

EUROPEAN POLICYBRIEF



MATERIAL CHOKE POINTS IN THE MENA REGION

The MENARA Project studies the geopolitical order in the making in the Middle East and North Africa (MENA), identifies the driving forces behind it, sheds light on bottom-up dynamics and assesses the implications of these processes on the EU and its policies towards the region. This document summarises the findings of the MENARA research on material factors. It identifies key current and future choke points that emanate from material factors in the MENA region, be they environmental, demographic, economic or military.

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INTRODUCTION

Eight take-away messages:

- 1) The MENA region will expand to more than 1 billion people by 2100.
- 2) Fertility rates have decreased. Youth bulges are receding and the region is starting to age, with most people being above 25 years old.
- 3) The region has almost zero potential for agricultural expansion due to water scarcity. This means food trade dependency on other world regions will increase.
- 4) Unemployment is a severe social pressure in almost all MENA countries.
- 5) By 2100 70% of MENA people will live in cities, making the urban transition a key policy task.
- 6) The region will remain a key exporter of hydrocarbons, yet the renewable energy potential outlook is encouraging.
- 7) The region is heavily militarized, with high public spending on arms and military budgets.
- 8) Europe can help with educational reform, improved trade with the region and support for urban planning and investment in clean energy.

The MENA region is undergoing fundamental changes. Since the advent of the so-called 'Arab Spring', the region has experienced severe political turmoil that has led to regime changes in Tunisia, Egypt and Libya as well as violent conflict in Syria and Yemen. Such social unrest in the region can be partly explained by economic, environmental, energy, demographic and military factors. This policy brief concludes the research conducted in the framework of the MENARA Project aimed at analysing the material challenges facing the MENA region. It identifies key current

and future choke points that emanate from material factors in the MENA region, be they environmental, demographic, economic or military.

The policy brief identifies key choke points based on demographic indicators, economic issues, environmental constraints, energy issues and military developments to show where European policy-making can intervene to reach the policy goal of moving the region towards closer international cooperation, regional integration and domestic cohesion in a way that is beneficial to both the region and the EU in the years to come. The MENARA Policy Support System (www.policysupport.org/menara) maps out the strengths, weaknesses, opportunities and threats at scales from local to national throughout the region, in support of policy-making.

EVIDENCE AND ANALYSIS

The MENA region is growing fast. One of the key challenges of the coming decades is absolute **population growth**. This will lead to population choke points – both in relative and absolute terms. While Europe (excluding Russia) has long outstripped the MENA region in terms of absolute population size, the populations of Europe and the MENA region are going to break even in 2020. By the end of the century, the MENA region will host double the number of people in Europe (approximately 1 billion people compared with Europe's 500 million in 2100).

At the same time, the MENA region is going to age. Approximately 46% of the MENA region today is below the age of 24, and this population momentum is going to lead to high absolute growth, despite substantially reduced fertility rates. At the same time the population will age steadily over the coming decades. Over the course of the century, the **age structure** of the region is going to **change dramatically**. The bulk of people (47%) will be middle-aged (25–64) and the number of youngsters is projected to drop to 27% by 2100. For the first time, the proportion of old-age pensioners will be sizeable, accounting for approximately 26% of the entire MENA population.

Most of the absolute population growth will occur in Egypt, Iraq and Sudan, which will account for roughly half of the MENA population by 2100. The river basins of the regions will become resource choke points during this century as demography and **the security of environmental resources collide**. The Arab part of the Nile basin will host 330 million people; the Jordan basin 42 million people and the Euphrates and Tigris basin will grow to beyond 250 million people by the end of the century. Given limited arable land and water resources, the nexus between the environment and population will be exceedingly important. The environment will present increasingly narrow choke points.

In order to obviate those choke points, food security will be tested. **Agricultural expansion potential** in the region is **close to zero** due to a **lack of water resources and limited arable land**. In fact, the MENA region is already home to the water-scarcest countries on earth including all GCC countries, Yemen and Jordan. Moreover, all MENA countries other than Turkey will be subject to absolute water scarcity in the decades to come, which means water availability will decrease to 500m³ per year per person. Water will become the key bottleneck for development in the MENA region. **Climate change** will have further effects on environmental security. Rainfall in some MENA areas will decline, in others it will increase, in some it will be more seasonal in others less seasonal, while rising temperatures will affect agricultural productivity and inundation and seawater intrusion in coastal aquifers could compromise water and food security further. This will **intensify environmental challenges** such as coastal water security in countries such as Egypt. The MENA region will require a dramatic paradigm change in terms of food and water supply to mitigate these new risks and make the most of new opportunities.

Part of the need for this paradigm change is because of the **increased demand for water resources in urban areas**. The number of MENA citizens living in cities will increase from 50% today to 70% of the total population by 2050. Urban areas will have to absorb more people and secure more food, water, energy and ultimately livelihoods to meet the demands of future populations.

With the exception of the Organization for Economic Development and Co-operation (OECD) economies of Turkey and Israel, the MENA region is not prepared for these shifts. The very limited potential of domestic agricultural production will **increase the dependency** of the MENA region on **food imports**. Current strategies aimed at increased domestic food production are unlikely to be successful. On the contrary, the MENA region will have to import more staple food commodities from regions such as Latin America, North America, Australia or the former Soviet Union countries.

