



FIVE-YEAR REGIONAL OUTLOOK

Middle East and North Africa

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The Middle East and North Africa (MENA) region during the next five years faces wide-ranging challenges that overwhelmed governments will be ill-equipped to address. These challenges stem from longstanding economic, demographic, environmental, and security trends. Popular discontent in the region is acute because of high unemployment, corruption, deteriorating living standards, and poor government service provision. COVID-19 is compounding these trends and further highlighting weaknesses in most MENA countries. Facing declining resources and greater public unrest, several regional governments are responding with tighter security measures rather than risking reforms. These dynamics are increasing the chance of new or renewed domestic or regional conflict.

The judgments in this paper were made by the National Intelligence Council in consultation with outside experts and Intelligence Community analysts and do not reflect official US Government policy or the coordinated position of the US Intelligence Community.

KEY TRENDS

Daunting Economic Hurdles

MENA states will continue to face mounting economic challenges during the next five years, including high levels of debt, bloated public sectors, high unemployment levels, and in the case of the Gulf states, potentially sluggish oil prices. The pandemic is exacerbating many of these economic conditions. As a result, many countries in the region could see further disruptions to public services, declining living standards, and rising poverty that will exacerbate public discontent.

- COVID-19 and the accompanying lower oil prices have led to significant cuts to already modest growth projections for the region. Tighter budgets are likely to restrict governments' ability to deliver services and public sector jobs. Remittances to the region are projected to decline by 20 percent during 2020 and probably will be slow to recover as expatriate populations are sent home and possibly not welcomed back. Many MENA governments, including Gulf states that are better positioned economically, are enacting austerity measures that risk domestic pushback.
- The region probably will continue to see high levels of youth unemployment. Ongoing mismatches between education and the labor markets, weak private sectors, and a lack of an entrepreneurial culture will limit the ability of these countries to use their large working age populations to expand growth.
- Many MENA countries will be reliant on lending or aid from international institutions or foreign governments, but lending and aid institutions and international donors—facing increasing post-pandemic demands—will be increasingly unable or unwilling to shoulder MENA countries' debt burdens. In mid-2020, Egypt, Jordan, and Tunisia received emergency IMF loans, but aid conferences for Yemen and Lebanon fell well short of needed relief. Compounding the problem, Gulf oil countries, that historically provided large amounts of

assistance to regional allies, face their own budgetary concerns because of low oil prices and COVID-19.

- Iran's primary domestic challenge also is economic as it tries to endure Western sanctions that exacerbate its budget deficits, already high unemployment, and weak currency. Tehran applied for a \$5 billion IMF loan in March 2020 for COVID-19 relief, but was blocked. Iran's future is likely to be determined by its ability to quickly and consistently access international markets and to avoid being entangled in broader regional conflicts that extend its international isolation.

Greater Humanitarian Strains

The COVID-19 pandemic is taking a heavy toll on MENA populations, worsening existing humanitarian challenges, including displaced populations and food insecurity. Containing the virus will be slow, given the high population density, weak health services, lack of adequate infrastructure in many places, and vulnerable populations in the conflict zones and refugee camps. Iran has suffered from the highest number of cases in the region, and countries throughout the Levant and North Africa have struggled to manage the pandemic. While most Gulf states have done relatively well at containing the virus, Saudi Arabia's death toll is among the top five in the region.

- Refugee and IDP populations in the MENA region are unlikely to substantially decrease during the next five years and may be subject to greater discrimination in their host countries. The large Syrian refugee populations in Jordan and Lebanon are often viewed as a threat to delicate sectarian and ethnic balances and are taxing already strained government services.

The pandemic risks more food insecurity, particularly among refugee populations. The region is one of the world's largest importers of food, leaving it vulnerable to the supply chain disruptions and export restrictions brought on by COVID-19. The region's conflict zones and refugee populations are already coping with food

insecurity, but other countries, especially Lebanon, are also at risk.

Environmental Challenges Mounting

Most regional governments are unprepared to cope with the looming complications of climate change, such as rising heat levels and declining water resources. Some countries will be able to afford expensive, new adaptations, such as Qatar's efforts at outdoor air conditioning and Gulf states expanding desalination projects, but in many MENA countries, governments' inability to address water and heat challenges will increase public frustration with government performance and potentially spark new migration flows.

- Heatwaves are reaching lethal and prolonged levels and compounding challenges from droughts and more frequent dust storms that threaten agriculture and the ability of residents to go outside. In Qatar, Saudi Arabia, and the UAE, the heat index in recent years exceeded the absolute threshold of human tolerance more than a dozen times, and in 2020, the region set heat records in Iraq, Lebanon, and Saudi Arabia.
- Already one of the most water insecure regions in the world, MENA faces greater water insecurity in coming years, further weakening economies and portending more public unrest, such as in Iraq in 2018 after a spike in water borne illness. Jordan, for example, has one of the lowest levels of water availability per capita in the world and lacks renewable water resources for its growing population. In addition, both droughts and floods threaten Iran's ability to feed itself, and uneven government responses are likely to shortchange Iran's ethnic and religious minority populations.
- In addition to domestic water shortages, MENA has a large number of transboundary water disputes, potentially further complicating water management and risking interstate conflict, such as between Egypt and Ethiopia over Grand Ethiopian Renaissance Dam.

