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Port reform – key aspect of globalization

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Abstract. Globalization and increased free trade between continents have led to the need to adapt port management to changes and opportunities that occurred. Ports under public administration have had to identify strategies to deal with more aggressive regional or international competition. The opinion of governments of developing countries about improving port performance is more involvement of the private sector. Therefore, countries have understood the need to change over ports administration system from the "public interest" into "public/private interest" category. This paper attempts to highlight the importance of structural reform in the ports due to national markets open up to international trade and the need to integrate the port into the local or regional logistic chain.

Keywords: port, reform, shipping, globalization

1. Introduction

Progress in shipping technologies has led to the need for port reform, especially for developing countries. The intensification of free trade and therefore of international competition has determined the need to open up their internal markets to globalization. This trade liberalization can only serve the country's economy if the port system benefits from an investment and managerial upgrade.

In recent times, countries where ports have a public majority have had a dead end in their structural reform. Ports in developed countries, identified a solution by switching from public administration to public / private partnerships.

Thus, Asian or Southeast European countries with coastline, have had to reconsider the port in terms of the strategy of interest. In such a context, public investment for the development of the port area is losing ground to the public / private interest, focusing on the service industry. As a result, countries have raised the issue of how port reform will be made, which strategy is more efficient and closer to the port's needs.

Starting from the five known strategies when it comes to port reform, namely the modernization of port administration, liberalization or reorganization of port services, port commercialization, corporatization and privatization, each state had to identify the best option in view of the existing situation.

Port reform, well-implemented, has resulted in rising returns for countries' economies.

There is an interdependence between maritime transport, international trade and industrialization for developing countries. For example, the low growth of national industry is an advantage for international trade, whose development depends on shipping. However, starting from this correlation, it can be seen in Table 1 that the crisis in 2009 has led to the fall of international trade but not of the world fleet. [1]

Table 1. Comparison between growth rate of international trade and world merchant fleet [%].

		2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
International trade	Export	15.6	15.2	-22.3	21.9	19.9	0.9	2.5	0.3	-13.2	-3.0
	Import	15.2	15.7	-22.9	21.5	19.4	1.1	1.6	0.4	-12.3	-3.0
World merchant fleet		7.2	6.7	7.0	9.4	9.9	6.0	4.1	3.5	3.5	3.2

In the post-2009 period, international trade recorded oscillating evolutions from + 21.9% to -13.2%, while the maritime market provided new capacities of transport and upgraded harbors to meet increased freight volumes. This uncorrelation of the two indicators has in the background the achievement of economies of scale on the maritime market through the construction of vessels with very large capacities. The appearance of mega-ships has led to the exacerbation of competition between ports that has determined the ports to be aware of the potential benefits of port reform.

2. Port reform

Countries that own and manage ports (public ports) have identified the interdependence between evolution of national trade and port flow. A port that is not working at his normal capacity it can't help the national economy. However, in the case of developing countries, any factor is important when referring to the competitive advantage of trade in relation to the economies of the region.

Port integration into regional or regional logistic networks is imperative for port growth by diversifying the services offered. The economies of less industrialized countries need to transit large volumes of cargo through their ports for a positive return. This volume can be obtained through a port integration in logistic chains of the region.

The port can be used by shipping companies if it is oriented to modern business practices and has the necessary technology. In the case of a public port, all the above-mentioned aspects can only be achieved through a comprehensive port reform accompanied by support in many other areas: regulation, investment, financial, labor, etc.

When countries want to make transition from a public to a public-private port need, first, to change the economic system to create a friendly economic background to investment.

The complexity of port reform results from its definition, namely, the action of transforming the way of port administration by including the private sector resulting in optimizing port efficiency.

Any port reform is limited to the question "Who brings the money?", in other words, who and what finances.

As is well known, financing a port addresses three main segments: infrastructure, superstructure and services. In a public port, the state has to finance all three segments on its own, which, especially for a developing state, leads to insignificant amounts distributed on each segment. These investments have more role to maintain the current position of the port than to give them a chance to develop.

Port reform back up the state to resolve this thorny problem of funding. The debate that arises is related to components that the state must finance and their utility. Most often, in a public-private port, the state has the obligation to finance the infrastructure of the port.

