The impact of the new global regionalism on production, transport and logistics systems

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The commitments of the G20-2020 to relaunch global development

In the Final Leader's Declaration of the G20 Summit (2020), chaired by Saudi Arabia and held in Riyadh on 21-22 November 2020, the heads of state and government made, among other things, specific commitments for the sectors of international trade, transport and travel, investments in infrastructure. Important commitments, it must be said at once, also for the prospects for relaunching development in the Mediterranean area.

For example, in point 12 of the document, relating to trade, the commitment to maintain the full opening of the markets is clearly stated: "Supporting the multilateral trading system is now as important as ever. We strive to realize the goal of a free, fair, inclusive, non-discriminatory, transparent, predictable, and stable trade and investment environment, and to keep our markets open" (p. 3). Also in point 13, on transport and travel, a similar commitment is stated, aimed at ensuring the maintenance of the system's openness: "We commit to ensuring that global transportation routes and supply chains remain open, safe, and secure, and that any restrictive measures related to COVID-19, including for air and sea crews, are targeted, proportionate, transparent, temporary, and in accordance with obligations under international agreements" (p. 4). In point 15, on investments in infrastructure, it is explicitly recognized that:

> *Infrastructure is a driver of growth and prosperity and is critical to promoting economic recovery and resilience. We endorse the G20 Riyadh InfraTech Agenda which promotes the use of technology in infrastructure, with the aim of improving investment decisions, enhancing value for money, and promoting quality infrastructure investments for the delivery of better social, economic and environmental outcomes* (p. 4).

Very significant the reference made to the role of institutional investors, to multilateral development banks MDBs, as well as to the compliance with the principles on the quality of infrastructure investments in the same point 15:

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"In line with the G20 Roadmap for Infrastructure as an Asset Class, we welcome the G20/OECD Report on the Collaboration with Institutional Investors and Asset Managers on Infrastructure Investment, which reflects investors' view on issues and challenges affecting private investment in infrastructure and presents policy options to address them. We look forward to exploring options to continue this work in a flexible manner and without duplications with other initiatives, with the participation of interested MDBs and international organizations. We will advance the work related to the G20 Principles for Quality Infrastructure Investment (p. 4).

These specific sectoral commitments are part of a broader framework of strengthening collaboration between states that the G20-2020 summit confirmed as the only way forward to tackle the effects of the global pandemic crisis, "to overcome the current challenges and realize opportunities of the 21ts century" (Final Leader's Declaration of the G20 Summit, 2020). The value of this orientation, which introduces elements of positivity in a framework of international competition hitherto characterized by strong geopolitical and geoeconomic tensions, had been recognised and sanctioned by similar commitments undertaken, for instance, at the XII summit of the BRICS coordination (Brazil, Russia, India China, South Africa, however all member states also of the G20) held in Moscow on November 17, 2020, a few days before the G20 summit. After recognising the G20 coordination role "as the premier forum for international economic cooperation and coordinated action to overcome the current global challenges" (XII BRICS Summit Moscow Declaration, 2020, par. 50), the BRICS states, which are also very active in the Mediterranean area, have confirmed the commitment to intensify their initiatives in the main areas of recovery: strengthening of trade, investment policies in infrastructures, digital economy and energy. In particular, with regard to the infrastructure sector, the decision was taken to organize a data and information center, participated by the five member states, with a "Common Data Room" (Point 57) to have a continuously updated and shared picture of the main requests and projects of infrastructural interventions in order to activate a prompt collaboration with private operators (Public-Private-Partnership - PPP) and in particular with the banking world.

Finally, it should be emphasized that the Final Leader's Declaration of the G20 Summit (2020) also recalls the importance of some signs of recovery in the world economy, although the forecast framework for the near future remains marked by great uncertainty. Thus, point number 4 of the document states:

While the global economy experienced a sharp contraction in 2020 due to the impact of the COVID-19 pandemic, global economic activity has partially picked up as our economies gradually reopened and the positive impact of our significant policy actions started to materialize. However, the recovery is uneven, highly uncertain and subject to elevated downside risks, including those arising from renewed virus outbreaks in some economies, with some countries reintroducing restrictive health measures (p. 1).

