

MARITIME TRANSPORT CLUSTER DEVELOPMENT IN GEORGIA

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Abstract The geopolitical location in Georgia creates opportunities for maritime cluster development. The functioning of the international transport corridor depends on the ports and maritime transport. The country's strategic location on the 'One Belt One Road' (OBOR) route, positioned along the shortest route between China and Europe. The development of maritime cluster gives Georgia the function of international importance and provides more opportunities for sustainable development. The purpose of this paper relates to the possibilities of establishing maritime clusters in Georgia. Creating a cluster provides new opportunities for innovative handling of technological operations in port logistics. Creation of a maritime cluster on the basis of the Port of Batumi and the port of Poti, should increase the competitiveness of both the ports and other companies – as a cluster member. There are advantages of creating marine clusters in Georgia, such as it's: geopolitical location, attractive investment environment, regulated transportation infrastructure, vast seaport. The need to find solutions to the ongoing effects of the COVID-19 pandemic, strengthening Georgia's transit function and transformation of the country's ports into a maritime transport cluster will improve the competitiveness of the Georgian economy after the pandemic.

Keywords:

Georgia,
cluster,
maritime,
transport,
transit,
ports

1 Introduction

Global experience of transport and logistics clusters operation shows that their activity is effective in areas with high transit potential. Georgia's geopolitical location creates opportunities for the development of transport clusters. The most important road route from east to west and, from north to south, the Trans-Caucasian Transit Corridor, (CTC) is the shortest way to connect East Asia with Europe. Rational use of the CTC ensures Georgia as a state and provides it with economic security. The concentrated traffic flows of Georgian sea ports are important links in the supply of the transport and logistics chains. Creation of a maritime cluster on the basis of the Batumi and Poti sea ports should increase the competitiveness of the ports and other companies as a cluster member.

A cluster is considered as a group of competitive companies and enterprises (industrial, commercial, transport, logistics), that are linked geographically and cooperate on a voluntary basis to improve the overall efficiency of the logistics process.

M. Haezendonck was the first scholar to use the term 'port cluster' and draw from cluster theories. She defines a port cluster as a set of interdependent firms engaged in port related activities, located within the same port region and possibly with similar strategies leading to a competitive advantage and characterised by a joint competitive position vis-à-vis the environment external to the cluster.' (Haezendonck, 2001, p. -136). Seaport clusters are described by (Langen et al. (-2004) as contributing to the performance analysis of seaport clusters and their structure.

M. Haezendonck analyses the performance of a port cluster with an adapted version of Porter's diamond framework (Porter, 1990, Krugman et al., 1995). She identifies 14 factors that influence the competitiveness of seaports, including internal competition, internal cooperation and relationships in the cluster, the presence of related and supporting industries and the behaviour of the government. The study is a major contribution to understanding port clusters, however it has the following shortcomings:

- ✓ The issue of identifying the firms in the cluster is not addressed. This is relevant since the question of what a port cluster actually is still unclear.

- ✓ It focuses on two commodity groups: containers and break bulk. An analysis of the competitiveness of a complete port cluster is still lacking.
- ✓ Throughput volume is used as performance indicator. This indicator is at best a partial indicator of performance. It might be a good indicator for the performance of the cargo handling industry, however a port cluster encompasses many activities whose performance is not directly related to cargo throughput.

2 Ports in Georgia

The Poti sea port is the largest port in Georgia. It provides a gateway to Europe for traders from Azerbaijan, Georgia and Armenia. It handles liquids, container traffic, dry bulk cargo and passenger ferries. The port includes 15 berths, has a total length of 2,900 metres, more than 20 quay cranes and 17- kilometres of rail tracks. It offers direct ferry traffic with the Black Sea ports of Ukraine and Bulgaria and to Georgia's railway network.

The strategic location of the Poti sea port, brings significant logistics and supply chain advantages to companies looking for a rapid, straightforward business start-up in a tax-friendly environment.

The types of vessels that regularly call at the Poti seaport are general cargo (39%), fishing (24%), bulk carrier (10%), fishing vessels (6%) and container ships (6%). Since assuming operations in 2011, APM Terminals (the independent terminal operating division of the Maersk Group) has invested over USD 80 million in upgrading the outdated port infrastructure and service facilities, including the construction of a new Customs Centre, as well as new rail and lorry. During the COVID-19 Pandemic, the Poti sea Port continued upgrades of the port infrastructure and equipment to make it the most productive and safest port in the region

The Poti Free Industrial Zone is located at the heart of the historic Silk Road and remains the shortest link between Europe and Asia. It is the hub of the growing Caspian – Caucasus region.

In 2020, APM Terminals Poti announced its plans to create a deep-water port by investing over USD 250 million of private capital for phase 1 and a substantial amount for phase 2 in extensive development of the port infrastructure and superstructure.

The expansion plan for the Poti sea port that was presented to the Government of Georgia consists of two stages of construction and development. The first stage includes a breakwater of 1,700m and a 400m multipurpose quay with a depth of 13.5m able to handle dry bulk cargo and an incremental 150,000 twenty-foot equivalent units (TEUs). This berth will be able accommodate container vessels of up to 9,000 TEU.