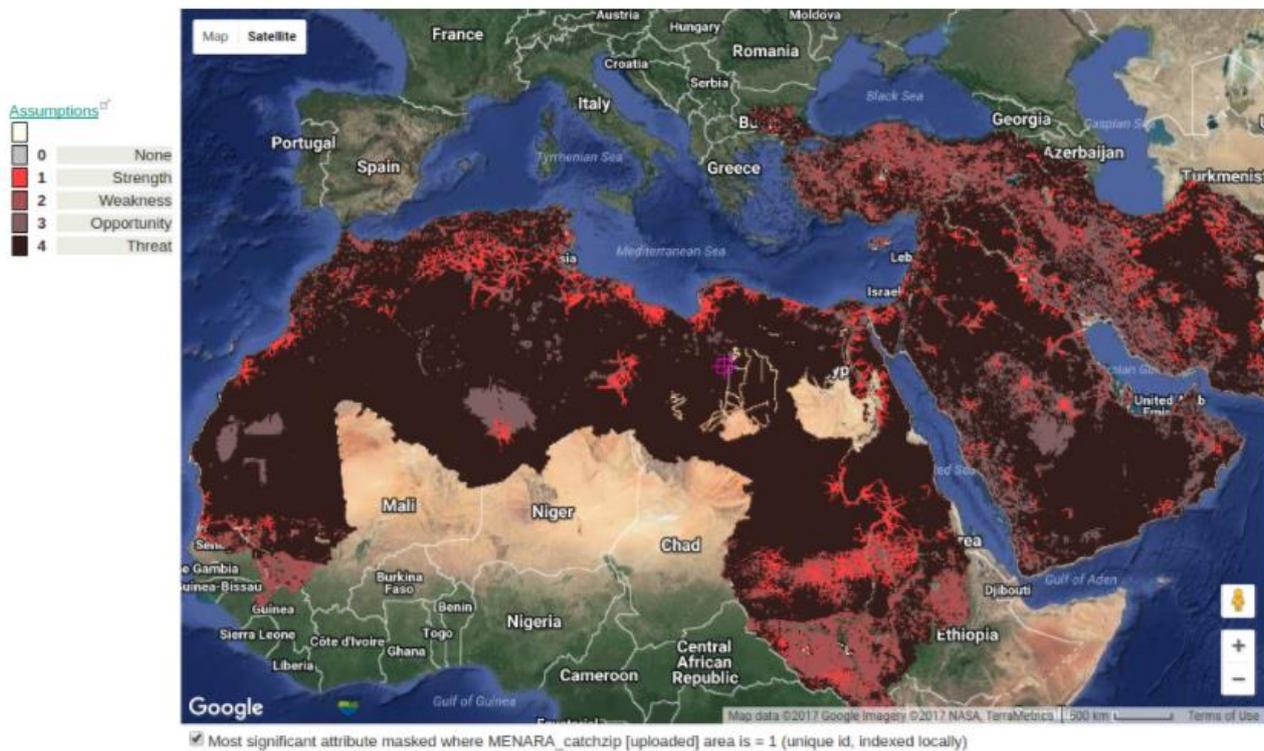
Oil rents have played a crucial role in the MENA's economy for many decades, not only for the richer oil exporters. Less well-endowed states such as Egypt and Syria have also benefitted indirectly from the regional recycling of oil rents via migrant remittances and strategic transfer payments. The majority of MENA economies will need to adopt a **new economic model**. They will need to become less dependent on these rents for maintaining social stability. Economic diversification and alternative forms of revenue generation will be crucial in including wider parts of society, economically, socially and politically in the region's development. The current economic model is already functioning poorly: unemployment rates in the region are high (between 12 and 45% in Libya and Oman) with the notable exception of Bahrain, Kuwait, Qatar and the United Arab Emirates. In particular, **youth unemployment is a severe social choke point**, with detrimental effects on the educational and economic well-being of the coming generations. The **educational systems require reform** measures to increase employability of young MENA citizens in the private sector. At present, the young generation is still largely seeking employment in the oversized public sector, which cannot provide career opportunities for all young people.

An important choke point will be the energy sector. While the MENA region will continue to **remain a very significant provider of hydrocarbons** to the world market, energy trends are shifting from fossil fuels to renewables. At the same time, absolute population growth will mean more domestic energy demand. The MENA region has a **formidable renewable energy potential** if wind and in particular solar power opportunities are effectively utilized. The energy choke point is a promising one because it allows the region to shift into a new age of clean and affordable energy. If properly handled, the energy sector can help to transform the region by **increasing regional cooperation** (e.g. through joint grids) and by aiding **resource-efficient, industrial development in order to create secure jobs**. However, this entails drastically cutting energy subsidies and embarking on concerted political action towards energy transition policies.

