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## PORT GOVERNANCE AND TERRITORIAL DEVELOPMENT ON THE EASTERN SHORE OF THE BALTIC SEA

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### ABSTRACT

For the last 20 years, the Baltic Sea has been affected by many upheavals, not only geopolitical but also economic. They have forced ports to transform themselves, and not least to adapt to the evolutions in the marine industry. The eastern Baltic ports have moved from a principle of complementarity, instruments of Soviet collectivism, to integration within a global maritime and port system synonymous with economic liberalism. Moreover, the issue of modifying governance and port regulations within a region undergoing major change is of particular interest in the Baltic area. A literature review, as well as fieldwork based on approximately 20 interviews (with elected officials, representatives of port authorities, directors of handling companies, representatives from chambers of commerce, lobbyists, etc), brings to light how stakeholder interactions structure the port area, and impact the development of territories (port, urban, hinterland).

KEY WORDS: *Baltic, governance, port, stakeholders, territory.*

JEL CODES: R41, R42, L62.

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### Introduction

Nowadays, the socio-economic role and importance of ports has become ever more significant due to developments in transport and worldwide trade, with the largest ports being integrated into global supply chains (Carpenter, Lozano, 2020). Ports have changed substantially, especially in areas such as the Baltic Sea, which have undergone profound geopolitical changes. Port-cities, which have a key role in international trade and provide essential services to the local, regional and national economies, have also deeply transformed (Roberts, Williams, Preston, 2020).

The eastern shore of the Baltic Sea is made up of ports whose main purpose is the export of raw materials from Russia and the CIS (Commonwealth of Independent States), and to supply them with manufactured goods. Russian, Baltic as well as Finnish ports stand out and interact in a system connecting a vast hinterland, which includes primarily the Russian world, as well as a part of Central Europe. Goods are distributed from this gateway into a different environment using different modes. Here, ports form essential transport hubs, in particular in transit traffic, where complementarity has given way little by little to intense competition. Since the mid-1990s, continuous growth in traffic and the modernisation of ports have characterised the eastern Baltic ports. This growth is based on three fundamental driving forces: world economic growth, profound geopolitical changes in the region, and Russia's port capacity requirements.

Port governance usually refers to issues of ownership, pricing and investment, and the division of responsibilities and liberties among diverse actors in ports (Merkel, Sløk-Madsen, 2019). In the Baltic context, evolutions in port governance represent a major stake in territorial development. The Baltic space, a region that

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has been undergoing major change for over 25 years, appears to be particularly affected by this phenomenon. The purpose of this paper is not to produce yet another analysis of models or modalities of this governance, but to consider it as a resource for development. The analysis is undertaken on the basis of approximately 20 semi-structured interviews conducted in the ports of Tallinn, HaminaKotka and Klaipėda, with different types of stakeholders (elected officials, representatives of port authorities, chambers of commerce officials, academics, port professionals, etc).<sup>3</sup> The objective of these interviews is both to analyse port-city relationships and to study the new stakeholder interactions resulting from them.

The first part of this article presents the characteristics and recent developments in port governance on the Baltic's eastern maritime seaboard. The second distinguishes different regional models of governance by identifying the respective roles of the different stakeholders (port, municipal, regional, private, etc). The impact of their interactions on port and territorial development will be studied in the final part.

## 1. Contemporary patterns of port governance

Links between ports and territories have traditionally been based on port-city relationships. Indeed, these are historical acquaintances, even if this correlation has eroded over the last few decades, namely because changes to international trade have compelled ports to transform themselves, and, more often, to distance themselves from the town. The field of action has therefore comprehensively expanded, integrating an overall perspective of a port community, making it possible to extend the subject to local and regional bodies, chambers of commerce and professional organisations, closer to the Hanseatic model of governance (Lévêque, 2014). Consequently, port authorities have been strongly advised to reflect on the medium and long-term relevance of their strategies and development policies. It is no longer the amount of tonnage handled that is important, but the economic benefits to the area, notably in terms of job creation. Ports are complex systems, and their efficiency is determined not only by their location, but also by the interests of the members of the port community and their interactions at multiple territorial levels (Mickiene, Valioniene, 2017).

Port governance in Europe varies from state to state, with methods of management that are progressing towards the gradual intensification of the private sector. Governance differs according to which port model is adopted (Figure 1), on which the evolution of private and public sector roles depends:

- The *service port* (public service), based on political centralism, where the state controls its port strategy, is a wholly public port, except for towing/mooring and dredging/pilotage services, which can be delegated in part to private companies. These port models can be seen mainly in Latin ports (Tourret, 2014).
- The *tool port* is one where the port authority is in the public sector (like the *service port*), but where handling is carried out by private companies. This model enables the port authority to benefit from public-private sector management, thus reducing the risks incurred by financial investment transactions (Burns, 2014).
- The *landlord port* is a port model which is taking over in most large European ports (Verhoeven, 2010), with a greater public-private sector partnership, since the superstructures, but sometimes also the infrastructures, are delegated to private operators in keeping with the 'terminalisation' of seaports (Slack, 2007).
- The *private service port* is a port mostly if not exclusively private, with the privatisation of its port administration. This opening up of the port authority's capital has led to the emergence of private port undertakings as a result. The development of this model tends to occur in certain European countries like England, where ports no longer receive government funding.

