**Notes from the speech of Fadi Saab,**
**Chairman & CEO, Trans Capital Finance**
**during the MedaLogistics Summit - June 26 & 27, 2019,**
**in Barcelona within the framework of the World**
**Summit of International Trade and Supply Chain (SIL)**

## I Why is Logistic important

A recent **UNCTAD** report stated that globalized production, trade, communication and finance depend on the possibilities for people, companies and countries to connect with each other.

While digital connectivity can provide new opportunities for developing countries to participate in international trade, traditional trade costs related to physical connectivity can still represent a significant barrier to the physical delivery of goods.

This conclusion is further supported by the **World Bank** that determines that improved transportation connectivity and logistics performance can help reduce trade costs and has an important direct, positive bearing on trade volumes.

Furthermore, the **OECD** maintains that there is a strong relation between logistics and economic growth

Logistics is an essential element of trade… and effective investments in the logistics sector will lead to considerable cost and efficiency advantages in terms of world economic growth and development.

**Therefore, due to globalization and the expansion of international trade volumes it is essential for countries to improve their logistic capacity.**

## II. About the Mediterranean Region

A recent report by EY stated that the greater Mediterranean region (Southern Europe, Turkey and Balkans, North Africa, Middle East, Gulf Countries) represents 15% of global GDP due to its central position between the mature Western economies and the emerging Far East markets and its large labor markets and vast resources.

Over the past 5 years, some areas of the Region have been hit by severe shockwaves such as reduction in the oil economy - political unrest - fragmentation of the EU following Brexit - migrant flows…etc.

Thus, the need to explore new opportunities for growth and investment that significantly contribute to job creation, to be unlocked through enhanced collaboration:

- Infrastructure, the backbone of integration processes;
- New digital technologies such as big data and other megatrends and the effect on companies and their business models; investors rank the tech sector as the second most promising in Mediterranean, Gulf Countries and the Middle-East;
- Energy and renewables by exploring the technologies, projects and policies aimed at increasing the efficiency of production processes and consumption;
- Disruptive technologies, with the key role that cybersecurity plays in accelerating the use of digital services through a new approach to risk management.

Additionally, the Union for the Mediterranean estimates that insufficient logistics can cause a loss estimated at 6% per year in trade volume between countries, thus we need to:
- Foster inter-modality and connectivity;
- Explore opportunities in building upon and increasing synergies;
- Promote capacity building as a driver of efficient and sustainable development of maritime transport and logistics

The relevance of the Mediterranean Sea within the international context is increasing as a result of global trends and of the way trade is being channeled.

the New Suez Canal will further strengthen regional and international trade and transport connectivity leading to further integration Mediterranean ports into trade corridors.

**UFM concludes that as direct consequence of increasing trade and economic and social development within the region; and due to the growing trend to transfer industrial activities from Far East to the Mediterranean region, there will be a greater demand for mobility, transport and logistics over the next few decades.**

## III. Effect of Geopolitics in the Region

Conceptually, Geopolitics is the study of international relations relating to the impact of geography on formulating the national interests of states.

Geopolitics evolved even more around the idea of "power politics," "balance of power," and "national interests" as defining concepts for regional and international interactions.

Today, it has become necessary for states across the region to reassert themselves and seek to restore stability and economic development. Key to this process will be economic cooperation within the bounds of power politics in two leading geographical areas of the Middle East and North Africa (MENA) region: the Red Sea and the Eastern Mediterranean.

But geopolitics factors dominated the question of security in the region especially in light of Oil & Gas discoveries on the shores of Lebanon/ Palestine/ Cyprus/ Egypt/ Syria/ Turkey & Israel – Not to mention the rising importance of the Suez Canal and the straits of Bab Al-Mandab in the Red Sea and the recent tensions in the Strait of Hormuz in the Arabian Gulf.

On the other hand, social revolutions in the Middle East, accompanied by a digital revolution in technology and communications resulted in the globalization of ideas, norms, and ways of life.

Reform of the state and religion will therefore be necessary to build an environment that is hospitable to peaceful change, development, and progress in general, and Good governance measures are urgently needed to mitigate against the instability that often accompanies political change.

## IV. The Chinese Potential

China's Belt and Road Initiative (BRI) – 'One Belt, One Road (OBOR)' - has been designed as its new guiding economic and foreign policy framework with a focus on its direct neighborhood at its southern and western borders, but also reaching out to the Persian Gulf, Africa and Europe, involving to-date 65 countries and 15 Chinese provinces with related investments in more than 80 countries.

With the BRI, China envisages to spur regional cooperation by leveraging China's economic and financial power potential of up to USD 1 trillion for regional investments and trade. It will not only link China's economy with those of Southeast, South and Central Asia, but also with the Middle East (i.e. the Gulf region), Africa and Europe.

China is the world's largest economy (based on GDP and the World Bank's purchasing power parity calculations) as well as the worldwide biggest energy producer, exporter, and consumer. By 2020, China could become the world's largest overseas investor as well. Its offshore assets might triple from USD 6.4 trillion to almost USD 20 trillion.

China's geo-economic strategy of an interconnected economy with its neighboring countries and countries beyond the regional neighborhood demands massive investments in ports, airports, transnational railways, highways, container trade and fiber optic cables as well as energy projects.

**In 2016, Chinas has become the world's largest investor in the Arab world, with investments of USD 29.5 billion with a focus on infrastructure, pipelines, ports, roads and industrial parks. As the world's largest oil importer, having just replaced the U.S., China received about 52% of its total crude oil imports from the Middle East and 22% from Africa.**