Objectives of the Soviet Merchant Marine

James T. Sharp

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OBJECTIVES OF THE SOVIET MERCHANT MARINE

by

James T. Sharp

A paper submitted to the Department of Geography and Marine Affairs in partial satisfaction of the requirements of the Marine Affairs Seminar (GMA 652) and for the degree of Master of Marine Affairs.

James T. Sharp

Professor Lawrence Juda
Faculty Advisor
Abstract of

Objectives of the Soviet Merchant Marine

In this connection the development and use of merchant fleets of various countries in peacetime are constantly in the sphere of that economic and political struggle in the international arena which continues to remain an unchanged accompaniment of antagonistic social systems.

Admiral Sergei G. Gorshkov

In the years since the end of the Second World War, no aspect of merchant shipping has created greater controversy than the phenomenal growth of the merchant fleet of the Soviet Union. Starting in 1945 with a makeshift fleet that was a motley collection of obsolete vessels, ships received as reparations from the defeated Axis nations and Lend-Lease Liberty ships, the Soviets have fashioned a modern, efficient merchant marine that is currently second in the world in numbers of ships and sixth in deadweight tonnage. Employed as a powerful instrument of the Soviet state, this fleet now competes effectively with Western shipping lines throughout every corner of the globe.

This paper will examine the remarkable rise of the Soviet merchant marine with particular emphasis on the objectives of this growth. For ease of discussion, political, economic and military objectives will be evaluated separately, although, in reality, these aims are often closely intertwined and dependent on each other. This analysis will reveal why the Soviet Union, once regarded strictly as a continental power, is now a maritime superpower and, given her economic development plans, will become even more dependent on her merchant fleet in the future.
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Map One
Union of Soviet Socialist Republics

CHAPTER I

DEVELOPMENT OF THE SOVIET MERCHANT MARINE

The Soviet Union is the largest country in the world, with a landmass covering approximately one-sixth of the Earth. From a maritime perspective, it has the world's longest coastline, nearly 47,000 kilometers (or over 29,000 miles). The USSR borders on three oceans and thirteen seas. Yet, from a Western outlook the Soviet Union has always been considered a continental power with little real interest in the use of the seas. Geographical disadvantages, such as lack of open ocean access, and deplorable environmental conditions along most of the Soviet coast have tended to confirm Western convictions that the USSR was and would remain strictly a land power. Thus, the remarkable rise of the Soviet merchant marine over the past thirty years has been a source of astonishment and controversy among Free World shipping interests.

Western belief in the apparent indifference of the Soviet Union towards maritime power was established by the virtually complete disregard the Russians showed towards merchant shipping in the early part of the century. In the years preceding World War One, the merchant fleet of Czar Nicholas II was woefully inadequate. Consisting, in 1914, of some 1,040 ships, the Russian fleet was primarily made up of old, obsolete vessels and sailing ships. Despite the fact that three quarters of Russia's foreign trade...
involved ocean transport, only seven percent of its exports and fifteen percent of its imports were carried in Russian bottoms.\footnote{2} Shipping demands required the Czar's government to charter foreign tonnage at an annual cost of 150 million roubles, further straining the faltering Russian economy.\footnote{3}

**Origin of the Soviet Fleet.** The Great October Socialist Revolution in 1917 swept away the Czarist government and plunged the country into chaos. Russian shipping companies, many of which were joint stock companies owned by foreign interests, sought to have their ships escape the upheaval. In order to prevent the loss of these vessels, the Council of People's Commissars, acting at that point as the supreme Soviet governing body, on November 24, 1917 issued a decree "On Prohibiting the Sale, Pawning, and Chartering out of Russian Merchant Ships to Foreign Nationals or Institutions." To further establish the control of the new government over these vital assets, in February 1918, Lenin signed a "Decree on the Nationalization of the Merchant Fleet." The subsequent civil war and foreign intervention resulted in the loss or considerable damage to most of the Soviet merchant fleet. This internal strife devastated an already inadequate fleet and damaged many port areas.

With the triumph of the Bolshevik forces and the end of the civil war, the attention of the Soviet government turned towards the restoration of the country. In order to rebuild its shattered industries, the USSR was required to import sophisticated equipment and machinery, paying for these products with the natural resources and raw materials it had available for export. By 1922, the inadequacies of the Soviet merchant marine, with a total deadweight
tonnage of only 600,000 tons, were readily apparent. As a result of the shortages in its own merchant fleet, the USSR was forced to charter foreign tonnage. This, in turn, required expenditure from the Soviet Union's scare stores of hard currency. In recognition of the critical importance of shipping, the Tenth Party Congress of the Communist Party of the Soviet Union (CPSU), in March 1922, directed the reconstruction of the shipbuilding industry.

One of the few measures to strengthen the merchant fleet taken by the Imperial government was the establishment in 1876 of a government shipping agency known as the "Volunteer Fleet" company. Implemented by Czar Alexander II to expand Russian maritime power, the government shipping company proved largely ineffective. Nevertheless, the Volunteer Fleet provided the framework that, in 1922, commenced Soviet shipping activity. By June of that year, four shipping companies - the Northern, Baltic, Black Sea-Azov and Caspian companies - were in operation. These companies were initially run in accordance with standard commercial practices. This meant that the companies often competed against each other; a position that was, as noted by the Journal of the Association of Soviet Shipowners, Soviet Shipping, an unacceptable solution to the USSR's shipping woes.

The availability of several shipping companies in the country, and the resultant competition on the domestic market, impaired the position of the Soviet merchant marine in seaborne trade and barred its further growth. The necessity emerged to establish a center to concert shipping commercial activities on a countrywide scale, ...

The resolution of the difficulty occurred on July 18, 1924 with the government approval of the founding of a company entitled Sovtorgflot (Soviet merchant marine). With this measure, the merchant fleet became a fully integrated part of the Soviet planned economy.
Initial efforts to revive the Soviet merchant marine concentrated on the repair and restoration of available ships. As a result, by 1928 approximately 80 percent of the Soviet fleet was over 20 years old. The need for new ships was obvious and the first Five Year Plan (1928-1933) focused considerable attention on the rejuvenation of the merchant marine. The plan called for the doubling of the fleet's tonnage as well as a fourfold increase in the amount of cargo carried by sea. Soviet shipyards undertook the building of a variety of ship types including some that were ice-strengthened for Arctic service.

While the Russian shipyards geared up for production of merchant vessels, the demand for shipping still far outstripped national supply. The Soviets were therefore forced to turn to foreign sources of shipping to satisfy their trade requirements. The USSR took a two-pronged approach, chartering tonnage to satisfy immediate demand while also placing orders in foreign yards for the construction of new ships to supplement the fleet being built in Soviet shipyards. The onset of the Great Depression among the Western nations proved to be of considerable benefit to the Soviet government as charges dropped drastically. Additionally, foreign shipyards, eager for work of any kind, gladly accepted Soviet orders, even at sharply reduced prices.

The Second World War. By the end of the first Five Year Plan in 1933, the USSR had received 136 new ships with a total cargo capacity of over 450,000 tons. The second Five Year Plan (1933-1937) sought to sustain the growth of the merchant fleet through the continued acquisition of new ships. However, the rise of militarist governments in Germany, Italy and Japan caused the Soviets to refocus their
attention on naval forces. The shipbuilding industry reoriented itself towards fulfilling the increased demands of the Soviet Navy. Despite the lofty goals for merchant shipping in the second and third Five Year Plans, little progress towards improving the fleet was actually made in the years leading up to World War Two.  

With the onset of war, the Soviet Navy assumed control of the merchant fleet. These ships were employed in direct support of military operations and, as a result, sustained enormous losses. During the course of the war, the Soviet merchant fleet suffered the loss of 380 ships and severe damage to most of its remaining vessels. Additionally, the bitter fighting and policy of total destruction followed by both the German and Soviet forces resulted in devastation to the USSR's port infrastructure. Twenty four Soviet seaports fell into German control during the war; they were rendered virtually useless by the war's end. As a result of the conflict, over two-thirds of the USSR's berths were destroyed as well as over three quarters of the warehousing facilities and cargo handling equipment. The terrible devastation of the Second World War meant that the post-war Soviet maritime efforts would essentially require rebuilding the entire merchant fleet and its shoreside supporting elements.

In order to aid its reconstruction efforts, the Soviet Union sought ships as partial payment of reparations from the defeated Axis powers. The Soviets also retained a large number of American built Lend-Lease vessels despite strenuous efforts on the part of the U.S. government to have them returned. In all, of 102 ships transferred to the USSR for wartime use, only 14 were returned to the United States. In conjunction with the surviving Soviet vessels, this
varied collection of ships formed the shaky foundation of the USSR's post-war maritime industry. By January 1, 1946, the fleet consisted of 573 ships comprising 1,939,000 deadweight tons but many were obsolete vessels pressed beyond their normal service life.\(^{16}\)

Stalin's immediate plans in the post-war period were to restore the major shipyards and commence work on rebuilding the Soviet Navy. A massive shipbuilding plan was developed with initial emphasis on cruisers, destroyers and submarines, leading ultimately to the construction of the first Soviet aircraft carriers. In order to conduct out this enormous naval rearming, it was necessary to assign a much lower priority to plans for the development of the merchant fleet.

While the maritime rebuilding effort was focused on the Navy, the Soviet Union's efforts to restore its shattered industrial base concentrated on exploiting the conquered lands of Eastern Europe. In 1949, the USSR established the Council for Mutual Economic Assistance (CMEA) with Bulgaria, Hungary, Poland, Romania, Czechoslovakia and, in 1950, East Germany as member nations. Although the organization was theoretically designed to benefit all members, in reality it was initially used as a means for the Soviets to secure resources and manufactured goods from its satellites. Of particular note, the USSR, acting through the CMEA, directed several of the member states, most notably Poland, to develop a shipbuilding industry. Thus, while its own shipyards were building naval vessels, the Soviet Union was able to utilize the resources of the CMEA nations to restore its merchant fleet.

**Post-War Expansion.** No development in the post-war period was more crucial to the rise of the Soviet merchant marine than the death
of Stalin in March 1953 and the subsequent rise of Khrushchev to power. The new Soviet leader swept aside many Stalinist theories, particularly with regard to relations with non-Communist states. Khrushchev saw relations with the newly independent, less developed countries as an opportunity not only for economic gain but also to counter political moves by the West. In order to accomplish this, the need for a strong merchant marine became immediately apparent as increased foreign trade and aid programs quickly overwhelmed Soviet flag capabilities.