Eroding Public Trust

The gap between public demands for improved services and governments' ability to deliver is widening and likely to fuel more social unrest during the next five years. The COVID-19 pandemic has added an additional layer of strain on populations that already perceived regional governments as lacking legitimacy, transparency, and capacity.

- Although measuring trust is difficult, several surveys indicate that Arab public trust in government has continued to erode since the Arab Spring of 2011, complicating political reform and the establishment of new social contracts. Many Arab citizens view their governments as corrupt and unable or unwilling to respond to public needs or guarantee basic freedoms. Even in places where protests have succeeded in changing the government, opposition movements have continued to push for deeper government reform and systematic change. In Iran, public attitudes mirror those of their Arab neighbors with strong majorities pointing to the economy, corruption, and fears of climate effects as problems the government must address.
- As distrust and perceptions of corruption have increased in the past decade, public activism has been on an upward trajectory. Fears of civil war or memories of failed efforts appear to be losing their deterrence power to keep publics off the streets. COVID-19 temporarily disrupted protests in 2020, but the resumption of protests in Iraq, Lebanon, and Tunisia suggests the dampening effect was short-lived.
- Civil society has proven resilient and adaptive in some countries in the region, such as through altering their use of technology and community organizing online during the pandemic, and learning by examples not just in the region, but throughout the world. However, these largely leaderless movements probably will need

time to translate momentum in the street into political agendas that provide viable alternatives for governing.

Weak States Rely on Security Apparatus

Governments are likely to be more fragile, unable to co-opt support with economic and social incentives, and increasingly reliant on security services to maintain stability. With rampant corruption, strained resources, and increasing concerns about stability, governments are unlikely to take risky steps to improve governance and transparency. Individual leaders might be removed and minor reforms implemented, but systematic changes are likely to be put off.

- **Governments** in the region are likely to become more savvy at and make greater use of technology-based forms of repression, such as facial recognition, social media surveillance, and Internet shutdowns. In 2019 Egypt, Iran, and Iraq used Internet shutdowns in response to protests, and governments in the Gulf such as UAE and Bahrain, have purchased facial recognition systems.
- COVID-19 has provided governments an opportunity to introduce laws, practices, and technology that could be used to crack down on dissent long after the pandemic is over. Several states, including Algeria, Jordan, and Morocco, introduced disinformation laws during the pandemic with broad language and authorities that will allow governments to restrict public discourse and criticism of the government. Members of the Gulf Cooperation Council are using artificial intelligence (AI) fed by speed cameras, drones, and robots to enforce social distancing and quarantines, but the technology could also be used to monitor the movements of protesters or opposition in the future.

Ongoing Conflicts Risk Escalation

With ongoing internal conflicts serving as venues for broader regional tensions, and the region flush with new arms imports, MENA is at increasing risk of new or

expanded interstate conflict. Proxy conflicts are ongoing with Egypt, Saudi Arabia, or the UAE often supporting one side, and Qatar and Turkey the other. Unresolved tensions between Israel and Iran, and between Saudi Arabia and Iran, playing out in part in Iraq, Syria and Yemen, could easily escalate into full blown conflict or drag in other regional players. This dynamic also increases the likelihood of gray zone conflict, such as cyber attacks.

- International actors during the past decade have complicated resolution efforts. Overlapping internal, regional, and geopolitical tensions are likely to continue and complicate efforts to stabilize ongoing conflicts in Libya, Syria, and Yemen.
- Other weak states in the region will also be increasingly vulnerable to internal conflict as COVID-19 exacerbates longstanding economic and political failures. The University of Denver's Pardee Center forecasting for fragile states estimates that Lebanon's probability of internal war will nearly triple in the next two years based on its mix of challenges. Egypt and Iraq have the next greatest likelihood of internal conflict through 2022, but the model also saw small increases in the probability of internal conflict in Algeria, Jordan, Morocco, and Tunisia as a result of the pandemic.
- MENA lacks a functional-regional level organization that incorporates all relevant actors—including Iran, Israel, and Turkey—to discuss shared challenges or facilitate conflict resolution, leaving the region limited to national level solutions that exacerbate tensions with neighbors or fail to address the full scope of problems. The Gulf Cooperation Council probably will continue to face important internal divisions, while the Arab League suffers from a lack of enforcement mechanisms and struggles to overcome disunity and dysfunction.

Openings for Outside Powers

Ongoing domestic instability, regional rivalries, and weak government capacity are creating more openings for outside actors to exert influence. Both Russia and China are likely to look for opportunities in the region, but their influence will be tempered by complex local histories and the many ethnic and sectarian rivalries. Amid widespread perceptions that the United States is pulling back, many MENA states are seeking to diversify their partnerships to increase their flexibility to address security, technology, and economic challenges. China and Russia are looking to take advantage of vacuums and disarray, but generally stop short of security guarantees. Others, such as France, India, Japan, and the United Kingdom, are increasing their engagement and investment in the region.

