The COVID-19 Pandemic:
Scenarios to Understand the
International Impact

Defence and Military Analysis Programme

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The novel coronavirus that causes COVID-19 spread around the world in a matter of a few short months in 2020. Its long-term effects, as well as the ultimate duration and severity of the pandemic itself, are marked by deep uncertainty.

While it is too early to forecast the consequences of COVID-19 with precision, it is possible to systematically explore plausible trajectories for the medium-term future. This research paper uses scenarios to address the following question: what could be the impact of the COVID-19 pandemic on the global political, economic and military balance of power over the course of the next five years?

The paper focuses on six clusters of drivers of change to build scenarios. In the realm of politics, the two clusters are governance and geopolitics. The governance cluster straddles the divide of domestic and international politics, combining social cohesion in societies, populism as a political force, the role of the state, nationalism and state capacity. The geopolitics cluster focuses on aspects of international leadership and alliances.

In the economic arena, clusters formed around the themes of economic reordering and recovery. In the former, regionalism, protectionism, supply-chain dynamics and Chinese technological leadership are considered. In the latter, the pace of the recovery is set in the context of employment, public debt, finance and energy issues.

In the military realm, drivers relating to armed conflict and to military posture were combined to form clusters. The armed-conflict cluster considers projections for threat perceptions, major-power war, conflict among middle powers and intra-state violence. Military posture is captured by examining issues around force projection, the digitisation of armed forces, defence-industrial dynamics, strategic stability and the role of nuclear weapons.

Scenarios in this paper are not designed to predict the future, but they are meant to help bound the range of possible futures for which decision-makers may need to prepare.

In the scenario *Silver Linings*, geopolitics in 2025 are characterised by cooperation and the recession of domestic governance challenges. The economic recovery was swift and comprehensive, and although the pandemic modified aspects of globalisation its basic tenets remained intact. Armed conflict of the inter-state and intra-state kind has declined, and military postures are increasingly driven by advanced technologies and a smaller number of overseas operations.

In the *Downfall* scenario, a weakened societal fabric has generated governance challenges at home and geopolitics are characterised by conflict. Economic recovery following the collapse triggered by the pandemic remains slow and incomplete, and economic reordering leads to the fragmentation of pre-existing international ties at the state and commercial levels. Great-power war has become a realistic probability and growing state fragility brought about by the pandemic leads to an increase in armed conflict.

The scenario *Lost in Transition* is full of countervailing forces introducing challenges and a sense of instability. In the realm of politics, the geopolitical situation is marred by conflict, but domestic governance structures are not particularly challenged. Economically, recovery is slow and there are attempts to decouple – leading to bifurcated economic activity – with each strand led by China and the United States respectively. Militarily, new alliances emerge but a key concern is the near-perfect storm that the pandemic has created for security and stability in Africa.

The scenario *Home Alone* outlines a future world in which the economic recovery is highly uneven. Attempts to generate momentum for renewed
international cooperation fail as great-power rivalries intensify – however, the European Union emerges as a more confident geopolitical actor. Globalisation is disrupted by a drive to create regional and local supply chains and China forces a bifurcation of production for some sectors. Armed conflict linked to state fragility increases markedly, while the ability and willingness of international actors to provide humanitarian assistance and crisis-management resources fall dramatically.

The pandemic itself is an event of world-shattering proportions. Yet many of its political and military implications are likely to be evolutionary in nature. In the period considered here, the potential for radical change (and a break with past practice and assumptions) is perhaps greatest in the economic realm.

The scenario implications will be useful to policymakers seeking to identify particular developments that may be desirable or undesirable. This will in turn facilitate discussion about the levers available and the extent to which such developments can be influenced.

Furthermore, the scenarios can be helpful in recognising courses of actions that appear to be robust in the sense that they would appear to yield beneficial results across a range of alternative futures. Of course, even ‘future history’ marches on and it will remain crucial to consider the impact of unfolding events to maintain a sense of the direction of travel.

The most important point to take away from a European perspective is that across the scenarios a coherent and cohesive Europe is a prerequisite to exploit opportunities and avoid becoming, if not the battleground, than at least the playground for the political and economic policies of others.
The novel coronavirus that causes COVID-19 spread from China around the world in a matter of a few short months in 2020. Its long-term effects, as well as the ultimate duration and severity of the pandemic itself, are marked by deep uncertainty. The virus not only represents a civil emergency and public-health crisis but will also lead to an economic depression more severe than the 2008–09 financial crisis, leaving governments with significant new debt obligations that will have been taken on to mitigate the immediate economic and social fallout. It will likely alter the geopolitical balance of power and could affect the causes and course of armed conflict in several regions around the world.

While it is too early to forecast the consequences of COVID-19 with precision across the political, economic and military dimensions, it is possible to systematically explore plausible trajectories towards the medium-term future – here understood to be a five-year time period. Observers around the world have started to identify trends and developments that might contribute to shaping the future. In some areas, the COVID-19 pandemic might start new trends or break existing ones. In others, the effect of the pandemic might be to amplify developments already under way.