The fifth Five Year Plan (1951-1955) directed greater attention towards the rebuilding of the merchant fleet. The plan authorized accelerated procurement of ships from abroad (generally CMEA countries) as well as improvements to the existing Soviet merchant shipyards. Additionally, new shipyards were constructed and ports were modernized. Despite these improvements, the Soviet merchant marine was unable to keep up with the sharply increased demands placed on it. Khrushchev's new foreign policy called for "peaceful co-existence" and increased trade with the West while simultaneously attempting to gain political influence in the less developed countries through aid and trade. As Table One indicates, Soviet foreign trade expanded enormously during the period of Khrushchev's leadership (1955-1964). While trade with other socialist states remained of primary importance, commerce with the West as well as with developing lands achieved significant growth rates. In order to meet its many trade commitments, the Soviet Union was forced to charter Western ships. This, in turn, reduced the USSR's already scarce supply of Western hard currency. The need for a larger merchant fleet had become a matter of pressing urgency for the Soviet leadership.
<table>
<thead>
<tr>
<th></th>
<th>1947</th>
<th>1952</th>
<th>1957</th>
<th>1967</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Trade</strong></td>
<td>1.4</td>
<td>4.8</td>
<td>7.5</td>
<td>16.4</td>
</tr>
<tr>
<td>With Socialist Countries</td>
<td>0.8</td>
<td>3.9</td>
<td>5.5</td>
<td>11.1</td>
</tr>
<tr>
<td>With Industrially Developed Countries</td>
<td>0.5</td>
<td>0.7</td>
<td>1.3</td>
<td>3.4</td>
</tr>
<tr>
<td>With Developing Countries</td>
<td>0.1</td>
<td>0.2</td>
<td>0.7</td>
<td>1.9</td>
</tr>
</tbody>
</table>

Seven Year Plan. At the Twentieth Party Congress in 1956, Khrushchev announced sweeping economic changes for the Soviet Union. One goal he highlighted was the development of a strong merchant fleet that could carry Soviet trade and foreign aid anywhere in the world. To achieve this aim, a special Seven Year Plan (1959-1965) was developed. Among its ambitious goals were the doubling of merchant marine tonnage and seaborne cargo, an increase in ship days at sea to 311 from the 1959 level of 278 and the handling of 60 to 70 percent more cargo by Soviet ports.\(^\text{17}\)

With the merchant marine assuming a preeminent role in both economic and political planning, explosive growth of the fleet soon occurred. In contrast to previous plans, during the Seven Year Plan Soviet authorities made the costly but necessary investments to bring the program to fruition. As depicted in Table Two, the goal of the plan to double merchant fleet tonnage by 1965 was surpassed by a considerable margin. Through this enormous effort, the Soviet Union was able to raise itself from a 1959 ranking of twelfth among the world's maritime nations to its 1965 ranking of sixth. Other aims of the Seven Year Plan were also achieved as the fleet's average operational time increased twelve percent. Additionally, freighter productivity rose thirty five percent while tankers experienced a twenty six percent increase.\(^\text{18}\)

Table Three depicts the composition of the fleet during the period of its most explosive growth (1959-1965) as a result of the Seven Year Plan. It is interesting to note in the table the categories in which the Soviet merchant marine gained the greatest number of ships during this period of rapid expansion. Although
TABLE TWO

GROWTH OF THE SOVIET MERCHANT FLEET
1954–1985

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Ships*</th>
<th>Deadweight Tons (in Thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1954</td>
<td>563</td>
<td>2,181</td>
</tr>
<tr>
<td>1958</td>
<td>774</td>
<td>3,809</td>
</tr>
<tr>
<td>1965</td>
<td>1,345</td>
<td>9,561</td>
</tr>
<tr>
<td>1970</td>
<td>1,942</td>
<td>11,322</td>
</tr>
<tr>
<td>1975</td>
<td>2,404</td>
<td>18,250</td>
</tr>
<tr>
<td>1980</td>
<td>2,530</td>
<td>21,757</td>
</tr>
<tr>
<td>1985</td>
<td>2,531</td>
<td>23,875</td>
</tr>
</tbody>
</table>

*Ocean-going ships of 1,000 gross tons and over.

Sources: U.S., Department of Commerce, Maritime Administration, Annual Report for 1954 (pp. 56–57) and Merchant Fleets of the World, 1958 (pp. 2–3), 1965 (pp. 6–7), 1970 (pp. 6–7), 1975 (pp. 2–3), 1981 (pp. 2–3), and 1985 (pp. 6–7) (Washington, D.C.: Government Printing Office).
### TABLE THREE

**COMPOSITION OF THE SOVIET MERCHANT FLEET BY SHIP TYPE**

1954, 1958, and 1965*

<table>
<thead>
<tr>
<th>Type</th>
<th>1954</th>
<th>1958</th>
<th>1965</th>
</tr>
</thead>
<tbody>
<tr>
<td>Combination Passenger</td>
<td>71</td>
<td>72</td>
<td>80</td>
</tr>
<tr>
<td>and Cargo</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Freighters</td>
<td>425</td>
<td>575</td>
<td>868</td>
</tr>
<tr>
<td>Bulk Carriers</td>
<td>16</td>
<td>35</td>
<td>165</td>
</tr>
<tr>
<td>Tankers</td>
<td>51</td>
<td>92</td>
<td>232</td>
</tr>
</tbody>
</table>

*Note: Table Five (p. 25) provides the composition of the Soviet Fleet as of January 1, 1985.

**Sources:** U.S., Department of Commerce, Maritime Administration, *Annual Report for 1954* (pp. 56-57) and *Merchant Fleets of the World, 1958* (pp. 2-3), and *1965* (pp. 6-7) (Washington, D.C.: Government Printing Office).
freighters achieved the largest total gain in terms of vessels added
to the fleet, bulk carriers and tankers experienced the greatest
relative increases. This was, in part, a reflection of the changing
pattern of Soviet trade and foreign policy. Expanded trade with
developing nations resulted in the import of greater quantities of raw
materials. Hence, the bulk carrier fleet had to be enlarged to handle
the increased demand. The expansion of the tanker fleet reflected not
only greater involvement by the Soviet Union in the world oil market
but also the growing demands of its allies. In particular, the entry
of Cuba into the Soviet political sphere placed enormous requirements
on the USSR's merchant tankers since this island nation was totally
dependent on the Soviet Union for its oil supply.

**Improvements in Fleet Productivity.** Although the Seven Year
Plan had achieved spectacular success in expanding the merchant
marine, the Soviet fleet still contained large numbers of older, less
efficient vessels. Accordingly, subsequent Five Year Plans sought to
upgrade the quality of the merchant fleet. The eighth Five Year Plan
(1966-1970) continued the emphasis on adding new ships but also
assigned productivity goals to the ports as well as the merchant
vessels. Increased efficiency was highlighted in all aspects of the
shipping industry. A cost savings goal of seventeen percent for dry
cargo and twenty percent for tanker transport was directed for the
fleet. Ports were assigned goals of increased total cargo handling
as well as reduced ship idle time.

In order to achieve these qualitative improvements, the Soviet
Union continued to spend enormous sums of money on the merchant fleet
and its supporting infrastructure. As a result of a twenty five
percent increase in funding, port facilities were upgraded throughout the country as new mechanized equipment and procedures were introduced. With the ongoing entry of new ships and the scrapping of older vessels, by 1970 eighty percent of the Soviet merchant fleet was less than ten years old. The lofty goals of the eighth Five Year Plan were attained as the drive to improve the merchant marine sustained its momentum.

Despite the great stress placed upon increased efficiency by Soviet planners, the merchant marine proved to be slow in adopting the improved cargo handling techniques developed in the West. Containerization caused a revolution in the Western liner trades with its sharply increased productivity while LASH (Lighter Aboard Ship) and Seabee barge carriers offered similar gains in efficiency. In the tanker trades, VLCCs (Very Large Crude Carrier) and ULCCs (Ultra Large Crude Carrier) provided shippers the advantages of economies of scale as these ships reached sizes up to 500,000 deadweight tons. The Soviet merchant marine initially failed to follow the example of its Western counterparts due to a repressive combination of caution, bureaucratic inertia and lack of advanced shipbuilding technology.

The ninth Five Year Plan (1971-1975) finally addressed the Soviet need for container ships. The Twenty Fourth Congress of the CPSU in April 1971 directed the merchant marine to "expand containerized cargo shipments by introducing large-load containers." Funding was provided for the continued modernization of the fleet as well as port improvements. As in the previous plan, greater efficiency was sought through increases in worker productivity, both afloat and ashore. In the ports, cargo handling was to rise by
eighteen percent while total freight traffic was directed to expand significantly. Increased worker productivity was to be responsible for forty two percent of the projected increase in cargo handling and sixty five percent of the plan's goal in freight traffic. 23

The ambitious goals of the ninth Five Year Plan were not entirely achieved. Soviet ship deliveries fell short of the planned amount as did the cargo carriage performance. Despite these failures, the period of the ninth Five Year Plan was one of significant qualitative improvement for the Soviet merchant marine. Although ships had been previously converted for container service, in 1971 the Soviets built their first full containership, the Sestroretsk. The port of Nakhodka, on the Soviet Pacific coast, was the first to utilize a container terminal, commencing full operation in 1973. 24 Additionally, the USSR began to employ roll-on/roll-off (ro-ro) vessels in various trades. These ships, most of which were purchased abroad, offered the versatility of carrying wheeled vehicles and containers in varying combinations. Finally, during this period the Soviet Union took delivery of the first ships of its largest class of tanker, the Krym class at 150,000 deadweight tons. 25

The tenth Five Year Plan (1976-1980), while continuing to emphasize efficiency in fleet and port operations, set a more modest goal for expansion of the merchant marine. The explosive growth of the 1950s and 1960s gave way to a relentless drive for qualitative improvement. Although the fleet grew by over 4.2 million deadweight tons, an increase of twenty one percent, the total number of ships increased only 2.5 percent. 26 Reflecting a trend in Western shipping, the average deadweight tonnage of the new Soviet ships increased

14
markedly. The tenth Five Year Plan resulted in the acquisition of such advanced ship types as lighter carriers (LASH), Arktika class nuclear powered icebreakers, gas carriers and heavy lift vessels of the Stakhanovets Kotov class, as well as ongoing procurement of container and ro-ro ships and Krym class tankers. Port development continued to receive considerable attention as the Soviets endeavored to upgrade their cargo handling operations. Additional container terminals were placed in operation in Leningrad, Ilyichevsk, Archangel and Nakhodka while new facilities, warehouses and quayfronts were built in ports throughout the country.27

As the merchant marine entered the 1980s, Soviet planners had several notable achievements of which they could be proud. Starting in the late 1940s with an incongruous collection of obsolete ships, war reparations vessels and Lend Lease ships, they fashioned a fleet that, by 1980, could sail and compete anywhere in the world. Equipped with some of the most modern ships available, the Soviets skillfully employed their assets on the world trades in steadfast pursuit of their objectives. Similarly, the ports of the USSR were rebuilt from their shattered, post-war state to modern, efficient facilities with the most technologically advanced equipment available. The development of a strong, competitive merchant fleet truly represented a triumph for the Soviet Union.
CHAPTER II

ORGANIZATION AND COMPOSITION OF THE SOVIET MERCHANT MARINE

In a tightly regulated, centrally directed economy, it is axiomatic that the merchant marine should be closely controlled. Such has been the case in the Soviet Union since the creation of the Sovtorgflot (Soviet Merchant Marine) company on July 18, 1924. Acting through the Ministry of the Merchant Fleet or its bureaucratic predecessors, the Soviet government has maintained its command over the merchant marine. Development of the fleet has been orchestrated through the series of Five Year Plans which coordinate every aspect of Soviet economic affairs.