KEY UNCERTAINTIES

There are a number of significant uncertainties for the near-term future of this region that offer potential for more promising future trajectories.

Economic and Energy Sector Recovery

How and when key aspects of regional economies, including oil prices, remittances, and tourism, recover from the COVID-19 downturn remains unclear. While the IMF initially predicted energy-driven recovery in Gulf states in 2021, additional waves of COVID-19 are likely to continue to depress global demand and prices. Increased focus on renewable sources of energy could further depress oil prices. The pandemic could lead to structural changes in regional economies; for example, the departure of large numbers of guest workers from Saudi Arabia could provide an opportunity to increase Saudi employment.

Declining Resonance of Arab-Israeli Conflict

For most of the past century, the Arab-Israeli conflict has both divided the region and shaped the focus and

IRAN BETTER POSITIONED ON SOME REGIONAL CHALLENGES

Iran shares some similar fault lines with other MENA countries, especially economic and environmental challenges as well as lack of transparent governance. However, it is better positioned demographically and has some economic and technological advantages, which may help it mitigate popular discontent.

- Iran has comparatively good governance, high education levels—including among Iranian women—and an economy that already has been forced to diversify away from fossil fuels under sanctions pressure.
- Iran has no sovereign debt, a manufacturing sector that could blossom if sanctions were lifted, and a population that has largely passed the youth bulge that most Arab states are just entering, insulating it from some of the challenges other regional states are facing. If Iran can continue to provide the direct and indirect subsidies its populace demands, it can probably avoid regime-threatening protests.

The emergence of a reform or opposition leader who presents a credible alternative to the increasingly hardline shape of Iran's elected and unelected institutions—or to coalesce the public to demand liberalization—could change Iran's trajectory, but the potential for success of such a movement is probably low. Alternatively, the rise of a new Supreme Leader with strong security ties could further entrench IRGC's economic influence and dampen already limited prospects for the liberalization of Iran's economy or politics.

behavior of leaders and their populations. However, since the Arab Spring, this conflict seems to have lost some of its centrality as the youthful populations have little personal memory of the Arab-Israeli wars and seem more focused internally on government reforms and job prospects. It is unclear whether this conflict will once again capture the imagination and catalyze the actions of the region's populations, particularly the youth. The muted official and public reactions to the Abraham Accords suggest that for now populations and their governments may be more consumed with local challenges, particularly the pandemic.

Regime Stability

MENA regimes, with few exceptions, have weak foundations that are often devoid of legitimacy and are increasingly reliant on repression to maintain stability. While dissatisfaction with these regimes probably is widespread, it is uncertain which, if any, regimes in the region will be challenged or collapse during this time period. The ongoing conflicts in Libya, Syria, and Yemen have led governments and their populations to prioritize security over much needed reforms for much of the past decade, but populations are growing weary and could reach a tipping point.

Terrorism

For more than 50 years, terrorism has been a feature of the Middle East, first motivated by nationalist aspirations and then increasingly by Islamic extremist narratives and sectarian conflicts. How terrorist tactics might evolve, who employs terrorist tactics, and which governments or groups become targets are key uncertainties for the region during the next five years. Longstanding groups, such as Hizballah and HAMAS, probably will continue to play central roles in their respective communities, but popular support for the remnants of ISIS and its affiliated groups is to be determined.

Role of Women

Women and girls in MENA have made great strides in educational attainment in recent years, but they still face significant discrimination in legal rights, employment opportunities, and government and leadership roles. A broad range of research highlights that women's equality appears to foster increased socioeconomic development and political stability, and women's empowerment as political leaders is correlated with greater government responsiveness, decreased levels of corruption, and lower levels of civil conflict. In the past few years, women in the Middle East have achieved a few leadership milestones, including the region's first female interior and defense ministers in Lebanon, the region's first female speaker of a legislative body in the UAE, female presidential candidates in Tunisia and Iraq, and Saudi Arabia had its first female ambassador. If the roles and rights of women improve significantly in the next few years, the region could witness some corresponding improvements in governance and stability.

TECH: A REGIONAL ENGINE OF GROWTH

The tech sector—driven by Israel and potential Arab partners—may offer a bright spot in economic growth and development during the next five years. For more than a decade, Israel's tech sector has attracted a steady increase in foreign direct investment to the country as well as a current account surplus of nearly four percent of GDP in 2020, notwithstanding ongoing tension between Israel and its neighbors, according to EIU data.

- Israel's tech sector has become a key component of the Abraham Accords, with countries such as the Bahrain, Morocco, and the UAE specifically looking to benefit from Israeli help in modernizing their IT capabilities in everything from wide-spread digitalization to modern agricultural techniques.
- The tech sector could serve as an engine of regional job growth if diplomatic normalization allowed it to forge new region-wide supply chains. A modern tech sector, if accompanied by governance reforms, could provide a more future-oriented source of employment for the region's educated, English-proficient, middle-class youth—the same social group that helped drive the 2011 Arab Spring protests.