

Scenario analysis in Europe's southern neighbourhood: the modern crystal ball for policy makers

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Theme

This paper analyses the increasing adoption of scenario analysis techniques in policy circles, putting a special emphasis on the advantages of using forecasting on areas like Europe's southern neighbourhood, where the transnational nature of geopolitical and socio-economic challenges would greatly benefit from such an approach.

Summary

Uncertainty and instability are endemic features in the Middle East and North Africa (MENA) region. The ripple effects of COVID-19 may well further underscore such features. Given the region's importance for European security, today's policymakers are struggling to find the most suitable approach to efficiently tackle the area's growing complexity. By making use of future studies, policymakers will be able to identify the specific areas where their choices can highly influence the course of events.

Thus, closely monitoring the key variables likely to make an impact on Europe's southern neighbourhood over the medium and long term should allow policymakers to build resilience and 'prepare to be prepared'. In this analysis, the driving forces likely to have an impact on the future of Europe's southern neighbourhood are grouped in three categories: (1) geopolitics and security; (2) governance, economy and society; and (3) energy and climate. The different challenges comprised in each group are briefly presented, as well as a compass of variation around which different scenarios can be unfolded. In order to assist the reader in imagining plausible futures, several variation axes are presented together with a definite number of indicators. The analysis ends by highlighting the importance of describing the implications for the decision maker after each future exercise, as a way of preparing the ground for unexpected (or undesired) events.

Analysis

Europe's neighbourhood in the Middle East and North Africa is set to become even more unstable in the coming years. This is worrying enough as it is, but considering that Europe's own security is tied to stability in its so-called southern neighbourhood, the idea becomes even more disturbing. Given the region's importance for European security, making sense of such uncertainty is a must for Europeans, including the EU and NATO. Both the EU and NATO recognise the importance of addressing both the symptoms and the causes of insecurity in their southern neighbourhood and engaging through political

dialogue, capacity building and crisis management. That, however, requires a clear understanding of regional security dynamics and their likely evolution.

(1) What is strategic foresight?

Successfully tackling all aspects having an impact on the Middle East and North Africa (MENA) and Europe's stability demands a deep comprehension of the strategic, political, economic and social challenges currently reshaping the balance of power in the region. One way can be through a not-so traditional tool (at least in Europe's government circles): strategic foresight, horizon scanning, scenario planning or foresight analysis are just different subcategories of the same concept. MENA analysts are increasingly supporting strategic foresight as a mechanism to devise their own predictions on the region's fragmented and complex political, economic and social landscape.

Surprisingly, the trend of relying on strategic foresight is not something new. 'Future studies' emerged in the early 1950s as a response to big shocks like large-scale wars (World Wars I and II and the Cold War), protracted economic crises (the Great Depression) and technological revolutions.¹ Since then it has greatly evolved, adapting to the different stages of global politics (from state-centred policymaking with states as the main actors of political life to today's complex political arena with more assertive interest groups and a growing role of civil society). Given the uncertainty of today's unpredictable future, with states and governments no longer in full control of the evolution of their own state (at least not as much as they were in the 1950s), it is fundamental (and highly recommended) for policymakers to make use of this instrument. Indeed, the use of foresight analysis is quite widespread in US policy circles² and increasing political and institutional initiatives across Europe indicate a growing interest in the matter.³ It is undeniably true that analysing trends and factors that might affect Europe's position in the years and decades to come becomes a real added value to today's policymakers.

Interpreting key variables likely to make an impact on the southern neighbourhood over the medium and long term will allow policymakers to gain a better sense of their possible political and security implications. 'Strategic surprises'⁴ in recent years, from 9/11 to the 2011 Arab uprisings with the Syrian and Libyan ongoing conflicts and the emergence of the so-called 'Islamic State' prove the need for new policy approaches that address the region's long-term challenges.

¹ Antonio Missiroli (2013), 'Strategic Foresight and the EU', EUISS Brief, European Union Institute for Security Studies (EUISS), https://www.iss.europa.eu/sites/default/files/EUISSFiles/Brief_13.pdf.

² Initially scenario planning was a tool mostly used by business companies, especially when it came to anticipating and managing change on an industry level or environment. This technique is also widely used for economic planning purposes. For more detailed information see Mats Lindgren & Hans Bandhold (2003), 'Scenario Planning: the link between future and strategy', Palgrave Macmillan.

