

# Benefitting from the mini-boom in Estonia



**The Baltic Ports Organization General Assembly and annual Baltic Ports Conference were held in Tallinn on 9-10 September, providing a meeting place for high level international executives, curious to share views on Baltic-Asia trade and transport perspectives.**

**T**he conference addressed the prospects and development potential of the trade between the Baltic region and Asia and the current economic state of Baltic ports and harbors, meanwhile giving hints on to cope with the post-crisis changes and challenges. The conference gathered over 100 participants who could hear speeches by e.g. Juhan Parts, the minister of Economic Affairs and Communication of the Republic of Estonia; Azat Bekturov, the Deputy Minister of Transportation of the Republic of Kazakhstan; Henrik Hololei, the Head of Cabinet of the European Commissioner for Transport; Peter Roose, Sales and Marketing Director of Tallink Grupp, and others.

## **Baltic-Asia Transit**

According to Allan Kiil, Member of the Management Board of the Port of Tallinn, the conference, figuratively speaking, brought the debate on one of the currently hottest topics in the transport sector straight to our doorstep. In fact, development of the Euro-Asian land corridor is definitely of extreme importance for the economy of Latvia, as it has been marked by Erik Ringmaa, Tallinn's

Chief Commercial Officer, that today's dependence of Latvian ports on Russian foreign trade equals as much as 90%, and their capacity much exceeds domestic trade requirements. Yet, as Steve Wray of Ocean Shipping Consultants assures, there will still be transit capacity to spare at all the Baltic ports on Russia/CIS direction. "There is indeed a general presumption that Russian cargo is handled first at Russian ports, but transit ports in Finland and Baltic States offer advantages for some Russian routes, which will assure them of a share

of the market, albeit a declining share," he states. According to Hardo Pajula, Financial Analyst of Skandinaviska Enskilda Banken (SEB), China is assumed to remain the powerhouse of the global economy, but the growth gap between the OECD and emerging market economies is envisaged to narrow somewhat over 2011-12.

## **Baltic in change**

Already in 2010 the resumption of growth in the Baltic Rim region is pulling the Baltic countries out the depths of last year's recession. Swedish economy has rebounded particularly strongly and trade flows across the Baltic Sea have resumed. The import growth rates of Estonia's major trade partners have regained their pre-crisis levels in Q2 alone. "In 2011-12 the three countries are assumed to regain their growth premium vis-a-vis Nordic markets", Pajula states. Indeed, we can see a true mini-boom in Estonian exports, where external demand has lifted export growth rates back to the levels from 2005-06, but domestic demand remains rather lethargic. However, Pajula also warns that the key question is the resilience of the revival once the effects of the industrial rebound fade. "Thus, while this year's growth is likely to exceed our forecast of 2.0%, 2011-12 are wrapped in uncertainty", he points. As Kaido Simmermann, the Chairman of the Management Board of Estonian Railways comments, sea traffic via Baltic Ports will remain important in future, but rail service from Asia to Estonia will be a good alternative, shortening the transit time to just 15 days. Then, Estonian ports would well suit for further cargo distribution to northern Europe and North-West Russia. ■

*Piotr Trusiewicz*

## **Upcoming BPO events**

### **Seminar & Debate:**

#### **Baltic Ports & Environment – new regulations and challenges**

*7<sup>th</sup> December 2010, Malmö, Sweden*

The main goal of the seminar, organized jointly by TransBaltic & BPO, is to identify environmental areas that influences on ports' activity. The seminar is addressed to development directors, environmental managers, quality managers from ports, policy makers and administration, ports, trade organizations, shipping lines and other relevant businesses.

Subjects to be discussed: *NOx emissions from ships; Water waste management from cruise and ferry shipping; No special fee system – does it work in Baltic ports?; Baltic Action Plan; Ballast Water Management – are all Baltic Ports prepared to receive big amounts of Ballast Water?.* More information available at [www.balticports.com](http://www.balticports.com).

