

# Re-Linking the Mediterranean in the Digital Age

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## The Digital Era in the Mediterranean Context

The economies of the Mediterranean have long been perceived to be underperforming relative to the need for sustained growth rates to combat high levels of youth unemployment. Particularly for young graduates and women, unemployment is most prevalent in the regions closest to the Mediterranean coastline in both southern European states and their southern neighbours in North Africa and the Levant. 75% of the population south of the Mediterranean is under 30 years of age, leading to precarious livelihoods for many in informal and semi-formal sectors that represent as much as 50% of formal economies. In southern Spain, Italy and Greece, youth unemployment levels have risen to above 50% over the past decade.

The solutions proposed to meet these challenges are often framed in terms of pre-existing economic models rather than through exploring new ways to satisfy public demand for economic inclusion. On the European side, the Italian President Sergio Mattarella admitted as much in May 2018, warning that *"(t)he European project has lost its ability to meet the expectations of large portions of the population."*<sup>1</sup> Citing the unemployed of southern Italy in particular, the President echoed a growing concern

that the EU's 'employment-growth' malaise disproportionately affects the peripheral regions of the Mediterranean even in economies such as Spain, Greece and Italy, where recovery has now begun to take place since the financial and 'eurocrises' of a decade ago.

New approaches are clearly needed to redress the gap between established 'top-down' economic thinking and the dynamism of the digital age that is testing the logic that has led to the current outcome. The step changes in global economic models already underway<sup>2</sup> are also, to an unavoidable degree, impacting the whole Mediterranean region, both north and south. Transnational models of production are moving closer to both producers and consumers, meaning that where delivery times and the market specificity of customized goods and products are taking over from the mass-production models of the 20th century, geographical proximity is becoming more relevant to the kind of 'information-enhanced' specializations that Morocco, for example, has embraced in servicing neighbouring markets in Europe.<sup>3</sup>

The digital component of these developments is likewise challenging the post-World War II political order that has created hard borders between the internal markets of the European Union and those of its external partners. The expansion of virtual connectivity has opened up new channels for the design and implementation of cross-border businesses, production models and trade which will require a new set of internationally agreed frameworks and

<sup>1</sup> HEATH, Ryan. "Italy's president sounds apocalyptic warning on Europe," *Politico*, 10 May 2018 [www.politico.eu/article/mattarella-coalition-elisabetta-belloni-in-florence-eui-belloni-dimaio-slavini-italy-government/](http://www.politico.eu/article/mattarella-coalition-elisabetta-belloni-in-florence-eui-belloni-dimaio-slavini-italy-government/)

<sup>2</sup> For a full overview of structural change in the global economy, see VALLADAO Alfredo G.A. "Masters of the Algorithms: The Geopolitics of the New Digital Economy from Ford to Google," *Wider Atlantic Policy Paper Series*, German Marshall Fund of the United States, 2 May 2014. [www.gmfus.org/publications/masters-algorithms-geopolitics-new-digital-economy-ford-google](http://www.gmfus.org/publications/masters-algorithms-geopolitics-new-digital-economy-ford-google)

<sup>3</sup> See VALLADAO, op. cit, p. 19

parameters to manage. The growth of clustered models of production – through techno-hubs and localized warehousing and fast delivery systems for goods and services – will also favour urban centres and ports close to consumers, in ways that argue for new thinking about the geopolitical spaces within which this activity takes place. As a result, the economic logic of exploring new forms of Mediterranean sub-regionalism may be coming of age. In turn, the divisions that have separated the peripheral regions of southern Europe, North Africa and the Levant for over seventy years are also likely to come under challenge – as an historical aberration rather than the current political norm.

### The Scope of Change and Its Potential

As Alfredo Valladao argued in 2014, centralized models of governmental control are already struggling to keep pace with the combined developments of virtual connectivity and the inter-penetration of global economics, at a time when they have few options to offer to transform economies within national frameworks alone. The political push for change is more likely to come from new private sector and non-state actors, who are more cognizant of how current global trends can be adapted to local markets, including at the sub-regional level. The generations coming of age in the digital era are also embracing political terms of reference that are increasingly influenced by global interconnectedness.<sup>4</sup>

The 'fourth industrial revolution' is based as much on relatively simple technological 'add-ons' to speed up automation in productive industries and agriculture as it is on the 'hi-tech' and virtual innovations that are creating new markets and forms of economic activity. The current mix contains both old and new components, from advanced robotics, to smart phone applications and artificial intelligence (AI) applied to a variety of functions, along with enhanced machine learning (ML), 'big data,' super-

computing, and online, platform-based work spaces. The most potentially disruptive advance of all lies in blockchain technologies for devolved data and ledger verification, which could soon revolutionize the world of finance, access to credit and personal identity rights, inter alia.<sup>5</sup>

