

EXECUTIVE SUMMARY

A Study on the Mid- to Long-term Development Strategies for Busan Port

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1. Background and Purpose

1) Background

- Busan Port has demonstrated continued growth over approximately 150 years since its opening.
- In 2024, Busan Port achieved a record-breaking throughput of 24.3 million TEUs. If the containers were connected in a single line, they would circle the Earth three and a half times.
- The value of import and export cargo reached 472 trillion won, with the port handling approximately 77% of Korea's containerized cargo and 28% of total cargo volume.
- Changing domestic and international circumstances have heightened the necessity to strengthen Busan Port's competitiveness.

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- Key challenges include slower cargo growth compared to economic performance, rising trade barriers and protectionism, escalating climate change and geopolitical risks, and growing instability in global supply chains.
 - Ensuring Busan Port's long-term competitiveness requires comprehensive improvements across multiple dimensions.
 - Critical challenges include declining transshipment competitiveness resulting from fragmented operational structures, transshipment cargo flows concentrated on East-West trade routes, limited value-added generation capabilities, insufficient responses to environmental changes, and the absence of ultra-long-term policy frameworks.
 - Comprehensive research is necessary to formulate ultra-long-term policy frameworks.
 - Existing studies on Busan Port have primarily focused on pending issues such as cargo attraction, terminal operator restructuring, development and operation and port hinterlands, and port redevelopment.
 - Busan Port's sustainable development requires formulating strategic policy frameworks that extend beyond a 30-year planning horizon.

2) Purpose

- This study aims to present comprehensive development strategies to prepare for Busan Port's mid- to long-term

future.

- Further strengthen transshipment competitiveness to maintain Busan Port's position as a global transshipment hub and sustain quantitative growth through new cargo volume generation
- Formulate measures to position Busan Port as a high value-added producer
- Propose strategic alternatives that enable Busan Port to contribute significantly to regional economic development

2. Content and Methodology

1) Content

- This study consists of five chapters to achieve its primary objectives.
- Chapter 1 establishes the research background and purpose, along with research content and methodology, presenting the necessity for this study and its implementation approach.
- Chapter 2 analyzes Busan Port's challenges from a mid- to long-term development perspective by reviewing current development and operational status, and proposes strategic directions for responding to changing internal and external conditions.
- Chapter 3 identifies global leading ports that are proactively preparing for future challenges, examines their multifaceted development strategies, and derives implications for Busan Port.

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- Drawing on implications from Chapters 1-3 and stakeholder survey results, Chapter 4 establishes Busan Port's development goals and core strategic directions, and proposes concrete strategies for their implementation.
 - Chapter 5 presents key conclusions and policy recommendations necessary for implementing the proposed strategies.

2) Methodology

- This research employed the following methodological approaches to accomplish its main goals.
 - First, existing literature on national plans, policies, and international cases related to Busan Port was reviewed.
 - Second, the research estimated value-added for Busan Port and leading advanced ports to identify sectors where Busan Port underperforms and to develop measures for enhancing value-added generation capacity.
 - Third, stakeholder surveys were administered to incorporate diverse perspectives into establishing Busan Port's future policy direction.
 - Fourth, consultative processes including forums and workshops were organized to strengthen the validity of research findings.

3. Result

1) Summary

- A pivotal moment for Busan Port's mid- to long-term strategic preparation
 - Busan Port must prepare for the long-term future in response to slowing quantitative growth, rapid transformations in the port industry, intensifying inter-port competition, and the race for Arctic route dominance.
 - Therefore, this is a critical period that necessitates addressing issues undermining Busan Port's competitiveness and developing mid- to long-term strategies for balanced growth and evolving port functions.
- Weak foundation for sustainable growth
 - To maintain sustainable growth, Busan Port must balance quantitative expansion with qualitative enhancement.
 - It is also necessary to secure self-sustaining growth momentum by actively accommodating emerging industries arising from economic structural transformations.
 - Achieving qualitative development requires allocating space capable of accommodating high value-added industries.
 - Strengthening competitiveness in support and service industries is essential for moving beyond cargo handling-centered revenues and improving value-added generation capabilities.

