

featured article

The Mediterranean blue economy

Photo: ISEMAR

by **Paul Turret**,
Director of the Higher Institute of Maritime Economics (ISEMAR)



The Higher Institute of Maritime Economics (ISEMAR) was founded in 1997 by the local communities, the Chamber of Commerce and Industry, and the port community in Nantes Saint-Nazaire. Its goal is to develop expertise serving as a touchstone for maritime transport, ports, and naval industry. The Institute is, therefore, a honed observatory on changes in maritime economics. ISEMAR puts its knowledge in research and understanding of maritime transport and commerce at the disposal of a wide audience since these are crucial issues in this global economic era. For more info please visit: www.isemar.fr

“Mare Nostrum,” meaning “our sea,” was the Latin term for the Mediterranean Sea, an area in which trade has a long-standing history. All big cities on its shores Marseilles, Genoa, Barcelona, Venice, Athens and Istanbul, to name the most famous, have a rich maritime past. It seems that they have a promising future as well.

Yet, the global colonial expansion of Europe led to a relative marginalisation of the region, which resulted in a period of decline for maritime cities. During the 19th century, the European supremacy gradually evolved here, the key event in shipping being the opening of the Suez Canal. From 1869 the Mediterranean Sea became a key corridor, a section of the Euro-Asian maritime route. During the tense period in oil trading and the Cold War, the Mediterranean axis became a geopolitical issue. Today, the so-called “Med. Corridor” has regained its significance after the advent of globalisation. Its basin is again a part of the global market; the cities on its shores are home to the largest shipping companies and shipbuilders in the world, and the area

therefore bears considerable weight in the global maritime industry.

Maritime industries and stakeholders

The corridor between Suez and Gibraltar is on the oil and gas route that connects the Persian Gulf and the container routes to Asia. In 2015, 62.0 mln tn of crude oil, and 22.0 mln tn of Liquefied Natural Gas (LNG) travelled westbound. Similarly for 22 mln full TEU, the Mediterranean Sea is just a long strait linking Western and Northern Europe. As far as money is concerned – the Egyptian government has spent USD 8.0 bln on the Eastern gateway of the Suez Canal to increase traffic. However, their hope to develop crossings through the Canal is largely dependent on demand, and not on good transit times.



Photo: Wikimedia Commons

“

In 2015, 62.0 mln tn of crude oil, and 22.0 mln tn of Liquefied Natural Gas (LNG) travelled westbound. Similarly for 22 mln full TEU, the Mediterranean Sea is just a long strait linking Western and Northern Europe.

“

Traditionally, Mediterranean cities are home to big ship-owning families, and even the term “motorways of the sea” comes from our region and was coined by Grimaldi.

Photo: Wikimedia Commons



The investment is highly profitable for Egypt – the Canal yields USD 5.0 bln per year, which is the second national source of income after tourism.

European prospects are based on changing trade flows, with less crude oil after the closure of refineries and more products from Russia, the Middle East, and Asia. In the Med., a small group of large refineries will remain in southern Spain and Sicily. Tank storages in this case are strategically placed at the extremity of the Mediterranean Sea. The major tanking actors have invested in Spain, Cyprus, and Morocco.

Another market plays a considerable role – tourism. In fact, the Mediterranean is the largest tourist area in the world, with its sunny local climate that makes spending time (and money) here very attractive. For the maritime industry, tourism feeds the ferry and cruise industries, the latter developing dynamically. In 2015, the European cruise market represented 6.6 mln passengers (twice as many as in 2005), while customers from Italy, Spain, and France accounted for 29% of the total, while 64% of all European boardings occurred in Mediterranean ports. The cruise business is a good source of income for harbours mostly for already attractive cities, but also for smaller towns. The industry owes much to the beautiful landscapes and fascinating history of these areas. However, the excesses of mass tourism have caused local protests (e.g. in Venice).

The ferry business is another pillar of the Mediterranean maritime economy. The

vessels connect different coasts and many islands. Major ro-ro lines run between Europe and North Africa, Italy and Spain and, for 20 years now, link Turkey with the West Mediterranean. The car-carrier sector plays a major role for Spanish, Italian, Romanian and Turkish factories since the advent of the new low-cost car market.