³ This can be especially seen within the European Commission, where President Ursula von der Leyen commissioned Vice-President Šefčovič to lead the Commission's efforts to embed strategic foresight into its work. On 9 September 2020 the Commission unveiled its first Strategic Foresight Report (see https://ec.europa.eu/commission/presscorner/detail/en/ip_20_1586).

⁴ Even if these events might have been long predicted by regional experts, we could not know exactly when and how the revolts were going to take place (even less conceive the tremendous aftershocks that we are currently witnessing).

Europe needs to build resilience and to 'prepare to be prepared'. Foresight gives policymakers a choice, challenges traditional institutional assumptions and assists in preventing, or at least anticipating, certain events. It searches for and detects weak signals, inspects the outer contours of events and investigates areas that do not necessarily feature in the headlines.

(2) Strategic foresight applied to Europe's southern neighbourhood

When engaging in strategic foresight, one can consider multiple plausible scenarios about how the future might unfold. This constitutes an attractive mechanism for condensing complex trends relating to a particular region or issue and it helps to communicate the information to decision makers. It can therefore help to develop plans to exploit whatever opportunities might arise or avoid whatever risks the future might hold.⁵

In the social sciences literature there are different types of methodologies related to scenario development.⁶ Three of them stand out: (1) horizon scanning, which relies on quantitative analysis and probability to produce possible scenarios; (2) visioning and back-casting, whose purpose is to lead to preferable scenarios; and (3) scenario analysis, which aims to yield plausible scenarios.

Consequently, different techniques can be used to conduct scenario analysis. But the identification of the main sources of future change is central to this methodology: typically, key driving forces with uncertain trajectories are identified and plausible scenarios are developed on the basis of how such forces evolve.⁷ When applying this technique to the MENA region, the driving forces that are likely to impinge upon the future of Europe's southern neighbourhood can be grouped in three categories: (1) geopolitics and security; (2) governance, economy and society; and (3) energy and climate.

(2.1) Geopolitics and security⁸

Competition between different regional powers like Iran, Saudi Arabia, Israel, Turkey and Qatar is a defining feature of the region's geopolitical and security landscape.⁹ This

⁵ For a specific example on strategic foresight applied to the southern neighbourhood see Félix Arteaga (2011), 'Cambios en el mundo árabe y sus repercusiones para España. Análisis de escenarios', Documento de Trabajo, Real Instituto Elcano/Observatorio Crisis en el Mundo Árabe, http://www.realinstitutoelcano.org/wps/portal/rielcano_es/contenido?WCM_GLOBAL_CONTEXT=/elcano/elcano_es/zonas_es/dt14-2011.

⁶ See, eg, Peter Bishop, Andy Hines & Terry Colins (2007), 'The current state of scenario development: an overview of techniques', *Foresight*, vol. 9, nr 1, p. 5-25; Ron Bradfield *et al.* (2005), 'The origins and evolution of scenario techniques in long range business planning', *Futures*, vol. 37, nr 8, p. 795-812; and Angela Wilkinson, Roland Kupers & Diana Mangalagiu (2013), 'How plausibility-based scenario practices are grappling with complexity to appreciate and address 21st century challenges', *Technological Forecasting and Social Change*, vol. 80, nr 4, p. 699-710.

⁷ Monika Sus & Marcel Hadeed (2020), 'Theory-infused and policy-relevant: On the usefulness of scenario analysis for international relations', *Contemporary Security Policy*, vol. 41, nr 3, p. 432-455.

⁸ For a more detailed information on the latest and changing security dynamics of the region, especially regarding military forces see Anthony H. Cordesman (2020), 'The changing security dynamics of the Middle East and North Africa', Center for Strategic & International Studies (CSIS), <https://www.csis.org/analysis/military-dynamics-middle-east-and-north-africa>.

