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## Horizon 2030: assessing the impact of socio-economic and governance issues on the future of the MENA Region

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### Theme

In view of the NATO Summit next year, the North Atlantic Council has initiated a comprehensive reflection on the Alliance's necessary adaptations to face the challenges of the coming decade. In this context, it is critical for the Alliance to understand the nature and the dynamics of the socio-economic and governance issues that aggravate the chronic instability in the MENA region.

### Summary

Almost 10 years after the outbreak of the Arab Spring, the MENA region seems to be on the verge of a new wave of protests. The COVID-19 crisis has tested the resilience capabilities of MENA countries. The crisis will have long-term socio-economic implications that will affect the trajectory of the countries in the region over the next decade. Sooner or later, leaderships in the region will be tested on their ability and willingness to conduct the necessary structural reforms to revive growth and face the immeasurable challenges laying ahead. In a region where half the population is aged under 25, it must be urgent to question how MENA countries can navigate socio-economic transformations and achieve energy transitions in a context of drastic reduction of public resources. These are critical factors that NATO leaders cannot ignore and must take into account when considering the future of NATO's contribution to the stability of the MENA region.

### Analysis

At the Warsaw Summit of 2016,<sup>1</sup> NATO leaders launched the Projecting Stability agenda in response to the ongoing instability plaguing its greater Southern periphery. Five years on, the situation has not really improved. On the contrary, the MENA region seems on the verge of a new wave of protests. From Iraq to Lebanon, Algeria, Sudan, or Teheran, popular discontent is manifest. Conflicts in Yemen, Syria, Libya, and Sahel do not seem to have an end in sight, and the outbreak of the COVID-19 crisis has drastically deteriorated populations' living conditions. More generally, the MENA countries' economies have taken a severe blow from the pandemic, straining their health and social protection systems, and dramatically restricting their financial leeway.

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<sup>1</sup> See Warsaw Summit Communiqué, Paragraph 5, 9/VII/2016, NATO Website, [https://www.nato.int/cps/en/natohq/official\\_texts\\_133169.htm?selectedLocale=en](https://www.nato.int/cps/en/natohq/official_texts_133169.htm?selectedLocale=en).

The escalation of tensions in the Gulf reached a dangerous point at the end of 2019. Any hasty move could trigger a regional conflict. The repeated incidents affecting maritime traffic in the Persian Gulf, as well as aggressive naval manoeuvres in the Mediterranean Sea, corroborates the notion that red lines no longer exist. Since the beginning of the 2010s, the region entered a cycle of fragmentation/attrition that has led to a dangerous fragilisation of Nation-States and regional institutions. Three decades after the Camp David accords, little remains intact from the previous regional order: the GCC and the Arab League are paralysed by their internal tensions; the international community has failed to achieve the two-state solution on the Israeli-Palestinian issue; nor has there been any meaningful progress on political settlements in Yemen, Syria or Libya. The Sahel region has fallen deeper and deeper into sectarian violence and extreme poverty.

In this context, the political, and subsequent military withdrawal of the US from regional affairs, as well as the lack of common political resolve on the part of the Europeans, have paved the way to the (re-)emergence of new competitors like Russia and China, countries which covet the large natural resources and investment opportunities that abound in the region. At the same time, the weakening of State institutions has allowed for the surge of violent non state-actors. The normalisation of relations between Israel and certain Arab countries –UAE and Bahrain and perhaps Sudan, Morocco, and Saudi Arabia in a near future– suggests a major paradigm shift in the region. Since 1947, the conflict between Israel and its Arab neighbours has played a central role in shaping power relations in the region.

On the occasion of NATO Secretary General's launching of a comprehensive reflection process on NATO in 2030,<sup>2</sup> it seems opportune to reflect on NATO's Agenda for the South, the contours and consistency of which are often unclear. Furthermore, in view of the next NATO Leaders' Summit, the Secretary General has tasked NATO military authorities, supported by the relevant sections of the International Staff, to reflect on ways to reinforce NATO's engagement in the MENA region and to develop initiatives for the Sahel. Therefore, it would be appropriate to identify the structural challenges that will eventually reshape the regional balance of power by 2030, as well as the nature of the threats NATO and its Partners may face in the future.