Deep uncertainty and volatility are defining themes of much existing analysis on the impact of the pandemic, both regarding the policy choices leaders might adopt in the context of COVID-19 as well as the outcomes that are considered plausible. It is accepted that the pandemic will change the future, but it is unclear precisely how it will do so and the effect this will, in turn, have on the balance of power. In this situation, scenario analysis is a suitable tool to help policymakers think systematically about the future, as it enables consideration of alternative, plausible future worlds and how these could affect the balance of power. In order to provide an independent assessment of the geopolitical consequences of COVID-19, this research paper will therefore address the following question: what could be the impact of the COVID-19 pandemic on the global political, economic and military balance of power over the course of the next five years?

An interdisciplinary team of IISS researchers collaborated on this report, drawn from the Institute’s regional-security research teams and the following programmes:

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**Figure 1: The scenarios – process and methodology**

<table>
<thead>
<tr>
<th>Objective</th>
<th>Scoping and collecting drivers</th>
<th>Building scenarios</th>
<th>Considering implications</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clarify research approach and identify relevant issues</td>
<td>Select most relevant drivers and create scenarios</td>
<td>Assess the implications of the scenarios across politics, economics and military matters</td>
<td></td>
</tr>
<tr>
<td>Scope of scenario approach and list of drivers of change</td>
<td>Multiple scenarios and accompanying narratives</td>
<td>Insights into the changing balance of power</td>
<td></td>
</tr>
</tbody>
</table>
The sections of this paper follow these steps, with ‘Defining the scenario space’ summarising key themes in the emerging literature on the consequences of COVID-19 before outlining, in six clusters, potential drivers of change, identified by the IISS as most relevant to understanding the impact of the pandemic on the balance of power. ‘Future worlds: 2025’: contains four scenarios developed on the basis of these key drivers and provides a narrative for what the world might look like in 2025. The final section outlines the implications these scenarios would have in relation to geopolitics, geo-economics and military affairs.
Defining the scenario space: drivers of change in politics, economics and the military realm

Taking the measure of an unfolding debate
Initial ideas about how the COVID-19 pandemic might affect international politics, geo-economics and military affairs must be rather broad in scope, given uncertainty deriving from the pandemic’s persistence. In the political realm, it has been argued that COVID-19 will serve to accelerate a global shift of power away from the United States and the EU, with China being the primary beneficiary. Linked to this is the suggestion that the liberal international order – already under pressure before the pandemic – might falter further, conceivably ushering in an age of illiberalism, perhaps aided by the impression that strategies of surveillance and social control (as pursued by China) succeeded in controlling the outbreak, and helped also by the absence of US leadership.

Nonetheless, a democratic and liberal revival is considered by some to be a reasonable outcome as well. One of the immediate effects of the virus has been confirmation that the state is currently the only institution that can generate enough capacity to respond to a challenge on the scale of the pandemic. Initially, states have asserted themselves primarily through national approaches, rather than vigorous multilateralism and greater cooperation. Competition for scarce resources, rather than cooperation, has been a hallmark of the early response. This may change over time, but credible concerns have been expressed to suggest that it may not, with the spectre of ‘vaccine nationalism’ a potential next step towards nationalist agendas.

Fyodor Lukyanov, editor-in-chief of Russia in Global Affairs and research director of the Valdai Discussion Club, has suggested that the overriding lesson for governments is in the case of severe distress, each and every nation is on its own. As a result, the geopolitical context will be not about just rising nationalism or ambitions, but about a growing sense that within an extremely turbulent world, it is safer to rely on oneself.

Others have argued that the transnational nature of the pandemic is immanent and that this should, once the dust has settled, contribute to an understanding that multinational coordination and cooperation can improve the effectiveness of measures to control future outbreaks and instruments that could prevent them from occurring in the first place. NATO Secretary-General Jens Stoltenberg, for example, suggested that NATO had delivered value to its members by providing support and assistance to national efforts to cope with the pandemic.

If the limits of the multilateral system revealed by the coronavirus pandemic are interpreted as a failure of that system, it is likely that some leaders might redouble their efforts to fix it. Others might draw the conclusion that it needs either to be allowed to wither or instead be dismantled; the latter, it has been suggested, would be particularly vexing for the EU, given that it is one of the most densely institutionalised forms of multilateralism currently in existence.