All these trends occur in a **heavily securitized environment**. Egypt, Saudi Arabia, Iran, Israel and Turkey are regional military powers that command substantial military arsenals for conventional warfare. Diplomatic conflict is pronounced, especially between Iran and Saudi Arabia. Intraregional conflict, proxy warfare and proliferation of weapons of mass destruction are looming threat scenarios. **Public spending on the military remains high** with questionable outlooks for intra-regional stability and peace. At the same time, high military spending diverts financial resources from future-oriented investments such as job creation or infrastructure for halting environmental degradation to armies. In the past five years, since 2013, military budgets have been significantly increased. For example, Israel, Egypt, Saudi Arabia, Iran and Egypt have increased their defence spending during this period. The **militarization** of the region is therefore one of the **most challenging choke points**, which will require important diplomatic skills from within and outside the region to avoid military conflict.

The MENARA Policy Support System identifies the geographical distribution of the regional prognostic as shown on page 4 with some areas characterized by strength, other by opportunities and still others by weakness or threat on the basis of their environmental, economic, demographic and military characteristics.

In conclusion, the MENA region in 2018 is fraught with political, environmental, economic, demographic and military choke points that require urgent attention by domestic and foreign policy-makers. Suitable investment strategies need to go hand in hand with effective diplomatic initiatives to ensure the region is fit for the global future. This is particularly true in that the region will be one of the population giants of the 21st century.



POLICY IMPLICATIONS AND RECOMMENDATIONS

The choke points described above have significant policy implications for the European Union. Europe's global role as a trading partner, a provider of development assistance and diplomacy will be much needed in the MENA region in the future.

Boost trade

In particular, Europe can promote trade with the MENA region by acting as a mediator of food insecurity and helping to improve economic development. At the same time, European companies can invest in MENA industrial development to turn the region into a geographically more tightly knit industrial power than East Asia. Improved trade relations go hand in hand with strong regulatory frameworks that can aid MENA's transition from a region in conflict to an industrialized net-exporter of commodities such as consumer goods. At the same time, increased trade will attract greater investment in infrastructure, with co-benefits for living standards. Prioritizing development assistance to trade infrastructure can further boost trade between MENA and the rest of the world, including Europe.

Invest in urban networks

Ongoing population growth will have to be absorbed by cities in the MENA region. Making MENA cities fit for the 21st century involves significant challenges, but also opportunities. Few regions in the world will require as much urban development as the MENA region. New water, food and energy systems will have to be developed for the growing societies of the region. Prioritizing urban development using European development assistance is a key policy imperative. This could be

supported and implemented through city networks with European cities to provide the region with European lessons on how to make cities fit for the 21st century.

Support educational reform

Growing populations will need improved educational systems focused on increasing the employability of future MENA populations. This has to start at a very young age, hence Europe can provide educational reform assistance to improve the opportunities available to young people. This will have to include assistance with the so-called STEM subjects (Science, Technology, Engineering and Mathematics) to support the quality and relevance of jobseekers in the MENA labour markets.

Invest in renewables

Europe's competitive advantage in renewable energy technology can play a key role in the economic development of the MENA region. Providing loans to the private and public sector in MENA economies can improve both energy security as well as regional cooperation through, for example, shared grid development. Supporting the MENA region on its way to sustainable energy production can further provide important foundations for industrial development.

Emphasize diplomacy

There are few regions in the world that require Europe's support for peaceful diplomacy as much as the MENA. EU diplomacy must be steered towards effective support for dialogue between MENA countries to encourage collaboration on natural resources management such as river basin planning. Early warning systems must be in place to minimize the risk of all-out conflict between heavily armed MENA countries to scale down the risks of conflict over resources furthermore affected by climate change. All efforts by European diplomats must be focused on becoming an honest broker in the MENA region to mitigate conflict and associated refugee flows both within the region and to Europe resulting from natural resources scarcity and climate change.

RESEARCH PARAMETERS

Since 2008, the Middle East and North Africa (MENA) countries have witnessed profound geopolitical shifts, prompting extraordinary levels of unpredictability and instability. Understanding these shifts, identifying the driving forces behind them and assessing the geopolitical order in the making is key to appreciating changes and continuities in this pivotal region.

Taking advantage of a multi-disciplinary, multi-layered and inter-temporal research agenda, *MENARA – The Middle East and North Africa Regional Architecture: Mapping geopolitical shifts, regional order and domestic transformations* sharpens our understanding of the region to highlight the potential strategies and policies that the EU is called upon to adopt in order to make its role in the MENA more effective.

The aim of MENARA Project research on material factors is threefold. First, to trace and evaluate the impact of a wide range of material factors on the evolution of the regional order in the MENA. To do so, it focuses on the study of natural resources (water-food-energy), as they rank prominently in a semi-arid to very arid region that is the world's largest oil exporter and food importer. In addition, it studies demographic transformations, the evolution of the economic structure and of financial and trade flows, and ongoing militarization processes. Second, it identifies and studies relations of dependence and interdependence inside the region and in relation to global structures. Third, it assesses choke points that pose a risk of congestion or blockage to future political and economic development.

PROJECT IDENTITY

PROJECT NAME	Middle East and North Africa Regional Architecture: Mapping Geopolitical Shifts, Regional Order and Domestic Transformations (MENARA)
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**FOR MORE
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FURTHER READING

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