A safe recovery but full of uncertainties

This combination of elements of uncertainty and elements of safe recovery at this stage characterises the forecasts of the major economic centers with reference both to the evolution of the economic systems as a whole, and to the specific sector of transport and logistics. Here are some significant examples.

International Monetary Fund (IMF). According to the latest report of the International Monetary Fund on economic growth (IMF, 2020), published on 13 October 2020, the world economy will record a contraction of -4.4% in global GDP at the end of 2020, slightly less severe than the -5.2% expected at last June. For 2021, on the other hand, a rebound in international activity is expected with + 5.2%, provided that the virus gives respite. Otherwise, the data will be much worse. Between now and 2025, it is estimated that the total loss of production in the world will amount to 28 trillion dollars: an unprecedented slowdown for the improvement of the average standard of living of the world population. In providing these data, the IMF highlights two important elements: first, projections assume that containment measures due to the pandemic will continue in 2021 and that transmission of the virus will end everywhere by the end of 2022; the second, however, that the economy remains subject to the risk of "setbacks”.

With regard to the situation of individual states, the IMF emphasises (2020) that each country faces different economic reactions which have a lot to do with the experiences made in pre-COVID situations. Hence the assessment that Europe, and especially the Eurozone, as happened in the previous economic crisis, this time too seems to be losing ground in the recovery phase with respect to the United States and China. In fact, according to the IMF, the gross domestic product of the euro area this year will fall by -8.3%, while in the United States the loss will stop at -4.3%, almost half. Among the advanced world economies, the only exception with the plus sign is China, which will even register + 1.9% at the end of the year. By the end of 2021, the US will have lost one point of GDP, the Eurozone almost three, while Beijing will have a rebound equal to +8.2 percent. According to IMF chief economist, *Gita Gopinath*, "This crisis is however far from over...The ascent out of this calamity is likely to be long, uneven, and highly uncertain" (2020).

EU Commission. The Annual Strategy for Sustainable Growth 2021, presented by the European Commission on 17 September 2020, opens the document with these forecasts: "Despite the strong, coordinated and innovative response, both at national and at EU level, there are many uncertainties that still remain, in particular, on the duration of the crisis and how exactly it will affect our lives and our economies” (European Commission, 2020b). According to the European Economic Forecasts of summer 2020, the economy of the euro area will contract by -8.7% in 2020 to then record a recovery of +6.1% in 2021, while the EU economy will contract by -8.3% in 2020 and then grow by +5.8% in 2021” (European Commission, 2020a).

Srm-Intesa Sanpaolo. Regarding the maritime transport sector, the estimates presented in the seventh Annual Report "Italian Maritime Economy 2020" by an authoritative Italian specialised study center "Srm-Intesa Sanpaolo", show an overall decline of - 4.4% for 2020, followed by an increase of +5% for 2021 (Srm-Intesa Sanpaolo, 2020). The Report analysed the impacts of COVID-19 on the logistical-maritime system and the various aspects with which the phenomenon is manifesting itself: from the reduction of the passages in the Suez Canal to the new configuration of world traffic, up to the most recent trends in maritime flows of the international trading.

In detail of the container segment -"the closest proxy to international trade as it mostly expresses manufacturing traffic"- (Srm-Intesa Sanpaolo, 2020), the expected reduction in 2020 is equal to -7.3%, with a total of 742 million twenty-foot equivalent unit (TEU) handled in world ports, a figure that brings back the volumes of 2017. In other words, the virus has taken away the sector's last four years of growth, although a rebound of +10% in 2021 and +6.6% in the 2022 is forseen. Then extending the forecasts to 2024, container handling in ports should grow at an average annual rate of +3.5% to reach 951 million TEU at the end of the four-year period. At the global area level, the recovery is evaluated in the following terms: Europe at + 2.3%, Africa at + 3.3%, Far East at + 3.9%, Middle East at + 4.5% and North America at + 2.3%.