### (1) Immeasurable socio-economic and governance challenges

The years 2019-20 were marked by the outbreak of new protest movements in some MENA countries, which had remained relatively unaffected by the so-called Arab Spring. In Algiers and Khartoum, protests led to a partial regime change. In the meantime, the untenable situations in Lebanon and Iraq are becoming further entrenched. Some demonstrations have also been reported in Tunisia, Morocco, and Egypt, where populations decry the deterioration of their living conditions. Throughout the region, elites are regularly condemned for corruption and nepotism. In other countries of the region,

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<sup>2</sup> See Remarks from NATO Secretary General Jens Stoltenberg on launching #NATO2030 – 'Strengthening the Alliance in an increasingly competitive world', 8/VI/2020, NATO Website, [https://www.nato.int/cps/en/natohq/opinions\\_176197.htm](https://www.nato.int/cps/en/natohq/opinions_176197.htm).

such as Israel and Iran, the COVID-19 crisis has driven public exasperation to new heights.

Despite the range of socio-economic, cultural, and political differences that have characterised the MENA region, the recurrent popular discontent reflects the inability of the political regimes in power to meet the needs and expectations of their populations. Largely disconnected from the living conditions of their fellow citizens, the regions' elites suffer from a glaring lack of legitimacy. Concerned with security issues, yet driven first and foremost by a thirst to secure their power and privileges, the vast majority of these regimes have not been able –nor willing– to adapt to the socio-economic, cultural and political transformations that took shape in the region since the end of the 1960s: demographic explosion; increase in the general level of education; impoverishment of the middle classes; individualisation of aspirations and decline of ideologies; access to information and the pursuit of new lifestyles; social and economic violence against minorities and vulnerable populations; and so on.

In most cases, MENA economies<sup>3</sup> have failed to spread wealth to the local level, as attested by growing inflation rates (7.6% for the Middle East vs 4.8% for North Africa);<sup>4</sup> price increases of basic goods; and high rates of unemployment (around 26.5%)<sup>5</sup>. Economic spin-offs and benefits from natural resources and mega projects are netted by the elites and state bourgeoisies. Such enterprises fail to provide sufficient labour opportunities at the local level. At the same time, the obsolescence of socialist-inspired economic planning, the lack of infrastructure and the corruption combined with shrinking public finances, are all factors that have compromised the attractiveness of certain regional markets for private foreign investors. In the GCC countries, the lack of skilled local human resources, as well as strict restrictions on foreign workers have hampered the process of economic diversification. Yet, GCC countries' leaderships have acknowledged that economic diversification will be key to ensuring the stability of the monarchies in the coming years. On the contrary, such gaps have offered new opportunities for Chinese ambitions, and to a lesser extent for Russia. The growing Chinese footprint in the region runs a huge risk of turning certain countries into Chinese dominions. In this context, dependency vis-à-vis Chinese direct foreign investments (DFI)<sup>6</sup> is becoming increasingly synonymous with a systematic pillaging of natural resources (submarine resources in Djibouti, cultivable lands in Eastern Africa, coastal and mountains resources in Iran, etc). The situation is even more alarming when considering the first signs of the climate change in the region.

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<sup>3</sup> For a general overview of MENA economies, see 'Investment in the MENA region in the time of COVID-19', *OECD*, 4/VI/2020, [https://read.oecd-ilibrary.org/view/?ref=134\\_134467-ydi12subjo&title=Investment-in-the-MENA-region-in-the-time-of-COVID-19](https://read.oecd-ilibrary.org/view/?ref=134_134467-ydi12subjo&title=Investment-in-the-MENA-region-in-the-time-of-COVID-19).

<sup>4</sup> For more details, see 'Inflation rate, average consumer prices', IMF Datamapper, 2020, <https://www.imf.org/external/datamapper/PCPIPCH@WEO/OEMDC/ARE/SAU/MEQ>.

<sup>5</sup> For more details, see 'Unemployment, youth total', Middle East & North Africa, The World Bank Data, 2020, <https://data.worldbank.org/indicator/SL.UEM.1524.ZS?locations=ZQ>.

<sup>6</sup> China has invested more US\$123 billion in the MENA region between 2016 and 2019. See Afshin Molavi (2019), 'China's global investments are declining everywhere except for one region', *Foreign Policy*, 16/V/2019, <https://foreignpolicy.com/2019/05/16/chinas-global-investments-are-declining-everywhere-except-for-one-region/>.

The picture becomes even more distressing considering that half of the region's population is aged under 25.<sup>7</sup> The increasing level of education among the young generation, combined with the weaknesses of the local industrial sectors and the continuous decline of the traditional peasantry, have encouraged the movement of urbanisation that started in the 1960s and fostered territorial imbalances. This hyper-urbanisation has led to the formation of megalopolises often surrounded by belts of misery, the most noteworthy example being Cairo. The general tendency to rely on public debts have eroded States' capacity for investment in infrastructure and social programmes to support the most vulnerable segments of the population. Even in functional states, the financial burden of social protection has often been left to local communities, and largely invested by sectarian entrepreneurs like the Muslim Brotherhood, the Hezbollah and some Palestinian factions, to name but a few.