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<sup>3</sup> The interview guide used for this survey is made up of several subsections common to all types of stakeholders, namely the role and place of the stakeholder in the port community, the impacts of municipal/inter-communal activity on the organisation and the operations of the stakeholder (or the impacts of the port activity, as the case may be, on the organisation and activities of the stakeholder), the decision-making process in the port governance, the nature of the forces involved in the framework of port organisation, and relationships with other territories.

	Ownership	Port Administration	Nautical Management	Port Infrastructure	Superstructures	Cargo Handling	Towage / Mooring services	Pilotage / Dredging
Public Service Port	Public	Public	Public	Public	Public	Public	Public	Public
Tool Port	Public	Public	Public	Public	Public	Private	Public	Public
Landlord Port	Public	Public	Public	Private	Public	Private	Public	Public
Corporatized Port	Public	Private	Private	Private	Private	Private	Private	Public
Private Service Port	Private	Private	Private	Private	Private	Private	Private	Public
	Private		Public					

Figure 1. The role of the public and private sectors in port management

Source: the authors, from Rodrigue et al. (2019).

Port governance arrangements have been marked by the standardisation of the landlord port archetype (Verhoeven, 2010). This model is based on the transfer of port operations to private operators in keeping with the ‘terminalisation’ of ports (Slack, 2007). With terminalisation, ports are divided into as many sub-ports (terminals) as there are private operators (Charlier, Lavaud-Letilleul, 2013). While the public sector retains the management of hereditaments, therefore, equipment and the workforce are passed on to private concessionaires (Figure 1). As a consequence, the development of the landlord port arrangement, together with the globalisation of handling operations, raises the question of the management and strategic control of urban-port development.

However, this pattern distinguishes between the Latin model, in which the port is under the influence of the state, and the Hanseatic configuration, which evokes a governance of proximity, and which would be the middle ground between the private sector port and over-nationalised management (Tourret, 2014). It is characterised by considerable autonomy regarding the central state, and is a long-term process. Whatever the model chosen, each port is subjected on a variable basis to political bodies at different institutional levels. As for marine freight forwarding arrangements, they are a matter for private sector decision-making.

In parallel, analyses distinguish three configurations in the legal structures and modes of governance of a port authority (Brooks, Pallis, 2012):

- commercialisation is the passage of port management operations to a more commercial culture, with a transfer to the private sector of commercial activities previously carried out by the port authority;
- corporatisation (Figure 1) is the acquisition of financial independence by the port authority (which remains in the hands of public stakeholders) and the application of business management rules (Verhoeven, 2010). Corporatised ports are largely privatised, but ownership remains public, and it is often assumed as majority stakeholder. The port authority acts essentially as a private company. This management model is unique, because it is the only one in which ownership and control are separate (Rodrigue et al., 2017);
- privatisation is the opening up of the port authority’s capital. Privatisation leads in general to removing the governing powers from the port management.

Port areas are spaces where stakeholders confront one another's projects, but where conflicts of use arise, notably between urban and recreational uses and port and industry functions, given that stakeholders are driven by conflicting interests. For example, in Tallinn, the omnipresence of liners and ferries in the immediate vicinity of the town, and the pollution caused (noise pollution, gas emissions, congestion), cause discontent in part of the population, and bring about adaptations such as reduced wharfage for ships powered by LNG. These stakeholder interactions are of variable geometry: public-private relationships, institutional interference, effects of competition, differences in points of view between people of the sea and people of the land (Foulquier, 2009). Moreover, the 'link with the public authority remains ambivalent, between the need for a strategic framework to see ahead and demands for autonomy in order to act more quickly' (Guillaume, 2014). This range of levels and the multiplication of the number of 'interested parties' form a general framework which structures the different modes of governance of world port systems (Comtois, 2014). These changes come within the scope of circumstances marked by the private sector's reinforcement of its position in the port sector, and by the evolution of its missions and legal status in the port authorities, in order to bring them closer to those of private companies, while at the same time bolstering their governing and organising powers (Guerlet, 2013). The method of territorial governance differs across countries, thereby structuring the relationships between port and city, and more generally between port and territory (in a public-private relationship). But how do things stand according to the size of the port city? We have taken the case of the 'average' port-city, where the textual analysis of city-port relationships will make it possible to propose a functional characterisation.

## 2. Multifaceted port governance in the eastern Baltic

After the end of the Soviet organisation, in the first instance, ports remained half-way between collectivism and terminalisation in the search for new statutes. Integrating port and shipping lines seemed propitious to the development of a maritime policy specific to each recently independent state. In the face of modifications in the economic environment in which ports operate, governance reforms have been started in several countries (Merkel, Sløk-Madsen, 2019). So the very end of the 20th century was synonymous with a change in port organisation. The Baltic republics, regions and cities, all levels of territorial authority, wanted to control the ports. Private companies made their appearance in the sector, hence the reduction from the role of shipping companies to one of ship owners.

