



THE IMPACT OF THE RUSSIA-UKRAINE WAR ON THE DEVELOPMENT OF CRUISE TOURISM IN THE BLACK SEA REGION

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Abstract: Not fully recovered from the two-year coma caused by the pandemic and its repetitive Covid-19 waves, the cruise industry has received another blow at the worst possible time. Geographically European military crisis has left almost no one aside and is impacting economic, political, and social life worldwide. The paper studies all the variables and aspects of the cruise industry on the scale of the region and recent events. The study aims at providing a thorough analysis of the crisis and its impact on the cruising perspectives of the region. The analysis is based on external and online desk research methods. The data contains market analyses, official journals, expert opinions, and industry reviews.

Keywords: cruise industry, military crisis, black sea cruises, Russia-Ukraine war

1. Introduction

The Black Sea region represents an inviting, not hackneyed cruise destination that encompasses the cultural diversities of Bulgaria, Romania, Georgia, Ukraine, Turkey, and Russia. Almost equal distances between the major ports of the six countries allow the voyagers to experience the whole spectrum of the culture of the Caucasus and Eastern Europe within one week. Tourists traveling along the Black Sea can take scenic one-day trips and enjoy inexpensive visits to the countries with no time, waste, or hustle.

Due to the infamous Covid-19 and the recent unrest in the region that evolved into the Russian-Ukraine war, cruise lines have suspended their operations in the area. Naturally, all the cruise industry experts have one crucial question how long the crisis will last and what are the possibilities for getting out of it. For a complete understanding of the problem, it should be remembered that crises in passenger shipping in the Black Sea area periodically arise due to the stubbornly repeated drama of historical events.

According to Selivanov, the first passenger lines between the ports of the Black Sea began to operate in 1859. Passenger transportation in the Black Sea basin had been steadily developing till 1914. The following wars and revolutions have stipulated the *first crisis* in passenger shipping in the Black Sea region, which lasted for about 15 years. The new page of the Black Sea cruise lines began at the end of the 20s. The Crimean-Caucasian cruise line became incredibly popular in the USSR from the 30s of the last century until the Second World War, which was the turning point and the beginning of the *second crisis*. Furthermore, again, the period of the crisis lasted about 15 years. The heyday of the Crimean-Caucasian cruise line began in 1960 and lasted until the collapse of the Soviet Union. The Crimean-Caucasian cruise line ceased to exist in 1992 and marked the beginning of the *third crisis* period. After a sharp decline in BSR (Black Sea Region) cruise activities from 1992-to 2006, since 2007 (15 years later), a new wave of revival begins. Up to 200 foreign cruise ships have called at Crimean (Yalta, Sevastopol) ports alone this time. [7]

Since 2011, the size of the ships calling at the Black Sea ports has significantly increased. (2011 -10% of incoming ships' size exceeded 270 m; 2012- 50% of BSR incoming ships' size was over 270 m). [7] That was the wake-up call and turning point for the BSR cruise infrastructural development. In response to the unfolding possibilities, some ports immediately announced cruise terminal reconstruction (Batumi Port 2015), some

renovated their infrastructure, and some even exceeded all the expectations (Galataport, Istanbul 2021- world's first underground cruise ship terminal). For today Yalta, Odessa, and Sochi seaports, as well as the Romanian Constantza, can safely receive and serve large vessels (up to 300 m) in the BSR. Recently, the Black Sea port capacity limits were the main reason cruise lines refused to enter the BSR.

The year 2013 became the best and the most successful year in the Black Sea cruise history. According to the MedCruise Statistics report 2014, the Black Sea became the most dynamic region in 2013, with cruise calls- 419 and passengers- 213.840. These numbers resulted in a "passenger movements" annual growth of 35,7% and 55,2% of "cruise calls. Consequently, the BSR seaports were successfully developing as international passenger terminals and had excellent development prospects and the interest of international investors.

In February 2014, Russia annexed the Crimean Peninsula from Ukraine. Due to the situation, major cruise companies had an instant reaction and officially announced the cancelation of any cruise voyages in the BSR. Since 2014 all the statistics have gone down (Figure 1).

For all indicators, this event marked the end of the BSR cruises' heyday and the possible beginning of a new, the *fourth crisis*. However, this time it appears to be more complex.