In terms of the economy, a fast recovery is theoretically possible but a protracted crisis is more likely according to most observers. Mirroring some of the observed political trends, the economic response in many leading economies has been characterised by strong state-led interventions in the market, the mitigation of supply-chain risks and the shoring up of domestic economic activity. Supply-chain challenges arose when important production hubs went into lockdown and when demand for certain goods surged, testing production strategies to their limits. Strong and effective state intervention, instead of market orientation,
may prove challenging for the EU in the long run, given that such a path would be difficult to reconcile with its institutional preferences relating to market access and logic of supranational integration.\textsuperscript{13} However, a different outcome is possible, in which the EU as an institution gains the power to generate, control and employ resources, precisely to manage challenges such as the pandemic. This is not least because the EU recovery fund agreed in July 2020 includes a sizeable grant component alongside loans and allows the European Commission to borrow on the markets to finance support to member states.\textsuperscript{14}

**Figure 2: Real GDP growth (percentage change)**

![Graph showing real GDP growth percentage change](source: IMF, 'World Economic Outlook', October 2020. ©IISS)

The economic consequences also raise the possibility that the number of fragile or failing states will increase in the medium term, if mounting debt pressure – combined with continued demand for high public spending – consumes the fiscal space available to governments.\textsuperscript{15} Historically, over the course of the last 150 years, economic recovery from a severe economic crisis has taken an average of eight years; globally, the drop in exports, rising unemployment and a particular burden falling on lower-income parts of the population suggest that recovery is unlikely to be different this time.\textsuperscript{16} While China resurfaced first from the immediate disruption caused by the pandemic, it is unclear whether this will imply a lasting economic advantage, given the countervailing factors of weak global demand and the possibility of recurring waves of infection.\textsuperscript{17}

**Figure 3: Central governments’ fiscal response to COVID-19, as % of GDP**

Regarding armed conflict in its various guises, it is far from clear whether the pandemic might contribute to de-escalation (and if so, for what reason) or whether it might on the contrary embolden certain actors to try to seek decisive action on the battlefield. As the United Nations Secretary-General António Guterres suggested in his report to the UN Security Council on 6 May 2020: ‘The pandemic may create incentives for some parties to conflict to press for an advantage, leading to an increase in violence, while others may see opportunities because the attention of Governments and the international community is absorbed by the health crisis.’ So as to not leave room for such incentives, various great powers have engaged in activities to show that their deterrence structure remains intact despite speculation that disrupted training and exercises might lead to readiness problems, whereas others have engaged in military activity to try to pre-empt any perception that readiness has been degraded; this dynamic, referred to as ‘pandemic deterrence’, could have a lasting effect on great-power relations.

The argument that the pandemic may reduce armed conflict rests mostly on the assumptions, as expressed by Barry Posen, that the economic dislocation affects all major powers more or less equally and – on balance – weakens their military capabilities. Furthermore, public priorities are likely to focus on recovery rather than conflict, while a lower level of interaction among states due to slower economic activity might reduce the number of conflict drivers as well as the factors that engender or precipitate conflicts. Others have argued that this position overlooks intra-state armed conflict, during which grievances and existing fault lines in fragile states may well be worsened, and the fact that those governments and actors who might otherwise engage in conflict prevention and crisis-management activity might not have the capacity or inclination to do so because of the pandemic, thereby increasing the risks of armed conflict.

**Key drivers for scenario development**

The state of great-power relations (conflict or cooperation), the leadership role provided or neglected by the US and China, and the pace and scope of the economic recovery have been focal points for the discussion about the international consequences of COVID-19 and for related scenario work. These key uncertainties provide a useful starting point in charting the geopolitical and geo-economic environment of the future. However, additional factors need to be considered in order to systematically capture how the international balance of power might be affected across the dimensions of politics, economics and the military.

The IISS researchers, having initially considered more than 40 potential drivers of change, focused on six clusters. In the realm of politics, the two clusters that emerged were governance and geopolitics. The governance cluster straddles the divide of domestic and international politics, combining social cohesion in societies, populism as a political force, the role of the state, nationalism and state capacity. The geopolitics cluster focuses on aspects of international leadership and alliances, specifically considering the roles of great powers such as China, Russia and the US, while also including the geopolitical presence of the EU, as well as middle powers around the world.

**Table 1: Politics – governance cluster**

<table>
<thead>
<tr>
<th>Governance</th>
<th>Disintegration</th>
<th>Strengthening</th>
</tr>
</thead>
<tbody>
<tr>
<td>Societal cohesion</td>
<td>Inequality is rising, undermining societal cohesion. Social media shows the ‘have nots’ what the ‘haves’ possess.</td>
<td>Wide-ranging redistributive policies prevent widening inequality and protect societal cohesion.</td>
</tr>
<tr>
<td>Populism</td>
<td>Populism is deeply entrenched, with leaders portraying themselves as decisive and determined to tackle the economic dislocation affecting their populations.</td>
<td>Centrist politicians are on the rise, with populist leaders seen to be incapable of limiting the impact of the pandemic.</td>
</tr>
<tr>
<td>Role of the state</td>
<td>Failure to anticipate and respond to repeated COVID-19 outbreaks debilitates government.</td>
<td>Strong government interventions in the economy and the private sector are supported by citizens.</td>
</tr>
<tr>
<td>Nationalism</td>
<td>National retrenchment leads governments to blame others and to control flows of people and economic activity in the name of national interest.</td>
<td>The global emergency has spurred the interest of many governments to invest in effective multilateral solutions.</td>
</tr>
<tr>
<td>State capacity</td>
<td>Government capacity is overwhelmed by the pandemic challenge, leaving little bandwidth to manage other issues.</td>
<td>Learning from the early stages of the pandemic and investing in anticipation and resilience; governments maintain freedom of action.</td>
</tr>
</tbody>
</table>
In the economic arena, the IISS team formed clusters around the themes of economic reordering and economic circumstances. In the former, issues around regionalism, protectionism, supply-chain dynamics and Chinese technological leadership are considered. In the latter, the pace of the recovery is set in the context of employment, public debt, finance and energy issues.