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- Growing uncertainty in Busan Port's internal and external environment
 - Uncertainties are expanding due to persistent global economic low-growth trends, declining elasticity of cargo volume growth relative to economic growth, ongoing supply chain instabilities, and evolving trade structures.
 - Korea's economic slowdown, combined with weakening industrial growth potential from population decline and aging, may drive structural shifts toward industries less correlated with port cargo volumes.
 - Conversely, if Busan Port becomes a strategic hub for future Arctic routes, it would secure substantial momentum for sustainable development.
 - In essence, Busan Port confronts both challenges and opportunities, necessitating strategic approaches to move beyond current performance levels and sustain both quantitative and qualitative growth.
 - Strategic decisions necessary for quantitative and qualitative growth
 - Busan Port's sustainable growth requires paradigm shifts, such as transforming terminal operator integration methods, enhancing capacity to accommodate global shipping line operators, and strategically supplying large-scale infrastructure.
 - Swift provision of core facilities, such as container terminals, port hinterlands, bunkering infrastructure, and ship repair facilities, is essential for Busan Port's long-term growth.

- Facilities like bunkering infrastructure and ship repair yards may not attract private investors due to low profitability, but they are essential for port competitiveness. These should be pursued through private investment first; however, if progress is insufficient, a bold shift to public funding or government-led projects is necessary.
- Busan Port needs to strengthen its capacity for handling diverse cargo other than containers, expand accommodation of emerging industries requiring port space, and actively drive energy independence and regional growth.

2) Policy Suggestions

- Securing planning flexibility
 - To quickly adjust or modify existing plans, a fast-track system for master plan changes should be introduced and the minor amendment procedures under the Port Act should be simplified.
 - To secure competitiveness for Busan Port as Korea's leading global port and position for Arctic route opportunities, infrastructure supply must shift from forecast-based planning to goal-oriented demand-driven development.
- Implementing practical institutional reforms
 - Establishing comprehensive definitions of port facilities is essential to ensure receptiveness to future emerging industries and allow diverse sectors to enter without requiring legislative amendments.

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- Institutional improvements to the Free Trade Zone system are necessary to allow agricultural processing enterprises meeting statutory criteria to establish facilities within designated free trade areas.
 - Busan Port Authority requires substantial expansion of its business scope and responsibilities, along with diversified revenue sources and enhanced financial stability, to sustain continuous project implementation.
 - **Strengthening fiscal and financial support**
 - Achieving price competitiveness in LNG bunkering requires reducing import unit costs, providing tax incentives, securing next-generation zero-carbon fuel production technologies, and establishing stable supply chains.
 - Enhancing financial capabilities including credit transaction systems is essential to promote eco-friendly bunkering operations.
 - **Consolidating policy implementation agencies**
 - To achieve competitive bunkering capabilities, infrastructure construction and fuel provision must be consolidated under joint coordination between the Ministry of Oceans and Fisheries and port authorities.
 - Activities related to Arctic route utilization, including external relations, operational implementation, and vessel construction, should be unified under the Ministry of Oceans and Fisheries. This consolidation will enable rapid and consistent responses to evolving external conditions.

- Substantive role required for Busan Metropolitan City
 - To establish an organizational framework befitting a maritime capital, Busan Metropolitan City's shipping and port departments require substantial expansion in roles, responsibilities, budget, and organizational structure.
 - Furthermore, Busan Metropolitan City should take the lead in fostering port-related industries and establishing financial support systems for bunkering operations.
- Reforming and expanding R&D frameworks
 - The R&D evaluation framework for port technology industries should be reformed to ensure developed technologies achieve commercialization and comprehensively reflect government policy priorities.
 - Introducing small-scale, short-term R&D programs is essential to respond nimbly to rapidly evolving technological trends and market dynamics, enabling efficient execution of both large-scale and small-scale projects.