Over the last decades, MENA regimes have turned into systems of mass exclusion. Given the shrinking budgetary and legitimacy resources, exclusion now affects large swathes of society, forcing individuals to turn to new forms of solidarity, linked to sectarian, tribal, or ethnic determinants. For this reason, one can argue that the success of Islamist movements, as well as the development of radical violent movements are largely attributable to the failure of the MENA political systems. While globalisation has had various consequences for societies in the region, particularly in terms of economic integration, globalisation has nonetheless increased access to various sources of information; this diversity of media challenges by its very nature official discourse and ruling political parties. New technologies have thus facilitated the (re-)emergence of civil societies in the region. This burgeoning of civil society has instrumentalised social networks to channel new messages and mobilise constituencies.

## (2) Are MENA countries incapable of conducting structural reforms?

Suffering from layers of dysfunction within their governance system, MENA countries appear largely unprepared to face the ramifications of an extraordinary crisis like the COVID-19 pandemic, in addition to the consequences of structural phenomena such as demographic growth, climate change or the decline of hydrocarbon resources. These factors have widened the disconnection between the State and its citizens, gradually eroding any sentiment of belonging or loyalty towards public institutions like governments, Security and the Armed Forces, Parliaments and the courts. Competing identities and affiliations have gradually taken over, giving way to a greater calling-into-question of those previous institutions, their narratives and values. For this reason, we argue that the coming decade will likely portend a series of major political changes and will test the capacity of the regimes to reinvent the social contract –the very covenant that lies at the heart of the existing Nation-States and the systems of distribution of resources (institutional powers, natural and financial resources, prestige and legitimacy) that support them–.

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<sup>7</sup> The MENA region population counts more than 450 million people; see Middle-East and North Africa, *World Bank Datamapper*, <https://data.worldbank.org/country/ZQ>. Regarding the implications of population growth on education systems, labour markets and urbanisation, see Musa McKee, Martin Keulertz, Negar Habibi, Mark Mulligan & Eckart Woertz (2017), 'Demographic and material factors in the MENA Region', *MENARA Working Papers*, n° 3, October, [http://www.iai.it/sites/default/files/menara\\_wp\\_3.pdf](http://www.iai.it/sites/default/files/menara_wp_3.pdf).

The scale of the challenges is such that one can doubt the ability of these regimes to reform or reinvent themselves without facing serious challenges, or that these countries will not eventually descend into civil strife. The current crisis in Lebanon, the Israeli-Palestinian stalemate, the institutional fragility of Algeria, Tunisia, or Sudan, as well as the volatility of the political-sectarian equilibriums that characterise Iraq and Mali, are vivid illustrations of the multiple and intertwined challenges faced by the MENA countries.

The aging leaderships in the region raises the issue of intergenerational transition and the perpetuation of outdated political models and ideological legacies. The power struggles currently plaguing the Algerian and Iranian regimes are good examples of these frictions. President Bouteflika had prevented the emergence of any serious candidate to his succession within the ruling party and the security apparatus close to the Presidency. Similarly, in Tehran, nobody seems to be in a legitimate position to succeed to Ayatollah Khamenei in the coming years, while the 2021 presidential elections will be a fierce struggle around the question of preserving the Islamic Revolution legacy.

For these reasons, despite their lack of legitimacy, the elites in place are often the last bulwark against an institutional vacuum –a vacuum that all but guarantees a slide into violence–. The refusal of President Michel Aoun to resign after the explosion of Beirut harbour is a perfect example of this paradox. Although he is heavily lambasted by the majority of Lebanon's population, he is still perceived as the linchpin in a political system about to explode. The depoliticisation of societies engineered by authoritarian policies has prevented the emergence of forms of political pluralism. The strong state model in vogue in the 1960s and 1970s has fizzled out and has failed to provide the essential conditions for minimal wealth redistribution and social equity. Conversely, inequalities have grown steadily since that time. The cohesion within MENA societies has frayed, paving the way to multiple forms of violence and radicality, both religious and political. In a context of deteriorating public finances (trade balances and public deficits) and highly contested leaderships, one can legitimately wonder how these governments can initiate the economic transitions that are strongly recommended by the international institutions but will require considerable sacrifices from their populations.