In mature economies, the debate on how these developments are transforming labour markets has largely focused on the disruptive effects of automation on traditional employment sectors and the rise in under-protected self-employment through the 'gig economy.'<sup>6</sup> The world of work for many in the southern Mediterranean, in contrast, is already unprotected, as reflected in the size of the informal economies in which many are obliged to work to survive; as a result, the challenge for the wider Mediterranean region is less that of managing the loss of jobs in the formal economy to 'hi-tech' equivalents than of completely restructuring economies to make them internally inclusive, educated for flexibility and change, and open to the new forms of interconnected economic activity sweeping the planet.

### The step changes in global economic models already underway are also, to an unavoidable degree, impacting the whole Mediterranean region

So far, the kind of specialized engineering (in aeronautics, for example), offshore car assembly plants (for export back to France) and devolved financial services adopted in Morocco, and to a lesser extent in Tunisia, respond to the logic of existing Euro-Mediterranean models: the major investors in these projects are European and North American transnationals (Bombardier, Renault etc), drawing on cheaper North African labour markets to situate production processes in the most cost-effective locations. In a world of increasing virtual connectivity,

<sup>4</sup> VALLADAO, op. cit; for a strong European argument for global citizenship see MARSELLI Lorenzo and MILANESE Niccolo Milanese. *Citizens of Nowhere: How Europe Can Be Saved from Itself*, London: Zed Books, May 2018 [www.zedbooks.net/shop/book/citizens-of-nowhere/](http://www.zedbooks.net/shop/book/citizens-of-nowhere/) .

<sup>5</sup> JONES, Ellis. 14 ways in which the blockchain could unleash social impact, People Talk blob, 12 February 2018 <https://ellisjones.com.au/disciplines/social-impact-disciplines/decentralising-social-innovation-14-ways-blockchain-unleash-social-impact/>

<sup>6</sup> See, for example, the UK government's 'Good Work' review of 2017: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/627671/good-work-taylor-review-modern-working-practices-rg.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/627671/good-work-taylor-review-modern-working-practices-rg.pdf)

the next stage of development could potentially see smaller scale innovations gradually eroding the exclusively 'top-down' nature of these investments across the Mediterranean.

It is not inconceivable, for example, that a group of like-minded design engineers, entrepreneurs and angel investors from both sides of the Mediterranean could combine to create new types of Small and Medium Enterprises (SMEs) that are intentionally more 'horizontal' in conception and benefits, and set within a new set of bespoke Mediterranean sub-regions. Drawing on the stronger regulatory and legal frameworks in place in the European Union (EU), for example, such models could include forms of social enterprise that invest profits back into the Mediterranean's hinterlands in ways that straddle the political and economic divisions within each sub-region.

### **The Structural and Psychological Challenge**

The fact that, to date, this has not happened on a larger scale is an indication of how rarely the challenges faced on both sides of the Mediterranean are conceived of as arising in comparable contexts. Many of the region's littoral communities share similar economic and structural deficits as peripheral regions of their own economies, yet these deficits are rarely addressed as a common challenge for which shared and explicitly linked solutions might be sought. The proximity of the Mediterranean's peripheral regions to each other – above all in the western and central Mediterranean between Spain and Morocco, Italy and Tunisia respectively, and the eastern Mediterranean between the Balkans, Cyprus and the Levant and Egypt – has been distorted by recent political history to create a set of almost insurmountable psychological as well as physical barriers to conceiving of new ways of adapting to the most recent challenges of globalization.

Most debates on youth unemployment, for example, still take place within separate 'North-South' contexts, which see the causes of youth unemployment in North Africa, for example, as different in degree and context to endemic youth unemployment in the peripheral regions of southern Europe. Yet, the digital age offers new ways of exploring regional economies of scale as well as of developing new and

hybrid economic models to connect complementary assets, investments and talent across the Mediterranean Sea.

The most striking example might be found in the high unemployment rates in the northern Rif region of Morocco, situated only 14 kilometres away at its closest point across the Straits of Gibraltar from Andalusia in southern Spain, where youth unemployment continues to be amongst the highest in the European country. The development of the Tangier-Med transshipment port and the free trade zones (FTZs) that have attracted industrial investments within its hinterland have to some degree redressed the decline of northern Morocco. However, the wider economic benefits accruing to this region barely rival the economic dynamism of the Moroccan port city of Casablanca, situated further south on the Atlantic coast, which acts as a much stronger pole of attraction for diversified and interlinked economic growth and development. The recent social unrest in the northern Rif city of Al Hoceima attests to regional development funds having been promised, but not delivered, by Morocco's central government.

