The Soviet merchant fleet: weapon of economic and military warfare

by Renée Sigerson

The Soviet Union's centrally run "civilian" merchant fleet ranks as the sixth-largest cargo-carrying fleet in the world, surpassing the United States. It performs an essential role in the Soviet Union's military superiority. U.S. shippers, who are being bankrupted by a collapsing rate structure and the shrinkage of world trade, have been trying since the late 1970s to draw Western attention to the Soviet merchant fleet buildup. The West's response has been weak at best.

Since the 1960s, the Soviets have directed much effort toward expanding their "market position" in carrying cargo between "third parties," that is, in trade between countries outside the East bloc. They have used extensive activity by their merchant fleet at foreign ports to test with civilian vessels the "roll-on/ roll-off" container technologies which are being simultaneously integrated into the Soviet navy. Around this shipping activity, a worldwide structure of insurance companies, joint-venture trading companies, and port-based "servicing" bureaus has been built up, through which espionage as well as illegal financial transactions is conducted.

The Soviets' effort to develop this "third party" capability has been evident since the late 1970s. In February 1977 *Fortune* magazine published an article on Soviet-owned Western corporations which described the Soviet merchant fleet as a "political and strategic capability." The article stated:

> The Soviet Union's most spectacular success has been in shipping. Its fast and modern cargo-liner fleet is now the largest in the world, plying just about every major trade route on the globe. The ships are deployed mainly [to] . . . carry cargo between nations other than their own. During the first half of 1976, more than 10 percent of all cargo shipped between the U.S. West Coast and Hong Kong went in Soviet vessels; virtually none of this cargo originated in, or was destined for, the U.S.S.R. ·

More recently, the National Strategy Information Center (NSIC) in New York City, and the Aims of Industry group

in London jointly issued a pamphlet, entitled *The Challenge of Soviet Shipping,* which provides valuable information about the Soviet merchant marine, and its role in the Soviet military buildup.

Swiss military correspondent Juerg Dedial writes in one contribution to the report:

> In the shadow of [the] breathtaking build-up of Soviet naval forces, a no less startling expansion of the Soviet merchant marine . . . has taken place. . . . In terms of tonnage, since 1960 it has risen in world rank from 14th to sixth (ahead of the U.S.A.), increasing its volume six-fold in the process. Its equipment is extremely modern, with 90 percent of its ships less than 20 years old. . . .

The U.S.S.R. merchant fleet network:

At the core of the Soviet shipping sector are 16 international shipping companies, whose home ports overlap, in part, the bases of the Soviet navy. Around the tightly organized core, the Soviet merchant marine spans out, globally, into a vast international business enterprise, involving joint ventures with Western investors, intelligence outposts in major international ports, and dozens of small enterprises to service the shipping companies around the world.

In the NSIC pamphlet, the command structure of the Soviet fleet is documented by Dr. Hans Boehme of the Kiel Institut für Weltwirtschaft (International Economics Institute) of West Germany. Boehme describes three levels of control over the Soviet civilian fleet:

Level 1: This highest level of control is exercised by the All-Union (national) Ministry of the Merchant Fleet, or Ministerstvo Morskogo Flota in Moscow, which operates under the Council of Ministers. The founding of the ministry dates to 1946. Moves to create a global merchant shipping enterprise appear to date, however, from 1954. At that time, jurisdiction over inland waterway transport was removed from this ministry, which overtook international jurisdiction exclusively.

From 1954 until 1970, the Merchant Fleet Ministry was headed by Victor Bakaev, who Boehme says conducted the "breakout" of Soviet merchant shipping during the 1960s. Since 1970, the ministry has been headed by Timofei Guzhenko.

The ministry controls a number of specialized All-Union associations, including, V/O Sovfracht, and V/O Morpasflot, V/O Sudoimport, V/O Soyuzvneshtrans, as examples. The function of these becomes clear after looking at Level 3.