The Italian Maritime Economy Report (2020) highlights, in particular, that the Mediterranean still represents a privileged transit route for container traffic, concentrating 27% of the approximately 500 global scheduled services by ship. Specifically, the Suez Canal in the first five months of 2020 no longer recorded the sustained (double-digit) growth of 2019: against a +7% increase in ships transit (oil sector ships + 11%, dry sector + 42%), containerships recorded a decrease amounting to -15%. The causes of this decline are mainly two, both attributable to the pandemic crisis: the decrease in the loads handled by ships and the reduction in the oil price which has led many container ships to pass through the African Cape of Good Hope to save toll costs: 52 megaships, equal to 5.1% of the total, preferred this last route in the period March-June 2020. This choice led the Suez Canal Authority to introduce a toll discount of 17% for the containerships heading south, and of 50 to 70% for the US East Cost-South Asia and South East Asia route. Other significant phenomena have emerged in relation to an increasing use of the Arctic route (Northern Sea Route - NSR) which in the period between January-April 2020 recorded an increase in passages equal to + 15% compared to 2019 (the most active carrier is the Chinese company COSCO) as well as the practice of "slow steaming": again with a view to saving costs, the ships traveled the routes at a slower speed.

Also significant is the high number of "blank sailing" - routes canceled due to lack of cargo - which involved all the main routes (Srm-Intesa Sanpaolo, 2020). The phenomenon reached a value of 2.7 million TEU at the end of May 2020, equal to 11.6% of the total hold capacity. Srm-Intensa Sanpaolo (2020) estimates 7 million TEUs lost globally by 2020. The COVID-19 had a significant impact also on the great Chinese "Belt and Road Initiative" project: out of 2,951 projects worth 3.87 trillion dollars, 20 % is "seriously affected" (to consider that the import-export between the countries touched by the BRI represents 65% of the trade volume with the European Union). At the same time, there was a significant increase in rail transport on the China-Europe route and vice versa. In July, the number of freight trains reached a record of 1,232 trains, with a + 68% on July 2019. The Srm-Intensa Sanpaolo document (2020) reports that according to the Chinese railway authorities, "transport by train has had a decisive role in stabilizing the chain of international logistics interrupted by the pandemic”.

Globalisation - Regionalisation: profound changes in supply chains

On the occasion of the official presentation of the Report on Italian Maritime Economy 2020, the director general of the Italian center Srm, Massimo de Andreis, highlighted an element that is of particular importance for the Mediterranean area, namely the regionalization of globalization. In the report (2020), De Andreis states:

> *We highlight how the pandemic is changing the geography of world economic relations seen through the lens of maritime traffic. The China-US trade clash seen from the Pacific route, the slowdown of the Belt and Road Initiative and Chinese exports, the impact on the Suez Canal and the emergence of alternative routes are elements that also directly affect the Mediterranean scenarios... We are in a phase of regionalization of globalization and the strategic importance of investing in ports and logistics that are efficient and integrated with European networks clearly emerges*.

The regionalisation of globalisation is a process that has now become the subject of careful and widespread evaluation at international level for its complex geopolitical and geo-economic implications, in the latter case also with reference to a different organisation of the global value chains currently underway.

On a general theoretical level, scholars ask, for example, what relationship exists between the two processes: that of economic globalisation and the creation of regional economic spaces. And the most shared conclusion is that the two processes are strongly combined with each other. In fact, it is the globalisation process - with its pushes to open and interchange, with the reduction of costs and tariffs, the organization of supply chains beyond the borders and the integration of markets (according to the Bretton Woods principles) - which has spread development in the most diverse areas of the world, fostering awareness of the values and opportunities present and to be seized in the various regional systems, consequently induced to promote their autonomous processes of economic development.