### Table 2: Politics – geopolitics cluster

<table>
<thead>
<tr>
<th>Geopolitics</th>
<th>Conflict</th>
<th>Cooperation</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>US retrenchment accelerates and leads to the formal abandonment of alliance obligations.</td>
<td>The US government reinvests in its alliance relationships, arguing they are a key strategic advantage in the context of great-power competition.</td>
</tr>
<tr>
<td>China</td>
<td>Boldly challenging the US, China seizes a global leadership role and increases its engagement around the world.</td>
<td>Choosing to prioritise domestic recovery and regime stability, China reduces its investment internationally and seeks accommodation with the US.</td>
</tr>
<tr>
<td>Russia</td>
<td>Russia pursues a destructive international stance, including by playing a disruptive role in armed conflicts.</td>
<td>Russia seeks accommodation with the West and abandons its involvement in conflicts in Europe and the Middle East.</td>
</tr>
<tr>
<td>European Union</td>
<td>The EU fails to develop a geopolitical posture and presence.</td>
<td>Implementing steps to integrate security and defence policy, the EU establishes itself as the ‘third geopolitical centre’ alongside the US and China.</td>
</tr>
<tr>
<td>Middle powers</td>
<td>Middle-power competition turns into confrontation over resources and influence.</td>
<td>Middle powers seek to play an active role as coalition builders.</td>
</tr>
</tbody>
</table>

### Table 3: Economics – economic-reordering cluster

<table>
<thead>
<tr>
<th>Economic reordering</th>
<th>Fragmentation</th>
<th>Modified globalisation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regionalism</td>
<td>A desire for shorter supply chains leads to the regionalisation of production.</td>
<td>Investment increases in alternative foreign settings to create more resilient, diversified supply chains.</td>
</tr>
<tr>
<td>Protectionism</td>
<td>Protectionism is on the rise, with countries linking national security to a growing list of goods to control exports, substitute imports and erect tariffs.</td>
<td>Leading economies – China, the EU and the US – pursue a ‘Bretton Woods II’ regime to facilitate trade.</td>
</tr>
<tr>
<td>Supply chain</td>
<td>Governments make resilience and security of supply core elements of long-term strategies, leading to a retrenchment of foreign direct investment and a reshaping of global supply chains.</td>
<td>Attempts to decouple and re-shore remain limited and focus on strategically important areas such as medicine and food.</td>
</tr>
<tr>
<td>Chinese technological leadership</td>
<td>China moves up the technology value chain by pursuing aggressive R&amp;D initiatives, leveraging its military–civil fusion doctrine.</td>
<td>China fails to achieve its technology goals. Core dependencies, for example on imported semiconductors, persist.</td>
</tr>
</tbody>
</table>

### Table 4: Economics – economic-circumstances cluster

<table>
<thead>
<tr>
<th>Economic circumstances</th>
<th>Collapse</th>
<th>Recovery</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pace</td>
<td>An L-shaped recovery means global output in 2025 remains below 2019 levels.</td>
<td>A V-shaped recovery quickly returns output to pre-COVID levels. By 2025, the global economy is growing robustly.</td>
</tr>
<tr>
<td>Employment</td>
<td>Mass unemployment persists among low-skilled workers and new entrants struggle to enter the job market.</td>
<td>Digital and green transformations spur economic renewal and significant parts of the workforce retrain.</td>
</tr>
<tr>
<td>Public debt</td>
<td>Sovereign defaults occur in several countries as debt levels overwhelm governments' ability to service them.</td>
<td>Markets accept high public-debt levels and governments embrace the new paradigm.</td>
</tr>
<tr>
<td>Finance</td>
<td>Widespread deflation is caused by a sustained fall in global demand and a tightening of monetary policy.</td>
<td>Governments opt for financial repression and hold down the cost of financing public debt.</td>
</tr>
<tr>
<td>Energy</td>
<td>Oil stabilises at above US$70 a barrel, slowing the economic recovery but providing greater fiscal space for oil-producing countries.</td>
<td>Oil stabilises at under US$50 a barrel, facilitating economic recovery but adversely affecting national budgets in oil-producing countries.</td>
</tr>
</tbody>
</table>
In the military realm, drivers relating to armed conflict and to military posture were combined to form clusters. The armed-conflict cluster considers projections for threat perceptions, major-power war, conflict among middle powers and intra-state violence. Military posture is captured by examining issues around force projection, the digitisation of the armed forces, defence-industrial dynamics among established suppliers and challengers, as well as strategic stability and the role of nuclear weapons.

