

# **Mediterranean Logistics post COVID-19: Opportunities come with challenges**

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We are facing a challenge that will change the world. As countries take essential measures to protect their populations, no sector remains immune to change. Closed borders, telework, travel bans and confinement. The coronavirus outbreak is redefining how we stay connected. And with a fifth of the planet already isolated, it is imperative to keep the flow of goods so that critical supplies can get where they are needed. The global logistics industry faces its biggest challenge.

The COVID-19 outbreak has increased the importance of supply chains in responding to needs in real time and in the transportation of goods, whether in managing the increase in online retail demand or maintaining the supply of medical supplies and fresh products. The COVID-19 pandemic has shown that logistics needs to evolve to build stronger supply chains. We all depend on them to achieve food security, health and stability, as their mission is to keep people safe and businesses operational, while customers adapt to the new challenges.

Trade keeps the world connected. Maritime transport, where 80% of the goods and 50% of the oil consumed circulate (UNCTAD, 2018), is of vital importance in global geopolitics. In addition, transport and logistics promote cooperation and development. In developing countries, competitive logistics would help solve migration, radicalisation or job creation problems. Without a doubt, economy is an essential lever to fight poverty, inequality, and solve desperate socioeconomic conditions.

The pandemic has made the fourth industrial revolution a reality for millions of people. The contours of a new horizon are being configured. The digital future will create new opportunities for people, companies and governments. But if mismanaged, it will also bring new threats, polarisations between societies or divergent economies. The current economic models need to give new answers, since the existing measures are not enough. More economic integration, emergency plans and realistic solutions are needed to solve endemic problems.

The magnitude of the challenge makes the existing measures insufficient. Without an effective logistics sector, the economy cannot develop. An efficient logistics reduces costs in export, import and distribution in the domestic market. It is the lever for growth and competitiveness.

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Internationalisation requires emphasising the overall performance of distribution and supply networks, but also the regionalisation of sectors that benefit from geographic proximity and economic complementarity.

Furthermore, the sector is committed and has reacted by prioritising critical medical supplies, keeping the flow of fresh products and improving the use of technologies. The effort to maintain trade has been global. Governments and airport authorities across the world are implementing strict guidelines, such as increased disinfection, while protecting the safety and health of the workforce. We must thank workers and companies in the sector for their creativity, innovation and dedication to keep the supply chain operational, agile and robust in this time of crisis.

Beyond the immediate challenge, initiatives must be urgently promoted to make trade flows more robust. The construction of digital platforms will be crucial to adapt to this new type of crisis in the long term. The digitised supply chain, in addition to the global network of ports, terminals and economic zones, will guarantee the transportation of cargo from one place to another through just one click. New technologies are driving online logistics and enabling smarter commerce, with more efficiency throughout the supply chain and greater visibility and transparency; in turn allowing the movement of goods to be optimised and redirected to where they are most needed.

This pandemic comes at a key moment. The global logistics sector is booming, with a greater demand for service from customers, the emergence of new competitors, the review of logistics processes and their incorporation into the digital revolution. Great challenges await us, such as the use of big data to efficiently manage logistics flows or the implementation of online platforms that optimise the volumes of cargo transported.

Logistics is one of the main columns of support for the continuous development of economies and its indicator of global competence. The increasing internationalisation of operations requires a special emphasis on the global performance of distribution and supply networks.

Trade logistics, or the ability of countries and companies to export products to international markets, is a key ingredient for economic competitiveness, growth, and poverty reduction. Poor logistics performance creates a sunk loss for producers and consumers alike, and results in a net loss of resources. Improved trade logistics, on the other hand, would give a positive boost to the economy at a time of fragile recovery from the global recession.

Logistics is necessary to flourish the economy and even the population to survive. For example, transportation and logistics directly affect the price and local availability of food. In developing countries, the impact of transport and logistics are between 20-60% on the prices of food delivered (World Bank, 2012). They constitute for some countries 40% of the cost of imported wheat. So,

at a time of high prices for food and raw materials, enhancing and improving the logistics sector is necessary. Competitiveness is also the result of reduced transport time and costs.

Global trade is shifting, and the centuries-old model that saw maritime powers located in the Western world control cargo flows through is giving way to a more multidirectional and multimodal future.

In this new dynamic, China begins to exert a greater influence on world trade. The launch of the New Silk Road, an initiative with an investment of multi-trillion dollars, aims to reshape intercontinental trade through a new network of land and sea connections between Asia, Europe and Africa, based on the old trade routes. The Mediterranean holds the key. China's expansion to gain supremacy in the region's ports does not stop growing.

2000 years ago, the first concept of free port was created between Chaldeans, Phoenicians and Carthaginians to facilitate trade. But the Mare Nostrum runs the risk of losing its leadership despite its advantages. The Mediterranean is located right where Asia, Europe and Africa are very close to each other, which makes this sea not only a neighbour for nearby regions, but also for the world.

In addition, both in the Mediterranean and worldwide, the weight of the sector is important. Logistics must be effective because, without this, the economy cannot develop. Efficient logistics will contribute to reducing the total cost of products for export, import and distribution in the domestic market. It is simply blood for the economy and a real lever for growth and competitiveness.

The maritime power model that has been carrying cargoes across the high seas for centuries is giving way to a more multidirectional and multimodal future. The world shipping map will change. It is necessary and urgent to bet on the 2030 Agenda and on a sustainable model. 23% of CO<sub>2</sub> emissions are attributed to transport (World Bank, 2016), so the common priority is to move towards greater efficiency and eco-sustainability throughout the Mediterranean region.