In the 1920s, the Labor and Defense Council was the supreme body responsible for the USSR's economy. It was this council which approved the formation of Sovtorgflot and provided the initial direction for development of the fleet. As a possible reflection of the then woeful state of the Soviet merchant marine, it was originally subordinated to the Commissariat of Railroads. Growing awareness of the importance of the merchant fleet coupled with a desire to improve its performance eventually led to an organizational change. On January 30, 1931, the People's Commissariat for Water Transport, with responsibility for both the merchant marine and river transport, was organized.¹
The People's Commissariat for Water Transport retained its dual responsibility until April 1939 when the People's Commissariat of Sea Transport was formed. This organization exercised control strictly over the merchant fleet. The next major bureaucratic change occurred in March 1953 with the creation of the Ministry of Sea and River Transport, combining once more the merchant marine and river transport functions. In 1964 these duties were separated yet again with the establishment of the Ministry of the Merchant Fleet, an organizational change which remains effective to this date.²

In the current Soviet scheme of government, the Labor and Defense Council has been replaced by the Council of Ministers whose chairman is the Premier of the USSR. Among its other duties, this body is responsible for coordinating and directing the work of the various ministries as well as ensuring the execution of the national economic plan. The All-Union Ministry of the Merchant Fleet is immediately subordinate to the Council of Ministers. The current Minister of the Merchant Fleet is Yuri Volmer. It is noteworthy that he is only the third Minister of the Merchant Fleet since 1954. Victor Bakaev was the Minister from 1954 to 1970, during the period of enormous growth for the Soviet fleet. Following Bakaev's retirement in 1970, Timofei Guzhenko led the Ministry until 1986. Guzhenko oversaw the qualitative improvement of the fleet as it adopted the latest technological innovations. Volmer, appointed in 1986, started his career as a deck officer and later, master of several merchant ships. He also held a variety of senior shoreside management positions prior to his appointment.³
Merchant Marine Bureaucracy. The Ministry of the Merchant Fleet, as the state agency responsible for merchant shipping, exercises jurisdiction over not only the vessels but their shore based support facilities as well. Headquartered in Moscow, the Ministry, inter alia, oversees fleet and port operations, plans future merchant marine development and coordinates activities with other ministries. Assisting the Minister is a collegium consisting of the First Deputy Minister, three Deputy Ministers and the heads of key departments in the Ministry. These principal departments represent a variety of fleet and shoreside functional areas. Referred to as "Main Administrations", there are departments assigned responsibility for Fleet and Port Operations, Communications and Radio Navigation, Material and Technical Supply, Navigation, Development and Construction of Ports, Yards, and Other Shore Enterprises and so forth. Additional departments, called "Administrations", are assigned responsibility for matters such as commercial activity, legal and economic concerns and a host of other bureaucratic affairs. 4

Within the Ministry's realm of responsibility are several important state agencies, the most notable of which is Sovfracht. This organization is responsible for chartering foreign ships for the transport of Soviet trade in addition to arranging charters for Soviet ships when excess capacity exists. In the 1950s and 1960s, as Soviet trade expanded more rapidly than its merchant marine capacity, Sovfracht exercised enormous influence on the world charter market. Since the Soviet Union remains dependent to some extent on foreign charters, Sovfracht continues to be a powerful factor in the market. 5 Furthermore, the 1979 assimilation of Sovinflot, the Soviet agency
responsible for port arrangements throughout the world, has added to the significance of Sovfracht.

The Ministry of the Merchant Fleet is at the top of a three-tiered management structure. Beneath the Ministry, three State Economic Associations of Maritime Transport comprise the second functional level. These associations were initially formed in 1970 as a management intermediary when expansion of the fleet made direct control of the shipping companies by the Ministry unwieldy. Based on broad geographic assignments, the associations, Sevzapflot (Northwestern Fleet), Yuzhflot (Southern Fleet) and Dal'flot (Far Eastern Fleet), direct the operations of the shipping companies within their areas. Table Four reflects the regional distribution of companies within the merchant marine bureaucracy.

The sixteen shipping companies constitute the third level of management. As noted previously, unlike Western shipping lines, the Soviet companies have managerial obligations extending beyond the operation of their ships. Within its assigned geographic area, each company is responsible for functions such as management of port facilities, including loading, discharging and terminal operations, maintenance of tug and lighter service, navigation aids, operation of ship repair yards and so on. Further, the company is required to attend to the needs of its employees by providing housing, hospitals, schools and other necessary facilities and services. The shipping companies function as legal entities with accountability for the assets under their control. Each company is provided working capital and is expected to fulfill its economic goals and reflect a profit in its operations.
## Table Four

### Organization of the Soviet Merchant Marine

<table>
<thead>
<tr>
<th>Council of Ministers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ministry of the Merchant Fleet</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sevzapflot (Northern Fleet)</th>
<th>Yuzhflot (Southern Fleet)</th>
<th>Dal'Flot (Far Eastern Fleet)</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Baltic Shipping Company (SC)</td>
<td>- Azov Shipping Company (SC)</td>
<td>- Far Eastern Shipping Company (SC)</td>
</tr>
<tr>
<td>- Estonian SC</td>
<td>- Black Sea SC</td>
<td>- Kamchatka SC</td>
</tr>
<tr>
<td>- Latvian SC</td>
<td>- Georgian SC</td>
<td>- Primorsk SC</td>
</tr>
<tr>
<td>- Lithuanian SC</td>
<td>- Novorossisk SC</td>
<td>- Sakhalin SC</td>
</tr>
<tr>
<td>- Murmansk SC</td>
<td>- Soviet Danube SC</td>
<td></td>
</tr>
<tr>
<td>- Northern SC</td>
<td>- Caspian SC</td>
<td></td>
</tr>
</tbody>
</table>

Pursuit of Profit. The subject of profits by the Soviet shipping companies is one that, like a magician's trick, will baffle and amaze those who examine it. Long a rancorous issue to Western shipping lines which have accused the Soviets of rate cutting and operating at enormous loss, the USSR has nevertheless always insisted its merchant fleet produces a profit. While this may be true, it does not provide the complete picture. Dr. Hans Bohme of the University of Kiel's Institute for World Economics, in his study of this issue, noted intervention by Soviet central planning authorities, "Planners can - and in fact do - influence the conditions (or indeed create them ad hoc) under which profitability can be achieved." Among the measures employed are direct subsidies, special foreign exchange conversion coefficients and unrealistically low prices charged for new ships or equipment.

Recent policy changes announced by the Ministry of the Merchant Marine, however, have seemingly put an end to such practices. Effective January 1, 1987, the shipping companies are expected to operate on a bona fide profit basis. The head of the Ministry's Planning and Finance Department, G. Gerasimchuk, elaborated on this in an article in Soviet Shipping magazine, "Enterprises will now operate on the basis of full-scale cost-accounting and self-financing ... Revenue as the main source of production and social development has been made the basis of operation of the shipping companies and other merchant marine enterprises." The measure appears to give the shipping companies even greater autonomy in their operations, as Gerasimchuk indicates, "One of the main goals of the reform is to give broader powers to enterprises so that their profits depend directly on their performance efficiency."
While this policy reform may still not ultimately result in Western style commercial profit/loss determinations, it should nonetheless prove to be a most interesting change in its execution.

**Composition of the Fleet.** The fleet with which the shipping companies are expected to earn their profit is a product of Soviet Union's Five Year Plans. As the merchant marine entered the 1980s, the fleet had enjoyed a period of unprecedented growth. Having achieved the expansion they desired, Soviet authorities, through the ninth and tenth Five Year Plans, sought to make qualitative improvements to the merchant marine with the addition of specialized tonnage and technologically advanced cargo handling equipment ashore. The eleventh Five Year Plan (1981-1985) focused on continuing this effort. Obsolescent vessels were retired and modern, specialized ships took their place. Even just compared to the previous plan, the eleventh Five Year Plan represented a tempering of the fleet's growth. The 1976-1980 plan produced 235 new ships totalling 4.2 million deadweight (dwt) tons and, by the end of 1980, the fleet stood at 2,530 ships of 21,757,000 dwt tons. In contrast, the 1981-1985 plan produced 232 ships of 4 million dwt tons and the 1985 total was 2,531 ships at 23,875,000 dwt tons. In a pattern similar to that of Western shipping interests, considerable numbers of older vessels were replaced by fewer but larger and more productive ships.

The objectives of the eleventh Five Year Plan represented a maturing of sorts for the Soviet merchant marine. Although sheer numbers of ships remained important to the planners, efficiency of operation assumed a predominant role in fleet development. Of the forty ship types under construction during the period of the 1981-1985
plan, twenty five were of new design. Soviet shipping personnel stressed the procurement of such advanced ship types as ro-ros, LASH barge carriers, refrigerator and container ships. Particular emphasis was placed on ships suitable for Arctic service. Hull strengthened cargo ships, Finnish built Arctic tankers and small reefer ships supplemented the vessels serving the Northern Sea Route. Pressing relentlessly ahead in its efforts to develop year round shipping in this region, the USSR began construction of the Rossiya, a nuclear powered icebreaker of the Leonid Brezhnev (Arktika) class, as well as the Sevmorput, the world's first nuclear powered barge carrier capable of carrying seventy three 500 ton barges or 1300 containers.

Although the Soviets were slow to adopt container technology, the continuing attention this facet of shipping received in progressive Five Year Plans enabled them to make tremendous strides towards rectifying their earlier negligence. Over 50 container ships as well as another 57 container capable ro-ros are now employed by the merchant fleet. The Soviets were quick to grasp the significance of the land-bridge concept of container movement and initiated the Trans-Siberian Container Service between Europe and the USSR's Pacific ports. In order to more effectively manage every aspect of container shipping, a new organization within the Ministry of the Merchant Fleet, Morcontainer, was established. Among its duties, this department is responsible for the planning of container movement, world-wide trading and control of the approximately 100,000 twenty foot equivalent units (TEUs) owned by the fleet and coordinating the handling of transit containers crossing the USSR.
The most advanced shipboard cargo handling system are of little value if the supporting shoreside facilities are operating with outdated equipment. Accordingly, the most recent Five Year Plans have given careful attention to the upgrading of the port infrastructure. The most obvious improvements have occurred in the container handling facilities. Since the 1973 commencement of operations in the USSR's first container port in Nakhodka, some forty ports have received container handling equipment. However, advanced cargo systems have also been built for the more efficient movement of grain, coal, lumber and petroleum products. A variety of other port improvement measures, such as the building of new wharves and warehouses, have been undertaken to increase cargo handling capabilities throughout the country.