The eastern Baltic is dominated by state-owned or municipal ports (Mickiene, Valioniene, 2017). The port authorities share responsibility for developing infrastructures together with national and local governments (Bolevics, 2017). Despite the weight of techno-structures, real changes have been implemented. Private companies play an increasingly important role, even if certain organisations still sometimes take the form of a public company with a commercial purpose. The privatisation of former port handling companies and the appearance of new firms illustrate the reinforcement of the private sphere now at the heart of port operations.

However, port management and ownership structures vary considerably from one state to another, going from full state governance to total municipal ownership at Kotka, not to mention the joint administration between municipal and national government in Latvia.

### 2.1. The Baltic States

For the most part, the Baltic ports do not follow the Hanseatic model, despite its being dominant in the Baltic Sea and the North Sea, notably in Finland (Verhoeven, Vanoutrive, 2011).

In Estonia, the Port of Tallinn, whose liberalisation was introduced as early as 1992 (Kukrus, Poldroos, 2003), was run by a public limited company with the state as sole stakeholder until 2018. It was then privatised, and the company was quoted on the stock exchange (Figure 4). The Estonian state now owns 67% of shares, and investment funds or private investors are the other shareholders.

The Port of Tallinn has therefore moved towards corporatisation, and differs from other ports (Table 1) namely because it is managed by including criteria of sound corporate governance, and because it has expanded its sphere of influence to the supply chain.

At the head of the company is a board of directors which looks after the day-to-day running, and a supervisory board made up of six members, two of whom are from ministries, and four from the private sector. The board exercises the internal oversight of the operations of the board of directors. It takes part in important decision-making with respect to the port, and must act independently in the interests of the port and all the shareholders. The superstructures and equipment are owned and run by private companies. Lastly, at Tallinn, if the municipality is absent from the management bodies, cooperation between city and port seems real and active.

‘The port must be the gateway to Tallinn and Estonia [...] cooperation is mandatory, because if the port is a gateway, when you enter, you have to have directions, access to transport,’ Maarika Liivamägi, a member of the Supervisory Board of the Port of Tallinn, October 2018.

What is certainly an explanatory factor in cooperation is the special configuration, with operations linked only to passenger transport with direct contact with the town (Photo 1) and the market functions located at Muuga, approximately 20 kilometres from the urban area.

In the 1990s, Tallinn’s waterfront regeneration also revealed that there are no stable institutions and groups or the relationships of inter-institutional reciprocity in Tallinn that would assume the leadership of the waterfront revitalisation project. This case also illustrates the continued pivotal role of the state in urban planning (Feldman, 2000). The case of Tallinn’s new City Hall illustrates this difficulty by the stakeholders to agree. The Port of Tallinn figures as an actor because the initial location for the new City Hall was a plot they own. Therefore, it lobbied against that location, and the city did not like the idea of postponing the construction. It resulted in an emotional public debate, and a compromise (a new plot near the Old Town) was found in the second half of 2007, when the officials representing the city changed (Pulk, Murumägi, 2013).

Latvian ports are managed according to hybrid governance by means of cooperation between municipal and national governments (Figure 2): port authorities act as non-profit institutions established in the municipalities concerned under the control of the Ministry of Transport (Bolevics, 2017). Port administrations are dominated by a board of eight appointed members, four representatives of local authorities and four from ministries: transport, the economy, finance and the environment.

The system of governance in the two Latvian seaports does not follow the pattern of corporatisation or commercialisation. They are subject to direct influence from municipal and national politicians. This cooperation at different levels is perceived as an advantage rather than an obstacle (Bolevics, 2017). However, the under-representation of private sector interests in Latvian port authorities appears to have impeded their development. ‘It is our belief that companies working in the port [of Ventspils] are hostages without a voice [...] This results in a poorer business environment, unnecessary expense, and inefficient investment. For this reason, it would be logical to change the model of port governance, and include representatives from harbour companies in management’ (Ivars Landmanis, member of the Baltic Association - Transit and Logistics steering committee, 30 November 2018, Baltic News Network: <https://bnn-news.com/batl-ventspils-freeport-s-decision-to-raise-fees-will-not-bring-in-more-cargoes-194517>).

In Lithuania, the 1996 law defines the functions and organisation of the Port of Klaipėda. Under the direct trusteeship of the Lithuanian Ministry of Transport (Figure 3), the port authority’s principal missions are to manage its territory, ensure safety, construct infrastructures, and devise plans for strategic development. The port manager is appointed by the transport minister.

The Port Development Board determines the development strategy and coordinates relationships between the port and municipal authority and governmental institutions. It comprises representatives of the ministries of transport, finance, the region and the municipality of Klaipėda, and representatives from academia, the port and its users. As for the harbour board, it has no supervisory function. It is made up of representatives from the same bodies as those seen in the port development board case.

