively with other types of vessel in terms of the payload it can carry and the amount of fuel it consumes.

Joint Shipping and Fishing Ventures

63. Joint ventures with Western firms are a means by which Soviet merchant shipping organizations can establish a commercial foothold in the West - for instance, through joint freight brokering agencies - and direct business to the Soviet merchant fleet. In addition, through joint fishing ventures the USSR can gain a claim on foreign fish resources, especially those of developing countries, and partially overcome restrictions imposed by national fishing zones.

64. As of May 1979, the USSR was reported to have around 30 jointly owned shipping firms and 12 joint fishing ventures, mostly with the developing world(1). Present efforts for the further establishment of joint fishing ventures centre on Malaysia, Jamaica, Guyana, and Mexico - that is, in the vicinity of the Indian Ocean and the East Coast of South America.

65. Soviet success in establishing joint shipping ventures with Western firms seems to derive primarily from the fact that the Soviet organizations bargain effectively with the Western firms and offer attractive conditions, occasionally including Western firm control.

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(1) See Appendix IV for a listing of Soviet shipping firms and joint agencies operating in the West.

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V. FISHING FLEET DEVELOPMENTS

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66. In addition to its merchant fleet, the USSR possesses the largest large-ship fishing fleet in the world, totalling around 7 million GRT or 4.6 million (DWT)(1). The fleet is rapidly modernizing with large ships to cover the greater distances required as a result of the general world-wide establishment of 200-mile continuous national fishing zones. About 250,000 GRT of new tonnage is being added to the fleet each year, to replace an approximately equal amount of older and smaller ships withdrawn.

67. With over half of the world's fishing tonnage, the USSR fishes no more than 15 per cent of the world's annual catch, partially because of diseconomies of scale arising from its ships' large size. Currently, it takes in about 9 million tonnes of fish annually, down from a catch of about 10 million tonnes two years ago. The decline in the catch is principally due to restrictions resulting from the world-wide imposition of fishing zones. To counteract this development, the USSR has entered increasingly into joint fishing venture arrangements with other countries, especially LDCs. It also has increased the number of its factory units, which help to prevent loss due to spoilage. Other means by which it circumvents the effects of the 200-mile zones is by buying fish from other nations' fishing vessels at sea, and by chartering Soviet fishing ships to foreign countries, which ultimately deliver their catch to the USSR. As to their activities within national fishing zones, the Soviets seem generally to observe established fishing quotas, although they do not always accurately state the species of fish caught, in their declarations to national authorities.

68. To offset the effects of the 200-mile fishing zones, the Soviets also continue to develop new fishing techniques, and to explore the catching of new types of fish, such as those found at great depth, and the establishment of new fishing grounds. At present, the fleet is putting particular emphasis on seeking alternative fishing grounds in the Pacific; in line with this policy, a considerable portion of the fishing fleet is being reassigned from permanent deployment in the Baltic to the Pacific.

69. Current activities suggest that the Soviet Union will continue to give much priority to the maintenance of its catch at present levels, since fish continue to provide almost one-third of the Soviet citizen's animal protein intake. In 1977, fish consumption in the USSR was 17.7 kg per capita, as compared to 57 kg per capita for meat and approximately 2.2 kg per capita for eggs.

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(1) See Table 5, Annex I, for a distribution of the fishing fleet by ship type and geographical area.

VI. CONCLUSIONS

Commercial Competition

70. The principal immediate commercial threat to the Alliance from the Soviet merchant fleet stems from its continued competition with Western shipping lines, leading perhaps eventually to a diminution of Western shipping capacity, and raising a potential for interrupting the delivery of vital Western supplies.

71. Through its commercial activities, the fleet earns significant amounts of convertible currency for the USSR, although rising operating costs may partially offset these earnings. Currently the USSR receives over \$1 billion a year from its merchant fleet operations, and about \$400 million from the Trans-Siberian Land Bridge. Twice as much of its hard-currency earnings come from the transport of Soviet exports as from cross-trading, and foreign counter-expenses such as bunkering fees are constantly increasing; as a consequence, in the future the USSR may orient its merchant fleet increasingly to the carriage of Soviet exports and imports.

Political Objectives

72. The Soviet merchant fleet also serves political objectives. Over one-fourth of merchant fleet cargoes are shipments of economic and military aid to other Communist and Third World countries. Additionally, the fleet provides Soviet presence throughout the world and a means of exerting influence where desired. A growing number of Soviet shipping-related and freight-forwarding agencies in Western countries also expands this presence.

73. The operations of the Soviet fishing fleet similarly provide a means of extending Soviet influence and presence worldwide. In particular, joint fishing ventures based on the territory of developing countries provide pretexts for the introduction of Soviet personnel and for a Soviet claim on the receipts of the countries' fishing industries. The fishing fleet also serves an intelligence collection rôle.

Military Implications

74. By its extensive transport of troops, weapons, equipment and supplies, the Soviet merchant fleet assumes a military function. For troop transport, the fleet's complement of passenger ships is the largest in the world. For the transport of military equipment and supplies, the newer fleet ships increase capabilities for rapidly loading and unloading, and they are configured so that it is difficult to detect military cargoes. Also, the merchant fleet is used extensively for the replenishment of naval ships.

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75. In all their militarily related transport operations, Soviet merchant ships have the advantage of being able to disguise the military nature of their mission by pretending to conduct normal merchant shipping operations. Because of this advantage, they may be able to conceal, for instance, a Soviet arms build-up in some part of the world.

76. In open warfare, merchant ships could also be used to interdict Allied shipping routes, such as by laying mines. In addition, the design of many merchant fleet ships makes it relatively easy to fit them with arms, and the similarity of their operating practices to Soviet naval procedures helps ensure that crews could rapidly adopt to wartime functions. Merchant ships adaptability to naval manoeuvres is further ensured by frequent participation in Soviet naval exercises. If Allied nations became dependent on Soviet merchant shipping and railway services for the transport of items vital to defence, moreover, the USSR would have additional leverage in the event of open hostilities by interrupting delivery of such materials.