Tabel 2. Ownership of state in ports [2,3]

	Public	Public-Private	Private-Public
Infrastructure	70%	7%	7%
Superstructure	30%	5%	8%
Services	17%	19%	5%

From table 2, on the basis of ILO data, state ownership of infrastructure is overwhelming in public ports, while in public-private ports, the state is limited to a smaller stake. Port reform and, implicitly, involvement of the private sector do not guarantee success. The state must find the levers to efficiently manage the port. Some of the modern management methods can be used: budget management, goal management (profit rate) or project management.

However, there are ports in Africa where low output port was not due to lack of investment from the state or the private sector. Ports with modern service facilities and adequate infrastructure offer high cost and low return services. The problem identified was the lack of efficient management of port administration.

Obstacles occurring in management of public ports compared to public-private ones refer to the decision-making process by those who administer the port. Thus, any decision is taken only with the consultation of the ministerial level of responsibility, which in most cases has other priorities than port development.

In order to control public-private ports, the state can intervene directly by establishing a port development strategy or indirect by modifying the port regulation framework.

Globalization has led to the need for open borders in the commodity exchange, ie the opening of the internal market and its invasion of competing products. This has been facilitated by the development of maritime ports but has reduced the protection offered to local producers. Therefore, port reform can lead to negative effects by increasing imports because a developed port will attract more and more large volumes of cargo.

Private sector investments, following a port reform, always keep in mind the economic principle that guides this sector, such as the opportunity cost. The state must create the institutional framework needed to provide a climate for profitable port development for both parties, public and private [4].

Including the port in regional logistic networks will generate the growth of national and regional economies, being a good reason for potential private sector investment in hinterland development. The role of the state is to contribute directly to this inclusion taking into account not only the welfare of the port but also the effect on the competitiveness of the country's export industries.

A well-structured socio-economic development plan for the port will lead to increased profitability of public and private investment and will help strengthen the position of the port within the regional logistics chains.

Also, do not forget that with increasing volumes of cargo transported by mega-ships it became necessary for ports to adapt their infrastructure for berthing and ship operations be done in a short time.

I mean, on the one hand the state must invest in expanding berths, providing depth in port and on the other hand the private sector must allocate funds to improve productivity and operational efficiency.

Next will be discussed the most common types of port reform emphasizing the need to relate these concepts to the issue of globalization.

According to the World Bank, the port through commercialization aims to increase autonomy in management decisions as well as port performance by widening the area of management responsibility. This commercialization is effective by imposing performance indicators for port that would lead to greater attention being paid by stakeholders to labor productivity and, implicitly, to all cost categories.

A port where, for contracting certain port services, the private sector has increased responsibilities will lead to responsible management focused on customers and market. Integration of such a port into a logistics network is extremely easy due to the fact that stakeholders will always pursue their performance targets.

Port reform by commercialization will have results if there are introduced modern instruments for evaluation activity whose objectivity can lead to rewards or penalties for the private sector.

Privatization is another way of port reform being considered the most complex of all. By name, privatization is the transfer of port assets from state to the private sector. But, like the perfect competition market which is something theoretic, privatization is rarely implemented in practice

according to methodology. This is also the reason why port reform by privatization is confused with commercialization or corporatization.

There are several ways to privatize, but the most used of them, especially in ports in Africa, is to create a joint venture company. This form of privatization is advantageous for the state as it can reduce administrative responsibilities and financial concerns. The private sector identifies benefits when the necessary investments are significant and the associated risk is high enough not to accept the state as a partner.

Globalization can cause exponential growth in port traffic or for a particular category of cargo. A positive example of successful privatization and how cargo traffic exploded with globalization is Port of Shanghai. The container terminal in the Port of Shanghai, which for a decade has detained the supremacy in world, is a joint-venture company.

3. Conclusions

The success of port reform translates into major private sector investments. But these cash inflows are conditioned by other factors such as the financial capacity of the state, a guaranteed institutional framework, the existence of a port strategy, the national or regional economic development and, last but not least, the way chosen to implement the port reform.

There must be a balanced partnership between public and private sector, public side needs to understand that the private sector is interested in profit, and the private companies must make investment for public welfare which are not profitable for the private sector.

Statistics showed that privatization and commercialization can increase port performance for countries that wanted the transition to a market economy. Of course, any structural reform to be successful must be accompanied by complementary measures such as decentralization of management, participatory management, involvement of the private environment and, last but not least, economic integration.

Port reform achieved through the joint venture companies or commercialization have a common target as port integration in logistics chains.

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