<table>
<thead>
<tr>
<th>Table 5: Military – armed-conflict cluster</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Armed conflict</strong></td>
</tr>
<tr>
<td><strong>Threat perceptions</strong></td>
</tr>
<tr>
<td><strong>Major-power war</strong></td>
</tr>
<tr>
<td><strong>Middle-power conflict</strong></td>
</tr>
<tr>
<td><strong>Intra-state violence</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Table 6: Military – military posture</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Military posture</strong></td>
</tr>
<tr>
<td><strong>Force projection</strong></td>
</tr>
<tr>
<td><strong>Digitisation</strong></td>
</tr>
<tr>
<td><strong>Defence industry</strong></td>
</tr>
<tr>
<td><strong>Strategic stability</strong></td>
</tr>
</tbody>
</table>

Two future projections were considered for each element in these clusters, and these combine to form a future projection for the cluster as a whole (see Tables 1–6). The projections that result from this are not the only plausible future conditions, but they form notable points on their respective spectra, often marking each spectrum’s logical conclusion. The two clusters and their projections build a 2×2 matrix for each of the dimensions considered here: politics, economics and the military.
The COVID-19 Pandemic: Scenarios to Understand the International Impact

Figure 4: Key drivers across politics, economics and the military realm

Politics: governance and geopolitics

- **Governance strengthening**
  - Centrist politicians rise • wide-ranging redistributive policies • strong government interventions • effective multilateral solutions • governments maintain freedom of action
  - US reinserts in alliances • EU is third geopolitical centre • China and Russia seek accommodation with US and Europe

- **Geopolitical conflict**
  - Inequality rising • populism entrenched • governments fail to respond effectively to pandemic • national retraction • capacity overwhelmed
  - US retrenchment • EU fails to develop geopolitical posture • China seizes leadership role • middle-power confrontation • Russia a destructive force

- **Geopolitical cooperation**
  - Inequality rising • populism entrenched • governments fail to respond effectively to pandemic • national retraction • capacity overwhelmed
  - US reinserts in alliances • EU is third geopolitical centre • China and Russia seek accommodation with US and Europe

Economics: industrial reordering and recovery

- **Modified globalisation**
  - More resilient, diversified chains • new regime to facilitate trade • limited re-shoring • China’s technological dependencies remain
  - L-shaped recovery • mass unemployment • oil above US$70/barrel • widespread deflation • sovereign defaults

- **Collapse**
  - Shorter supply chains • rising protectionism • security of supply a resilience issue • China moves up the technology value chain
  - L-shaped recovery • mass unemployment • oil above US$70/barrel • widespread deflation • sovereign defaults

- **Recovery**
  - Shorter supply chains • rising protectionism • security of supply a resilience issue • China moves up the technology value chain
  - V-shaped recovery • digital and green transformation • oil below US$50/barrel • financial repression • markets accept high public debt

- **Fragmentation**
  - More resilient, diversified supply chains • new regime to facilitate trade • limited re-shoring • China’s technological dependencies remain
  - V-shaped recovery • digital and green transformation • oil below US$50/barrel • financial repression • markets accept higher public debt

Military: armed conflict and military posture

- **Pandemic peace**
  - Dominant societal-resilience risks • great powers agree rules of the road • middle-power competition tamed • lasting humanitarian ceasefires
  - Remote assistance and proxies used for crisis management • digitisation of armed forces accelerates • defence-industrial challengers rise • nuclear weapons increase in importance

- **Transformation accelerates**
  - Dominant societal-resilience risks • great powers agree rules of the road • middle-power competition tamed • lasting humanitarian ceasefires
  - Remote assistance and proxies used for crisis management • digitisation of armed forces accelerates • defence-industrial challengers rise • nuclear weapons increase in importance

- **Evolution stalls**
  - Great-power confrontation dominates • US vs China–Russia alliance • regional conflict • state fragility rises
  - Crisis-management operations stop • digitisation of armed forces slows • defence industry dominated by established players • nuclear weapons reduced in importance

- **Conflict proliferation**
  - Great-power confrontation dominates • US vs China–Russia alliance • regional conflict • state fragility rises
  - Crisis-management operations stop • digitisation of armed forces slows • defence industry dominated by established players • nuclear weapons reduced in importance
Scenarios in this paper are not designed to predict the future, but they are meant to help bound the range of possible futures for which decision-makers may need to prepare. They are meant to stretch thinking about what the future might hold and therefore facilitate a conversation about their strategic implications. They tell a story about the future, highlighting what events and processes might bring about such a scenario and underlining the uncertainties that can occur.