77. One other highly important military function of the merchant fleet is that of intelligence collection, which is enhanced by the fleet's commercial status and world-wide presence. There is a wealth of evidence that Soviet merchant ships engage extensively in intelligence collection, such as the observation of shore installations, the interception of communications, and the monitoring of the activities of other ships and aircraft. In addition, merchant ship crews are routinely debriefed for information they may have picked up on visits to foreign ports.

78. In sum, the Soviet merchant fleet poses potential commercial, political, and military threats to the Alliance. At present, none of these threats is severe enough to require specific countermeasures, but should continue to be evaluated as part of ongoing precautions for Allied defence.

(Signed) J-N. GIBault  
Chairman

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TABLE 1

WORLD MERCHANT FLEET TONNAGE  
BY FLAG, 31ST DECEMBER 1978  
(Excluding fishing fleets)

	<u>Million DWT</u>	<u>Per cent of</u> <u>World Fleet</u>
<u>World Total</u>	<u>633.7</u>	<u>100</u>
Liberia(1)	155.9	25
Japan	59.5	9
Greece	58.1	9
United Kingdom	51.7	8
Norway	41.2	7
Panama(1)	32.8	5
France	20.3	3
United States (active)(2)	18.8	3
Italy	18.8	3
USSR	18.4	3
Other	158.2	25

- (1) The fleets of Liberia and Panama are "flag of convenience" fleets, owned by US, Greek, overseas Chinese and other foreign firms.
- (2) Excluding about 2.7 million DWT of obsolete government-owned tonnage in the reserve fleet.

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TABLE 2

SOVIET MERCHANT FLEET COMPOSITION,  
31ST DECEMBER 1978(1)

	<u>Number</u>	<u>Thousand Dead- weight Tons (DWT)</u>	<u>Per Cent of DWT</u>	<u>Average DWT</u>
Total	<u>1,736</u>	<u>18,386</u>	<u>100</u>	<u>10,600</u>
Dry Cargo	<u>1,414</u>	<u>11,101</u>	<u>60</u>	<u>7,900</u>
Liner Types	852	6,938	38	8,100
General Purpose	(802)	(6,483)	(35)	8,200
Full Container	(20)	(187)	(1)	9,300
Roll-on-Roll-off	(29)	(227)	(1)	7,800
Barge Carrier	(1)	(37)	(1)	36,600
Refrigerator	31	153	1	4,900
Timber Carrier	396	2,071	11	5,200
Bulk Carrier	135	1,944	10	14,400
Combination Oil/Dry Bulk	<u>7</u>	<u>693</u>	<u>4</u>	<u>99,100</u>
Tanker	<u>315</u>	<u>6,591</u>	<u>36</u>	<u>20,900</u>

(1) Excluding fishing vessels, passenger ships, river-sea craft, and all ships under 1,000 Gross Registered Tons. As of 1st January 1978, passenger ships numbered 74, totalling 158 thousand DWT; and fishing vessels of all types numbered 4,320, totalling 4.6 million DWT. The Soviet merchant fleet currently has perhaps some 400 river-sea units, totalling roughly 1.5 million DWT, designed for trade from Soviet river ports to the Mediterranean, Northern Europe and the North Pacific.

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TABLE 3

SOVIET MERCHANT FLEET SIZE AND GROWTH

<u>Year</u>	<u>Inventory as of 31st December(1)</u>		<u>Net Increase in Tonnage</u>		<u>Deliveries during Year</u>
	<u>Number</u>	<u>Million Dead-weight Tons</u>	<u>Million Dead-weight Tons</u>	<u>Per cent</u>	<u>Million Dead-weight Tons</u>
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	1,500	13.4	0.8	6	1.0
1974	1,570	14.1	0.7	5	0.9
1975	1,620	15.0	0.9	6	1.1
1976	1,670	16.3	1.3	9	1.4
1977	1,710	17.2	0.9	5	0.9
1978	1,736	18.4	1.2	7	1.3

(1) Excluding fishing vessels, passenger ships, river-sea craft, and all ships under 1,000 Gross Registered Tons (a measure of the enclosed space on a ship, including non-cargo carrying space)



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TABLE 4

CARGO TONNAGE CARRIED BY THE SOVIET MERCHANT FLEET  
IN THE USSR'S AND OTHER COUNTRIES' TRADES

<u>Trade Category</u>	<u>1978</u>		<u>1977</u>		<u>1976</u>		<u>1975</u>		<u>1970</u>		<u>1965</u>	
	<u>Million Metric Tons</u>	<u>Per cent</u>	<u>Million Metric Tons</u>	<u>Per cent</u>	<u>Million Metric Tons</u>	<u>Per cent</u>	<u>Million Metric Tons</u>	<u>Per cent</u>	<u>Million Metric Tons</u>	<u>Per cent</u>	<u>Million Metric Tons</u>	<u>Per cent</u>
<u>Total</u>	<u>229.0</u>	<u>100</u>	<u>220.3</u>	<u>100</u>	<u>214.5</u>	<u>100</u>	<u>200.0</u>	<u>100</u>	<u>161.9</u>	<u>100</u>	<u>119.3</u>	<u>100</u>
<u>Soviet</u>	<u>200.0</u>	<u>87</u>	<u>190.1</u>	<u>86</u>	<u>184.1</u>	<u>86</u>	<u>170.0</u>	<u>85</u>	<u>146.9</u>	<u>91</u>	<u>111.8</u>	<u>94</u>
<u>International</u>	<u>120.0</u>	<u>52</u>	<u>112.4</u>	<u>51</u>	<u>104.1</u>	<u>49</u>	<u>90.9</u>	<u>45</u>	<u>75.3</u>	<u>47</u>	<u>50.0</u>	<u>42</u>
<u>Domestic (Cabotage)</u>	<u>80.0</u>	<u>35</u>	<u>77.7</u>	<u>35</u>	<u>80.0</u>	<u>37</u>	<u>79.1</u>	<u>40</u>	<u>71.6</u>	<u>44</u>	<u>61.8</u>	<u>52</u>
<u>Cross-Trade</u>	<u>29.0</u>	<u>13</u>	<u>30.2</u>	<u>14</u>	<u>30.4</u>	<u>14</u>	<u>30.0</u>	<u>15</u>	<u>15.0</u>	<u>9</u>	<u>7.5</u>	<u>6</u>