The shipping industry needs to set its own challenging but achievable voluntary CO<sub>2</sub> reduction targets for the maritime sector or risk targets being imposed. Shippers are under increasing pressure to respond to the climate change challenge. "They must understand, monitor and report their supply chain carbon footprint in order to meet their reporting and regulatory obligations," said GSF (Global Shippers Forum, 2015). "However, they are dependent on the shipping industry to provide accurate data on emissions and the GSF believes urgent action is now needed to agree targets. It is crucial to select a measure that will incentivise technical and operational measures to reduce CO<sub>2</sub> and not simply pass on additional costs to shippers" (GSF, 2019).

The Mediterranean has more than 450 ports and terminals, represents 30% of world maritime trade by volume, and is the leading tourist destination in the world (UfM, 2016). It is the point of confluence of three continents (Africa, Asia and Europe), where 500 million people live. From this new situation, a large platform with unique characteristics may emerge to facilitate world trade.

This strategic location is unique to facilitate global trade and logistics. But the regional economic potential needs to be unlocked. For this, we must bet on integration and build a unified strategy that encourages investments, construction, modernisation and management of infrastructures, that also allows growth and competition with another region.

It is urgent to develop the interconnection of the South, create a communication network efficient land, air and maritime transport, and promote multimodal corridors. Here the Mediterranean corridor should be paramount. The region has a great potential to build up intermodal solutions engaging maritime and railway resources with other modes of transport to increase its global freight volumes and viability. What remains to be done is to promote and maintain emerging intermodal demands through the provision of a legal framework and financial or regulatory incentives, so as to foster intermodal transport, which can only come true with a regional alliance and its partnership with Europe. A roadmap is needed to allow a more efficient and sustainable growth of intermodal operations.

After the COVID-19 pandemic, globalisation is wounded. For this reason, we recommend going towards the regionalisation of the economy, betting on the sectors that benefit from geographic proximity and economic complementarity. Regional economic integration and the creation of a common Euro-Mediterranean Economic partnership must be objectives to be achieved to face the new and post-pandemic challenges.

The economic and social importance of logistics and the awareness of its shortcomings in the Mediterranean, require a strategic vision shared by public and private actors. A national and regional policy articulated with professional players that integrates the other strategic objectives (ecological transition, industry, regional planning, ...) is also needed, as well as a sustainable organisational approach and logistical planning of the territory, articulated with a new industrial policy reoriented on European, Mediterranean and African exchanges.

The pandemic has made the 4.0 industrial revolution a reality for millions of people. The contours of a new horizon are being configured and the digital future will create new opportunities for people, companies and governments.

It is crucial to support logistically the relocation of a certain number of industrial activities, by encouraging the local Mediterranean economy and industrial clustering and by strengthening

shorter, more reactive and more resilient supply chains. A new industrial and logistics cooperation, more balanced between Europe and the Mediterranean, is also essential.

For the Mediterranean and Europe to regain sovereignty, logistics must be taken into account at the highest level of the State, with adequate governance and resources. The success of the sector cannot be proven without the incorporation of women into qualified jobs, especially in fields that are traditionally male dominated.

Betting on Mediterranean integration would change trends and benefit everyone. It would attract international companies, increase exports, and boost the creation of local jobs and businesses. Closing the existing gaps between two Mediterranean shores will not be easy but achieving it would mean a more effective transport network, more trade and development. The region has the capacity and ambition to become a key player on the international logistics scene.

The investment needs in Mediterranean region in the sector are estimated to be around 2% of GDP, a sum that the public sector cannot cope with and the contribution of the private sector will be necessary.

To reach a successful conclusion, it is necessary to overcome the obstacles and work to deepen the partnership in order to better control the challenges of development and favour reforms in this regard, strengthen the capacity of international institutions to take risks in financing infrastructure and facilitating the access of financial organisations and operators betting on a greater role of the private sector could help in this way.

25 years after the launch of the Barcelona Process, and provided the necessary mechanisms to accelerate the planned terms for the entry into force of the Euro-Mediterranean Association, the transport and logistics sector is considered an economic pillar and an important factor for this integration of all priority action projects.

The need to invest in the Mediterranean logistics sector is a driving force for development, which could be more if several elements, such as the development of infrastructure, the private sector and the complementarity of networks between both sides, are reinforced. Joining the dots across so many Mediterranean countries is not easy. The result would be a more effective transport infrastructure, more trade and development, and a stronger and more united Mediterranean.

Moreover, we need to strengthen cooperation on transport legislation and develop infrastructure to connect the two sides of the Mediterranean Sea. Transport is a key vector for achieving closer market integration and contributing to regional integration, economic growth, employment, tourism and increased regional trade. In the context of profound change in the Mediterranean

region, transport cooperation between the EU and its neighbours is crucial and needs to be supported.

Relations in the field of transport between the European Union and its southern partners were formally established in 1995 with the Barcelona Process. The key priority of this cooperation is the achievement of a safe, sustainable and efficient transport system in the Euro-Mediterranean area.

The future of the region depends on the ability to adapt to new realities, build bridges, create meeting spaces to transform this threat into an opportunity and turn weakness into strength. This would allow properly facing the challenges, creating a common future by adding capabilities and applying this synergy to the search for new paths.

The task of making this sea a great platform capable of competing with other regions will be difficult but not impossible. This can only become a reality in an alliance between both shores in this Mare Nostrum.

It is time to act to reposition the Mediterranean as the great logistics platform for east-west flows and as the best option to channel cargo between Asia, Africa and Europe. Logistics has never been as important as today.

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