2. Impact of the War

The Black Sea cruise tourism has borne the overwhelming brunt of Russia's Invasion of Ukraine, which has also affected some parts of the Baltic Sea. Prominent cruise lines reacted relatively quickly to the upcoming distress. The three cruise giants Royal Caribbean, Carnival Corporation, and Norwegian Cruise Line Holdings, have canceled their trips to the Black Sea region and swapped Russian destinations for Swedish. According to the managing director of Fred. Olsen Cruise Lines Peter Deer, the safety of their passengers is the number one priority, which is why they have altered their itineraries to no-Russian-ports destinations. [1] MSC Cruises, AIDA Cruises, and TUI Cruises have followed the Norwegian Cruise Line's suit and scrapped all their trips to

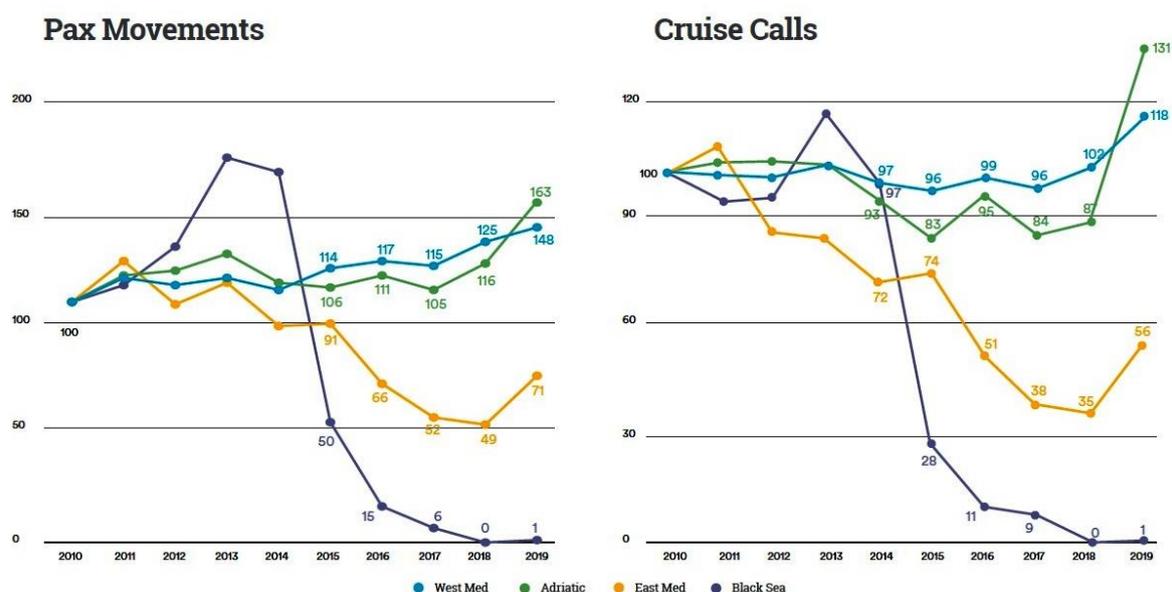


Figure 1 Source: MedCruise Ports/ Statistics Report 2019 (2010=100)

Russia and Ukraine ports.[2]

After the 2020-2021 cruise stock depression caused by Covid-19, which resulted in \$ billions of loss, cruise lines are facing another crisis. This European humanitarian catastrophe reveals financial results that are more than disappointing.[3] The Black Sea region appears to be utterly deserted of cruise ships without any perspective to flourish in the light of the war.

CLIA (Cruise Lines International Association), in its 2022 report, states that the industry has proven its incredible resilience, and passenger flow will surpass 2019 levels by the end of 2022. [4] The forecast for the cruise world is more than promising. Meanwhile, in the sight of the unfolding Black Sea countries crisis, the cruise picture of the region is changed almost completely. According to Cruise Industry News, 21 cruise ship

was scheduled to operate in the Black sea region in 2022. [5] However, the only cruise line claiming a full go for the Black Sea program is Russia-state owned cruise company "Black Sea Cruises" [6].

The year 2014 turned out to be a part of the wider ongoing Russia-Ukraine War. From 2014 to 2018, the number of cruise ships visiting BSR has fallen to zero. (Figure 3) MedCruises characterized the fact as a "dramatic collapse" and claimed a politically "unrest situation" to be the reason for such a significant decline.