The figure below (Figure 3) shows the decision-making organisation and the leadership structure according to the responses of the port stakeholders questioned. It results from interviews with different stakeholders from Klaipėda conducted in 2017. The higher a stakeholder is measured on the schema, the more he influences decisions with respect to the port’s orientations.

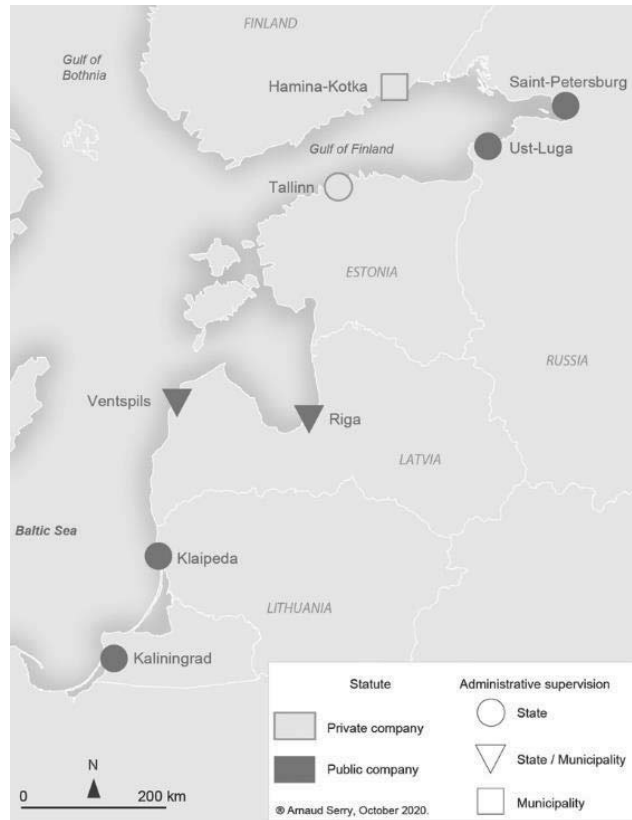


Figure 2. Statutes and administrative supervision of the eastern Baltic ports

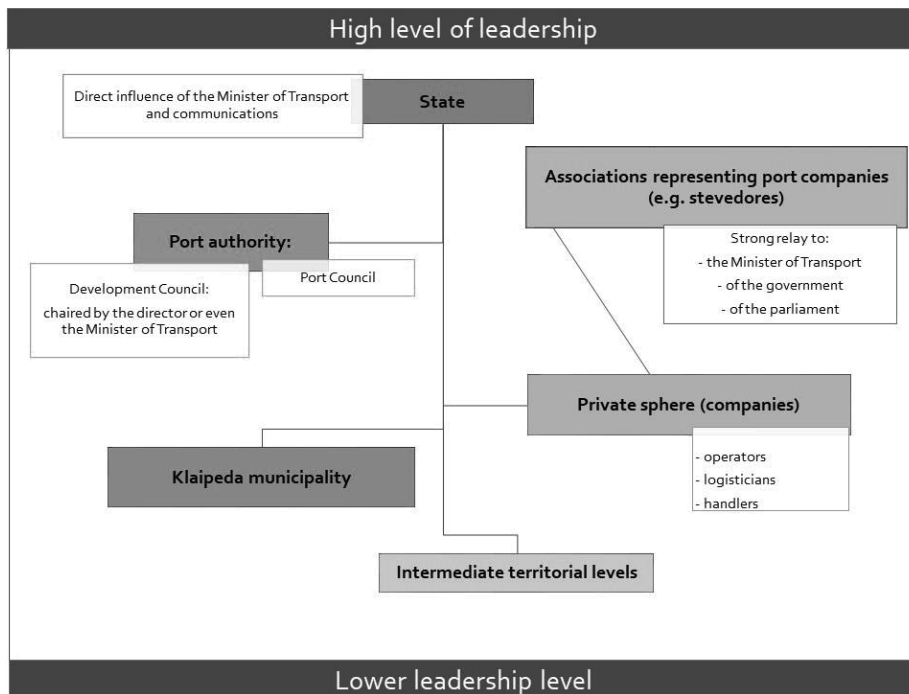


Figure 3. The stakeholders in the governance of the port of Klaipeda

Source: the authors, 2020.



The institutional management of the Port of Klaipėda, therefore, reflects a leadership that is superior to what we can observe in the other Baltic States.

‘We are a state-owned company, set up by the Ministry of Transport. We are like a subsidiary of the Ministry of Transport’ (a manager of Klaipėda Port Authority, April 2017).

An analysis of the different stakeholders’ pronouncements confirms the weight of state leadership (Figure 4). In effect, the interviews were embedded in two text analysis software packages (NVIVO and ALCESTE), in order to build a tag cloud of the words most used in the interviews, to identify those that referred to port-city links in the framework of extended territory, or to create a network of forms around three key words, city, port and governance, with a view to identifying the words most linked to those in the talks.



Figure 4. The cloud of words most used by the urban-port stakeholders of Klaipėda

Source: the authors, 2020.