The major building blocks for the scenarios discussed in this section are the 2x2 matrixes mentioned above. Each quadrant in those matrixes helps to identify a broad range of possible outcomes, including some that might seem extreme based on current conditions but which will be useful to illuminate the possibility of dramatic change. The scenarios themselves were then created by combining elements from each of the three 2x2 matrixes.
implementing government control over some banks and placing high liquidity requirements on others worry economists but not the wider electorate, in part because governments are using their fiscal capacity to tackle inequality and, in particular, support underperforming regions and disadvantaged segments of society.

One group of countries that struggles to embrace this ‘levelling up’ agenda is comprised of the oil producers, who must contend with low prices and a move towards greener technology. Oil producers with large populations, and which are highly dependent on oil revenues, suffer most. Populist leaders in the Americas and in Europe also do not fare well in the few years before 2025, after the countries they led underperformed in managing the pandemic and the rebuilding that followed. The break with austerity in many countries also contributed to a further ebbing of populist sentiments.

While COVID-19 affected parts of the world at different times and with different intensity, the fact that it created a global crisis with worldwide repercussions drove home an imperative for cooperation and has spurred the interest of many governments to reinvest in effective multilateral solutions. India, holder of the G20 presidency in 2022, used the New Delhi summit to rally other middle powers to build issue-based coalitions for multilateral problem-solving, including on poverty, a factor that engenders living conditions that are likely to amplify pandemic transmission vectors. The failure to prepare for the risks of the 2020 pandemic was fresh on the minds of world leaders, and so the appeal attracted widespread support and a Global Counter-COVID Coalition (GC3) was initiated.

Recalling the spirit of the 1944 Bretton Woods Conference that proved vital to rebuilding international economic relations after the Second World War, the US – with then-president Joseph Biden delegating the portfolio to vice-president Kamala Harris – convinced the EU and China to form a coalition to rein in protectionist tendencies that emerged in the initial stages of the pandemic. The far-reaching deglobalisation agenda favoured by some never took off and the rise in economic nationalism that some predicted in the early days of the pandemic faded away. However, security-of-supply arguments did lead to some limited on-shoring in the areas of food and medicine, and also to targeted

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**Scenario: Silver Linings**

In the scenario Silver Linings, geopolitics in 2025 is not free from tension but is characterised by cooperation and the recession of domestic-governance challenges. The economic recovery was swift and comprehensive, and although the pandemic modified aspects of globalisation its basic tenets remained intact. Armed conflict of the inter-state and intra-state kind has declined, and military postures are increasingly driven by advanced technologies and a smaller number of overseas operations.

When the World Economic Outlook data released by the IMF in April 2022 showed that global output would match pre-COVID levels later that year (a V-shaped recovery), the sense of relief was palpable in capitals around the world. Two years of robust growth followed the IMF’s announcement, assisted by oil prices that remained below US$50 a barrel. Increasing energy demand was met by the supply overhang in the market, leading to a pace of recovery from the effects of the pandemic that had hardly looked achievable before the global vaccination programme was rolled out in 2021. Growth was supported by an accelerating drive towards a digital transformation of certain parts of economic activity, spurred on by the experience of remote working and repeated lockdowns in 2020 and 2021. The pandemic created a strong sense of respect for nature and a wish to improve public health, which – paired with the visible improvement of many environmental indicators at the height of the pandemic when global production collapsed – led many governments to invest in ‘green deals’ and drive innovation in this area.

Strong and sustained government intervention in the economy, which had done much to mitigate the immediate effects of the crisis as the coronavirus spread across the world, continues to enjoy popular support. Governments have broken with the previously dominant paradigm whereby high levels of public debt needed to be controlled through austerity measures. The market seems to have accepted a new tolerance level for public debt. Government tendencies to rely on financial repression by putting caps on interest rates, implementing government control over some banks and placing high liquidity requirements on others worry economists but not the wider electorate, in part because governments are using their fiscal capacity to tackle inequality and, in particular, support underperforming regions and disadvantaged segments of society.

One group of countries that struggles to embrace this ‘levelling up’ agenda is comprised of the oil producers, who must contend with low prices and a move towards greener technology. Oil producers with large populations, and which are highly dependent on oil revenues, suffer most. Populist leaders in the Americas and in Europe also do not fare well in the few years before 2025, after the countries they led underperformed in managing the pandemic and the rebuilding that followed. The break with austerity in many countries also contributed to a further ebbing of populist sentiments.

While COVID-19 affected parts of the world at different times and with different intensity, the fact that it created a global crisis with worldwide repercussions drove home an imperative for cooperation and has spurred the interest of many governments to reinvest in effective multilateral solutions. India, holder of the G20 presidency in 2022, used the New Delhi summit to rally other middle powers to build issue-based coalitions for multilateral problem-solving, including on poverty, a factor that engenders living conditions that are likely to amplify pandemic transmission vectors. The failure to prepare for the risks of the 2020 pandemic was fresh on the minds of world leaders, and so the appeal attracted widespread support and a Global Counter-COVID Coalition (GC3) was initiated.