Inequalities have also heightened among countries across the region, fuelling tensions and rivalries. During the past 10 years, growing political tensions and instability have impacted living and working conditions of expatriates, especially in the Gulf, and had consequential negative effects on remittances sent to their countries of origins. International sanctions and tracking measures on financial flows have equally affected financial transfers between and towards countries in the region. At the same time, Defence spending has reached unprecedented levels, as almost every country of the region is involved, directly or indirectly, in at least in one conflict in the surrounding area. State actors are no longer the exclusive competitors in this new regional arms race, as non-state actors are gaining increased access to high-tech equipment and weaponry like UAVs, missiles, armoured vehicles, sophisticated communication technologies and big data, etc. This empowerment of non-state actors highlights the danger of seeing them gradually taking hold of sovereign powers like border control, security missions, tax collection and natural resources exploitation, etc.

In this context, situations of victims of conflicts –internally displaced people and refugees– and illegal migrants fleeing poverty, water and food scarcities or desertification, are highly worrying as they appear extremely vulnerable in front of criminal networks and armed groups. The COVID-19 crisis has rendered the situation in refugee camps and structures receiving migrants extremely challenging, without mentioning considerable difficulties faced by individuals outside these structures to access basic relief services and aids. As international assistance is expected to decline in the coming period due to the impact of the COVID-19 crisis on global economic performances, these situations could quickly become unsustainable for host countries and increase migration flows towards European countries.

### (3) At the heart of the conundrum: the definition of new social contracts

Instability in the MENA region is deeply rooted in the dysfunctional patterns of governance: authoritarian stability; governmental institutions weakened by the presence of disruptive and violent non-state actors (terrorist organisations, insurgencies, criminal networks, etc.); and failing and collapsed states. For each pattern, the question on the solidity and the legitimacy of the covenant that binds leaderships and its citizens must be posed: what connects individuals to their governmental institutions and vice versa? The issue of the social contract appears therefore of central importance in understanding the nature of the instability that affects the MENA region. For this reason, we argue that the survival of the existing political regimes will largely depend on their ability to restore trust with their population by offering a social contract that represents the aspirations of all the groups that comprise the nation.

Given the fragility of institutions and the degree of fragmentation that affect these societies, this task is complex, and in some cases virtually impossible without setting off radical change. Reform, and in some cases outright reinvention of the social contract, affects multiple aspects of governance in the states of the region. The redefinition of the nature of relations between the State and individuals will thus have a significant impact on how the State manages (and tolerates) opposition and violence within society; but also on the nature and scope of the rights and freedoms granted to citizens. In this context, relations between politics and religion will remain particularly complex and sensitive to manage; the evolution of the political Islamist sphere will largely depend on the ability of the regional leaderships to integrate them into domestic political arenas.

Legitimacy of the leadership will ultimately rely on the existence of a minimum of political pluralism that ensures competition among political forces during elections and the representation of civil society. The redefinition of the fundamental values of the national community will, *de facto*, lead to debates on the figure of the Other, foreigner or enemy, but also on the degree of national cohesion and inclusiveness. Redefining the boundaries between the public and private spheres will affect social redistribution; the management of public property; the fight against corruption; the nature of civil-military relations; and the balance between individual and collective aspirations. In the post-COVID-19 crisis context, the contribution of private investors to the economic diversification of the MENA countries will be critical. However, without a proper legal framework and accountability on the part of public institutions, MENA economies risk remaining side-stepped by Western investors and international donors. This scenario

would likely lead to increased dependency vis-à-vis Chinese FDI and further entrenchment of local and foreign criminal networks in the local and regional markets. Ultimately, the MENA region could witness a more general tendency to privatisation, capture and/or predation of national assets that already exist in Syria, Lebanon, or Libya. These are dangerous developments that gradually destroy the relationship between the State and its citizens and ultimately lead to the implosion of the State. In this context, one can image the massive efforts that would be required to rebuild nations and public institutions in countries like Syria, Libya, and Yemen.

## Conclusions

Almost 10 years after the unfurling of the Arab Spring, the situation in the MENA region remains extremely volatile. MENA countries are affected by multi-layered chronic instability that is deeply rooted in the socio-economic and governance dysfunctions that have characterised this region. However, the massive social and economic repercussions of the COVID-19 crisis have taken the general crisis affecting the region to a new level, putting at risk the very survival of some countries in the region. In this context, the ability of the MENA elites to conduct the urgently needed structural reforms will likely influence their fate in the coming years. Given the risks, it may be worthwhile for NATO decision-makers to closely monitor political and socio-economic developments in the MENA region and review NATO's instruments for strengthening the stability in the region accordingly.