The Port of Klaipėda implemented a reform plan similar to that of Tallinn, while optimising a marketing approach rather than one of corporatisation. Furthermore, the state retains control of the port organisation, but in a pro-business environment with a certain independence of management and responsibility (Bolevics, Volkoka, 2011). Stakeholders in the private sphere, therefore, are important partners present in most decision-making situations. By means of advocacy groups to promote their interests, companies participate actively in the management of the port:

‘Our aim is to develop the Port of Klaipėda together with state institutions and the Klaipėda Port Authority,’ (a handling company manager, April 2017).

With respect to the municipality, it is not recognised as a port stakeholder by the port authority:

‘The problem is not [to come to an agreement], but discussions with the municipality; but it’s not a port stakeholder’ (a manager with the Klaipėda Port Authority, April 2017).

With a population of 148,900 inhabitants in 2018, Klaipėda is the third-largest city in Lithuania, a city confronted with the ‘shrinking cities’ phenomenon. Moreover, the population loss does not appear to implicate a downturn, namely because approximately 800 companies, with a workforce of over 23,000, are engaged in operations linked to the port, 10,300 of which are located in the city of Klaipėda where port activity (46.3 m. t.

in 2018) has seen a strong growth in traffic since the country's independence at the beginning of the 1990s, most notably because of its diversified traffic (liquid bulk, dry bulk, like fertilisers, container, ro-ro).

The port is surrounded on all sides by areas and features that are of local, national and international importance, and which are sensitive in different ways and to varying degrees to damage and disturbance. Regarding the port-city interface, the port and the city are still tightly embedded at Klaipėda. The port activity is severely restricted in its development by the urban morphology. On the other hand, the city's access to the sea is restricted by the port's territory. Port function and urban function are contiguous, and there is little wasteland available for regeneration schemes. The social and environmental impacts of the port's activity (dust emission in particular) are indeed very evident. Plans for infrastructure development to accompany the growth in traffic today crystallise the tensions over and above the usual conflicts linked to pollution from coal dust in the northern part of the port (near the city centre) or noise pollution along the roads leading to the ro-ro and container terminals.

In fact, the analysis in Klaipėda distinguished three main causes determining conflicts between Klaipėda seaport and the adjacent communities: environmental pollution, land urbanisation, and a lack of information and communication (Burškytė, Stasiškienė, Anne, 2016).

## 2.2. Finnish specificity

The port facilities in Kotka and Hamina are the furthest east in Finland, and form an integral part of this line of ports close to Russia (Figure 2). The configuration is fundamentally different to the situations observed in the Baltic States.

Before merging in May 2011, these ports were the first two in Finland to be administered by municipal corporations, commercial undertakings without societal responsibilities, unlike the municipal corporations that manage many Finnish ports (Figure 4). They do not receive any financial support, and can make profits and offer a fair return to the local authority (Finnila et al., 2011).

'We are owned by the local authority, and of course we provide them with income' (Ville Kuitunen, sales manager at the port of HaminaKotka, December 2018).

Since the merger, it has been one public limited company, Port of HaminaKotka LTD, 60% owned by the Kotka local authority, and 40% by the Hamina local authority. It administers the port activities of the two cities. The company rents the warehouses, offices and ground space in the port area.

'The port is a public limited company owned by the city, but it operates independently. It has its own manager and its own administration. The city looks after the development of the land' (Toni Vanhala, manager of Kotka city development, December 2018).

The Finnish state plays a minimal role in the governance of the port of HaminaKotka. It is also the only port in our survey not to be defined solely as a landlord port, but rather as a combination of three types of port, not least owing to its share in port services and funding of certain equipment.

The governance of the port area of Kotka is structured with at its head, on one side, the port's CEO and his team, and on the other side, local elected officials. These two groups of stakeholders seem to be shaping a model that values regular cooperation and exchange (formal and informal).

'Interactions are going well; the port regularly gives information about its operations' (a Kotka city official, December 2018).

The port's CEO and his assistants exercise effective leadership. They have strong decision-making power in the realisation of strategic and operational affairs. Also, although the port is owned by the municipality, it is a company that totally subscribes to the rules of liberalism.

'The port is a business company, like any other. Even if we are owned by the municipality, that doesn't mean we don't operate like a normal business entity' (a port authority representative, December 2018).

However, municipal power remains strong, if not pervasive, when it comes to strategic issues involving the territory, such as the merger of the ports of Kotka and Hamina. The port gave up two old port sections for other purposes. Both parts of the port are situated in the Kotka town centre. This old city port is now a

‘cultural port’. ‘In these construction projects, the opinions of citizens have been heard, and every year something new is created’ (Brunila, Kunnaala-Hyrkki, Hämäläinen, 2015)

Finally, the main stakeholders, elected representatives or managers of the port authority, seem particularly satisfied with the nature of the cooperation and governance that have been established.

‘It’s a small town, so the decision making is quite simple [...] I think it’s fine to be honest, we have a board of directors, we have a CEO, and that’s how it works. It’s quite simple. We do not have different government agencies that constantly influence decision making. It’s not like that because we’re a separate, independent and private company’ (a port authority representative, December 2018).