**The political push for change is more likely to come from new private sector and non-state actors, who are more cognizant of how current global trends can be adapted to local markets, and to the generations coming of age in the digital era**

Rather than increasing the network of economic links across the Mediterranean from Morocco to Spain, the Straits of Gibraltar now act primarily as a barrier to illegal migration by Sub-Saharan Africans seeking to enter Europe through the Spanish enclave of Melilla on the northern Moroccan coast. The Straits are also perceived as a crossing point for terrorism, trafficking and organized crime that the EU cooperates closely with its southern partners to prevent. The Tangier-Med port, in turn, is seen as a rival to the Spanish port of Algeciras, where the creation of a future sub-region could see both ports becoming assets capable of working in tandem to

strengthen the development of the western Mediterranean as an interlinked economic hub.

The disincentives in place – above all the barriers to the free movement of people and goods across the Mediterranean erected since the 1970s – have made the logic of engaging in sub-regional cooperation beyond the EU's southern borders hard to imagine, let alone attempt to put into practice. This type of sub-regional model may necessarily need to involve dual nationals with residency and visa rights on both shores of the Mediterranean to act as pioneers in these new spheres, but they are unlikely to flourish until the most obvious current barriers to the movement of goods, people and finance are lifted.

### Start-ups and the New Political Challenge

A number of virtually-connected transnational business models already exist in the 'horizontal' universe of the Middle East and North Africa (MENA), stretching from Dubai (from where many MENA region start-ups emerge) across North Africa to Morocco. The success of souq.com (recently acquired by Amazon) and the car-sharing business Careem are regularly cited in this context.<sup>7</sup> In the North-South trans-Mediterranean dimension of joint projects the playing field is less even: European technologies and skills are exported to the southern Mediterranean rather than co-designed, co-funded and co-owned from their inception by a regional mix of partners. The context for such endeavours is also governed by the regulatory and legal frameworks of the Euro-Mediterranean process in place since the mid-1990s, which favour southern partner government involvement in larger-scale projects, rather than creating the kind of environment for small-scale, privately-funded trans-regional enterprises to succeed.

In the digital age, however, newly-emerging business models are more likely to change societies from within: by 'disrupting' existing supply chains and modes of production, by introducing new sectors (such as

e-commerce, financial, consumer and public services) that governments have ignored or neglected, and forms of entrepreneurialism and (self-) employment that operate flexibly, via online platforms, within larger-than-national markets. While the 'start-up' age is still in its infancy, 13 Egyptian start-ups have recently featured in the Forbes top 100 most innovative and well-funded start-ups in the Arab world list, and the second best-funded start-up on the list is the Lebanese music streaming business Anghami.<sup>8</sup> From Tunisia, at least two start-ups, RoamSmart and Axe Finance are now accessible in 38 countries internationally or have offices in Europe and Dubai.<sup>9</sup>

In a world of increasing virtual connectivity, the next stage of development could potentially see smaller scale innovations gradually eroding the exclusively 'top-down' nature of investments across the Mediterranean

The younger generations of the region will not only benefit from this potential, but will largely replace governments as the instigators of the introduction of new technologies into business. Governments are still essential players in expanding access to affordable online connectivity and providing the education and skills required to embrace global change. However, the region's 'digital natives' are likely to be at the forefront of challenging the region's existing political and economic elites to adapt to the new models they create, along with providing best practice examples of the legal, regulatory and financial frameworks needed for them to thrive, as has recently been the case in Tunisia.<sup>10</sup>

Given the vested interests in place, there is likely to be considerable resistance on the part of the region's

<sup>7</sup> DEAN, David. "Accelerating the Digital Economy in the Middle East, North Africa and Turkey," *ICANN.ORG, report*, 2017. P. 2 [www.icann.org/en/system/files/files/accelerating-digital-economy-report-09oct17-en.pdf](http://www.icann.org/en/system/files/files/accelerating-digital-economy-report-09oct17-en.pdf)