⁹ See, eg, Fred H. Lawson (2006), *Constructing International Relations in the Arab World*, Stanford University Press.

competition has led to the proliferation of missile and missile-defence systems in the region (especially in the Gulf), but has also manifested itself through proxies, including terrorist groups. More broadly, geopolitical competition in the region will continue to shape and be shaped by the evolving role that powerful external actors are playing in the region, most notably the US and Russia, but also China. Surprisingly, the EU and NATO are absent from the list of 'powerful and influential' external actors in the region. The EU is lacking an overall security strategy for the southern neighbourhood, providing sufficient room to individual European states to pursue their own national interests in specific regional countries to the detriment of a common European approach.¹⁰ For its part, NATO's military nature and prioritisation of the Eastern European flank means its bandwidth to engage in the South is somewhat limited.

Russia's growing influence and assertive behaviour in the Eastern Mediterranean and North Africa (notably in the Syrian conflict) raises many questions. Likewise, China has significantly increased its economic, political and security footprint¹¹ in the MENA region, becoming the biggest trade partner and external investor for many countries and creating a dependency vis-à-vis Chinese foreign direct investment (FDI).¹² Special attention should also be devoted to the paradigm shift in China's approach to a military presence in the region. China has been one of the biggest contributors to the UN's peacekeeping operations over the past 20 years, although there has recently been a shift in its strategic thinking, increasing its engagement in active conflict zones like Mali and Sudan, among others.¹³

The progressive withdrawal of the US¹⁴ from the region, together with the lack of a united political response from Europe is offering a growing space to these external actors. In this way, external actors seek to steer the policies of the regional states in a direction that serves their own ambitions, not the region's stability and governance. Additionally, these challenges are further compounded by the role of non-state actors combined with an ongoing relevance of non-traditional security challenges (such as terrorism, organised crime, arms and human trafficking, etc).

¹⁰ Sven Biscop (2020), 'In the desert or at sea? Securing Europe's southern flank', ARI, nr 96/2020, Elcano Institute,

http://www.realinstitutoelcano.org/wps/portal/ri/elcano_en/contenido?WCM_GLOBAL_CONTEXT=/elcano/elcano_in/zonas_in/ari96-2020-biscop-in-the-desert-or-at-sea-securing-europes-southern-flank.

¹¹ In 2015 China started staging joint naval exercises with Russia in the Mediterranean and in 2017 it established its first overseas military base in Djibouti. For more details see Michael Paul (2019), 'Partnership on the high seas: China and Russia's joint naval manoeuvres', SWP Comment, Stiftung Wissenschaft und Politik (the German Institute for International and Security Affairs, SWP), https://www.swp-berlin.org/fileadmin/contents/products/comments/2019C26_pau.pdf.

¹² China has invested more than US\$123 billion in the MENA region between 2016 and 2019. For more details see Afshin Molavi (2019), 'China's global investments are declining everywhere except for one region', *Foreign Policy*, <https://foreignpolicy.com/2019/05/16/chinas-global-investments-are-declining-everywhere-except-for-one-region/>.

¹³ Until 2013 China had shown a preference for supplying non-military personnel to UN missions. With the engagement in Mali (an operation referred to as the 'world's most dangerous UN mission'), China is showing its desire to be seen as a 'responsible great power' in the region. For more information see Marc Lanteige (2019), 'China's UN peacekeeping in Mali: strategies and risks', Oxford Research Group, <https://www.oxfordresearchgroup.org.uk/blog/chinas-un-peacekeeping-in-mali-strategies-and-risks>.

¹⁴ Some experts argue that the long-time predicted US retrenchment from the region is not that evident. See, for instance, the latest defence partnerships signed with Morocco and the visit of the Defense Secretary to Tunisia, Algeria and Morocco, both in October 2020.

All in all, an 'arc of instability' stretches from the Persian Gulf to the Maghreb, including the neighbouring Sahel, compelling Europeans to keep thinking about how to respond to emerging traditional and non-conventional threats. What is the balance of power between internal and external actors in the region, and how is it likely to evolve? How relevant is the Saudi-Iranian rivalry for our understanding of regional geopolitical and security dynamics? And how is this rivalry likely to evolve over the coming decades? Will US power continue to play the same structuring role across the South? How is Sino-US competition likely to manifest itself? How is Russia's presence and influence likely to evolve? Are we likely to see a retreat of state actors in favour of non-state groups? Foresight analysis can address these questions by playing them out in a scenario.