### 2.3. The Russian ports

Three Russian regions with access to the Baltic Sea (St Petersburg, Leningrad Province and Kaliningrad Province) are included in the Baltic Sea region. St Petersburg is a federal city in the centre of the Leningrad Province. Even if St Petersburg and the Leningrad Province are highly integrated, they are separate parts of the Russian Federation playing the role of an important gateway to the country’s vast inner territories (Efimova, Gapochka, 2019).

In the chaotic environment, several years passed before Russia decided to develop a maritime policy with a clearer division of competences between private and public port stakeholders (Pursiainen, 2007). The federal state is the main architect of Russian port policy. This omnipresence is often seen and presented as a handicap, equated as it is with corruption. The role of local authorities in the development of Russia’s ports is essentially limited to implementing decisions by the federal government. In many instances, competition arises between entities of the federation: the Leningrad region is in competition with St Petersburg.

The port sector is, in reality, largely owned by private companies, in particular those involved in exporting (oil, ore, etc). The strategies of large oil companies are to build their own infrastructure to meet their transport needs and minimise export costs. Hence, after privatisation, the ports’ commercial companies found themselves for the most part in the sphere of Russian industrial giants. The oil company Lukoil, for example, is behind the Vyssotsk port project.

In 1994, a public body, commonly called ‘Big Port of St Petersburg’, was created, which depended directly on the Russian government. It is responsible for the management of the port, and navigation in the port and in most of the Gulf of Finland. With no commercial activity, the port authority is a not-for-profit federal organisation exercising governing powers.

If the ports of Primorsk and Ust-Louga are under the auspices of the Big Port of St Petersburg regarding navigation and safety, they nevertheless remain in the hands of third-party investors. Primorsk is thus owned and run by Transneft, a Russian public company which has a monopoly over crude oil transportation by pipeline. Twenty-eight handling companies rent 200 wharves in these ports (Anghel, Ciobanu, 2018). They look after handling and support operations in the port. The multiplicity of investors grouped together in the form of the JSC Ust-Louga is characteristic of the situation in Ust-Louga. The company did indeed attempt to achieve a near monopolistic situation in terms of port services, wanting, besides, to retain ownership of the land that the operators would like to purchase.

Today, port privatisation has several forms in Russia, like the acquisition by large shippers or industrial enterprises of their own port facilities, or the construction of new terminals, in which the supply chain is built and controlled mainly by the consignor (cargo owner). Examples are the Ust-Louga coal terminal and the terminal for the trans-shipment of mineral fertilisers in Primorsk (Fisenko, 2019).

The Port of Kaliningrad has evolved differently, owing to its specific geographic location. It is divided into four principal bodies, which handle operations linked to seaborne trade: fishing, trade, river trade, and the port of Svelty. Whereas the port authority assumes the role assigned to it by the federal state, stakeholder roles remain unclear and foreign presence minimal: in fact, beyond the simple port governance and/or urban/port governance, the role of the Russian state is to integrate a geopolitical dimension which is characterised by the role of certain private companies or the declared aim of Russian ports to be autonomous. The am-

bitions of Russian ports, especially Ust-Louga, are consequently considerable, and investment ubiquitous, already making them a leader in the region. These ambitions reveal the implementation of the strategic planning policy of Russia's Baltic seaboard, consistent with the aim to 'nationalise' Russia's inbound and outbound traffic, avoiding the need to go through neighbouring foreign ports (Serry, 2019). In other respects, many Russian companies, both local and those relaying Russian capital, have acquired significant shares in Baltic companies. The Russian company Global Ports, for example, invested over 500 million euros in Estonia in 2014 through its two subsidiaries Vopak E.O.S. AS and Global Trans Spacecom, mainly in the oil terminals at Muuga. The company has operations in the ports of Kotka and Helsinki. Russian omnipresence is also in evidence at another level, illustrated by the opening by Gefco, in collaboration with the Russian company Transcontainer, of a new multimodal road connecting Germany and China via Riga (the first train, consisting of 52 containers of 40 TEU, left Riga on 8 May 2017).

### 3. Port governance and territorial development

Territorial development is based on two fundamental drivers: governance and production (Torre, 2018). According to the author, relations between stakeholders are at the centre of these two dimensions. A regionally differentiated or 'territorialised' decision-making mechanism is at the heart of governance. The heart of 'production' is structured around two central dimensions: technological innovation and the systemic character of local relationships.

In the present case, many relationships exist between ports and territories, and this article forms the early stages of an action-research programme aiming to optimise and combine their respective development. Beyond simple coexistence, the challenge resides in creating synergies useful to the two entities. The territory should represent a resource for the economic development of the port. Conversely, the port must participate in urban/regional development. It is no longer a question of handling two distinct processes that would interact episodically and indirectly, but of identifying resources of mutual enrichment.