The Soviet merchant marine entered the period of the twelfth Five Year Plan (1986-1990) as one of the most competitive fleets in the world. Table Five provides the composition of that fleet. The maritime goals of the twelfth Five Year Plan involve continued improvement to the quality and productivity of the merchant marine. Specifically the plan indicates, "The work volume of the oceangoing cargo fleet will grow by 5.5%. The entire increase in shipments will be ensured through growth in the fleet's productivity, without increasing its tonnage." In contrast to the emphasis of earlier plans on adding tonnage, the twelfth Five Year Plan has as its goal,

To update the fleet, reinforcing it with highly productive and economical specialized ships .... To increase the volume of freight shipped in containers and unitized loads and on lighter-on-board ships and ferries. To increase the efficiency of foreign trade cargoes.

24
**TABLE FIVE**

**COMPOSITION OF THE SOVIET MERCHANT FLEET**
**AS OF JANUARY 1, 1985**

<table>
<thead>
<tr>
<th></th>
<th>No.</th>
<th>Dwt Tons (in Thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Freighters</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Cargo Carriers</td>
<td>1,620</td>
<td>9,715</td>
</tr>
<tr>
<td>Container Ships</td>
<td>79</td>
<td>736</td>
</tr>
<tr>
<td>Partial Container Ships</td>
<td>59</td>
<td>487</td>
</tr>
<tr>
<td>Roll-on/Roll-off Ships</td>
<td>42</td>
<td>447</td>
</tr>
<tr>
<td>Barge Carriers</td>
<td>9</td>
<td>126</td>
</tr>
<tr>
<td><strong>Combination Passenger &amp; Cargo Ships</strong></td>
<td>45</td>
<td>105</td>
</tr>
<tr>
<td><strong>Bulk Carriers</strong></td>
<td>203</td>
<td>4,532</td>
</tr>
<tr>
<td><strong>Tankers</strong></td>
<td>474</td>
<td>7,727</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2,531</td>
<td>23,875</td>
</tr>
</tbody>
</table>

* Oceangoing ships of 1,000 gross tons and over.

As the emphasis on fleet productivity grows, it is certain that the Soviet merchant marine, now theoretically in pursuit of bona fide commercial profit, will seek to maximize efficiency in every aspect of its operation.

The phenomenal growth of the merchant fleet is a testimonial to the ability of a centrally directed economy to marshal its resources to achieve an economic objective. At the same time, it must be noted that this system has produced an enormous bureaucracy with all the drawbacks inherent in such an organization. Resistance to change, bureaucratic territoriality and voluminous quantities of paperwork are just some of the difficulties encountered in the Soviet system. Premier Gorbachev's policy of glasnost (openness) has enabled Westerners to observe examples of these difficulties. Pravda, for instance, discussed the lack of coordination between transportation organizations,

Unfortunately, our country does not have a unified set of laws governing transport, but instead has separate railroad, maritime, motor vehicle, inland shipping and flying regulations, as well as separate shipping rules, none of which are coordinated. The 30-year-old regulations for shipping goods using combined types of transportation contain many outdated provisions. Departmentalism is sometimes carried to the point of absurdity. Freight cars, ships and hoisting cranes sit idle due to the fact that railroad workers, seamen and river workers quibble over whose weigher or shipping-and-receiving clerk should affix the seal and recalculate the freight.

The increased Soviet awareness of operational efficiency seems certain to rectify problems like this; yet, it is comforting to know that people, and bureaucracies, are, in many ways, alike the world over.
Merchant shipping, which is a branch of production with a maximum foreign economic orientation, cannot but reflect the competition of the different socio-economic systems. It reacts with great sensitivity to the development of conflicting political processes resulting from the opposition the developed capitalist countries offer to the struggle against neo-colonialism.

Timofei Guzhenko  Minister of the Merchant Fleet (1970-1986)

Minister Guzhenko's comments reflect the incisive understanding the Soviets have displayed since the mid-1950s of the critical role merchant shipping can play in the execution of foreign policy. In the years since Khrushchev's rise to power, the USSR has proven quite adept at employing its merchant fleet in the pursuit of policy objectives. The merchant marine has been an effective political instrument both in the support of allies and in influencing non-aligned nations. Its status as a state owned enterprise has allowed its employment in matters outside the commercial interests of Western shipping companies.

Council for Mutual Economic Assistance. In the period immediately following the end of World War Two, the primary concern of Stalin and the Soviet government was with the economic recovery of the USSR. In order to focus the resources of its recently acquired satellites behind this effort, the Soviet Union established the Council for Mutual Economic Assistance (CMEA) in 1949. The CMEA
initially consisted of Poland, Hungary, Bulgaria, Romania and Czechoslovakia in addition to the USSR. In 1950, following the conclusion of peace negotiations and its emergence as a state, East Germany was "permitted" to join. Theoretically organized for the mutual economic recovery and benefit of all member nations, CMEA, in reality, was little more than a thinly veiled vehicle for Soviet exploitation of Eastern Europe. Raw materials and manufactured goods not otherwise available in the Soviet Union were provided to the USSR at exorbitantly low prices. Poland, for example, was required to provide coal at $1 - $1.50 a ton when the average world price was $13.50 to $15.2

In terms of shipping, the Soviet Union directed the CMEA member states to provide merchant ships while its own shipyards concentrated on rebuilding the Navy. Stalin provided a ready indication of the USSR's principal maritime concern on July 28, 1945 when he announced, "The Soviet People wish to see their fleet grow still stronger and more powerful. Our people are constructing new battleships and bases for the fleet."3 Thus, the task of rebuilding the merchant fleet fell to the East Europeans, primarily the Poles and East Germans. Ambitious shipbuilding goals were assigned these nations under the CMEA pretext of mutual benefit and development.

With the intention of more effectively coordinating the shipping operations of the CMEA, in February 1952 the Conference of Chartering and Shipowning Organizations was established within the structure of the Council. Initially concerned only with coordinating the chartering activities of the CMEA, representatives of the shipping companies began participating in the conference beginning in 1963.4
While the theoretical goal of mutual development continued to be espoused, the USSR's policy of exploitation persisted. In 1952, for example, shipments to the Soviet Union accounted for the following percentages of CMEA country exports: Poland - 32, Hungary - 29, Czechoslovakia - 35, East Germany - 48, Romania - 58, Bulgaria - 57.\(^5\) The death of Stalin coupled with the increasing rancor within the satellite nations finally led the Soviet Union to change the nature of the CMEA into one of bona fide mutual assistance. Although the USSR clearly retained its position as the dominant country in the Council and continued to seek the economic dependence of CMEA countries on itself, the Soviets did make concessions for the development of the other member states. In shipbuilding, for instance, the Soviets relaxed the overly ambitious production schedules that had been assigned, particularly in Poland and East Germany, and agreed to a fixed profit structure for ships delivered.\(^6\)

Merchant shipping aided the USSR's pursuit of foreign policy objectives within the socialist sphere of influence by providing a framework within CMEA for the integration of economic effort by its satellites. The purely exploitive nature of the organization was replaced by a genuine effort at seeking mutual benefit. In 1956 an agreement was signed which directed the specialization of shipbuilding among the various members. Series production of vessels commenced and the widely varying assortment of ships within CMEA was reduced to several standardized ship types. Additionally, selection of ship designs was coordinated among all member states.\(^7\) The 1958 meetings of the Council addressed the issue of integration of transport efforts. At these meetings, the CMEA developed its plan for the
commencement of regular shipping service between the member nations. Further, the plan called for improvements to port infrastructure and harbor dredging in all the states.  

Within the CMEA bureaucracy, a working group on transport was established in 1961 to completely analyze the varying needs of the members with regard to cargo carriage. Working in conjunction with the Conference of Chartering and Shipowning Organizations and the various shipping companies, the maritime needs and integration goals of the organization were addressed. In October 1962, the working group was made a permanent section of the CMEA and tasked with the coordination of five year transport development plans. Closer integration of maritime assets and coordination of shipping lines and routes were the results of these measures. 

The document which serves as the foundation upon which the CMEA functions in its current capacity is the 1971 Comprehensive Program for the Further Extension and Improvement of Cooperation and the Development of Socialist Economic Integration. The merchant marine was one of the areas immediately addressed as a likely avenue of greater coordination under this program. Accordingly, on December 3, 1971 the CMEA countries completed an Agreement on Cooperation in Merchant Shipping. Further coordination in transport matters was sought through the 1976 Guidelines for Cooperation in the Transport Field and the Long Term Specific Programs for Cooperation in Developing Transport Links, concluded in 1979.

Merchant shipping has clearly played an important role for the Soviet Union in the pursuit of its policy objectives within Eastern Europe. After initially utilizing the CMEA for the unadulterated
exploitation of its satellites, the USSR allowed the organization to evolve into one of mutual economic benefit. In this capacity, maritime matters have been of pivotal significance. Shipbuilding orders helped restore the industrial base of Eastern Europe; maritime trade promoted specialization within the Council; and coordinated shipping and chartering efforts increased the efficiency and profitability of fleet operations. Although the CMEA countries no longer dominate the USSR's trade statistics to the extent they once did, they still play a major role, constituting 54.9 percent of Soviet foreign trade.\textsuperscript{12} Within the socialist sphere of influence, merchant shipping has unequivocally enabled the USSR to strengthen the political and economic bonds of the CMEA.

**Support for Allies.** The merchant marine has also provided the Soviet Union with the means to provide assistance to its distant socialist allies. Nowhere is this more evident than in the USSR's support of Cuba. Since 1960, over 57 billion roubles worth of trade has been carried between the two countries, virtually all of it by sea.\textsuperscript{13} The rise of Castro's revolutionary regime brought with it sharply increased demands upon Soviet shipping. In response to Cuban nationalization of foreign owned oil refineries, Western oil companies severed the island's supply of crude oil. The USSR, virtually overnight, became Cuba's sole source of crude oil. The island's demands, at that time approximately 4.5 million tons annually, severely strained the Soviet Union's tanker capabilities.\textsuperscript{14}

Supply of the USSR's first Western Hemisphere socialist ally became a major political objective for the Soviet government. Ideology, rather than commercial concerns, predominated as the
Soviets, their own tanker capacity exceeded by the new demands, sought to charter vessels on the tanker market. Western oil companies, still enraged by the loss of their Cuban facilities, attempted to organize a boycott. Although the effort ultimately proved futile, it did succeed in raising Soviet charter rates up to twenty nine percent above the norm. However, the vital political significance of this effort far outweighed its costs to the Soviets. Minister of the Merchant Fleet Victor Bakaev affirmed the political role of the fleet in 1965:

Economic criteria, however, important as they are, still do not reveal fully the significance of the merchant fleet to the Soviet government. During the course of the Seven Year Plan the merchant fleet of the USSR carried out a series of responsible tasks for the Communist Party and the Soviet government, which were not only economic, but also political in character. Paramount among these, it should be emphasized, was the participation in the breaking of the military-political and trade-economic blockade of Cuba established by American imperialism.