On the other hand, this is the point that emerges clearly, as the individual states have for some time now referred to global processes in their development policies, in the same way the new regional realities also refer to these processes within which they try to best represent their needs, find their own conveniences, fit in. In other words, as globalisation produces regionalisation, so, vice versa, regionalisation further strengthens and qualifies the processes of global integration. The so-called "regional world", or, with an even more precise expression, the "new order of regional worlds" (Barbieri, 2019), is not, in essence, a less globalised world; it is, instead, a world in which globalisation is further consolidated and it is as if forced to assume new principles, values, guiding elements, to recognise the role of new protagonists. It is in this new framework that all actors, public and private, are required to be able to build new ways of interacting with each other, and to identify and pursue new approaches to individual and collective growth.

This process of geopolitical and geo-economic regionalisation emerged for some time, well before the pandemic crisis; but certainly the COVID-19 crisis is destined to accentuate it even more. In evaluating the possible responses of multinational companies to the shock and risks of the pandemic crisis, a recent Report by the Economist Intelligence Unit - EIU (2020) highlights that one of the main consequences will be the regionalisation of global supply chains. "COVID-19 will fundamentally reshape trade, accelerating the trend towards shortening supply chains. Just-in-time manufacturing using global suppliers will give way to a greater focus on use of regional supply chains, strategic use of inventories and a new approach to viewing risk in the C-suite" (EIU, 2020).

The productive and commercial advantages that multinational companies have been able to enjoy in recent years, particularly in relations with China, after this country joined the WTO in 2001, are destined to decrease considerably due to trade wars, for example between the US and China, and the rise in wage levels within the Chinese system; a situation that has already led several multinationals to relocate their supply chains to other parts of Asia. But these decisions are only a first sign of the effects that COVID-19 will produce.

> *This is a prelude to what will happen in other regions as global companies look to build resilience into their supply chains. By building quasi-independent regional supply chains in the Americas and Europe, a global company will provide a hedge against future shocks to their network. For those companies that have this luxury already, they have been able to shift production of key components from one region to another as lockdowns and factory closures resulting from coronavirus have unfolded. Supply chains are difficult to set up and even more difficult to move. As more firms make this decision, therefore, the shift to regionalised supply chains will be an enduring outcome of this crisis.* (EIU, 2020).

Added to this, there is the need of optimising transportation and storage for risk mitigation.

> *The issue of a globalised or regional supply chain is not the only tension that COVID-19 will expose. Another core decision for multinationals is the timing of production and assembly of products along the supply chain and, relatedly, the storage of either intermediate or final*

goods throughout this process. For the sake of efficiency, multinationals tend to optimise the logistics process of their supply chains to minimise storage costs. However, in a world of increasing uncertainty and ongoing risk, a sole focus on the efficiency of transportation and production will leave firms vulnerable to shocks. In the current crisis, companies are seeing greater value in storing inventory in strategic locations from where it can be easily accessed and delivered to customers. This approach applies to final goods but also to strategically important components, such as those that can be only sourced from one market (EIU,2020).

The EU MFF Budget 2021-2027: a possible response from the Mediterranean area

Faced with these prospects, which are in part the testimony of great movements already underway, what response can come from the Mediterranean area and, in particular, from its transport and logistics system? It is clear that a valid answer can only come if the states of the area and their international reference institutions are able to offer global players a valid, concrete, well-verifiable platform of opportunities and advantages in its contents, able to demonstrate to the world the will to overcome the serious fragmentation occurred in recent times and to resume the process of community integration of the Mediterranean area.

A great opportunity in this sense is offered, for example, by the commitments that all the states of the Mediterranean region, and not only of this area, have assumed and confirmed several times with the approval of the UN 2030 Agenda for Sustainable Development. As it is well known, the platform presents precise goals and tasks to be achieved in the economic, social and environmental dimensions and is currently in a phase of full implementation; consequently it could become an opportunity for the organisation of a common working table between all the states of the Mediterranean region aimed at identifying and defining interventions of a general and specific nature, systemic and not fragmented, with strategies and plans agreed in the main areas of promotion of sustainable common growth, among which the plans for the maritime economy, transport and logistics are fundamental.