It is in the regional context that governance is the essential resource of port performance, ahead of the market and the legal environment (Bolevics, 2017). It is the product of mapping, organisational and territorial rationales. Although it is often the case that the perceived territory is confined to the territorial status of the port, the territorial dynamics that structure the wider territory should be taken into careful consideration (host municipality, region, state, large areas of economic and political influence). The Baltic area is no exception. It subscribes to a general movement of changes within international trade, which have transformed and distanced ports from the city. This spatial distancing can lead to an extension of links in an environment where 'spatial proximity' and 'cognitive proximity' can be correlated (Bouba-Olga, Grossetti, 2008). Municipal stakeholders, for example, find it more difficult to evaluate the current evolutions in the marine industry and the need for the development of large-scale port facilities in order to remain competitive. The decoupling of city and port is increasing, fuelled by institutional and organisational rationales specific to each stakeholder and territory (Loubet, Serry, 2020).

There is, therefore, no standard model (Verhoeven, 2010). However, it seems possible to categorise the eastern Baltic ports, not least with respect to the place assigned at the municipal level, as follows:

- Russian and Lithuanian ports are state ports from which local councils are virtually absent, if only through some territorial marketing endeavours in Russia, or attendance in consultative bodies in Lithuania.
- In Finland, Estonia and Latvia, the local authority is a decision-making stakeholder of the port, admittedly at different levels: excluded from government but in permanent discussion with the port authority in Estonia; integrated in Latvian port decision-making bodies; and lastly sole shareholder in Finland's port company.

In this context, the coordination of the urban project and the port project, the spatial planning and the development of town-planning documents reveal the nature of the relations between stakeholders as they represent the fundamental stakes in local development.

‘Our board of directors is made up of local people, elected local representatives, who understand what it means to have a port for jobs and industry [...] so it’s easy for us,’ (the sales manager at the Port of Hamina-Kotka, December 2018).

Urban-port development geopolitics is generally expressed by conflicts of use. In this instance, environmental imperatives, the welfare of inhabitants, fishing, logistical and industrial activities, etc, may be opposed to the development of the port.

In the case of Klaipėda, for example, tourism and the preservation of quality of life, which are promoted by the local council, encounter negative externalities and land requirements for port operations. Furthermore, ‘interlocking’ projects seem to suffer from a form of manipulation of the port question, encouraged by the city council, to express a vague desire of resistance to central control. The lack of reciprocal recognition leads to a development which would gain from more joint discussion:

‘There are two [projects] [...] as they’re not connected and there are two distinct developments, not just one’ (the director of Lithuania’s Maritime Academy, April 2017).

Urban and port projects will henceforth bring about interactions and strategies which are illustrated through attempts to appropriate areas:

‘The city is always threatening the port to get back access to the water, to increase its surface over port operations’ (Lithuanian handling company manager, manager LJKKA, April 2017).

This unstable governance, where leadership of the local, central and port powers is ceaselessly debated, reinforces the areas of uncertainty for market players who need institutional stability:

‘We need a legitimate, clear border for the future development of the Port of Klaipėda. The port and the local council cannot agree [...] We would really like to fix the areas for future development for the next 25 years’ (another Lithuanian handling company manager, director of the LJKKA, April 2017).

If (port) projects generate uncertainty, however, they also transmit cognitive virtues. They encourage elected representatives, technicians and even inhabitants to question embedding the port in the territory and the way in which it contributes to identity building. They also constitute a means of testing the organisational abilities of the communities, in an increasingly complex environment, where it is necessary to learn to cooperate (Loubet, 2012).

‘We had a project some years ago. We had discussions with the environment minister, but also with a representative of the region, with people from the local council and the port of HaminaKotka [...] if we want to conclude, all these different people sat down around the same table, and discussed who would be responsible for what’ (Olli-Pekka Brunilla, researcher at South-Eastern Finland University of Applied Sciences, December 2018).

Furthermore, the re-territorialisation of ports forces cities to accompany the reshaping of territory in an environment of increased competition: ‘The complexity and very contextual character of the stakes involved make collaboration between the different stakeholders and a preliminary study of the strengths and weaknesses of the territory indispensable [...] A good understanding between city and port is consequently indispensable’ (Jugie, 2014).

Yet here again, levels and contexts are of paramount importance. A country disposing of several ports will conduct a very different policy from another with only a few ports, or ports having a minor influence on the national economy (Foulquier, Maugeri, 2014). At Tallinn, for example, reflection on the reshaping of the old town’s port and the development of a master plan are indicative of this need for cooperation. Port representatives and the city council were brought together in workshops, in order to define a clear vision for the future seafront.

‘It was a unique opportunity for us to begin to transform the port area right in the heart of Tallinn into a forward-looking and welcoming city’ (Valdo Kalm, Port of Tallinn CEO, 31 January 2019, <https://www.espo.be/news/port-pro-of-the-month-valdo-kalm-ee>).

Similarly, the structural changes that the general rationale triggers redefine the relationships between the port and its region (Comtois, 2014). Ports now expand their operations and functional ramifications beyond their sole metropolitan or regional borders, and depend on territorial development beyond the area and port sector:

‘I still have an objective in my mind, to reach a million containers per year, and this is what we’re working towards. Of course, before we get there, lots of conditions have to be met, and a large majority of them are not directly linked to the port itself’ (Ansis Zeltiņš, Port of Riga CEO, August 2018, [http://www.baltic-course.com/eng/direct\\_speech/?doc=142225°](http://www.baltic-course.com/eng/direct_speech/?doc=142225°)).