The Soviet Union's experience in its logistical support of Cuba substantiated the importance of the merchant fleet, particularly in the execution of political requirements. The expansion of the Soviet fleet enabled the USSR to increase the flow of trade and aid to its ally. Soviet merchant ships now call at Cuban ports approximately 1,200 times a year. Trade with the USSR constitutes over 70 percent of the Cuban turnover (exports and imports). As illustrated in Table Six, the Soviet Union continues to ship enormous quantities of oil, machinery and other industrial commodities to Cuba to insure the economic vitality of its distant satellite.

In a manner similar to its support of Cuba, the USSR has assisted Vietnam in its ongoing economic development. Now a member, along with Cuba, of CMEA, Vietnam has received large quantities of Soviet aid by ocean transport. Indicative of the Soviet Union's
TABLE SIX

SOVIET TRADE WITH CUBA DURING THE TENTH FIVE YEAR PLAN (1976-1980)

<table>
<thead>
<tr>
<th>Soviet Exports to Cuba</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.5 billion roubles of oil</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.7 billion roubles of machinery/industrial equipment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>51 million roubles of iron</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>248 million roubles of rolled products</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>142 million roubles of tractors</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.6 million tons of fertilizer</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 million cubic meters of lumber</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.8 million tons of flour</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Soviet Imports from Cuba</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>434 million roubles of nickel-cobalt concentrate</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>13.6 million tons of raw sugar</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.4 million decaliters of rum</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7.7 million cigarettes</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>224 thousand tons of citrus fruit</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

concern for its ally, and further evidence of the political importance of the merchant marine, was the establishment of LASH service to Vietnam from Eastern Europe's Danube ports. \(^{19}\) As critical as merchant shipping support currently is to Vietnam, its efforts during the war with the United States were essential for the continuation of the conflict. While enjoying immunity from attack themselves, Soviet ships were able to carry supplies vital for the war effort into Haiphong. During 1969, for example, Soviet merchant ships made 435 voyages to the North Vietnamese port city, delivering a wide variety of war materials. \(^{20}\) As demonstrated in Cuba, and again in Vietnam, the merchant marine furnishes the Soviet government with the means to achieve its political objectives by providing support to its socialist allies throughout the world.

**Third World Policy Objectives.** In the years immediately following World War Two, the foreign policy of the Soviet Union was primarily focused on solidifying Soviet domination of Eastern Europe. Due to this overriding concern, little was achieved in extending the USSR's influence beyond the socialist sphere. In Stalin's view of the world, those countries that were not socialist allies were to be considered enemies, with no ideological place for neutrals. Following the death of Stalin, Khrushchev's rise to power brought with it sweeping changes in Soviet perceptions of the world's political alignments. To Khrushchev, the end of colonialism and the emergence of newly independent states represented an opportunity to expand Soviet influence while weakening Western economic and political ties. Further, Khrushchev envisioned economic gains to be made by establishing trade with these nations.

34
Khrushchev attempted to utilize the intense nationalism of the new states as a means of alienating them from their former colonial rulers. Declaring that the West was practicing neocolonialism by maintaining the economic dependence of the underdeveloped states, Khrushchev offered the assistance of the Soviet Union and its allies as an alternative. In his report to the Central Committee of the CPSU at the Twentieth Party Congress in 1956, Khrushchev elaborated on his view of world politics.

The winning of political freedom by the peoples of the former colonies and semi-colonies is the first and most important prerequisite of their full independence, that is, of the achievement of economic independence ... These countries, although they do not belong to the socialist world system, can draw on its achievements to build up an independent national economy and to raise the living standards of their peoples. Today they need not go begging for up-to-date equipment to their former oppressors. They can get it in the socialist countries, without assuming any political or military commitments.

The very fact that the Soviet Union and the other countries of the socialist camp exist, their readiness to help the underdeveloped countries in advancing their industries on terms of equality and mutual benefit, are major stumbling blocks to colonial policy. The imperialists can no longer regard the underdeveloped countries solely as potential sources for making maximum profits.21

In contrast to Stalin's "friend or foe" approach to foreign policy, Khrushchev espoused a vast "peace zone" consisting of both socialist and non-socialist states. The foreign policy of the Soviet Union set the courting of these non-socialist states as a principal objective. In order to accomplish this, the USSR established a program of technical assistance, economic and military aid and expanded trade. With the initiation of this program in 1955, the demands on, and importance of, the Soviet merchant fleet grew dramatically. The USSR's global trade turnover (exports and imports), for example, more than doubled by 1962 while trade with less developed states increased fourfold (see Table Seven).22 The intensified
# TABLE SEVEN

## EXPANSION OF SOVIET GLOBAL TRADE TURNOVER 1955-1962

<table>
<thead>
<tr>
<th></th>
<th>1955</th>
<th>1962</th>
<th>Percent Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Trade Turnover</strong></td>
<td>6,488</td>
<td>13,485</td>
<td>207.8</td>
</tr>
<tr>
<td>With Communist countries</td>
<td>5,142</td>
<td>9,472</td>
<td>184.2</td>
</tr>
<tr>
<td>With East Europe</td>
<td>3,455</td>
<td>7,559</td>
<td>218.8</td>
</tr>
<tr>
<td>With non-Communist countries</td>
<td>1,346</td>
<td>4,013</td>
<td>298.1</td>
</tr>
<tr>
<td>Developed areas</td>
<td>974</td>
<td>2,370</td>
<td>243.4</td>
</tr>
<tr>
<td>Less developed areas</td>
<td>372</td>
<td>1,643</td>
<td>441.7</td>
</tr>
</tbody>
</table>

* in millions of dollars

requirements for the fleet highlighted its shortcomings and ultimately led to the massive shipbuilding effort of the Seven Year Plan. The fundamental shift in Soviet post-war foreign policy and the unprecedented expansion of the merchant marine are thus inexorably linked.

The spectacular increase in Soviet trade with less developed nations proved to be of enormous benefit to the USSR. After years of subservience to Western colonial powers, many newly independent countries viewed the Soviet Union as a viable alternative to continued dependence on their former masters. For its part, the USSR stressed its concern for the development and true independence of these lands as contrasted with the alleged economic exploitation practiced by the West. Favorable trade terms, including reduced shipping rates on Soviet merchant ships, were designed to reinforce this belief while expanding the USSR's influence. Of course, with increased trade relations came the requirement for Soviet consular representatives, trade organizations and shipping personnel to establish their presence in these nations. The Third World political foothold and economic penetration desired by the Soviet Union was thus achieved.

Soviet diplomatic efforts in the Third World achieved their initial success in February 1955 with the signing of an agreement with India for the construction of a million ton steel mill in the Bhilai region. This project, and subsequent construction efforts in various underdeveloped nations, provided the USSR with the opportunity to demonstrate its industrial might and technical sophistication. The role of the merchant fleet was in keeping with this objective. Employed to
carry construction materials, industrial equipment and Soviet technicians, the ships of the merchant marine contributed to the favorable image of the USSR.

During port calls to less developed states, the national prestige of the Soviet Union was enhanced by both the merchant ships and their sailors. Smart, modern ships provide an outstanding testimonial to Soviet industrial and technological excellence. Proper conduct ashore is constantly stressed to the crews of merchant ships. In contrast to the normal image of sailors on liberty, Soviet merchantmen are expected to be well behaved while ashore. As described in Pravda, these sailors are thoroughly briefed before leaving their ships.

All ships are regularly supplied with political review materials. And before the ship sets sail, there are invariably political instruction sessions that include all sorts of measures: lectures, discussions on a number of problems that could arise on "the opposite shore" and a detailed analysis of the political and economic situation in the port of call.24

The favorable image of its merchant ships and crews increases Soviet national prestige and is of considerable benefit to the conduct of diplomatic efforts by the USSR.

In addition to its role in trade and economic aid programs, the Soviet merchant fleet was extensively employed in arms shipments. The USSR's effort to expand its political influence through the provision of military supplies began with the sale of $250 million worth of armaments to Egypt in 1955.25 Since that first shipment, Soviet arms transfers have been made throughout the Middle East, Asia and Africa. In fact, by 1984 the Soviet Union was the world's leading exporter of arms, delivering $9.4 billion of armaments, of which $8.6 billion went to developing states.26
Because of the sensitive nature of the cargo, it is obvious that these military shipments have required the use of Soviet merchant ships. Thus, the merchant marine was at the center of several triumphs of Soviet foreign policy. Military aid to Egypt ultimately led to the establishment of naval facilities in Alexandria and expanded Soviet military and political presence and influence throughout the Arab world. Similar advances were made in Syria, Yemen, Ethiopia, Somalia and a score of other nations where Soviet merchant ships called with military aid shipments. In this role, the Soviet Union's merchant fleet repeatedly demonstrated its usefulness as an instrument of state policy.

The merchant marine has been a key element in Soviet post-war foreign policy. In contrast with its strictly profit oriented Western counterparts, the Soviet Union's merchant fleet has provided the government with a most effective tool in the pursuit of political aims. In expanding its influence, both within the socialist sphere and beyond, the Soviet Union has effectively utilized its merchant marine to gain maximum advantage. Still greater cooperation and coordination remains a Soviet goal for the CMEA, and employment of the fleet remains central to this. Khrushchev's emphasis on trade and aid programs with developing nations continues to be a centerpiece of the Soviet Union's foreign policy. Evidence of this is provided in the twelfth Five Year Plan (1986-1990) which calls for the USSR, "To deepen cooperation with the developing countries.... To continue the consistent implementation of coordinated long term programs of trade, economic, scientific and technical ties with these countries."27 As in the past, it may be expected that the Soviet Union will make shrewd use of its merchant marine to secure its political objectives.
CHAPTER IV

SOVIET MERCHANT FLEET ECONOMIC OBJECTIVES

The Soviet merchant marine, which is an important branch of the national economy, is called on to ensure economies and to reduce hard-currency expenditures by substantially increasing the shipping of exports and imports on Soviet ships. The existence of a merchant marine of our own that provides a capability of this sort is of considerable importance to the development of foreign trade and to the achievement of independence from the world freight market.