N A T O   C O N F I D E N T I A L

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

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TABLE 5

SOVIET FISHING FLEET - 1ST JANUARY 1978

(Units of over 100 GRT in thousands of tons)

	<u>Trawlers(1)</u>			<u>Factory Trawlers</u>			<u>Factory/ Base Ships</u>			<u>Ref Cargo (Fish)(2)</u>			<u>Tankers (Fish)(3)</u>			<u>Research (Fish)(4)</u>			<u>Auxiliary(5)</u>			<u>Totals</u>		
	<u>No.</u>	<u>GRT</u>	<u>DWT</u>	<u>No.</u>	<u>GRT</u>	<u>DWT</u>	<u>No.</u>	<u>GRT</u>	<u>DWT</u>	<u>No.</u>	<u>GRT</u>	<u>DWT</u>	<u>No.</u>	<u>GRT</u>	<u>DWT</u>	<u>No.</u>	<u>GRT</u>	<u>DWT</u>	<u>No.</u>	<u>GRT</u>	<u>DWT</u>	<u>No.</u>	<u>GRT</u>	<u>DWT</u>
North	391	184	113	205	622	321	23	255	195	22	171	138	13	24	28	16	15	7	30	37	31	700	1,308	833
Baltic	825	289	151	280	869	406	37	428	325	132	564	471	26	54	70	1	1	1	60	37	16	1,361	2,241	1,440
Black	188	79	38	145	431	217	5	75	59	32	194	173	9	15	19	30	31	14	22	10	5	431	836	525
Pacific	1,054	389	203	216	606	275	81	885	624	110	442	389	34	70	90	53	63	30	120	153	155	1,668	2,608	1,766
Sub-Total	2,458	941	505	846	2,528	1,219	146	1,643	1,203	296	1,371	1,171	82	163	207	100	110	52	232	237	207	4,160	6,993	4,564
Caspian	220	26	12	20	27	11	-	-	-	74	64	29	8	4	3	6	1	1	32	9	6	360	131	62
<u>Total</u>	<u>2,678</u>	<u>967</u>	<u>517</u>	<u>866</u>	<u>2,555</u>	<u>1,230</u>	<u>146</u>	<u>1,643</u>	<u>1,203</u>	<u>370</u>	<u>1,435</u>	<u>1,200</u>	<u>90</u>	<u>167</u>	<u>210</u>	<u>106</u>	<u>111</u>	<u>53</u>	<u>264</u>	<u>246</u>	<u>213</u>	<u>4,520</u>	<u>7,124</u>	<u>4,626</u>

- (1) Includes trawlers, refrigerated trawlers, seiners, whale catchers and seal catchers  
 (2) Includes all refrigerated cargo ships subordinate to fishing fleet  
 (3) Includes all tankers subordinate to fishing fleet  
 (4) Includes all research ships subordinate to fishing fleet  
 (5) Includes general cargo, tugs and training ships subordinate to the fishing fleet

TERMINOLOGY

1. Merchant ships are generally classified on the basis of the goods they carry. Thus a preliminary distinction is made between those that carry dry cargo of any type, and those that carry either liquids or gases - tankers. Within the category of dry cargo ships, a broad division can be made between ships designed to handle general cargo, and those designed to transport unpackaged commodities in bulk (principally bauxite, phosphate, iron and other metal ores, coal and grain), known as bulk carriers.

2. Additional specialized types of general cargo ships are refrigerator ships and timber carriers - refrigerator ships as the name implies, are designed primarily to haul such perishable cargoes as meat and fruit, but may also be utilized as desired to carry general cargo. Timber carriers, on the other hand, are built to carry cargoes of logs and lumber, but they are also well adapted to the carriage of free-flowing bulk commodities.

3. Liners are ships designed to transport general cargo which usually, but not necessarily, operate on established shipping routes according to fixed schedules - that is, on shipping lines. New types of ships have been developed in recent years to handle the transport, and especially the loading and unloading of general cargo more efficiently than is possible with conventional general purpose cargo ships. Also characterized as liners, but more specifically known as unit load ships, these new ship types include container ships, roll-on/roll-off (ro-ro) vessels, lift ships, multiflex ships and barge carriers.

4. With container ships, goods are put into uniform containers for transfer from one means of conveyance to another (truck, train, ship) without repacking; because of the uniformity of the containers, specialized equipment can quickly effect transfer. Ro-ro vessels have special loading ramps for transfer directly from ship to road, and vice-versa, of automobiles or goods in motorized or non-motorized vehicles. Often these vehicles are containerized. Lift ships, meant for the transport of heavy equipment such as cranes and oil derricks, are often semi-submersible for easy loading and unloading. Multiflex ships are extremely versatile ro-ros which can also easily handle containers and general cargo.

5. Barge carriers are of several types, but all transport a number of smaller vessels, or barges, to facilitate shallow-water unloading and transfer. The two principal types are the lighter-aboard-ship (Lash) system, which can carry up to 39 barges of 370 tons each, and the Seabee, which can carry 38 barges each weighing 850 tons.

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6. Finally, a hybrid type of ship exists which can transport either liquids (generally oil) or dry commodities in bulk; these ships are generally termed combination oil/bulk carriers, or simply combination carriers.

To recapitulate, all types of ships can be categorized according to the following ship classification table:

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SHIP CLASSIFICATION TABLE

I. DRY CARGO

A. Liners

1. General purpose

- (a) General cargo
- (b) Passenger/cargo
- (c) Cargo/training

2. Unit load

- (a) Roll-on/roll-off (ro-ro)
- (b) Lift ships
- (c) Multiflex ships
- (d) Barge carriers
- (e) Container ships
- (f) Other

B. Refrigerator ships

C. Timber carriers

D. Bulk carriers

II. TANKERS

A. Petroleum

B. Gas

C. Other

III. COMBINATION OIL/BULK CARRIERS

IV. PASSENGER/FERRY

V. AUXILIARY

A. Research

B. Icebreaker

C. Other auxiliary (tugs, dredges, and training ships)

VI. FISHING

A. Trawlers (including refrigerated trawlers, seiners, whale catchers and seal catchers)

B. Factory ships

- (a) Factory trawlers
- (b) Factory/Base ships

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- C. Refrigerated cargo (subordinate to fishing fleet)
- D. Tankers (subordinate to fishing fleet)
- E. Research (subordinate to fishing fleet)
- F. Auxiliary (general cargo, tugs, and training ships subordinate to fishing fleet)

VII. RIVER-SEA CRAFT

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THE TRANS-SIBERIAN CONTAINER SERVICE (TSCS)

Origin and development of the Landbridge

1. In the mid-1960s the first consignment of transit containers is reported to have been shipped across the USSR to Japan by way of the Trans-Siberian Railway. The potential of the route for regular container traffic appears not to have been grasped immediately, but by the early 1970s this so-called Landbridge was being quickly developed.