<sup>8</sup> "Top 100 Startups In The Arab World 2017," *Forbes Middle East* [www.forbesmiddleeast.com/en/list/top-100-startups-arab-world/](http://www.forbesmiddleeast.com/en/list/top-100-startups-arab-world/); (anon) '13 Egyptian startups make it onto Forbes' top 100 in the Arab World' in *Egypt Independent*, 16 October 2017 [www.egyptindependent.com/13-egyptian-startups-make-onto-forbes-top-100-arab-world/](http://www.egyptindependent.com/13-egyptian-startups-make-onto-forbes-top-100-arab-world/)

<sup>9</sup> SOULLI, Sarah. "Can new startup law revitalize Tunisia's economy?" *Al Monitor* 25 April 2018 [www.al-monitor.com/pulse/originals/2018/04/tunisia-startup-law-economy-protests-finance-act.html](http://www.al-monitor.com/pulse/originals/2018/04/tunisia-startup-law-economy-protests-finance-act.html)

<sup>10</sup> Ibid.

protected and clientelistic 'old guards' to ceding space to the newcomers, and the process of change is unlikely to be smooth. But as economic protests across the southern Mediterranean have taken on an increasingly political profile in 2018, challenges to the balance of power between the region's privileged and its economically excluded citizens are beginning to gain traction. In response to local demand, for example, the Tunisian street protests of early 2018 were followed by the adoption of a digital-friendly 'start-up' law in April 2018; the online boycott campaign launched (anonymously) in Morocco in April 2018 against price rises for a number of products explicitly targeted the owners of companies, including a government minister, deemed to be benefitting from privileged political access;<sup>11</sup> a week of street protests in Jordan in June 2018 brought down a prime minister and caused the withdrawal of a parliamentary income tax bill.<sup>12</sup>

### Innovation to the Fore

Already well-versed in the use of mobile phone-based apps, young entrepreneurs are better-placed to identify opportunities for leap-frogging the bureaucratic and informal hurdles they currently face in accessing credit, or gaining licences to operate, for example. The personalized contacts needed to succeed in private sectors close to political establishments, including in some disadvantaged regions of southern Europe, are also likely to come under increasing scrutiny in coming years. The disruptive potential of the technological revolution is that it is essentially 'borderless,' thereby allowing diaspora and like-minded communities across the Mediterranean to explore virtual partnerships and new funding sources for creative endeavours, including 'crowdsourcing,' which has yet to be legalized in most MENA and southern Mediterranean states.

Governments may seek to control access to new technology, or limit its beneficiaries through regula-

tion and new tax laws, but the lack of alternatives to stem the tide of unemployment is slowly changing the relationships of power. In the vanguard of change will be those benefitting from an understanding of both local markets and of the kind of resources that can be tapped in Europe, North America and Asia, and then adapted to meet local demand. An increasing number of the region's graduates will have studied and lived outside their countries of origin, which has also opened many of them to creative solutions that combine the best business practices and innovations in one society with identifying market gaps and opportunities in their own societies.

Examples of innovation already under development in North Africa include niche agricultural production for export to European markets, in spirulina (widely used as a health supplement) and quinoa (a grain hitherto imported from Bolivia and Peru). Online retail and e-commerce is also ripe for development across North Africa, where the advent of mobile phone-enabled money transfer systems has opened new possibilities for financial inclusion to those still excluded from the traditional banking sector. Despite pockets of deprivation and poverty relative to Europe, the consumer-led growth potential of many emerging middle class areas across the southern and eastern Mediterranean will not only create new market sectors, but also re-employ many of those at risk of unemployment in existing industrial and agricultural sectors thanks to automation and greater market specialization.

### The Value of Connectivity

Even though levels of connectivity and usage vary considerably across the Middle East and North Africa (MENA) region, the states around the Mediterranean lag only slightly behind the Gulf in mobile phone usage, according to a recent industry report.<sup>13</sup> The results, based on analysis from 2016, account for more than 1.1 million jobs created, directly and indirectly, by the advent of the mobile industry

<sup>11</sup> SOULI, Sarah art.cit; Reuters 'UPDATE 1-Moroccan consumer boycott pushes Centrale Danone dairy firm into the red' 4 June 2018 [www.reuters.com/article/morocco-protests-boycott/update-1-moroccan-consumer-boycott-pushes-centrale-danone-dairy-firm-into-the-red-idUSL5N1T64F3](http://www.reuters.com/article/morocco-protests-boycott/update-1-moroccan-consumer-boycott-pushes-centrale-danone-dairy-firm-into-the-red-idUSL5N1T64F3)