First Deputy Minister of Foreign Trade Yu. Brezhnev

The modification of Soviet foreign policy following the death of Stalin was of tremendous importance to the merchant marine. The USSR's program of expanded trade relations throughout the world and the implementation of aid programs with underdeveloped nations placed enormous demands on the merchant fleet. As Table Eight illustrates, the sharply increased Soviet foreign trade requirements quickly outstripped the carrying capacity of the fleet. As a result, the USSR was forced to charter foreign ships until her massive ship construction effort could increase the size of the merchant fleet. The percentage of Soviet trade carried in her own bottoms dropped markedly during this period while expenditures for ship charters taxed an already scarce supply of hard currency. As a consequence, the economics of merchant shipping became a subject of considerable interest in Moscow.
### TABLE EIGHT

**SOVIET FOREIGN TRADE 1950—1965**

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Trade</th>
<th>Seaborne Trade*</th>
<th>Percent Seaborne</th>
<th>Trade Carried by Soviet Ships*</th>
<th>Percent Carried By Soviet Ships</th>
</tr>
</thead>
<tbody>
<tr>
<td>1950</td>
<td>30.2</td>
<td>8.3</td>
<td>27</td>
<td>5.9</td>
<td>72</td>
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<td>1958</td>
<td>69.6</td>
<td>26.6</td>
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<td>1960</td>
<td>99.3</td>
<td>44.3</td>
<td>45</td>
<td>18.2</td>
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<td>1962</td>
<td>132.9</td>
<td>66.9</td>
<td>50</td>
<td>24.8</td>
<td>37</td>
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<tr>
<td>1965</td>
<td>173.9</td>
<td>91.8</td>
<td>53</td>
<td>46.4</td>
<td>50</td>
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</tbody>
</table>

* in millions of tons

Reduction of Dependence on Western Shipping. The USSR's experience in resolving Cuba's oil needs provided the Soviet government with ample evidence of the critical importance of the merchant marine in both its political and economic capacities. As a less developed nation which had turned to the Soviet Union for assistance, Cuba was of vital political importance for the Soviets. To the USSR, Cuba represented an opportunity to demonstrate the ability of the socialist bloc to support a less developed ally. Cuba's oil requirements, in particular, became the focal point of this issue. However, the attempted tanker embargo by Western oil companies threatened the endeavor and called attention to the Soviet Union's own shipping weaknesses. Although the Soviets were eventually able to charter sufficient tankers, due to the oil companies' action, it was at significantly higher than normal rates. This, as a result, reduced the Soviets' reserves of hard currency still further. Thus, the USSR became determined to reduce its dependence on Western shipping.

Chartering of foreign ships presented a problem to the Soviet Union in the 1950s and 1960s because of the outlay of hard currency it entailed and the inhibiting role it played with Soviet policy plans. As the accelerated ship construction programs reached fruition, the Soviet Union was able to carry ever increasing quantities of its own cargo. Nevertheless, although the USSR sought independence from Western shipping, this was not meant to imply a goal of total cargo carriage by Soviet ships. Shrewdly, merchant marine planners recognized the economic utility in making some cargo available in the interest of securing joint shipping arrangements. Additionally, as noted in Seatrade magazine, "By limiting investment in its own dry cargo fleet - which in any case is of much less military value than, say, the Soviet liner fleet - it can concentrate on getting the best deal possible using other owners' tonnage."
The Soviets continue to make some cargo available for foreign shipping concerns since it is in their long term interest from both a shipbuilding and trade relations perspective. According to Soviet statistics, foreign ships carried 94.7 million tons of the USSR's international trade in 1985, constituting 41 percent of the total seaborne cargo carriage. Of course, Western ship operators are quick to point out that most of this is lower value bulk cargo. Trade statistics indicate that as much as 96 percent of the higher value Soviet liner cargo is carried by the USSR's own fleet. The Soviet Union's merchant marine has developed to the point where, barring unforeseen circumstances, the country is economically dependent on foreign shipping only to the extent it allows. The president of Sovfracht, the USSR's chartering agency, explained the Soviet reasoning behind this decision,

The size of the Soviet merchant marine and its composition reflect in the first place the requirements of the national economy. Insofar as the national foreign trade is concerned, the national merchant marine has always been geared to carry about 45 to 55 percent of same, thus being safe from any possible reductions in the volume of foreign trade and avoiding over-investment in merchant marine as well as the consequential drama of laying up excess tonnage.

Thus, for both political and economic reasons, the Soviets continue to make a portion of their overseas trade available for carriage by foreign ships.

Acquisition of Hard Currency. As the merchant fleet grew, the Soviet Union was quick to employ its ships for the acquisition of Western hard currency. During the winter months, when severe weather and icing in the USSR's northern ports reduced shipping requirements, the Soviets chartered many vessels out to foreign shippers. Furthermore, after delivering exports, ships returning to the Soviet Union sought foreign cargo in order to utilize any available carrying capacity and earn
additional hard currency. In 1965, Soviet lines entered the cross trade market. The cross trades, which is the carriage of cargo by a ship from other than the two trading nations, provided the Soviets with the opportunity to maximize hard currency earnings.

The emergence of a powerful Soviet merchant marine was cause for considerable consternation among Western shipping interests. Accustomed to the well-ordered world of conferences and stable shipping rates, the aggressive Soviet penetration of international sea commerce caused virtual panic among liner operators in the West. When the USSR first entered the market, its ships were smaller, slower and less sophisticated than those of the Western lines it was competing against. Therefore, in order to secure a position in the market, the Soviets correctly concluded that they must compete on price. Offering rates substantially below those of the conferences, the Soviet Union's merchant fleet succeeded in expanding into the liner trades.

As they endeavored to enlarge fleet operations, Soviet shipping personnel demonstrated a business acumen worthy of a true capitalist. Freight forwarders, the middlemen who actually make the shipping arrangements for their merchant clients, were offered higher brokerage by the Soviet lines, in some cases as much as four times higher than conference lines. As liner operations expanded, overseas shipping subsidiaries were established and respected local shipping personnel hired to represent the Soviet companies. The USSR's merchant fleet rapidly proved itself to be a competitive force to be reckoned with. In its study, The Soviet Merchant Marine: Economic and Strategic Challenge to the West, the Atlantic Council assessed the Soviet organizational strategy as, "... a textbook example of how to be successful in the shipping business."
As the Soviet companies began to enjoy some success on the traditionally Western routes, capitalist shipping interests attempted to counter the threat posed by these intruders. Charges of predatory rate cutting by the Soviets were raised by Western shipowners who cited examples of rates as much as forty percent below conference standards. For their part, the Soviets claimed that members of various conferences rebated shippers greater amounts than they provided by the cut rate. In reality, rate cutting was a relatively common method for an outsider to compete with conference members. The Soviets consistently employed this tactic to gain entry into trade routes. Although there were instances of Soviet lines cutting rates by forty percent, these were generally isolated cases not indicative of standard Soviet practice. As to the countercharge of rebating, the Federal Maritime Commission determined that this measure had, in fact, become common in some conferences.

Despite the charges and countercharges, the Soviets continued to aggressively pursue their goal of earning hard currency through liner market penetration. Western critics, alarmed by Soviet success, predicted catastrophe for Free World shipping companies. These observers, although far from unbiased in their assessments, did call attention to several factors which favored the Soviet fleet. Rate cutting, as the Soviet Union was quick to point out, was a common tactic employed by a shipping company operating outside the conference system. However, most independent lines were not state owned enterprises, secure in the financial backing of the controlling government. Thus, Western operators feared that the Soviets could sustain losses far longer than a commercial company. Since shippers would pressure the conference for lower rates to match the Soviet fleet's, the USSR's rate cutting measures threatened to play havoc with conference
The result of the Soviet tactic was thus to either attract cargo for their own ships or force the conferences to lower their rates.

Western shipping companies also claimed that the Soviet Union's merchant marine was able to operate at cost levels far below those of the capitalist countries. Among the advantages attributed to the Soviet fleet were lower crew wages, no requirement for hull or machinery insurance, substantially cheaper bunkers provided in their homeports and the unique cost accounting system of the Soviet Union in such matters as construction and depreciation costs. Charges of unfair Soviet competition have not abated in the more than twenty years since their entrance into the liner trades. In January 1987, American Shipper magazine discussed the criticisms made of the Soviet company Morflot Freight Lines, Ltd for its activity in Montreal's container trade. One shipping company executive stated, "We don't mind competing with anyone, but we have some problems with competition that is not in the free enterprise system," while another referred to the Soviet system as "different economics." Citing crew costs as a major Soviet advantage, a Lloyd's of London Press study was utilized to provide illustration. Soviet crew costs for a 350 TEU container ship were estimated as $140,000 annually. By comparison, a similar ship manned by British officers and a Chinese crew would cost $800,000 while expenses for a U.S. flag vessel were estimated at $1,200,000.

For their part, the Soviets continued to employ whatever methods necessary to achieve their ultimate objective - the earning of foreign currency. After their initial attempts to join several conferences were rebuffed, the USSR operated in direct competition with these organizations on the most lucrative routes. Subsequent efforts by the conferences to
encourage the Soviets to join were accepted only when they felt it would be economically advantageous to do so. Otherwise, the Soviet Union chose to operate outside the conference system. It should be noted that once admitted to a conference, the USSR has fully complied with all conference requirements. This again reflects sound economic decision-making since Soviet ships are then able to sail with cargo at the higher conference rates.

Trans-Siberian Railroad. The Soviet Union was slow to adopt the sophisticated cargo handling technology of the container revolution. However, once the extraordinary economic advantages of this system were appreciated by the Soviets, they moved rapidly to introduce containerization into their merchant fleet. Aside from the increased productivity of their ships, the container system provided the USSR with another means of earning hard currency. Through their observation of Western application of containerization, particularly the development of the land-bridge concept in the United States, the Soviets recognized the tremendous economic potential of the Trans-Siberian Railroad (TSR). Formally inaugurated in 1904 by Emperor Nicholas II, the TSR was first utilized for container shipment in 1970. During that year, the TSR handled only 200 TEUs. However, indicative of relentless Soviet determination to develop this form of technology, by 1976 the TSR was carrying 120,000 TEUs.¹³

The TSR stretches from the Soviet Pacific ports of Vladivostok, Nakhodka and Vostochny across the USSR to the western railroad hub at Moscow (Map Two). At the hub, railways extend to the Soviet Union's western port cities as well as into Western Europe. While the Trans-Siberian Railroad and its northern addition, the Baikal-Amur
Map Two

Trans-Siberian Railroad

Mainline, clearly serve the Soviet plans for development of the USSR's eastern regions, its attractiveness to shippers is readily apparent. Use of the TSR, extending 13,000 kilometers from the Far East, offers shippers considerable savings when compared to the 21,000 kilometer sea voyage via the Suez Canal or the 27,000 kilometer journey around the Cape of Good Hope. The Soviets are thus able to tap this additional source in their quest for hard currency earnings.

**Cruise Ship Operations.** Given the economic importance of Western currency earnings to the USSR, it was inevitable that the Soviets would recognize the usefulness of cruise ships in their merchant fleet. Commencing in the mid-1960s, the Soviet Union made a determined effort to enter the cruise trades. Utilizing CMEA-built ships in addition to vessels purchased from unprofitable Western lines, the Soviet Union has assembled a fleet of 87 ships which serve 11 international trades as well as over 100 domestic lines. Cruise ships provide the USSR with the opportunity to earn hard currency from both the carriage of foreign passengers directly and the chartering of Soviet liners to Western agencies. Although not a direct economic benefit, the national prestige of the USSR is enhanced by modern, well-run passenger ships.

