

# Putin Wants Russia's Civilian Shipbuilding to Rise With Military Production

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As military orders pack into Russia's shipyards to supply Moscow's huge rearmament drive, President Vladimir Putin on Thursday said that developing civilian shipbuilding was needed to diversify and grow the country's moribund economy.

Civilian orders have been crowded out by booming military production, forcing energy majors working in Russia's Arctic to turn to foreign companies for technology and vessels.

"The issue of modern, competitive ships is of particular importance," Putin said at a meeting on the development of the civilian shipbuilding industry in Vladivostok, according to a transcript published on the Kremlin website.

"It is not only an indicator of technological, industrial and human resource potential in the shipbuilding industry itself, but a strong driver of growth in related industries and supply chains — such as the engineering, metallurgy and applied scientific research sectors," he explained.

As Putin spoke in the Far East, the governor of Arkhangelsk in the northwest announced his region, home to the huge Sevmash shipyard, would get 69 billion rubles (\$1.5 billion) in federal subsidies to boost its shipbuilding capacity, the RIA Novosti news agency reported.

## **Marshal Priorities**

With Moscow investing 20 trillion rubles (\$500 billion) in a rearmament program through 2020, military projects have grown to account for 81 percent of all shipbuilding, Deputy Prime Minister Dmitry Rogozin said last month. Military shipbuilding expanded by 13.8 percent this year, he said, while civilian shipbuilding grew by only 6.6 percent. This trend is expected to continue for the next several years.

With Russia's economic growth running at near zero, Putin said new shipyards, such as one being built in the Far East, would help stimulate the industry and surrounding sectors and cater for rising demand for large transport ships.

Russian energy companies are leading the charge into the resource rich Arctic, and ambitions to open the Northern Sea Route from East Asia to Europe are growing as the region becomes more industrialized.

Putin said there is a need for "a large volume of orders for reliable, modern ships," adding, "it is crucial that these orders go to domestic shipyards ... not foreign companies."

Foreign specialists may however be needed to help modernize Russia's production and management processes, he said, keeping the door open for partnerships with foreign firms.

Government interest may be arriving late: Companies like Rosneft and Gazprom, frustrated at capacity shortages, are moving to develop their own shipyards. Yamal LNG, which is building a fleet of 16 gas carrying vessels for its huge liquid natural gas facility in northwest Siberia, has ordered 10 ships from Asian and Canadian builders, according to business daily Vedomosti. The final six were to be built by Sovcomflot, one of Russia's biggest yards, but the shipbuilder doesn't not have enough money to build them, the newspaper reported Thursday, citing sources close to the company.

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