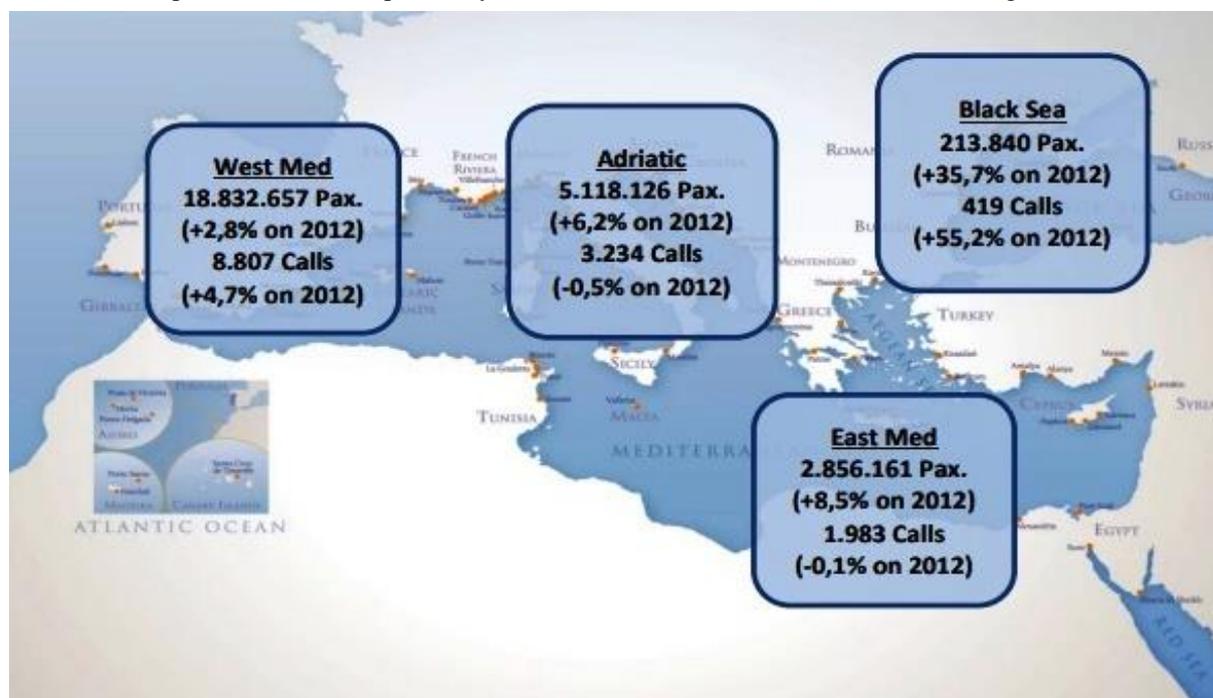


Figure 2 Source: MedCruise Statistics 2014 | Cruise Traffic by Region

The cruise vacuum had been slightly broken in 2019 with two total calls (1200 Pax.) at Constantza and Odessa ports. Following the crisis of Ukrainian annexation (2014), catastrophic waves of coronavirus disease slammed the world's economy in the worst possible way. [9] And again, in 2020, BSR hit the ground, and the cruise ships were becalmed as never before on a torpid sea of Covid-19. (Figure 3) However, the industry has proved its incredible resilience.

2.1 Political Impact

The full-scale invasion of Ukraine returns the world to the severe Cold War relationship with non-democratic states chaired by Russia. The attack on Ukraine raises two key questions: What impact will the Russian invasion have on maritime security in the Black Sea, and how should the cruise industry respond?

Citing Dr. Deborah Sanders, Defense Studies Professor at King's College: "In a worst-case scenario, Russia could effectively turn Ukraine into a landlocked country." Following the statement, control over the west Black Sea coast gives complete dominance in the BSR. This kind of scenario questions the geopolitical stability and security of the region.

Cruise Lines International Association (CLIA) has repeatedly stated in its Policy that "a safe, secure, healthy and sustainable cruise ship environment" is the number one priority for the cruise industry. There is no reason the cruising community and businesses would risk the reputation and safety of their clients. That gives a comprehensive response to the questions raised. No cruise ship calls are expected at the BSR ports until absolute security is assured.