Operations of Soviet cruise ships have paralleled those of the cargo vessels. Morpasflot, the organization responsible for Soviet passenger shipping, established agencies throughout the world to attract tourists. Partnerships were formed with foreign companies in order to arrange cruises aboard Soviet ships. Echoing the complaints of their cargo carrying counterparts, Western passenger ship operators raised charges of rate cutting and unfair competition. Soviet actions during the Falklands War were indicative of their opportunism in this trade. With the commandeering of the British passenger ships Queen Elizabeth 2 and
Canberra for the transport of troops, the Soviets took advantage of this opportunity to raise their share of the British cruise market from ten percent to forty two percent.\textsuperscript{16} As in the liner trades, the Soviet shrewdly employed their assets to maximize their economic gain.

\textbf{Arctic Development.} The Soviet merchant marine has played an equally important, although certainly less dramatic, economic role in its domestic applications. In 1985, for example, the fleet was employed in the carriage of 84.4 million tons of domestic cargo.\textsuperscript{17} Although clearly of major significance to the Soviet economy in this capacity, the domain in which the USSR's merchant fleet is certain to have its greatest impact is in the planned year round use of the Northern Sea Route. The Soviet Union has identified Siberia and the Far East as the areas upon which its continued economic growth will depend. Extraction of the resources of these regions will rely heavily upon the merchant fleet.

The development of Siberia and the Far East was identified by the Twenty Seventh Party Congress as a matter of national priority. The importance of these regions to the future growth of the Soviet Union cannot be overstated. The abundant raw materials of the area will become essential to the economic vitality of the country. The Director of the Economics Research Institutes of the USSR Academy of Sciences, V. Chichkanov, provided a measure of the resources available in the Arctic in Pravda, "The areas north of the Arctic Circle contain about 40\% of our country's mineral resources and raw-materials."\textsuperscript{18} Regarding the Far East, he stated,

\begin{quote}
Extensive mineral, raw-material and biological resources constitute the foundation of the Far East's economic development. These resources can meet a large portion of the country's needs for a number of products. The region accounts for a considerable share of the country's fish catch and one-seventh of its fur production. It also produces timber, gold, silver, zinc, lead and tin.
\end{quote}
Even so, improved exploration indicates that there is enormous untapped potential, including deposits of ferrous, nonferrous and precious metals, mineral fertilizers, building materials, coal, petroleum, natural gas and large reserves of geothermal energy. The region contains 26% of the country's timber reserves, and fish resources in the USSR's 200 mile zone in the Far East are estimated at 23 million tons. The economic development of the Far East has only just begun.

The distinctive geographic features of the Siberian countryside have placed the onus of developing this region almost entirely on the merchant marine. As depicted in Map Three, the rivers of Siberia flow in a northerly direction towards the Arctic rather than towards the population centers of the west. Accordingly, aside from the relatively minor use of the Trans-Siberian Railroad, development of Siberia hinges on the utilization of merchant shipping in the Arctic. Recognition of the importance of maritime transport in the Northern regions is not a recent occurrence. Since 1898, when they designed the world's first oceangoing icebreaker, the Russians have sought to effectively utilize the Arctic for shipping.

The Soviet government is able to trace its interest in Arctic navigation to the period following the October Revolution. In 1920, the Siberian Revolutionary Committee founded the Committee for the Northern Sea Route. This organization was subsequently absorbed, in 1932, by the Northern Sea Route Administration which was "charged with developing the Northern Sea Route from the White Sea to the Bering Strait, completely equipping it, maintaining it in proper condition, and procuring the means to ensure the safety of navigation over the same." Ongoing Soviet research of the Arctic began in 1937 with the establishment of drifting ice stations. By 1939, the Eighteenth Party Congress directed the Northern Sea Route be made into a summer regular operating sea lane to the Far East.
Map Three - Soviet Arctic Region

Interrupted by the Second World War, Soviet plans for the increased use of the Northern Sea Route were renewed in the late 1940s. Despite occasional setbacks, the USSR relentlessly pursued utilization of the route. Ships designed specifically for operability in the Arctic were built in the Soviet Union or ordered abroad. Soviet efforts were aided enormously by the addition of the world's first nuclear powered surface ship, the icebreaker Lenin, in 1959. By 1962, the employment of cargo ships suited for Arctic operations, coupled with powerful icebreakers, had extended the shipping season to almost five months.24

The Soviets continued to press ahead with their development plans for the Arctic, particularly in the area of ship design. The construction of the Arktika (since renamed Leonid Brezhnev) provided the USSR with the world's largest and most powerful icebreaker. With an estimated icebreaking capability of eight feet, Arktika class ships have produced historic achievements in the Arctic Ocean.25 The Arktika became the first surface ship to reach the North Pole on August 17, 1977 after a journey of 2,528 miles through open water and pack ice.26 From May 25 to June 13, 1978, her sister ship, the Sibir, escorted a freighter along the Northern Sea Route from Murmansk to the Chukchi Sea. This voyage, which occurred two months before the normal navigation season, provided ample testimony to the extraordinary value of these ships.27

Future shipbuilding plans call for the addition of more nuclear powered vessels to take advantage of the unlimited range and endurance of these ships. Of particular note is the construction of the Sevmorput, a nuclear powered barge carrier. LASH technology is especially well suited for employment on the Siberian rivers. Use of barges will greatly enhance Soviet transport capability throughout the region while reducing
reliance on port facilities. Additionally, a new class of shallow draft, nuclear powered icebreakers, the Taimyr class, will be constructed in Finland with installation of the power plant to occur in the Soviet Union.28

While the Arctic has received considerable attention from merchant marine planners and significant fleet progress in the region has already been achieved, much remains to be accomplished. Complaints have been raised in the Soviet press regarding the poorly developed ports, lack of repair and maintenance facilities, disruptions in cargo deliveries and lack of coordination between agencies. One critic noted, "The unitized-load and container systems have been virtually forgotten in the Arctic. As a result, the fleet stands idle at quays for extra days."29 Nevertheless, the critical importance of this area to the future economic growth of the Soviet Union is certain to lead to the expeditious solution of these problems. Soviet determination in seeking to develop the region is reflected in the current Five Year Plan goal for the Murmansk Shipping Company, "The plan for the Company's social and economic development in 1986-1990 and until 2000 stipulates the uninterrupted supply of cargo to any spot on the Arctic coast or islands, regardless of whether equipped or not, as well as bringing back local mining and production items."30

The merchant fleet has been of unquestionable economic value to the Soviet Union. The expansion of the merchant marine enabled the USSR to satisfy its domestic and foreign shipping requirements. In this manner, the Soviet Union was able to reduce its dependence on Western shipping while stemming the loss of hard currency. As the fleet grew, the Soviets aggressively employed it on the liner and cruise trades to earn Western currency. Domestic utilization of the fleet on the Northern Sea Route
will enable the USSR to fully exploit the resources of the Far East and Siberia, resources which will be of increasing importance in the years ahead. Thus, the merchant marine has become an indispensable element of Soviet economic planning and growth.
CHAPTER V

MILITARY CAPABILITIES OF THE SOVIET MERCHANT MARINE

In the United States, the merchant marine is often called the "fourth arm of defense." Merchant ships played a vital role in the American war effort in both the Atlantic and Pacific during the Second World War. Liberty ships, produced in virtual assembly line fashion, formed the backbone of a supply effort that ultimately led to Allied triumph. In Korea and, again, in Vietnam, merchant vessels carried troops, ammunition and military equipment essential to the conduct of the war. Despite the fact that its effort in World War Two did not require support of this magnitude from its own ships, the Soviet Union did employ its merchant fleet in support of military operations as well as receive vital supplies from the Allies in the famed Murmansk convoys. The military utility of the merchant fleet was a lesson that was not lost on the Soviets.

**Direct Naval Support.** The merchant marine fulfills important peacetime military functions in both direct and indirect support of the Soviet Navy. The most visible use of merchant ships in support of the Navy is as a supplement to the military logistics force. The Soviet ratio of logistics ships to combatants of 1:42 (compared to a U.S. ratio of 1:15) is insufficient to conduct sustained operations at sea. In order to alleviate the shortfall, merchant ships are utilized in resupply roles. Soviet naval refueling and replenishment at sea by merchant ships is a
common occurrence, particularly in distant operating areas. Merchant vessels offer the additional advantage of being able to enter ports that might prohibit military ships in order to procure fuel, food, water and other essentials.

Another direct support mission for the merchant fleet is the participation of these ships in Soviet naval exercises. During various wargames, Soviet merchant ships have been observed carrying out their presumed wartime functions. Okean-75 was a world-wide Soviet fleet exercise in April 1975 involving over 200 naval vessels. Merchant ships participated with amphibious forces in the Norwegian Sea and in convoy defense exercises in the Pacific. In a Warsaw Pact exercise (Zapad-81) in the eastern Baltic, Soviet ro-ro ships were utilized to transport Army troops and land them ashore. In 1983, approximately forty merchant ships participated in an exercise in which the Soviet Navy practiced its tactics for defending convoys.

**Indirect Support Roles.** The global travels of merchant vessels make them particularly valuable for intelligence gathering. This indirect support function requires the merchant fleet to report sightings of foreign military vessels and merchant ships as well as information on atmospheric and oceanographic conditions. Routine port visits provide opportunities to verify navigational information such as bottom depth, channels and landmarks as well as to update charts. While inport, Soviet merchant sailors can obtain information on the port infrastructure. In that regard, Soviet naval officers have sailed aboard merchant ships in order to gather additional information on ports not open to naval vessels.
As discussed in Chapter Three, Soviet merchant ships have been utilized to carry military cargo in support of the USSR's allies. The resupply of the North Vietnamese through the port of Haiphong enabled the Communist forces to carry on their fight. Even after the United States mined Haiphong harbor, Soviet ships were able to continue to deliver vital supplies to their allies. Similarly, the Soviet Union has employed its merchant fleet in sustaining military efforts in Angola and Ethiopia. In both cases, the logistical support provided by the USSR has been crucial to the continued existence of the Soviet backed government.

**Wartime Employment.** In the event of a war, the Soviet Union can be expected to quickly transition its fleet from civilian to military control. This would be facilitated by the merchant marine's centralized computer tracking system in Moscow. Since all merchant ships are required to report their position on a daily basis, naval authorities could reroute the fleet as necessary to support military operations. Merchant marine officers, who are also assigned rank in the naval reserve, can be expected to execute those orders promptly.

With the commencement of hostilities, the suitability of the USSR's merchant fleet for wartime operations will be evident. The Soviet reliance on ro-ro ships would prove exceptionally useful in support of military operations. The ro-pos are capable of carrying tanks, armored personnel carriers, artillery and other wheeled and tracked vehicles to the area of conflict. Even with little shoreside support, these ships could land their cargo of military equipment quickly and without difficulty. By using ro-po ships, containers with needed supplies could be easily driven off the ship on trailers. This contrasts sharply with the Western container ships which are dependent on extensive cargo
handling equipment for offloading evolutions. In a wartime scenario, port facilities may be damaged or otherwise unavailable, rendering the Western ships essentially useless.