Traditionally, Mediterranean cities are home to big ship-owning families, and even the term “motorways of the sea” comes from our region and was coined by Grimaldi. This eponymous dynamic company from Naples became one of the largest ro-ro operators after purchasing Minoan Lines and Finlines. Naples is also the birthplace of Mediterranean Shipping Company (MSC), created by the Aponte family, which is said to be world’s No. 2 in container and No. 3 in cruise ships. The other key Mediterranean maritime cities are Marseilles, Genoa, and Piraeus, but that’s not all. CMA CGM is France’s major flagship company, while Piraeus is a hive of attractiveness on that side of the globe, which is underlined by the biggest fleet in the world accounting for 42,000 jobs in the Athens area. It is also because of this that Greece is a heavyweight in the European shipping industry, and first and foremost thanks to the use of its national flag (this also holds true for Cyprus and Malta). All in all, in 2015, 70% of EU flags were Mediterranean, and in terms of economic control of fleets by shipping companies, Greece, France, and Italy have a combined 60% share in Europe.

The European container battle

The Mediterranean container sector amounts to approx. 2.2 mln TEU for the internal market, and 18.0 mln TEU for external trade. In terms of cargo flows, it offers access to very diverse economies, such as the southern part of the EU, Israel, emerging Turkey, developing Northern Africa, Egypt and the Balkans, but the line of hubs from Port Said to Algeciras/Tanger-Med has no real impact on the countries in terms of national economies. However, there are some ports that have access to their national markets. For a long time, the hinterlands of European West Mediterranean ports were limited, but the port authorities of e.g. Barcelona, Marseilles, as well as Genoa, Adriatic’s Venice, Trieste, and Koper, or the Black Sea’s Constanta, are striving to extend their sphere of influence.

Today, the Northern range controls around 75% of the European market but only 50% is in its “natural hinterland.” So for our ports, the European battle is focused on gaining a larger share of the continental market in a belt connecting Bordeaux with southern Poland via the Northern Alps and Central Europe (the potential is approximately 4.0 mln of full TEU per year, according to our calculations). To achieve this, excellent port performance, reliability, and good intermodal solutions will be required. Winning over of Bavarian, Swiss, and Austrian shippers will not be easy. However, there is a real growth potential for Mediterranean ports in this respect.

A tradition of mechanical engineering

European shipyards now focus on the sectors of passenger ships, ferries, and cruise boats. In 2015, 50% of European production was built by Mediterranean shipyards. In the case of France and Spain, the survivors of the 1980s collapse are on the Atlantic coast, while in Italy, Rome has preserved public control over a big player, Fincantieri. Italy is also the third European country in shipbuilding, and Fincantieri is striving to become European No. 1, competing with French and Norwegian yards. Being focused on the Romanian companies, they are part of larger groups (Croatia is hoping to retain this key industry). After expanding in the 2000s with new yards, orders in Turkey have now entered a contraction phase, because European owners have stopped massively purchasing small tankers and chemical carriers.

We are now seeing a new wave in maritime mechanical engineering in Europe with the advent of marine renewable energies. Unfortunately, Mediterranean countries are lagging in this sector. Europe's first windfarms were located in the North Sea, and a major part of this new industry is now in Danish and German hands. France has developed its own sector, but the south has been left out. The first French windfarm based on floating wind turbines on the Mediterranean

coast has yet to be commissioned, but Italy has already launched ambitious projects (although the scope of the first project, near Taranto, is limited). Finally, Spain has stuck to its specialty in onshore windfarms. One thing is clear: Southern Europe is not part of this new maritime economic sector.

Tab. 1. Top 10 Mediterranean container ports in 2016

No.	Port	TEU [mln]
1	Valencia	4.77
2	Algeciras	4.76
3	Gioia Tauro	2.80
4	Genoa	2.30
5	Barcelona	2.22
6	La Spezia	1.27
7	Marseille	1.25
8	Koper	0.84
9	Livorno	0.80
10	Cagliari	0.69

Source: Port authorities

Remaining in good shape

The adventure of the blue economy for the Mediterranean Sea began 3,000 years ago. Today, shipping and port activities remain strong. The dynamic maritime families and port communities have managed to preserve Southern Europe's status. For the shipping world, adapting to globalisation has been a

“ We are now seeing a new wave in maritime mechanical engineering in Europe with the advent of marine renewable energies. Unfortunately, Mediterranean countries are lagging in this sector. Europe's first windfarms were located in the North Sea, and a major part of this new industry is now in Danish and German hands. ”

challenge a challenge, overcome by stakeholders such as CMA CGM, MSC, and many Greek companies. Regarding shipbuilding, Mediterranean shipyards remain a largely preserved industry in Europe.

When comparing the Mediterranean and the Northern European maritime sectors, the South remains a strong contender. However, the picture is quite different for its ports. For 40 years now, the Northern Range has concentrated a large part of the European market. Gaining new shares is a common goal for southern ports. At the end of the day, the idea of the Mediterranean blue economy is deeply rooted in its history and the Med. retains its “emporium” on trade with the inland. ■



Photo: Fincantieri