The cruising community has openly supported Ukraine against the armed aggression of Russia. The president of the MedCruise Association, Figen Ayan, has noted that the Association supports Ukraine and the Black Sea region in general and offers assistance. "We, as the MedCruise Association, are in regular and active communication and dialogue with our SVP, VP and Board Members and are closely monitoring the unfortunate situation in Ukraine," said Ayan. "We are in touch with the executives of the Port of Odessa, and we are in close contact with our Black Sea members too to relay the message that MedCruise Family is

there for them in case of need. Our priority is to make sure that our friends in Ukraine and the Black Sea region are safe and secure while hoping and praying for peace to be restored and the war to be over the soonest," added Ayan. (10]

2.2 Economic Impact

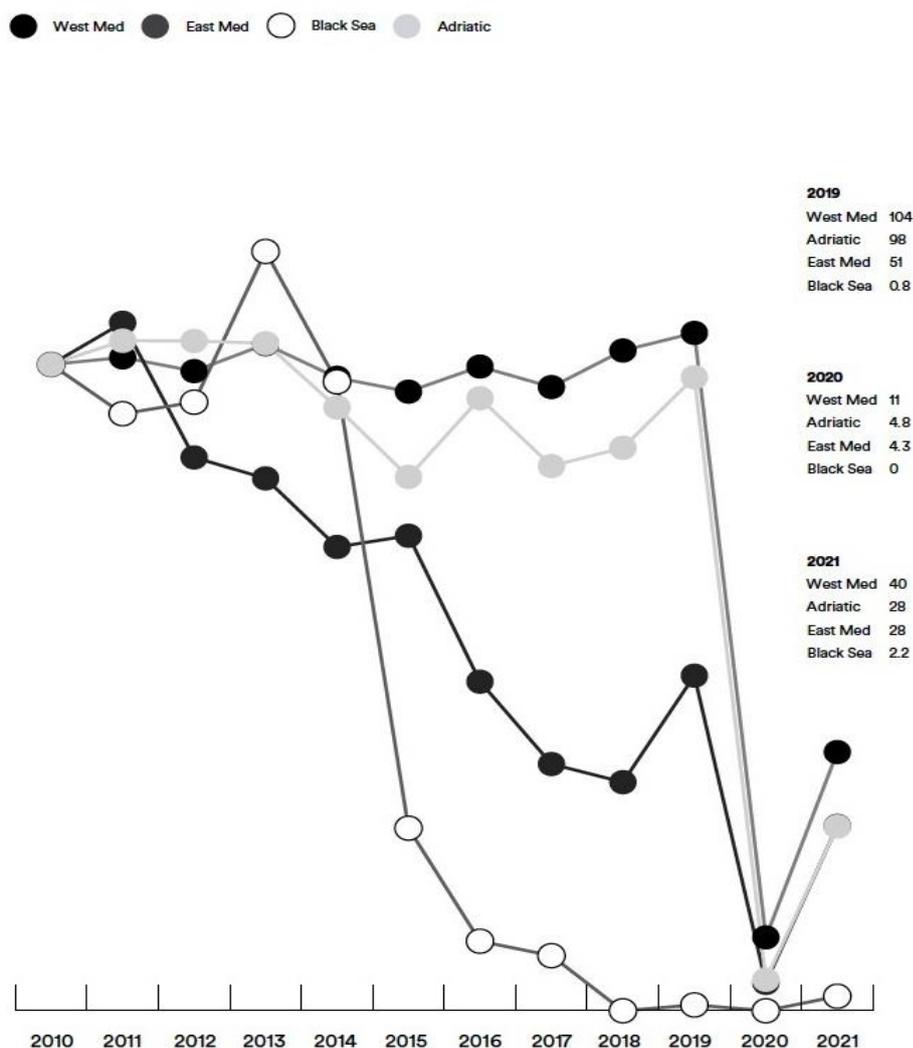


Figure 3 Source: MedCruise Statistics 2021 | Calls Index by Region (2010=100)

The specifics and benefits of the cruise business in the Black Sea region are that the ports operate as partners, not competitors: the more ships call at the Black Sea region, the more each port's benefits. Given this feature, in 2012, at one of the international cruise exhibitions in Yalta, the idea was put forward to create a non-commercial marketing project to promote the Black Sea cruise destination and create a single brand of the Black Sea, "Cruise Black Sea." The essential condition for effective brand development is maximum involvement of BSR countries in promoting activities and participation in relative organizations. MedCruise (The Association of Mediterranean Cruise Ports and adjoining seas) is the one that promotes the cruise industry in the Black Sea region and unites the ports of the area. However, for today, only Burgas, Constantza, Odessa, Trabzon, and Varna are member seaports of the Association. That makes 4 of 6 BSR countries.