2. Since then there have been considerable improvements in the operation of the Trans-Siberian Railway (TSR) and in the related container handling facilities. Much of the latter improvement can be attributed to the purchase of Western technology and expertise (mainly West German and Japanese). The transit container service which uses the Trans-Siberian Landbridge (TSL) is called the Trans-Siberian Container Service (TSCS) and now accounts for an estimated 10% of total cargo movements in the Europe/Far East/Europe trade. This is a matter of concern to the Far Eastern Freight Conference (FEFC). The Conference has estimated that the TSCS carried 23.4% of the combined FEFC and Landbridge eastbound foreign trade to Japan, and 17.6% of the combined westbound trade from Japan, in 1977. The corresponding figures were 4.4% and 7.9% in 1972.

3. Soviet sources estimate that a total of 82,000 TEU were carried by the TSR in 1975; 120,000 TEU in 1976; 102,500 TEU in 1977. These totals include Soviet domestic cargo, Soviet foreign trade, transit cargo, and empty containers to and from areas presently covered by the service. Soviet authorities aimed at a throughput of 150,000 TEU in 1978.

4. Current development work on the 7,000 mile Landbridge is being undertaken as part of the 10th Soviet five year plan (1976-1980). This includes improvements to the existing railway system such as the introduction of special block trains, electrification and double track, and the adoption of computer tracking of containers. Future plans include the addition of a new railway line known as the BAM running in parallel over much of the eastern section of the TSR, and the construction of the Trans-Siberian Highway. Once these projects have been completed by the end of the century the capacity of the Landbridge could have increased threefold to an estimated 600,000 TEU per annum.

5. Further development work is being undertaken in the construction of containers to use on the Landbridge. Until 1977 the Soviet Union had to rely on imported containers (usually Japanese) for use on the TSL. However, last year a West German company, Industrie Transportsysteme Lubeck, completed the country's first container plant at Odessa. It is capable of producing 5,000 units a year.

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6. In February 1976 the Japanese company Kawasaki Heavy Industries concluded a deal to build a 40,000 containers per annum production plant at Abakan in Siberia. Believed to be the biggest of its type in the world the plant will produce slightly more than the total output of Japan's largest container manufacturer, Tokyo Sharyo, at its two plants. Kawasaki has nearly completed delivery of equipment for the US \$27 million plant and recently signed an agreement to supply the engineers who will supervise its final assembly. Construction, which began in 1978, is to be completed by the end of 1979.

7. In the field of system administration and control Mitsui Shipbuilding and Engineering Company has recently completed delivery of a computer system to complete other Mitsui container facilities at the Soviet Pacific port of Vostochny. In addition the Soviets announced in June 1978 the introduction of a computer control system covering all transit container traffic on the TSCS between European countries and the Far East.

Trans-Siberian Landbridge (TSL) Rail and Port Facilities

8. The TSCS draws transit traffic by road and rail from and to central Europe, by sea from and to north Europe, Scandinavia and the United Kingdom. This traffic travels from various railheads in western USSR to the eastern seaboard for onward transit to the Far East via the Trans-Siberian Railway (TSR), which is the only through overland connection. The western route is double tracked and although electrification is still not complete, the line provides an efficient and reliable through route for both passengers and freight with a capacity of some 100 trains per day. The major development in rail transport for the area is the building of the Baykal-Amur-Magistral (BAM) railway. This new line now under construction, which runs almost parallel to the TSR, will double the overall railway capacity to the Pacific coast of the USSR. It will be 4,400 km long of which some hundreds of kilometres have now been laid. However, as this route crosses terrain which is most difficult from a construction point of view, completion is not now scheduled until 1983. It is more than possible that even this date may be extended.

9. An alternative future route will be the Trans-Siberian Highway (TSH). However, there is at present no through trans-continental road from Brest - Litovsk at the Polish border to Vladivostok on the Pacific seaboard although a two-lane hard surface road now extends as far east as Chelyabinsk. Reports indicate that construction is planned or in progress on several sections of the TSH between Chelyabinsk and Vladivostok which will complete the through route. Progress is difficult to assess and it is not possible to forecast a completion date. It seems unlikely that the TSH will be in operation before 1990. When it is complete, the trans-continental road from Brest to Vladivostok will be some 9,900 km long. Feeder roads are also planned.



10. Road, rail and ship (including canal) systems in the west of the USSR are considered to be more than adequate to support the present and planned TSR and TSH developments. It has been assumed up to now that in the interests of journey time, rail will continue to provide the main feeder system for the TSCS from Western Europe, although some delays may occur at change of gauge stations on entering the USSR. Road transport has however become increasingly important recently in the link between Europe and the TSR(1).

The Capacity of the Landbridge

11. Capacity is dependent upon the size of the port container handling facilities at each end of the route, and the operational capacity of the railway.

12. In western USSR, purpose-built container handling facilities now exist and are still being developed at several Soviet ports, particularly those located on the Baltic Sea. The Leningrad container terminal handled about 80,000 TEU containers in 1976 (not all for the Landbridge) and should be able to handle 200,000 when finally completed. Container facilities exist at Riga and more are under construction at that port. At Tallinn, the present container berth handles 2,500 TEU containers a year; when a new berth under construction is completed, this should increase capacity to 25,000 a year. Ventspils can handle containers at general cargo berths. A large container complex is reported to be under construction at Arkhangel'sk. On the Black Sea, the major container terminal at Il'ichevsk now has a reported capacity of 500,000 TEU containers a year. Container facilities are also reported at Odessa and Zhdanov.