(2.2) Governance, economy and society

Beyond questions related to the balance of power and security, the Arab uprisings in the 2010s continue to produce profound transformations in terms of the region's governance, economy and society. Indeed, many of the destabilising and threatening phenomena emanating from that region appear to be symptoms of deep governance, economic and social ills. According to the assessment of the United Nations Development Programme (UNDP) in its latest Arab Human Development Report,¹⁵ factors like democratic regression, failing economic models, lack of social programmes and police repression are causes for concern in the political, social and economic context. In addition, the outbreak of the COVID-19 pandemic has aggravated the ongoing instability in the region by deteriorating people's living conditions and by negatively impacting the financial, health and social systems, driving public exasperation to new heights.

The Arab population is disillusioned by the inability of political regimes to meet their expectations. This is especially seen in the frustration of the younger generations, who have no professional or personal expectations of growth and development, and who also make an extensive use of new communication technologies.¹⁶ The increased access to information out of the official discourse of the ruling political parties is supporting a re-emergence of Arab civil society, which is using technology to amplify its discontent with corruption, nepotism, lack of opportunities, social inequalities and rising food prices. With a situation rapidly reaching a boiling point, Arab societies are asking for a reinvention of the social contract, but how will leaders in the region react to these growing demands? How will political, economic and societal trends evolve and how are they likely to affect regional security and stability? Once again, foresight analysis can make use of these variables and play them on a scenario to see how the future might unfold.

¹⁵ United Nations Development Programme (UNDP) (2016), 'Arab human development report 2016: youth and the prospects for human development in a changing reality', <http://hdr.undp.org/sites/default/files/reports/2699/ahdr2016en.pdf>.

¹⁶ The use of new technologies is a double-edged sword in the region: on the one hand, civil society uses social media to amplify their discontent, but states also employ it for cyber espionage and cybersurveillance of their own citizens (journalists, dissidents and human rights defenders). For a detailed description of the use of the cyberspace in the MENA region see Javier Bordón Osorio (2020), 'The cyber priorities among the MENA States', Blog, Elcano Royal Institute, <https://blog.realinstitutoelcano.org/en/the-cyber-priorities-among-the-mena-states/>.

(2.3) Energy and climate trends

The South's wealth in hydrocarbons means that energy-related considerations are always at the forefront when discussing the region's politics and economics. Relatedly, the region's water scarcity and high exposure to the impact of global warming means climate change is a serious challenge across the South, not least as it calls into question the region's hydrocarbon-centric model. The ongoing global process of energy transition is a significant challenge for oil and gas producers in the region, who will face a drop in the demand of key energy consumers, including the EU. Moreover, the recent collapse in oil prices following the COVID-19 pandemic is also straining the region's oil exporting countries. Altogether, if the MENA countries wish to maintain their leadership in the global energy markets and avoid becoming a peripheral player, they require deeper reforms and a set of supporting tools to attract adequate investments.¹⁷

When it comes to climate issues, the region's energy wealth holds it back. Climate change is already showing acute symptoms like water and food scarcity, even more precarious rain patterns, rising temperatures and an increased vulnerability of coastal areas due to rising sea levels (the best example is Alexandria in Egypt). Moreover, failing agricultural models are clashing with an increase in population (higher demography equals higher demand for products). To make things worse, the region's lack of preparedness to natural disasters places it on the brink of collapse. In this context, how will energy and climate trends evolve and how are they likely to impinge upon regional security and stability?

(3) The compass of variation

In scenario planning exercises, the questions outlined after every subgroup of megatrends are developed into an 'imagined' but probable future. But how is information organised into the different future scenarios? In every foresight exercise, it is key to identify a variable or compass that can serve as an axis around which information is organised into the different scenarios. The compass will be the same through the potential futures, although how it will vary depending on the imagined reality will produce a different result.

This horizontal topic will serve as a starting point when drafting scenarios. When addressing the MENA region as the object of a foresight exercise, the compass must be a concept present in the whole region. The volume of this presence might not be the same throughout the region, but it must be in existence. Some examples that can be used and found horizontally are as follows:

¹⁷ Rim Berahab (2020), 'Global trends in the energy sector and their implication on energy security in NATO's southern neighbourhood', ARI, nr 103/2020, Real Instituto Elcano, http://www.realinstitutoelcano.org/wps/portal/rielcano_en/contenido?WCM_GLOBAL_CONTEXT=/elcano/elcano_in/zonas_in/energy/ari103-2020-berahab-global-trends-energy-sector-and-implication-on-energy-security-in-natos-southern-neighbourhood.

