

Mediterranean Port Hubs: Connectivity in Today's Agitated Waters

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The Mediterranean region has historically been a nexus of cultural, economic and political connectivity, largely facilitated by its ports. This intricate network of ports has long played a crucial role in shaping the region's history. In ancient times, the Mediterranean Sea was dubbed the "cradle of civilization," due to its strategic location as a link between Africa, Asia and Europe. Prominent ports such as Athens, Alexandria, Constantinople and Carthage became epicentres of trade and culture. Later, ports like Venice, Barcelona, Marseille and Genoa played a crucial role in fostering trade relations across the Mediterranean. In the modern era, the Mediterranean lost part of its significance. The opening of the Suez Canal has recovered the Mediterranean's central role for almost a century. After the Second World War, the Atlantic became the planet's main trade route, relegating the Mediterranean to a secondary role for almost three decades. Following the revolutions in Far Eastern economies, in particular in China from 1979, trade relations changed completely again. China, and also Japan and Korea, replaced the US as the EU's northern and eastern Mediterranean countries' main trading partner. The Mediterranean once again recovered its ancient role as a global maritime hub, not only for the countries surrounding it, but also for the whole European continent.

The role of the Mediterranean as a global trade and maritime hub has been growing even more in recent years. With the development of other Asian economies, such as those of India, Vietnam, Singapore, Malaysia and Indonesia, relations between these

and European and MENA countries through the Mediterranean have also been strengthened.

The development in recent years of the Gulf of Guinea economies, led by Nigeria, despite all the problems that still persist on the African continent, is also fostering trade relations across the Mediterranean between the West African nations and the countries surrounding the Mare Nostrum.

All these relations based on international maritime transport have also fostered the development of traditional ports (Barcelona, Genoa, Valencia) and the emergence of new port hubs. In the north of the Adriatic (Koper for instance), in Egypt (Port Said), in the central Mediterranean (Piraeus, Malta) and in the Strait of Gibraltar (Algeciras, Tanger). The Moroccan port is an extraordinary example of port development and, in a matter of a few years, has become the biggest container port in the region. In 2023 alone, Tanger MED, the container facilities of the northern Moroccan city, handled more than 8 million TEU (twenty-foot equivalent unit).

All these ports provide excellent services and connectivity for all types of cargo to international and national exporters, importers and logistics companies. The biggest container vessels, car carriers, ferries and bulk vessels can call at almost all major Mediterranean ports. These ports have expanded their infrastructure in order to be able to accommodate the ever-increasing dimensions of the biggest freight vessels navigating across the planet's oceans.

The Mediterranean ports' maritime connectivity has provided an excellent service to its customers for the past 50 years, despite conflicts, social unrest, extreme climate episodes and economic crisis. However, supply chains based on maritime transport lost some of their smoothness and reliability at the beginning of this decade. Suddenly, maritime

transport became a problem for exporters and importers, and also port managers. In particular, for those using container vessels: in 2021, 2022 and the first half of 2023, the lines operated by these vessels lost most of their reliability and predictability, and experienced unprecedented increases in freight rates.

International transport connectivity (the main component of global supply chains) has become one of the major concerns in global economics ever since. In particular in Europe; 90% of the continent's foreign trade is transported across the oceans. We rely completely on container ships, car carriers, liquid and solid bulk vessels for all types of products that are both imported and exported. From consumer goods to raw materials, fossil fuels, metals, fertilizers, cars, cereals, chemicals, etc.

Covid-19 started an unprecedented wave of disruptions in global supply chains based on maritime transport, which had a strong impact on international trade. In particular, again, in Europe and the US, the broader public became aware of the West and Europe's dependence on maritime transport and the continent's fragility. It only takes one of the mega container vessels navigating between Europe and its trade partners (most notably in Asia) to get stuck – as happened to the Ever Given in the Suez Canal – and companies of all sectors and sizes on the continent suffer the effects. They may be forced to postpone sales, shut down assembly lines or suspend contracts with customers or suppliers.