13. At the eastern end of the Landbridge, Nakhodka and Vostochny are the Soviet Pacific ports at which trans-shipment is made to seaborne feeder services. A container handling facility is also available at Vladivostok. According to Soviet sources Nakhodka, which deals mainly with containers in-coming from Japan, handles about 70-80,000 TEU a year whereas Vostochny could handle some 100,000 TEU each year (outbound only) at present at the one completed container berth. Construction of container berths is in hand and the future capacity of the

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(1) Although authentic statistics for TSCS transit traffic are difficult to obtain an estimate is made at paragraph 22 of this Annex that 62,000 TEU were carried to and from Europe/UK in 1977. Transit traffic by sea links to the Soviet Union could have amounted to 30,000 TEU and the remaining 32,000 TEU by land links. A report prepared in September 1978 by the West German Shipowners Association (VDR) commented that Intercontainer - a firm located in Basle in which many European railways have an investment - carried an estimated 18,000 TEU by rail to and from the western Soviet border in 1977. Interpolation of this data illustrates the increasing use of lorries to transport containers, i.e. in the region of 14,000 TEU in 1977.

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Pacific ports will probably exceed 300,000 TEU a year(1). It is expected that a container terminal will be built at Sovetskaya Gavan/Vanino to serve the BAM railway. A container terminal is also under construction at Magadan (Nagayevo).

14. Containers carried by the TSR (including Soviet domestic traffic) in 1976 amounted to 120,000 TEU or the equivalent of three trains a day. An increasing number of special container flats are coming into service and the majority of east-west container traffic is now carried by container trains. There are indications that the west to east traffic may be less organized due to the delays and difficulties reported in retrieving containers due to the imbalance of cross traffic over the TSR.

15. The estimated sustained operating capacity of the railway east of the Urals ranges from 100 trains a day on the slower more difficult section of the track to maximum of 180. The estimated number of trains using the railway ranges from about 30 a day on some of the East Siberian sections to more than 120 in the west. It is assumed that this includes military trains. Since each container flat train can handle 100 TEU there is therefore a fair size surplus capacity. The restrictions imposed by berth construction at the Soviet Pacific ports are thus felt to be the probable limiting factor.

Scope of Service Provided by the Trans-Siberian Container Service (TSCS)

16. The TSCS carries foreign trade on the Landbridge and is controlled by the Soviet foreign trade organization Sojuzvneshtans (SVT) which is subordinate to the Ministry of Foreign Trade. SVT has forwarding agency responsibilities for the transport of Soviet imports and exports as well as shipment of foreign goods in transit through the USSR.

17. SVT obtains cargo for the TSCS through a world-wide network of forwarding agents and companies established outside the USSR many of whom are wholly Soviet owned companies or joint ventures. In Japan canvassing for cargo and setting of rate-levels is carried out by several (15) major forwarding agents who have been granted licences by SVT for transport via the TSCS. The agents are known as Non-Vessel Operating Common Carriers (NVOCCs) and have formed a group called the Trans-Siberia International Operators Association of Japan. The Japanese NVOCCs use major European forwarding agents as their partners.

(1) A report prepared in September 1978 by the West German Ship-owners Association gave the following maximum trans-shipment capacities based on Soviet sources:

Nakhodka	240,000	TEU p.a.
Vladivostok	15,000	
Vostochny	70,000	
Total	325,000	

18. At the European end of the trade route the Soviet Baltic Shipping Company and Black Sea Shipping Company provide a sea link between the USSR and those parts of Scandinavia, northern Europe and southern Europe which have no ready access to road and rail links. All containers moving between the UK and the TSR railhead are carried between Tilbury and Leningrad on the liner service operated by the Soviet Baltic Steamship Company, but not on the joint liner service operated by Baltic SC in conjunction with a UK shipowner. The proportion of total TSCS cargo moving to and from the UK is estimated to be a relatively small 10-12 per cent of total carryings.

19. At the Pacific end of the trade route feeder services to the TSCS operate between the Soviet ports of Nakhodka and Vostochny and Japan, Taiwan, Hong Kong, Singapore, Korea, the Philippines and Thailand. The service to and from Japan is provided by 6 Soviet FESCO line and 2 Japanese vessels owned by Yamashita Siminnihon and Iino Kaiun. Soviet vessels only serve the other Far East ports direct with the exception of Taiwan and Korea. A through service to and from Australia has also been considered but not yet put into effect although a proportion of the eastbound containers routed to Hong Kong have Australia as final destination. The number of containers moving between Europe and Hong Kong is difficult to estimate. Commercial sources indicated that approximately 4,500 TEU moved eastbound and 5,500 moved westbound in 1978. Trans-shipments to Australia were estimated at 1,000 TEU p.a.

20. In the last few years Iran has become one of the principal destinations for westbound cargo carried by the TSCS. This reflected the heavy congestion in Iranian ports and, therefore, a preference for the overland route. The transfer of this cargo to the TSCS in 1975 and 1976 made Iran the major destination, with a 19 and 46 per cent share, respectively. There was a major drop in carryings to Iran in 1977 and 1978.

21. Estimates of best journey times via the TSCS are that the rail element of the journey from Soviet frontier rail stations to Japan takes 20-25 days, compared with 30-35 days by sea from, for example, Rotterdam to Japan via Panama or Suez, and 40-45 days via the Cape. However, best transit times via the TSCS are not the norm and journeys of 30-35 days are the general rule. The MAT/Transib Group operate a freight refunding project involving 50 per cent compensation of transport costs if the agreed transit time is exceeded by 15-30 days, and 100 per cent if by more than 30 days. Against this background the transit times offered by the Far East Freight Conference (FEFC) and associated conferences to Japan generally remain competitive (e.g. Southampton to Tokyo is quoted at 19-25 days), although these are port to port times only.