The history of transit navigation dates back to ancient times. The port was declared free-trade zone in 1878. From the outset the main factor in development of the Batumi sea port was oil. It was the basis for construction of the Batumi-Baku railway line. By the beginning of the 20th century, the Batumi sea port had become one of the leading ports of the Black Sea based on its importance and freight turnover. During the period of the Soviet government, the Batumi sea port was registered as a port of the highest category. Participation in the transportation of oil transformed the Batumi sea port into an important centre of the Eurasian transportation corridor.

The advantageous strategic and geopolitical location of the seaport Batumi became a key factor in the adoption of JSC KazTransOil, a subsidiary of the Kazakhstan national oil and gas company JSC KazMunayGas.

Table 1: Operating data of the Batumi seaport

	2014	2015	2016	2017	2018	2019	2020	2021
Dry cargo turnover, thousand MT	1,203	1,046	862	795	1,189	694.5	913	1-21
Oil and oil products, million MT	4.5	3.9	3.4	2.1	1.0	0.9	1.2	1.5
Containers turnover, TEU	61,980	54,695	55,781	76,025	90,002	116,081	103,302	99,187
Ships call, unit	585	570	663	527	584	578	589	567

Source: https://www.batumiport.com/en/about_the_company/statistics/

Anaklia's deep-water sea-port, is being implemented by the Anaklia Development Consortium. The consortium comprises "TBC Holding-"s and the American Investment Holding-"s Conti International", which implement infrastructure and construction projects. The contractors of the Anaklia Development Consortium are also the well-known sea-port design company "Moffatt & Nichol" and the Dutch consulting company "Maritime & Transport Business Solutions", which specialised in the issues of port transactions.

In the longer term, throughput at the port is expected to reach 100 million tonnes, however initially the construction of three phases is planned. The first three phases should be constructed within 12 years. For the first three years, it is foreseen that the throughput of the port will be 7 million tonnes, and by the 12th year, it will reach 40 million tonnes of cargo. Around 80% of goods in the are transported by sea. According to data, there was a record increase in the amount of containerised goods in the country (43%).

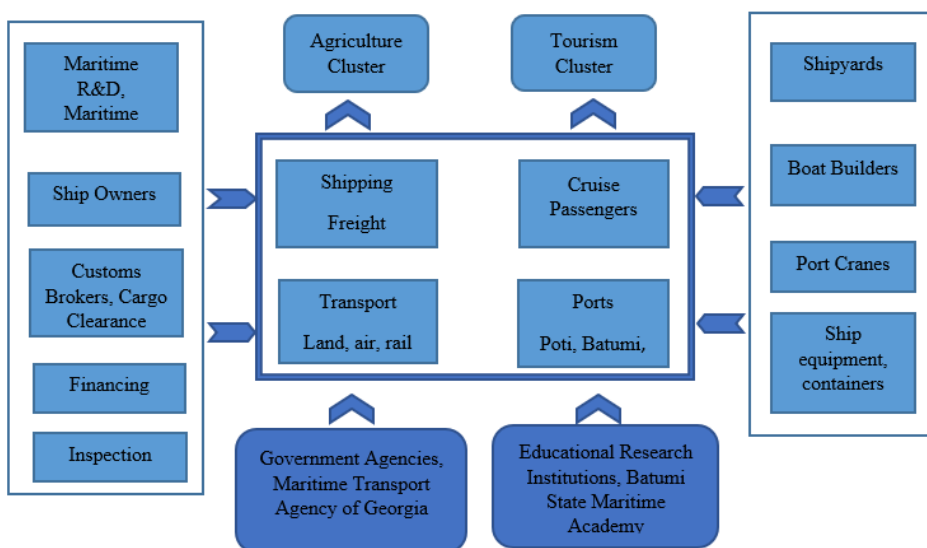


Figure 1: Map of the Batumi Marine Transportation Cluster [2]

Source:<https://www.isc.hbs.edu/Documents/resources/courses/moc-course-at-harvard/pdf/studentprojects/Miami%20Marine%20Transportation%20Final%20Report.pdf>

A maritime cluster can be formed from such bodies as the Batumi seaport, government and local self-government authorities, the Maritime Transport Agency, banking and financial institutions, non-governmental organisations, research institutions and region science-education centres.

The concentrated traffic flows of Georgian seaports and are important links in the supply of the transport and logistics chain and should be the core of the logistics cluster. Creation of a maritime cluster on the basis of the Batumi and Poti seaports should increase the competitiveness of the ports and other companies as a cluster member.

The role of maritime transport as a key sector increased around the entire world during the pandemic and was of great importance in terms of the continuous and uninterrupted delivery of vital goods during the crisis. There is a requirement, however, for actions to be agreed upon for the standardisation of data, monitoring of ports activities and developing the defence mechanisms to improve cyber security.

The EU has been supporting the development of the Georgian maritime sector through various projects and programmes, such as the reinforcement of navigational safety and security, protection of the marine environment, modern standards of education and training for international accreditation. With the support of the EU, from 2021, the country have a Maritime Transport Strategy. These reforms are creating jobs, helping protect the environment and helping support the establishment of a sustainable maritime transportation system that will help Georgia become a key transit hub for the region.

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