For much the same reason, LASH ships are a valuable auxiliary to the Navy. These ships are able to transport large quantities of equipment and supplies pre-staged on barges to the area of military operations and rapidly offload them. LASH ships are able to transfer up to 25,000 tons of cargo in 13 hours. As in the case of ro-ros, barge carriers require little or no support from shore. LASH ships offer the added advantage of being able to conduct offloading at sea. Thus, the ships could remain out of range of direct coastal defense positions while providing support for amphibious forces.

The Soviet Union is capable of resupplying its forces in the event port facilities are not available through the use of ro-ro and LASH vessels. However, in areas where the equipment may be available, the Soviets are fully prepared to take advantage of the speed and productivity of containerization. The USSR's fleet of containerships is capable of carrying virtually any type of military cargo on resupply missions. The rapid turnaround of container ships is a decided advantage in military operations.

Although the Soviets have certainly grasped the military applicability of shipboard advanced cargo system, the versatility of general cargo ships continues to make them important to naval planners. These ships are equipped with their own cargo handling equipment and are capable of operating anywhere in the world. Further, the unique characteristics of some of these vessels enhance their military value. The Poltava class, for example, is equipped with an extra long cargo hatch.
which allows the transport of aircraft or missiles. Available in great numbers, these ships could form the backbone of the USSR's military logistics operations.

Aside from its cargo carrying role, the Soviet merchant marine is capable of performing a number of other wartime military functions. Passenger ships could be converted in order to transport large numbers of troops. The intelligence gathering capacity of merchant ships would be of increased importance during wartime. On more exotic missions, these ships could be used for mining operations, to block enemy harbor channels by scuttling themselves or to destroy port facilities in "suicide" sabotage missions.

The United States has demonstrated in several wars the critical importance of the merchant marine to the conduct of sustained combat operations. The Soviet Union has clearly understood the significance of this capability for its merchant fleet. While the commercial interests of American shipping companies have essentially dictated reliance on containerships, the state owned Soviet fleet has continued to pay careful attention to the military utility of its ships. Taking advantage of modern technology where possible but always paying heed to potential wartime conditions, the USSR has fashioned a merchant marine which is truly capable of functioning as a branch of national defense.
CHAPTER VI

CONCLUSIONS

The large and increasing dedication of scarce Soviet resources to the growth of the Soviet merchant fleet is probably the best testament to its ability to serve complementary economic, political, and strategic objectives of the Soviet Union.

Atlantic Council’s Working Group on the Soviet Maritime Challenge

The merchant marine has been a powerful and effective policy instrument for the Soviet government. The fleet’s expansion has been of incalculable benefit to the USSR which has employed it in an enterprising and insightful manner. The growth of the merchant marine, from its virtual destruction in World War Two to its position today as one of the foremost fleets in the world, represents a triumph of Soviet planning and determination. This paper has attempted to analyze the Soviet fleet and the objectives which spurred its growth. As a result of this study, several conclusions may be reached.

Western countries did not appreciate the magnitude or the significance of the Soviet drive for maritime power. The reaction of Free World shipping companies to the appearance of Soviet merchant ships as competitors on the world’s trade routes was one of shock and dismay. Secure in the knowledge that the Soviet Union was strictly a land power, shipping executives, as well as Western governments, ignored the stark reality of Soviet merchant marine expansion for the comfort of an
anachronous cliche. The fleet, which to Westerners had seemingly appeared overnight, was actually the product of a lengthy and massive construction effort. However, by failing to understand the Soviet Union's maritime objectives, the West was unprepared for the aggressive employment of the Soviet fleet as a legitimate competitor.

The genesis of the modern Soviet fleet can be traced directly to Khrushchev's decision to expand trade and aid programs. Aside from the indisputable economic benefits increased trade offered, these programs provided the Soviet Union with an opportunity to broaden its political influence throughout the world. Decrying Western neocolonialism, the USSR portrayed itself to the newly independent nations of the Third World as an alternative to self-serving capitalist countries. Central to this overture was the ability of the Soviet Union to meet the shipping demands generated by these programs. This, then, was the impetus for the development of the Soviet merchant fleet.

Just as political reasons were the cause for the growth of the merchant marine, so too did they provide subsequent aims for its employment. The USSR has been exceedingly skillful in utilizing its fleet to achieve foreign policy objectives. As an instrument of the state, rather than a strictly commercial enterprise, the merchant marine has been adroitly manipulated to expand the influence and enhance the prestige of the Soviet Union throughout the world. The fleet has also played a key role in demonstrating Soviet support of its allies. The effectiveness of the merchant marine in a political capacity has been of enormous benefit to the government of the Soviet Union.
The primary focus of Soviet economic motivation is Western hard currency. Unable to use the rouble outside the socialist bloc, the USSR must pay for imports from the West with hard currency. Thus, the accumulation of this currency is a matter of national priority to the Soviets. This concern explains the sense of urgency the merchant marine expansion took on in the late 1950s and early 1960s. As a result of the sharply increased shipping demands of the new Soviet foreign policy, the USSR was forced to charter ships from the West. This required the expenditure of alarming amounts of hard currency. In order to curtail this loss, the Soviet Union embarked on an unprecedented build-up of its merchant fleet. The ultimate aim of this program was to make the USSR independent of Western shipping. When this was achieved, the Soviet Union was able to execute its foreign policy programs without excessive loss of hard currency.

Once sufficient shipping was acquired, the Soviets utilized their fleet in the international liner trades to earn hard currency. In the employment of their merchant marine, they have proven to be exceptionally intelligent and aggressive businessmen. They have exploited every opportunity and have been relentless in the pursuit of their economic objective. While their tactics have not generally been as ruthless as Western shipping companies claim, the Soviets are quick, nevertheless, to maximize the advantages inherent in state ownership.

The key to the USSR's future economic growth is Siberia and Far East; the key to the development of these regions is the merchant marine. Due to the geographical features of these areas, the carriage of raw
materials from these lands to the population centers of the western USSR must utilize the Northern Sea Route through the Arctic Ocean. The Soviet Union has developed innovative methods to expand use of the route. The merchant fleet has been at the forefront in adopting various technological advances for employment in the north. The nuclear powered LASH ship, Sovmorput, is an excellent example of Soviet ingenuity in the application of advanced shipping technology to this area. With the growing value of the Arctic region resources to the USSR, the domestic role of the merchant fleet will be of critical importance to the economic well-being of the nation.

The current emphasis on fleet efficiency is certain to continue for the foreseeable future. Whether or not the new cost accounting system reflects Western concepts of profit and loss, the shipping companies will clearly be under pressure to more effectively manage their assets. The stress on productivity and efficiency will no doubt be reflected in increased numbers of specialized ships to be built for the Soviet fleet and improvements to port infrastructure. LASH, ro-ro and container ships will join the merchant marine in greater numbers as the Soviets seek to take full advantage of increased productivity of these ships. Port facilities will be improved throughout the country with priority assigned to the installation of additional advanced cargo handling systems.

The Soviet Union has developed a fleet that is particularly well suited for filling a national defense role. The considerable support provided to the Navy on a regular basis by merchant ships in replenishment and refueling operations as well as merchant marine participation in naval
exercises has enabled the USSR to achieve a degree of coordination and integration unmatched by any other nation. Centralized control of the merchant fleet in Moscow makes the shift to wartime military authority a relatively easy task. The military features of Soviet merchant ships make them particularly valuable assets in wartime applications.

In this study, political, economic and military objectives have been examined as separate categories. In reality, these motives are closely intertwined in Soviet policy considerations. In contrast with the strictly commercial concerns of Western shipping lines, through state control of the merchant fleet the Soviet Union has been able to effectively integrate the pursuit of its varied goals. The phenomenal growth of the USSR's merchant marine is a truly remarkable example of the advantages of the Soviet planning system. In that regard, the centrally directed economy of the Soviet Union was able to marshal its resources in a manner that, with the exception of wartime exigencies, is impossible in the West. Responding to the dictates of state plans rather than commercial considerations, the Ministry of the Merchant Fleet was able to create a formidable maritime force. That fleet has been, and will continue to be, an enormous benefit to the Soviet Union in the pursuit of its various policy objectives.
Abstract


Chapter I

2 Ibid.
8 Ibid.
10 Ibid. The first Five Year Plan directed the spending of 10 billion roubles on transport concerns. In addition to other merchant marine improvements, port cargo turnover was planned to double by 1933.
12 According to the Senate Commerce Committee report, Soviet Oceans Development (p. 68), the third Five Year Plan (1939-1943) was exceptionally ambitious. It envisioned a greatly increased role for merchant shipping in the Soviet transportation network as well as port improvements and production of new ship types. Of particular interest, especially in view of subsequent and ongoing Soviet efforts, was the goal of "mastering" the Northern Sea Route.
13 U.S., Congress, Soviet Oceans Development, p. 68.
Endnotes


16. Bock, p. 43.

17. Ibid., p. 46.

18. Ibid.

19. Ibid., p. 49.

20. Ibid.

21. Bruno Bock and Klaus Bock, Soviet Bloc Merchant Ships (Annapolis: Naval Institute Press, 1981), p. 49 offer another alternative for the Soviet delay in adopting advanced cargo handling techniques. They contend that longshoremen in Western countries would never have adopted the new techniques if they had been developed in the Soviet Bloc. Accordingly, the Soviets had to wait for the incorporation of these procedures in the West prior to utilizing them.


25. At one point Soviet planners began design work on a supertanker of 370,000 tons. These ships, too large to call at Soviet ports, were intended to enter the charter market, earning hard currency for the USSR. However the abrupt change in the world oil situation in the 1970s and the subsequent tanker glut forced cancellation of the project.


27. Ibid.

Chapter II


2. Ibid., p. 69.

Endnotes

4U.S., Congress, Soviet Oceans Development, pp. 236-238.


10Pervov, p. 7.

11Polmar, p. 483.


Chapter III


2. Harbron, pp. 11-12.


10. Zvonkin, p. 36.


16. Ibid., p. 87.

17. Friaz, p. 25.

Endnotes

   Interlighter is a joint shipping enterprise founded by Bulgaria, Hungary, Czechoslovakia and the Soviet Union. Employing two LASH ships, the Julius Fuchik and the Tibor Szamueli, the line provides service between the Danube and Bombay, Karachi, Pnom Penh, Penang and Saigon. The lighter system is especially valuable for service in the Danube and Mekong rivers.


Chapter IV


4 Bock, p. 59.
Endnotes


8 Ibid.


10 Ibid., p. 43.


12 Ibid.


19 Ibid., p. 10.


22 Ibid., p. 89.
Endnotes

23 Bock, p. 66.
24 Ibid., p. 67.
27 Brigham, p. 132.
28 Ibid., pp. 131-132.

Chapter V

5 Atlantic Council, p. 24.

Chapter VI

1 Atlantic Council, p. 18.
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