Recalling the spirit of the 1944 Bretton Woods Conference that proved vital to rebuilding international economic relations after the Second World War, the US – with then-president Joseph Biden delegating the portfolio to vice-president Kamala Harris – convinced the EU and China to form a coalition to rein in protectionist tendencies that emerged in the initial stages of the pandemic. The far-reaching deglobalisation agenda favoured by some never took off and the rise in economic nationalism that some predicted in the early days of the pandemic faded away. However, security-of-supply arguments did lead to some limited on-shoring in the areas of food and medicine, and also to targeted
investments to improve resilience by diversifying the supply chain in critical areas and widening the international supplier base. Some countries that have a history of being reliable producers of patent-expired pharmaceuticals – such as Jordan – have positioned themselves to fill gaps in the market.

Overall, both Beijing and Washington consider that the global recovery has been helped by the US–China trade relationship being steered towards a competitive rather than confrontational footing, helped by reforms at the World Trade Organization (WTO). That said, Western worries about China’s rise as a technology leader remain a point of tension. Beijing’s response to attempts to slow down China’s progress has been an aggressive research and development (R&D) push that combined international technology acquisition via distressed companies and the leveraging of the military–civil fusion doctrine, which now forms a cornerstone of China’s strategic ambitions. The Digital Silk Road has gained further importance for China’s outreach to countries around the world. The idea of a Health Silk Road, which had been discussed in 2017 but lay largely dormant until 2020, was turned into a core element of the Belt and Road Initiative (BRI). Linking it closely to the Digital Silk Road, the Health Silk Road launched large international projects around digital health monitoring and contact tracing, and China successfully exported its digital health tools to BRI partner countries.

China’s bid for a stronger global leadership role pushed the US to recommit to its existing alliance relationships. To counter China’s advances, the US is providing core funding for international life-sciences and technology hubs. Despite a general atmosphere of great-power cooperation, the sense that alliances provide a strategic advantage across the realms of politics, economics and the military convinces the US Congress to agree to the administration’s request for additional funding to maintain a multi-region security presence. Governments in the EU nevertheless decide that it would be wise to not depend on the vagaries of US politics and agree far-reaching measures to improve security and defence integration on the occasion of the 20th anniversary in 2023 of the first military EU-led crisis-management operation.

Russia’s President Vladimir Putin – reflecting in 2024 on 25 years at the helm of Russia, in one form or another – realised that he was boxed in. Under his leadership, the state capture of the Russian economy had been so complete and so successful that the blame for the persistent economic and social dislocation triggered by the pandemic, and exacerbated by ten years of Western sanctions (implemented following the annexation of Crimea) and stubbornly low energy prices, lands on his doorstep. To protect his regime, Putin in 2025 is seeking to relieve the pressure by way of accommodation with the US and Europe, in order to start the modernisation of Russia’s economy; this includes a reduced role for state-owned monopolistic businesses and an improved climate for domestic and foreign investors.

Despite periods of great-power tension, there has been an overriding imperative to focus on economic reconstruction. When combined with the direct and immediate experience that large parts of the population have had with COVID-19, this has resulted in threat perceptions in the West moving away from great-power conflict and regional instability towards transnational challenges and societal resilience in the context of pandemics. Given this shift in attitudes, many Western governments found it convenient to considerably reduce overseas deployments that were for crisis-management purposes, particularly when the physical challenges of deploying into combat zones in the pandemic environment became apparent. Military assistance to civilian authorities in times of civil emergencies has risen up the priority list of armed forces. However, the effect that this policy choice would have on peace and stability has not yet been revealed, given that the intensity of armed conflict in several hotspots around the world – including, for example, the Sahel – has lessened, following widespread COVID-19 infections among the warring parties, thereby precipitating fragile but lasting humanitarian ceasefires.

However, these doubts over the ability to deploy conventional military forces abroad have had an unwelcome side effect, in that several nations have moved to increasingly rely on their nuclear arsenals for deterrence. Nevertheless, an initiative spearheaded by Biden to trade an amendment of US nuclear modernisation plans for a no-first-strike treaty among the permanent members of the UN Security Council gives a boost to strategic stability. Looking to reduce manpower
requirements for defence missions overseas, governments have also decided to accelerate investments in advanced technology and capabilities to deliver military effect over great distances. The private sector, having experienced numerous industrial disruptions triggered by the pandemic, quickly turned to automation and artificial intelligence (AI). The core of this activity takes place in Western nations and China, with several defence-industrial challenger nations (such as Saudi Arabia and the United Arab Emirates) feeling the pinch from low oil prices and abandoning the drive to indigenous technology development.

**Scenario: Downfall**

The *Downfall* scenario is a much darker future. A weakened societal fabric has generated governance challenges at home, and geopolitics are characterised by conflict. Economic recovery following the collapse triggered by the pandemic remains slow and incomplete, and economic reordering leads to the fragmentation of pre-existing international ties at the state and commercial levels. Great-power war has become a realistic probability and growing state fragility brought about by the pandemic leads to an increase in armed conflict.