- Level of governance (scenarios can be unfolded through the lens of a future region with diminished, increased or mixed levels of governance). Indicators:
 - Transparency and accountability (are they a given in that state?)
 - Corruption, nepotism, cronyism and patronage networks (are they dominating the political sphere?)
 - Independent judiciary (is there a lack of it? To what extent is it independent?)

- Level of state capacity (scenarios can be unfolded depending on how the state is responding to society's needs. Is it positively responding, it is absent? Is there an effective service provision in place?). Indicators:
 - Levels of poverty
 - Level of educational systems
 - Social exclusion and inequality
 - (Dynamic) job creation
 - Urbanisation
 - Health system
 - Natural disaster response
 - Food and energy prices
 - Water resources

- Level of state success (is the state creating the conditions for a favourable political, economic and social development? Is the renovation of the social contract bolstering its legitimacy towards its people? Is the state able to protect its citizens from armed conflict? Are state structures missing? If that is the case, whose actors are occupying this vacuum of power?). Indicators:
 - Regional dispute resolution mechanisms
 - Effective control of borders
 - Effective tax collection
 - Macroeconomic trends and inter-regional trade
 - Economic openness
 - Oversight of non-state actors and/or crime networks
 - Employment and unemployment levels
 - Technological and industrial (under)development
 - (Un)equal income distribution
 - Population living conditions
 - Participatory mechanisms in place
 - Successful agricultural models
 - Water resources
 - Natural disaster response
 - Food and energy prices

- Level of institutional presence (do institutions have a clear mandate? Are institutions having a real impact on individuals' lives? Is society legitimating the role of institutions?). Indicators:
 - (Absence of) specialised bodies in charge of promoting transparency and prosecute corruption.
 - (Absence of) fair and transparent rules-based regulatory framework
 - (Absence of) social policies to support vulnerable population
 - (Absence of) fair and transparent democratic elections
- Level of trust between society vs state (how is the state responding to society's needs? Are the peoples' aspirations met by state action or are they being fulfilled by other actors? Do individuals legitimise the state they are living in?). Indicators:
 - (Erosion of) confidence in the political system
 - (Absence of) representative institutions (ie, trade unions)
 - Citizen engagement
 - Local initiatives
 - Future expectations (notably of young people).

Conclusions

After the assessment of trends and their performance in the chosen compass, a foresight exercise would finalise with policy recommendations. This way of informing decision-makers helps prepare institutions for the unexpected (or the undesired) and provides a constant monitoring of medium- to long-term internal and external trends.

To sum up, the 'Scenario Analysis' technique explained here consists of:

1. Clearly defining the focal issue and the specific goals of the exercise
2. Making a list of forces, factors and events (megatrends) that are likely to influence the future
3. Organizing the trends, forces, factors or events that are related to each other into affinity groups that are expected to be the driving forces in how the focal issue will evolve
4. Choosing a horizontal compass (axis) and analysing how it interplays with the other drivers in each case
5. Generating a chosen number of scenarios, ie, writing stories to describe what might come about as a function of variation in the chosen axis
6. For each scenario, describing the implications for the decision maker

This technique not only allows European policymakers to see what the threats and challenges are, but also how to address them depending on their origin. Just by reviewing the above indicators one can confirm that when it comes to acting in this region, political and economic engagement are critical. By acknowledging the importance of political and economic engagement, the EU becomes the ideal organisation to channel Europe's cooperation towards the South. However, the value of a permanent EU-NATO dialogue on all issues related to the southern neighbourhood would provide a complete picture and a higher impact (in this context, where the challenges are not purely military in nature, NATO would interact through its political

dimension). Thus, a permanent EU-NATO political dialogue would highly benefit from foresight exercises like the one sketched on this analysis.

In essence, while there are things we cannot easily change about the future –such as climate change or certain demographic realities–, the course of other events and processes can still be influenced, and it is here where foresight analysis plays a pivotal role. In this respect, this shows that while a better future in the MENA region is not necessarily on the cards, it is nevertheless possible if the right decisions are taken today. In this way, and not just applicable to this case study in the southern neighbourhood, the scenario analysis tool might become a modern crystal ball for European decision makers in their quest for long-term sound and solid policies.