Another great opportunity is offered by the decisions, being defined in the last months of 2020, that the European Union will be able to take with the approval of the Multiannual Financial Framework Budget 2021-2027 (MFF-Budget) and the updating of the relative regulations, to build favorable conditions for the promotion of a real organic cooperation in the Med area. In the document, under discussion, the awareness of the need to act in this direction is clear:

The EU budget for external action to develop cooperation with Neighbourhood countries is not sufficient in comparison with the size of the needs in infrastructures and technologies to connect these regions with European network. This make it vital that it invests in areas where the Union can offer real European added value to public spending at national level. Pooling

> *and blending resources can achieve results that EU – Neighbourhood countries cooperation should take full advantage of the opportunities the Single Market offer. Other instances when pooling resources helps us do more include catalysing key strategic investments* (European Commission, 2018).

This reference to the need for connection infrastructures with neighbouring countries shows the great relevance still today of the statements that Loyola De Palacio, EU Commissioner for Transport, made in 2005 on the occasion of the presentation of the Wider Europe Report:

> *A well functioning transport system connecting the Europea Union (EU) and the neighbouring countries is essential for sustainable economic growth and the wellbeing of alla citizens in this part of the world. Better integration of National networks will foster regional cooperation and integration not only between the EU and its neighbours but also between the neighbouring countries themselves. Also, good transport connections in the EU as well as in the neighbouring countries are important for trade with Asia, sub-Saharan Africa or America. In short improving transport connection would be for the mutual benefit of both the European Union and its neighbouring partner countries.*

The guidelines specified in these two documents confirm that the European Union, with the approval of the new multiannual financial framework 2021-2027 and the updating of the related plans and regulations, presents the concrete opportunity to give a new direction and a different boost to Euro-Mediterranean cooperation, both to be based on practices of real sharing of the strategic objectives to be pursued, on effective coordination between European policies and plans in the transport and logistics sector, national plans, the Regional Transport Action Plan (RTAP) and the related sectoral projects, the plans drawn up by the Euro-Mediterranean partnership.

In this context, it would be desirable and appropriate to launch a profound review of the approach followed so far by the programmes relating to the networks of the major Trans-European Transport Networks (TEN-T) corridors, mainly oriented to the needs of the European internal market, to project and integrate them with the related programmes of the Trans Mediterranean Network-Transport (TMN-T), already outlined for some time by the Euro-Mediterranean Forum on transport, both for the western and the eastern Mediterranean side.

To this end, the following would be useful: a) the organisation of a permanent secretariat on transport in the Mediterranean as an instrument to support the operation of the Euro-Mediterranean Forum, also on the basis of the experiences made by the The Centre for Transportation Studies for the Western Mediterranean (CETMO) structure which has been operating for some time at the service of the Group of Transport Ministers of the Western Mediterranean (GTMO 5+), b) in addition, a link between the various European funds operating in cooperation and neighborhood policies including: the Connecting Europe Facility (CEF) TEN-T fund for intermodality and logistic platforms to be extended to all Mediterranean countries, the funds for Motorways of the Motorways of the Sea (MoS) projects, the funds already operational at the disposal of the European Investment Bank (EIB).

A possible strategic choice of the European Union for the interoperability between the two great network systems, European and Mediterranean, supported by the consensus of all the interested states, would give a very important signal of the will to promote a common effort throughout the Mediterranean region to counter the effects of the pandemic crisis, launch effective, widespread and shared initiatives on the matter of sustainable development, offer new opportunities to major international players. There is no doubt that such a turnaround would greatly help the community of states in the Mediterranean region to react positively and effectively to the challenges of the new regionalisation processes of the global system.

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