Despite the interdependence between port and territory, there is a persistent lack of knowledge about the benefits, economic benefits in particular, linked to maritime traffic in the hinterland and the area as a whole.

Lastly, apart from the relationships between central government and territorial communities, the role of the private sphere in the ports should be carefully considered. For example, where port autonomy is clearly the aim of Russian port policy, there are many private stakeholders making other choices. Several Russian and Belarusian companies (Belaruskali), both local and linking the capitals of Russia, are developing in the Baltic ports. The Russian company Global Ports, for example, invested over 500 million euros in Estonia in 2014, mainly in the oil terminals of Muuga. The same year, Mine Zarechnaya invested 20 million euros in the coal terminal at Ventspils (Pestich, 2016). Furthermore, beyond political strategies, the behaviours of private stakeholders also symbolise the functional specificity of the Baltic harbour front.

## Conclusion

The Baltic area has emerged from a comparatively convenient situation of shared growth. This fostered its rapid regeneration. But today, in the context of increased competition, stakeholders involved in maritime and port activities worldwide must develop new strategies to respond to current regional stakes.

However, every port has its own cultural, historical and political heritage. There is consequently no standard form of governance. The eastern Baltic ports have undergone important reforms over 20 years now. The general trend favours the landlord port model, in which the public-private partnership has become paramount. Differentiations, however, have emerged in port regulations. An organisation close to the Hanseatic model, strongly geared towards ‘corporatisation’, can be distinguished in Estonia and Finland, where port management may even be private. In Russia and Lithuania, management is undertaken by a state-controlled public company. In Latvia, it is an intermediate situation, providing local government with a larger role. However, these strategies, not least those of private companies, remain unclear (Serry, Loubet, 2020).

If the analysis of these Baltic cases is not sufficient to operate an increase in generality, it suggests some avenues of reflection to help optimise port governance for the purpose of territorial development. Our findings would seem to support the role of stakeholders, and their ability to adopt cooperative behaviours within specific territorial configurations. For example, it appears that if the entrepreneurial sphere participates substantially in territorial and port governance, its influence tends to vary considerably across the territories.

One of the results confirm that in relational terms, the port-territory (mainly city) interface exists. According to some other research (Van den Berghe, Daamen, 2020), we found significant networks between maritime and territorial development. The analysis also shows that the development of ports, as key logistics centres, is one of the most important factors that affect major trends in regional development.

What is more, there are numerous geopolitical considerations in the region, most notably in relations with Russia. Whereas the Baltic port community is open to Russian investment, states and public opinion are hostile to them. In parallel, western investment in Russia is mostly hidden.

It appears that the next challenge to face the Baltic port world is based on a reflection in terms of port community, and this at diverse levels: city-port, port range, or port region. In this context, the Hanseatic League, which made a profound impression on trade between neighbouring countries in the Baltic Sea, is an example of where cooperation between ports and inland trading centres has produced tangible benefits, both for the development of trade and for local and regional communities.

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## UOSTO VALDYMAS IR TERITORIJOS PLĖTRA RYTINĖSE BALTIJOS JŪROS PAKRANTĖSE

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### Santrauka

Per pastaruosius 20 metų Baltijos jūrą veikė ne tik geopolitiniai, bet ir ekonominiai pokyčiai, privertę uostus transformuoti, prisitaikyti prie jūrų pramonės pokyčių. Rytų Baltijos uostai nuo uždaros rinkos, sovietinio kolektyvizmo instrumentų perėjo prie integracijos į pasaulinę jūrų ir uostų sistemą, kuri pagrįsta ekonominio liberalizmo principais. Be to, regione, kuriame vyksta dideli pokyčiai, keistos ir uosto valdymo taisyklės.

Šiame straipsnyje aptariami Baltijos rytinės jūrų pakrantės uosto valdymo ypatumai ir vykstantys pokyčiai, įvairūs regionų valdymo modeliai, nustatant atitinkamą suinteresuotųjų šalių (uosto, savivaldybės, regiono, privataus sektoriaus ir kt.) vaidmenis, nagrinėjamas jų sąveikos poveikis uosto bei teritorinei plėtrai.

Tyrimo metodai: literatūros apžvalga ir lauko tyrimai, pagrįsti maždaug dvidešimčia interviu (su atrinktais pareigūnais, uosto administracijos atstovais, krovos organizacijų direktoriais, prekybos rūmų atstovais, lobistais ir kt.). Straipsnyje atskleidžiama, kaip suinteresuotųjų šalių sąveika struktūruoja uosto teritoriją ir kaip tai veikia teritorijų (uosto, miesto, atokių kraštų) plėtrą.

PAGRINDINIAI ŽODŽIAI: *Baltijos jūra, valdymas, uostas, suinteresuotosios šalys, teritorija.*

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