According to experts, cruise tourism in the Black Sea countries has good prospects for growth. Firstly, European cruise tourists are tired of the traditional Mediterranean itineraries and want to explore new regions. Secondly, the number and size of the cruise fleet are growing worldwide, and new ships (from 300 meters in length) are crowding out smaller ships from the transcontinental market, which need to look for new ports of call. That makes BSR a perfect solution and promising destination. In addition, experts believe that the recognition of the Black Sea region will constantly grow due to the constant promotion of the brand among cruise companies and operators of the world. In case of additional catalysts, such as visa facilitation or expansion of the cruise network, one can count on even more excellent market dynamics.

Pandemic has confirmed the significance and scale of cruise economic impact. With a total \$154 billion contribution to the global economy (2019), and 1.17 million cruise-supported jobs (2019), the industry is recovering and positions itself as a titan of the business world. According to the CLIA 2022 Report upside forecast, the passenger volume will exceed 2019 levels by the end of 2022.[4] (Figure 4)

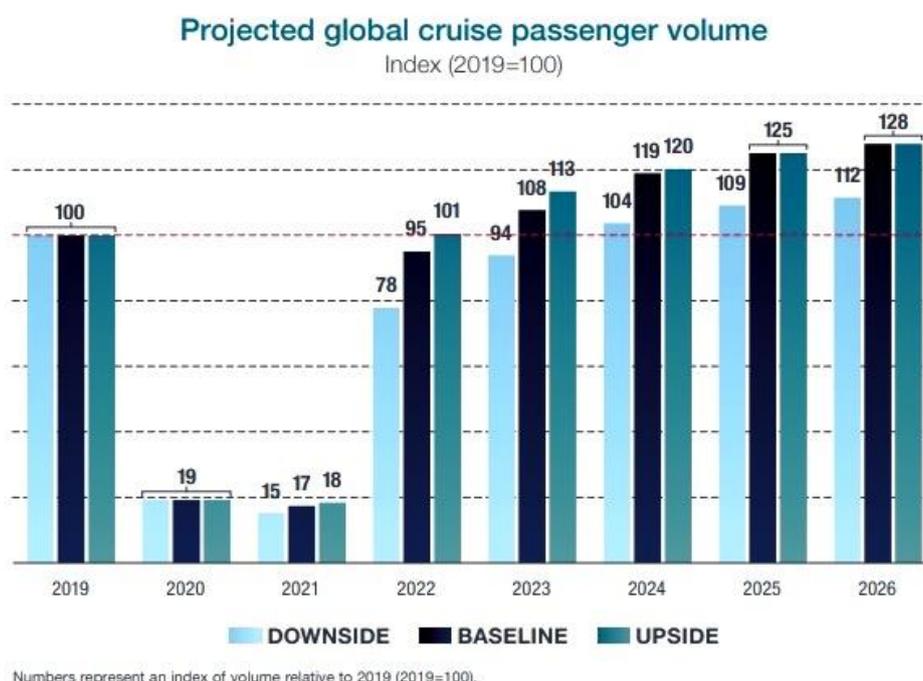


Figure 4 Source: CLIA 2022 Report

Thus, being out of the cruise industry every year means millions of income and thousands of job losses for BSR.

3. Conclusion

Based on the historical timeline and pieces of evidence presented, it can be concluded that 2014 appears to be the beginning of the fourth cruise crisis in the Black Sea Region.

According to the economic development of BSR countries and port infrastructure, the region is ready to accept and serve cruise ships up to 300 m in size. There are no significant infrastructural obstacles to the mid-sized cruise ships' activities. The attractiveness of new itineraries, along with the cultural diversity and rich history of the area, makes BSR countries full-fledged players ready to engage in the cruise industry. However, the military conflict that started in 2014 proved to be an insurmountable barrier to cruise world life. Safety is an unconditional obligation and the basics of any cruise protocols that define cruise operations in any territory. Hence, the only way to revive the Black Sea Region is to end the conflict as soon as possible. Staying out of cruise life leaves fewer and fewer chances for BSR countries to successfully engage in the cruise industry with possibilities of keeping up with global trends in the cruise community and global maritime culture in general.

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