The disruptions experienced in 2021, 2022 and the first half of 2023 caused massive changes, which are having a major impact on manufacturing and supply chains globally, most notably in Europe and the Mediterranean. Lots of industries diversified their suppliers and changed or diversified their manufacturing sites. Some companies brought production closer to their customers (on the continent, in eastern Europe, for instance, or in the Mediterranean, in countries such as Turkey and Morocco, that have been selected in recent years as production and supply locations of textile, automotive and home apparel for European companies). Governments incentivized the development of manufacturing in Western countries in strategic sectors such as microchips and energy transition hardware.

All these changes were fostered by the disruptions in supply chains and the unprecedented increase in

freight rates, in particular for container goods, in 2021 and 2022. Prices in certain periods and segments increased by 1,000%. Reliability of maritime transport also suffered a deterioration the likes of which has never been seen before. In many Mediterranean ports, 90% of vessels used to arrive at port on the scheduled day. In 2022, in some ports, reliability dropped to 40, 30 or even 20%. The container sector was the most affected by these disruptions, although it wasn't the only one. For instance, the increase in imports of Chinese electric vehicles into the Mediterranean (and also the exports of countries such as Spain), pushed freight rates up for finished-vehicle transportation. The sector also witnessed a lack of capacity (there were not enough car carriers to transport the vehicles between Asia and the Mediterranean). Car manufacturers had to figure out how to expedite the transport of these vehicles and started putting them inside containers in order to be able to ship them internationally.

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In the second half of 2023, reliability and freight prices in the container segment almost recovered to pre-pandemic levels. However, the damage was already done and significant companies had already implemented plans to re-shape their supply chains and diversify their suppliers and production sites. While it is true that these kinds of decisions have always been taken in big companies and sectors, this has never happened across the board and, therefore, cannot be overlooked. It is still a qualitative trend more than a quantitative one.

In our region, this trend is fueling intra-regional trade and connectivity. Trade exchanges and vessels connecting the western and eastern Mediterranean are increasing. We see thousands of trucks being loaded onto ro-ro vessels in Turkish ports, which are unloaded in ports in France, Italy and Spain, delivering products from the textile, automotive and many other sectors. We are seeing how exchanges between

Morocco and southern European countries are also growing significantly, in the sectors mentioned above, but also in the agro-food industry and many other sectors.

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Once stability seemed to have returned to global and Mediterranean supply chains, at the end of 2023 a new disruption impacted maritime transportation across the Mediterranean. It was not the first time in recent history that something like this had happened, but it was the first time since as far back as the 1970s. The war in Gaza spread throughout the region. First to the Israeli Lebanese border and then on to the Red Sea. The ongoing massacre in Gaza stirred up feelings of solidarity among other groups. Most notably among the Houthis of Yemen, who started to attack freight vessels navigating the Red Sea between the Bab-el-Mandeb Strait and Suez Canal. The attacks intensified at the beginning of 2024 and forced all major shipping lines (transporting containers, cars and also bulk, although to a

lesser degree) to reroute their vessels through the Cape of Good Hope.

This diversion added a couple of weeks to transit times for vessels connecting Asia and the Mediterranean and Europe. Costs soared (it required more fuel and insurance rates were higher) and freight rates between Mediterranean ports and Asia tripled. Although the prices never reached 2022 levels, the increase had a substantial impact on the logistics costs of global supply chains. During the first weeks of the blockade of the Red Sea, when vessels had to delay their expected day of arrival in Mediterranean ports by 10 days or even two weeks, factories all over Europe had to stop assembly lines. There was a sudden lack of certain consumer goods. Some companies had to pay huge amounts in order to receive critical components by air freight. After the first weeks of disruptions, the situation stabilized again and freight rates decreased slightly, although they are still substantially higher today than what they were in the second half of 2023.

This latest disruption has dramatically changed maritime connectivity in the Mediterranean. Western Mediterranean ports (Barcelona, Valencia, Algeciras, Tanger) and also Western African ports, have witnessed substantial increases in traffic. Shipping lines concentrated some of their calls for the biggest interoceanic vessels that had been rerouted through the Cape of Good Hope in these ports to avoid entering the eastern Mediterranean. From these ports they later distributed cargo eastwards with feeder vessels. Connectivity in western Mediterranean countries has therefore been boosted whilst in the central and eastern Mediterranean it has deteriorated significantly.