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22. The number of loaded containers moved between Europe/ Iran and Japan via the TSCS over the last few years is difficult to state with any degree of authority. No official government statistics are available but the following figures, which originate from Japanese NVOCC sources, are considered to be accurate:

	<u>Eastbound</u>	<u>Westbound</u> <u>(Europe)</u>	<u>Westbound</u> <u>(Iran)</u>	<u>Total</u>
1974	17,088	28,000	6,391	51,479
1975	12,632	33,000	14,314	59,946
1976	22,072	28,000	29,684	79,756
1977	21,770	40,570	8,410	70,750
1978	23,212	49,407	3,644	76,263

The changing pattern of westbound shipments from Japan to Iran and its influence on the level of shipments from Japan to Europe, is illustrated by the above table. The increase in westbound carryings from Japan to Europe in 1977 over 1976 is no doubt attributable in part to the reductions in carryings to Iran from some 30,000 TEUs in 1976 to 8,000 in 1977.

23. According to an unconfirmed US source movements of containers destined or consigned from Japan to Europe in 1977 were as follows:

	<u>Eastbound</u>	<u>Westbound</u>	<u>Total</u>
TSCS	22,000 (24%)	40,000 (19%)	62,000 (20%)
Sea	70,000	170,000	240,000
Total	92,000	210,000	302,000

These figures correspond closely to more recent estimates by the FEFC.

24. The major source of eastbound trade from the European end of the trade route is the FRG. The FEFC are understood to have contained Soviet penetration in 1977 by offering selected discounts to major eastbound shippers, particularly of chemicals, but the pattern of carryings in 1978 shows increase of TSCS trade in this direction. In general westbound trade to Europe has been relatively static but the FEFC is concerned that the TSCS share of this static trade is growing. A trend towards 40/50,000 TEU westbound per annum would cause concern to the FEFC, therefore the trend of TSCS carryings in 1978 could - if sustained in 1979 - cause the Conference to reappraise its strategy.

25. It is clear from the total eastbound and westbound figures that there is a significant imbalance in the foreign trade between the two legs of the service with the westbound leg carrying almost double the eastbound traffic. According to Soviet sources however their domestic cargo movements are larger eastbound. There is therefore an overall excess in that direction and the Soviet authorities are now interested in increasing the USSR total westbound carryings.

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SOVIET SHIPPING FIRMS AND JOINT AGENCIES OPERATING  
OTHER THAN IN EASTERN EUROPE

AUSTRALIA

Fesco Australia Line (NA)

Fesco Australia Line was formed in early 1976 and is 85 per cent Soviet owned.

Opal Maritime Agency Ltd. (Sydney)

Opal Maritime Agency was established in 1974 to service all Soviet shipping lines involved in trades with Australia. Sovinplot(1) holds about 75% of the ownership shares.

AUSTRIA

Asotra

Asotra began transport and freight forwarding operations in April 1976. Of the 2 million Austrian schillings (AS) - \$111,500 - of initial capital, \$58,000 was invested by the Soviet freight firm Soyuzvneshttrans(2); the Austrian firm Express GmbH and two Austrian subsidiaries of the Swiss companies Panalpina and Danzas each contributed \$18,000.

Asotra's responsibilities include the transport of goods from the USSR to Austria, acceptance of goods in Austria for transport through the USSR, and shipment of Soviet imports and exports in transit through Austria, as well as imports and exports from other countries. Asotra employs 15 people; both managers are Austrian.

BELGIUM

Transworld Marine Agency (TWM) (Antwerp)

The Antwerp-based TWM was incorporated in August 1970 with an initial capital of B.fr. 5 million (\$142,800). The Soviets control 75 per cent of the shares distributed among

- (1) Sovinplot serves as the agent for foreign ships visiting the Soviet Union and co-ordinates the activities of Soviet liner services and agencies representing Soviet ships in foreign ports. Sovinplot is a subordinate body of the USSR Ministry of Merchant Marine (Morflot).
- (2) Soyuzvneshttrans (SVT): organization subordinate to the Ministry of Foreign Trade and responsible for the transport of exports and imports and shipments of transit goods through the USSR.

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5 Soviet shipping organizations: Sovinplot, Sovfracht(1) and the Baltic, Murmansk, and Latvian Steamship Companies. The remaining interest is held by Société Commerciale Antioine Ploerberghs SA and Steinman and Company SA, along with a Belgian national who also holds interest in Nafta-B. Near the end of 1972, TWM's initial capital was raised to B.fr. 12 million (\$342,800) by issuing 1,400 new shares. The Belgium minority shareholders received new shares in proportion to their original equity.

TWM is one of the largest shipping agencies in the Benelux countries. It represents at least 20 Soviet international lines, including the Arctic Line, which handles trade with Canada; Baltamerica Line, with the East Coast of South America; the Baltaustralia Line, with Australia; and the Balt New Zealand Line, with New Zealand. At the end of 1976, TWM represented about 25 per cent of Soviet international liner services. It has branch offices in Ghent, Ostend, Zeebrugge, and Brussels, in Belgium; Amsterdam, Rotterdam, Delfzyl, Vlissingen, and Terneuzen, in the Netherlands; and Dusseldorf and Frankfurt in the FRG. TWM acts as a freight forwarder, customs representative, shipping agent, insurer, financier, and travel agent.

Bobelmarine SA

Established in April 1976 to function as a freight forwarding firm and is located in Antwerp. Sovfracht holds 60 per cent of the shares outright and 15 per cent more via Soviet-controlled joint ventures in Belgium and the United Kingdom. A Belgian company reportedly holds the remaining 25 per cent equity.

Collied Stevedores SA

Established in 1976 and recapitalized in June of that year. Its charter covers all activities relating to loading and unloading vessels. Sovinplot is the majority shareholder.

CANADA

Morflot Freight Liners Ltd. (Vancouver)

On 31st December 1975, Morflot, representing Sovinplot, acquired all the assets (including employees) of Pacific International Freightliners (PIF) Ltd., which had been operating since 1967. Like its predecessor, Morflot Freight Liners is

(1) Sovfracht: Soviet chartering organization subordinate entity to the USSR Ministry of Merchant Marine (Morflot).

controlled by the Soviets. Its current Canadian partner - a former PIF principal stockholder - holds only 5 per cent of the shares, and they are recallable at Morflot's option at book value. Morflot Freight Liners acts as a general agent for Soviet shipping in Canada.

DENMARK

No Soviet shipping firm or joint agency is established in Denmark.