<sup>12</sup> SWEIS Rana F. "Jordan Withdraws Tax Bill That Fueled Nationwide Protests," *New York Times*, 8 June 2018 [www.nytimes.com/2018/06/07/world/middleeast/jordan-tax-bill-protests.html](http://www.nytimes.com/2018/06/07/world/middleeast/jordan-tax-bill-protests.html)

<sup>13</sup> GSM Association. *The Mobile Economy Middle East and North Africa 2017 2017* [www.gsmaintelligence.com/research/?file=84935f5774975f3d35c8ed9a41b9c1a4&download](http://www.gsmaintelligence.com/research/?file=84935f5774975f3d35c8ed9a41b9c1a4&download)



across the whole MENA region.<sup>14</sup> Access to the Internet also varies considerably across the region (Morocco and Jordan being the most accessible, according to the most recent ICANN report<sup>15</sup>). The potential for mobilizing new platforms and connectivity to re-invent whole economies is thus still in its infancy, while the southern Mediterranean's lack of critical physical infrastructure, despite the presence of new and already established ports, is also an impediment to making more of market diversity, proximity and a relatively well-educated and young workforce on both sides of the Mediterranean Basin.

At the same time, the speed with which individual companies have now expanded into global virtual space (most visibly Google, Facebook and other 'Silicon Valley' giants) presents unique challenges for official regulators and government agencies seeking to control and manage the local impacts of virtual accessibility. This is one area where North Africa, the Levant and southern Europe may have an under-explored advantage: the surge in mobile phone usage has been one of the most rapid at the global level, especially in the years since the 'Arab Spring' of 2011. Relatively low-tech models of connectivity – such as voice activated software adapted to low-cost mobile phones – might transform under-explored traditional sectors, such as agriculture and the retail and service sector, where the workforce is perhaps unlikely ever to be educated beyond secondary level, but where the density of demand for work is high.

The incentives for young entrepreneurs to seek new ways of combining forces in sub-regional endeavours are also not yet sufficiently in place for many to seek to operate outside the existing financial and economic hubs of northern Europe or the capital and commercial cities south of the Mediterranean, for example. Yet, cross-regional networks already emerging, such as the trans-Mediterranean Cultural Innovators Network, see no problem – but rather an advantage – in combining skills and insights from a variety of perspectives north and south of the Mediterranean, to achieve shared goals and common ends.<sup>16</sup>

<sup>14</sup> Ibid: Figure 11, page 28.

<sup>15</sup> ICANN (the Internet Corporation for Assigned Names and Numbers), is a Californian not-for-profit 'dedicated to keeping the Internet secure, stable and interoperable' as well as monitoring the impacts of internet usage, as in David Dean 'Accelerating the Digital Economy in the Middle East, North Africa and Turkey,' Report 2017 [www.icann.org/en/system/files/files/accelerating-digital-economy-report-09oct17-en.pdf](http://www.icann.org/en/system/files/files/accelerating-digital-economy-report-09oct17-en.pdf).

<sup>16</sup> Cultural Innovators Network <http://culturalinnovators.org/about-us/>

## Conclusion: From Periphery to Sub-Regional Development

For the peripheral regions of southern Europe, North Africa and the Levant not to continue to fall behind rising global economic trends, it will make more sense in coming years to explore economies of scale in sub-regional 'clusters' that combine assets on both sides of the Mediterranean, whether this is driven by governments themselves, in tandem with, or under pressure from new entrepreneurial trends. The region's current 'North-South' investment models, including franchising, subcontracted production and assembly plants, are likely to co-exist with new developments, but the drive for economic inclusion will change the nature, and appeal, of sub-regionalism over time.

This is because where geographical proximity still matters for trade and commercial exchange, in the digital age, the artificial barriers separating the northern and southern shores of the Mediterranean will come under greater pressure from business models capable of connecting workforces virtually via platforms, along with devolved production chains using smart technology to 'leapfrog' the efficiency gaps in current industrial and agricultural production models. Not all of this requires the most sophisticated of technology, but intelligent adaptations of new technologies will make it easier for innovative entrepreneurs to identify new market sectors and link local niche production hubs directly to global markets.

None of this will happen overnight nor in a particularly linear and well-sequenced fashion. The resistance of large-scale economic players to innovation will be compounded by excessive state dominance in key import and export markets along with the oligopolistic tendencies of existing private sectors across much of the Mediterranean. But the social and economic pressures arising from endemic youth unemployment and economic exclusion on both sides of the Mediterranean is giving rise to new forms of political challenge to the status quo, along with new opportunities for alliances to form across existing divides. And major transformations often start from small, often unnoticed, beginnings.