Level 2: Three Regional State Economic Associations of Maritime Transport operate on this level. They were created in the 1970s, to contend with the specialized problems of shipping from ports with different sea basins. They oversee the Northwestern fleet, or Sevzapflot; the Southern fleet, or Yuzhflot; and the Far Eastern Fleet, or Dal'flot. Each of these has its own budget, and coordinates the optimal allocation of

ships to shipping companies based in that region.

Level 3: This is the level of the individual shipping companies. The U.S.S.R. has 16 international shipping companies, plus nine inland companies, which are separate from this command apparatus (see table).

The All-Union Associations run by the ministry (see names above) handle, on a centralized basis, the brokering, forwarding, chartering, and servicing needs abroad of all 16 companies. Sovfracht, for example, is the only organization which lawfully can charter ships. Sovinfracht, recently made into a subsidiary of Sovfracht, acts as port agent for the companies. It is clear that these centralized bodies handle the intelligence activity spinoffs of the shipping companies. Additionally, however, Sovinflot has generated numerous joint ventures with Western firms.

These includes:

Transworld Maritime Agency (TWM), of Antwerp, Belgium. Established in August, 1970, it is 75 percent Soviet owned, and 25 percent owned by a Belgian group. It represents 20 lines, and has offices all over Europe. Also included is Saimaa Lines Ltd., of Finland. One of six Soviet joint-stock companies in Finland, Saimaa was set up in the early 1970s. It is 50 percent Soviet-owned. In 1975, it opened a line for transport of container cargoes from Western Europe to Iran, i.e., from Hamburg or Antwerp to Finland, from where the cargo was unloaded and shipped by rail across the U.S.S.R.

The transshipment routes between northern Europe and Iran are a hot trail for weapons smuggling, and there is every reason to assume that the Soviets are participating—if not controlling—this traffic. In fact, the Soviets' effort to expand their "third-party" market share in shipping has been inseparable from the growing Soviet position in the Western world's illegal, narcotics-based "underground economy." All the western routes where the Soviets now have a leading position are also prime transshipment points for the underworld. As Dedial notes in the NSIC review:

> Russian companies, notably the Baltatlantic Line, at one point captured 13 percent of the general cargo between the U.S.A. and Western Europe, and no less than 25 percent of the goods traffic between America and Germany. In the highly profitable shipping lanes between the American West Coast and the Far East, the Vladivostok-based Fesco (Far East Shipping Company) has risen rapidly to clearly dominate a field of 24 competing firms, with a 23 percent lead in sales volume over its nearest competitor. The Soviets have registered a similarly spectacular success along the freight routes from Europe to East Africa, which were traditionally the domain of Western shippers.

Additionally, because of the rate-cutting advantages provided by Soviet railroads through Siberia, the Soviets are estimated to have gained control over at least 10 percent of the routes between Europe and the Far East.

Figure 1
Soviet international shipping association and companies
(End of 1979)

	Number of Dry cargo ships	Tankers
Northwestern Fleet (Sevzapflot)		
Baltic Shipping Company, Leningrad	162	
Estonian Shipping Company, Tallinn	87	
Latvian Shipping Company, Riga	47	61
Lithuanian Shipping Company, Klaipeda	38	
Murmansk Shipping Company, Murmansk	61	
Northern Shipping Company, Archangelsk	145	3
Southern Fleet (Yuzhflot)		
Azov Shipping Company, Zhdanov	120	1
Black Sea Shipping Company, Odessa	242	
Georgian Shipping Company, Batumi	12	40
Caspian Shipping Company, Baku	37	39
Novorossisk Shipping Company, Novorossisk		125
Soviet Danube Shipping Company, Izmail	62	
Far Eastern Fleet (Dal'flot)		
Far Eastern Shipping Company, Vladivostok	245	
Kamchatka Shipping Company, Petropavlovsk-K	45	4
Primorsk Shipping Company, Nakhodka		55
Sakhalin Shipping Company, Kholmsk	72	
Total	**1,375**	**328**