FEDERAL REPUBLIC OF GERMANY (FRG)

Ueberseeschiffahrtsagentur Transnautic GmbH & Co KG  
(Hamburg/Bremen)

Transnautic was set up in Hamburg and Bremen in 1974 as general agents to handle Soviet shipping in the Federal Republic of Germany. It is 51 per cent Soviet owned (Sovinflot), 49 per cent B Dettmer & Co, Bremen.

Sovchart Hamburg GmbH (Hamburg)

This firm was established in 1976 for shipbroking activities. It is 97 per cent owned by Sovchart SA, Geneva.

Wesotra Spedition and Transport GmbH (Cologne)

In 1976, the Soviet FTO Soyuzvneshttrans and the 3 West German transport firms of Keuhne und Nagel, Schenker and Pracht agreed to establish a joint transport and freight forwarding association called Wesotra. Soyuzvneshttrans own 52 per cent of the shares while the German firms own 16 per cent. The firm is designed to improve the servicing of freight traffic between the FRG and the USSR, including the selection of the best routes for import and export shipments. It also co-ordinates the transport of freight from third countries and handles freight transiting Soviet territory to countries in the Middle and Far East.

Transworld Marine Agency GmbH (Dusseldorf)

The agency was formed in September 1973. Based in Dusseldorf it is a subsidiary of Transnautic GmbH which owns 51 per cent of the shares. The agency's activities are concentrated both inland and at ports on forwarding, chartering and sale/purchase. There are branches in Frankfurt, Munich, Stuttgart and Vienna.

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Bominflot-Bunkergesellschaft fur Mineralole GmbH (Hamburg)

Established in 1976 in Hamburg this company is 51 per cent Soviet owned (Anglo-Soviet Shipping Co.Ltd., London). It is concerned with bunkering operations (Stations and Supplies).

Transglobe Container Services GmbH (Bremen)

Transglobe is a wholly owned subsidiary company of Transnautic GmbH and is concerned with container leasing and control of Soviet containers and container movements in Northern Europe.

FINLAND

Saimaa Lines Ltd.

Saimaa Lines Ltd. was founded in 1968 by Finnish and Soviet companies primarily to handle traffic via the Saimaa Canal. The shares of the company are owned fifty-fifty by Finnish and Soviet enterprises. The board of directors consists of 9 members, 6 of whom are Finns. Besides handling traffic via the Saimaa Canal, the company acts as a shipping agency, a shipbroker and a forwarding agency.

Saimaa also runs the Saimaa Pacific Line, a service linking Northern Europe with ports in Central America and West Coast North America. Saimaa are known to own one vessel and have in the past time-chartered any other transport capacity needed. The company is also engaged in transit transportations through Finland to the Soviet Union and through the Soviet Union to Iran and the Far East.

FRANCE

Société d'Agences Maritimes Franco-Sovietique (Sagmar SA) (Paris)

Sagmar, a Soviet-French shipping company, was founded in 1974. The company is 51 per cent Soviet owned (Sovinflot) with the balance held by the Worms Group. Sagmar is a branch of the Antwerp-based Soviet-controlled shipping company TWM. It has some 50 employees of whom 4 are Soviet citizens. Sagmar is the agent for all Soviet lines serving France and represents Soyuzvenshtrans.

GREECE

Transmed Shipping SA

This is the only Soviet joint stock company in Greece. It was established in mid-1976 and began operations in December 1976 serving as agent for Soviet and Eastern Bloc merchant vessels calling at Greek ports, and to promote Soviet tourism. Sovinflot holds 60 per cent of the shares of Transmed.



IRELAND

No information available.

ITALY

Agenzia Maritima Dolphin SpA (Genoa)

The Soviet-Italian maritime agency Agenzia Maritima Dolphin was set up late in 1976. Sovinplot is assumed to be the major shareholder from the Soviet side. Italian interests are not known. The agency offers transport services.

Sovitalmare (NA)

Sovitalmare was established in 1976 to charter cargo ships for freight between Italy and the Soviet Union. The firm's ownership is shared by the Italian state-owned shipping concern Finmare and the Soviet chartering organization Sovfracht. The Italians hold a 51 per cent share in this joint venture, Sovfracht the remaining 49 per cent.

JAPAN

United Orient Shipping Agency Company Ltd. (Tokyo)

The United Orient Shipping Agency (UNIORIENT) was formed in 1969 as a general agent for shipping. Its initial paid-up capital was 50 million Yen (Y) (\$139,000) and this was subsequently increased by 5 million Yen. Authorized total capital is 200 million (\$555,556). The Soviet chartering organization Sovfracht and the Soviet shipping line FESCO originally held 25 per cent each, while the Japanese company Yamashita-Shinnihon and its affiliate Azuma Shipping Company Ltd., held 40 per cent and 10 per cent respectively. The present capital holdings are: FESCO 15 per cent, Sovinplot 35 per cent, Yamashita-Shinnihon Steamship Co.Ltd. 20 per cent, and Azuma Shipping Co.Ltd. 30 per cent.

NETHERLANDS

Transworld Marine Agency NV (Rotterdam, Amsterdam, Delfzyl, Terneuzen, Vlissingen)

The Soviets established branch offices of the Antwerp-based Transworld Marine Agency in mid-1972. The agency is responsible for servicing all Soviet merchant ships stopping at Dutch ports and for freight forwarding, customs and shipping matters, and insurance. Sovinplot reportedly holds the majority of Transworld Marine's stock.

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NORWAY

No Soviet shipping firm or joint agency is established in Norway.

NEW ZEALAND

No information available.

PHILIPPINES

Fil-Sov Shipping Company (Manila)

Fil-Sov was established in 1974 by the Soviet organization Sovinplot and a local investor, E M Conjuangco. Conjuangco owns 60 per cent of the shares and Sovinplot 40 per cent. Despite subsequent injections of capital by the Soviets to cover operating deficits, the original investment ratio of 60 to 40 per cent has stayed the same.

PORTUGAL

Aminster

A joint Portuguese/Soviet agency about which no further details are available.