# Up to 180 million tonnes by 2018

*An interview with Maxim Shirokov, General Director of Ust-Luga Company JSC*

**The Port of Ust-Luga is the most dynamic port of the Russian Federation. About its development plans as well as the other Russian Baltic ports, we talk with the newly appointed member of the board of BPO.**

■ **What is the current condition of the Russian ports on the Baltic Sea? Could you share with our readers your opinion on the pace and direction of their expansion?**

Their condition is completely diverse. There are many reasons for that, both geographical and historical. The Big Port of St. Petersburg that is currently the largest Russian port on the Baltic has practically exhausted its development potential. The port is clamped by the city; it lacks territories for further growth. The transport situation in St. Petersburg is quite complicated as well. Nevertheless, we understand that the port has been and will be significant due to its location practically in the centre of a five-mln sales market (St. Petersburg) and about 600 km from a 10 mln sales market (Moscow). Kaliningrad, another multipurpose port, is actually “an island port”. Due to its geographical position it primarily serves the economy of its own region and partly performs the functions of a transit hub. Ust-Luga port is the most dynamically growing port of the Russian Baltic Sea territory, despite its yet low turnover figures. For example, in September alone we transhipped almost 11 thousand motorcars at our Yug-2 multipurpose terminal, while the transshipment volume for the entire previous year was only 17 thousand. The port shows good growth dynamics in other cargoes as well. There are now six terminals working in Ust-Luga. Next year we expect the commissioning of three more and, accordingly, a higher cargo turnover at the port.

■ **What role, in your opinion, will Russian ports play in the BSR 10 years from today?**

The strategic choice of Russia articulated by PM Vladimir Putin is the redirection of cargo

flows currently going through transit ports in other countries. Therefore, the Russian ports, first of all Ust-Luga and Kaliningrad, will actively develop over the next decade. The cargo turnover of Ust-Luga was 10.3 mln tonnes in 2009. According to various estimates, this year the growth rate will comprise +30% up to +40%. We plan to tranship about 180 mln tonnes of various cargoes in Ust-Luga by 2018, which will make us the largest port on the Baltic Sea. I think that 10 years from now all export operations with Russian cargoes will go through the ports of the Russian Federation. Besides, considering that over the previous decade the cargo turnover in the country's ports has more than doubled, there is every reason to believe that this trend will continue. In 2010 this figure will be 500 mln tonnes. How much will it be in 10 years? One million? 700 thousand? Hard to say. But it will undoubtedly rise. And there will be without doubt essential growth on the Baltic given the natural proximity to the borders of the EU and the growth of the Russian consumption market.

■ **What investments are currently being undertaken in Ust-Luga port?**

The port is being built on the principles of a public private partnership. By the way, it was our company which was the first in Russia in 1999 to use this pattern in port construction. Out of the almost RUB 59 bln of total investments within the port boundaries, nearly RUB 45 bln are private funds. For 2010 the planned investments in the port make up RUB 34.3 bln, with just RUB 2.5 bln being state funds. Besides, this year Russian Railways is additionally investing RUB 6 bln in developing approach lines to Ust-Luga. RZD has already invested more than RUB 21 bln over the period of construction.

■ **How do you see the role of Russian ports in the BPO and what seems to be crucial for the interests of Baltic ports as a whole?**

In our opinion, this role will reveal itself in the active partnership with colleagues from other ports. If we look at the Baltic as at a geopolitical component, we realize that



Photo: Ust-Luga JSC

despite the competition between our ports we can present a unified front in the contest for cargo in global logistic flows. It is here that people with a very high income – hence, a high consumption level – live today. In addition, Europe is still one of the industrial and financial centres of the world. It is important to unite efforts in the contest for cargo flows on a global scale, and to get as many port members as possible involved in this work. Besides, the Baltic Sea is a very delicate ecosystem on the territory of which we are actively working. Therefore, all of us are to be equally concerned with ecological issues. Paraphrasing a saying of the Mayans, we must remember that we have not inherited the Baltic Sea from our ancestors, but have borrowed it from our children.

*Lena Lorenc*