SINGAPORE

Singapore-Soviet Shipping Company (SOSIAC) (Singapore)

SOSIAC was formed in 1967 as a joint venture company between the Soviet state shipping agency (Sovinplot) and a private local company South Union to control the activities of Soviet vessels in the Singapore-Malaysia area, including provisioning and bunkering services. Its chartering responsibility was originally limited to vessels of the Soviet FESCO line. By the end of 1970, however, it had become the official agency for 12 Soviet shipping lines. In 1976 SOSIAC opened a representative office in Moscow to improve contacts with Soviet foreign trade enterprises and with the other Soviet shipping companies.

SPAIN

Intramar, SA (Madrid)

Intramar began operations in November 1976 to service all Soviet merchant marine vessels calling at Spanish ports and in time to promote Soviet tourism. The Soviet shipping organization Sovinplot probably holds a substantial interest in the firm which is 50 per cent Soviet owned. A local firm (Barcomar) represents Spanish interests.

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SWEDEN

Scansov Transport AB

Scansov Transport was formed in mid-1976 to act as a general agent for shipping between the USSR and Sweden and for Soviet international traffic. Sovinplot provided 60 per cent of the initial capital, which is reported to be between 200,000 Krona (SKr) and 600,000 SKr (\$45,000 and \$135,000). The Swedish shipping firm Fallenius and Lefflers, AB of Goteborg and its subsidiary Aug. Anderson of Malmo added the balance. Scansov is now reported to be 76 per cent Soviet owned. The firm plans to ultimately establish agents in Uddevalla, Goteborg, Malmo, Norrkoping, Sundsvall, and Umeaa - ports frequented by Soviet ships. It also has plans to locate an office in Moscow to establish direct contact with Soviet import and export interests.

SWITZERLAND

Sovchart SA (Geneva)

This agency was formed in November 1975 by Sovfracht (Moscow) and by Société de gérance maritime, Geneva, which is partly French owned. The company is engaged in all sorts of chartering activities as well as the sale and building of vessels. Sovchart's capital amounts to Sfrs 300,000 and although the capital holdings are not quite known it can reasonably be assumed that the majority is in Soviet hands. Three Soviet nationals are employed by Sovchart as brokers.

TURKEY

No information available.

UNITED KINGDOM

There are seven Soviet joint stock companies in the United Kingdom. Under British Law there is no limit to the number of such entities that can be established, but there is a ceiling on the total number of Soviet citizens that can be employed. The following six firms are shipping related.

Anglo-Soviet Shipping Company Ltd. (London)

First registered in June 1923 as the Arcos Steamship Company Ltd., the name was changed in 1929. The Anglo-Soviet Shipping Company has represented Sovfracht in London since before World War II. Initially, the firm was concerned with chartering foreign ships for Soviet shippers and Soviet ships

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for foreign shippers. In 1968 its operations were expanded to include the handling of all commercial aspects of Soviet ships calling at the Port of London. The company is 100% Soviet owned, the majority of shares being held by Sovinplot. For 10 years up to 1975 the main shareholding had been in the name of Sovfracht.

Morflot International Liner Agency Ltd. (MORLINE)

First registered in October 1975 the firm acts as shipping agents and ships managers. The division of responsibilities between it, Anglo-Soviet of London and MORLINE is not clear. However, MORLINE advertises all the liner services operating out of the port of Hull. The majority shareholder is Anglo-Soviet of London.

Sadko Marine Supplies Ltd.

First registered in April 1973 as Trans-Siberian Container Line Ltd., the firm changed its name in May 1975. It acts as ships chandler and the majority shareholder is Anglo-Soviet Shipping Company Ltd.

Charter Travel Company Ltd.

This company has had two changes of name since it was first registered in 1961 and now acts as agents for Soviet passenger liners calling at UK ports. Wholly owned by Anglo-Soviet Shipping Company Ltd.

Sovfracht (London) Ltd.

Registered in December 1974, the company acts as chartering agents and all its shares are owned by V/O Sovfracht, Moscow.

UNITED STATES

Morflot American Shipping Inc. (MORAM) (Clark, New Jersey)

MORAM, established in 1976, is solely owned by the Soviet shipping organization Sovinplot. Besides its head office in Clark, offices are also located in Houston, New Orleans, Oakland and Dallas. It acts as the general agent for all Soviet shipping in the United States. There are no Soviet employees.

Sovfracht (USA) Inc. (New York)

Sovfracht USA is the representative in the United States for the Soviet chartering organization Sovfracht and is responsible for chartering Soviet and foreign dry cargo ships and tankers. The firm is based in New York.

SOVIET ORGANISATIONS AND SOME OF THE SHIPPING RELATED COMPANIES THEY HAVE INVESTED IN

Subordinate to MFT	Company	Country	Percent Share
Soyuzvneshttrans	Asotra	Austria	52
	Wesotra	FRG	52
Subordinate to Morflot	Company	Country	Percent Share
Sovfracht	Sobelmarine	Belgium	75
	Sovchart Hamburg	FRG	NA
	Sovchart SA Geneva	Switzerland	NA
	Sovfracht (USA) Inc	United States	NA
	Sovfracht (London) Ltd	United Kingdom	100
	Transworld Marine Agency	Belgium	*
	Sovitalmare	Italy	49
	United Orient Shipping Agency Co Ltd	Japan	NA
Sovinflot	Agenzia Maritime Dolphin	Italy	NA
	Allied Stevedores	Belgium	NA
	Anglo-Soviet Shipping Company	United Kingdom	NA
	Anglo-Soviet Shipping Company (Humber) Ltd	United Kingdom	NA
	Bominflot	FRG	51
	Charter Travel Company	United Kingdom	NA
	Fil-SOV Shipping Company	Philippines	40
	Intramarc	Spain	NA
	Morflot American Shipping Inc	United States	100
	Morflot Freight Liners	Canada	95
	Morflot International Liner Agency	United Kingdom	NA
	Opal Maritime Agency	Australia	75
	Sadko Marine Supplies	United Kingdom	NA
	Sagmar	France	51
	Scansov Transport	Sweden	76
	SOSIAC	Singapore	NA
	Transmed Shipping SA	Greece	60
	Transworld Marine Agency	FRG	NA
	Transworld Marine Agency	Belgium	*
	Transworld Marine Agency NV	Netherlands	NA
	Transnautic	FRG	51
	United Orient Shipping Agency Co Ltd	Japan	35

\*Shares are held by more than one Soviet Organization

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