In 2025, the global economy is only showing weak signs of life and global output is below the pre-COVID levels in 2019. Suppressing the pandemic has proved a long haul and has exhausted societies, with citizens longing for an exit from the cycle of loosening and tightening public-health measures and for a therapeutic breakthrough that continues to elude scientists. Oil producers, restricting production, managed to keep prices above US$70 a barrel, which further complicated the economic recovery but created some short-term breathing and fiscal space for their governments’ national budgets. In particular, low-skilled workers suffer from mass unemployment, repeated industrial disruption and the inability to isolate effectively upon the virus’s cyclical return. Eventually, even wealthy countries had to cut back on furlough and other direct-support schemes: the cost was simply too high. The sustained fall in global demand has caused widespread and entrenched deflation, limiting the ability of governments to intervene via monetary-policy instruments. Several systemically important emerging markets default on their foreign debts.

Those seeking to enter the job market in the first half of the 2020s are now referred to as ‘Generation L’; the L shape of the economic collapse and drawn-out recovery on economists’ charts becomes the symbol of their strangled ambitions. In countries where governments repeatedly failed to prepare and respond adequately to COVID-19 outbreaks, public trust in government fell and domestic discontent rose. In Europe and North America, a series of highly politicised parliamentary inquiries has generated much public information on the disconnect between almost 15 years of warnings of a coming pandemic, government exercises and simulations before the 2019 outbreak, and governmental capability when the feared pandemic occurred in the form of COVID-19. Tabloid papers, in part inspired by, in part fuelling online conspiracy theories, continue to run variations of a single story: ‘If you knew it was coming, why didn’t you protect us?’

Inequality within developed countries is rising, undermining societal cohesion, and the gap between the developing and the developed world is widening. Social-media channels provide a relentless drumbeat, showing the ‘have-nots’ exactly what the ‘haves’ have. Populist leaders have built successful political campaigns exploiting the weakening seams of the social fabric and the political centre continues to give ground in Europe.

Internationally, populist governments let their nationalist impulses run free, blaming others for the effects of COVID-19 and seeking to control the flow of people and goods in the name of the national interest, stifling freedom of movement and tightening border controls. Strengthening the resilience of supply chains has become a staple of government strategy documents and has already led to a retrenchment of foreign direct investment (FDI). This development has hit China hard, with the US and groups of like-minded middle powers pursuing initiatives that build on the Economic Prosperity Network introduced by the US administration in April 2020, to re-shore production facilities and in general decouple from China economically.

Multilateral organisations, including the WTO and
the World Health Organization (WHO), have been unable to exert control of the situation. They have suffered a damaging loss of prestige and withdrawal of funding as countries have designed policies and rules to meet their narrow national needs. Ad hoc arrangements on travel corridors, for example, have undermined political blocs and international agreements on movement of people and goods. Divergent national rules on quarantines, entry requirements and vaccines have resulted in a further reduction of international travel and trade.

The duration and severity of the COVID-19 crisis has diminished the capacity of governments to actively manage other security challenges and monitor risks. Then US president Donald Trump, re-elected with the slightest of margins in 2020, had used his second term to further draw down forward-deployed military assets in Europe, as well as in the Middle East and Asia, only to eventually attempt to abandon treaty-based alliance obligations altogether. Although the US Congress blocked attempts to formally withdraw from multilateral and bilateral defence agreements, allies are anxious. NATO endures, but European allies are unsure whether the new US president, a centrist Democrat focused on ‘rebuilding at home and unifying the nation’, will spend her hard-won political capital abroad.

The populist surge has also gripped the EU, and the divisions between left-wing and right-wing fringes on the one hand and the remaining moderate centrists on the other paralyse the Union. Both camps are too weak to dominate but strong enough to prevent others from implementing their agenda. Attempts by the European Commission to pursue a greater geopolitical ambition have been rebuffed by national governments, arguing that only they, not bureaucrats in Brussels, are accountable to their citizens.

China, having failed to achieve its ‘Made in China 2025’ technology goals (originally drawn up in 2015 and which included independent production of high-technology goods in areas such as aerospace and semiconductors), chose to prioritise the domestic recovery, which the Chinese Communist Party (CCP) has come to see as critical to regime stability. As a result, China had to severely limit its international outreach and investment. In 2023, ten years after President Xi Jinping had established the BRI, this global infrastructure strategy ground to a halt. A member of the US administration, at that point, referred to the BRI as the ‘Bust and Ruined Initiative’ on live television, which led to an outpouring of Chinese nationalist sentiment and the withdrawal of Chinese funds from Western universities and research centres. Under pressure owing to the flagging economy, Xi adopted a more nationalistic tone and there are indicators that the recent cyber attacks on Taiwan’s government were authorised directly by him.

While rising energy prices for several years kept the Russian national budget from collapse, the continued economic slump and the inability of the government to muster the funds for much-needed infrastructure investment has bred resentment and discontent. After being re-elected in 2024, Putin – increasingly reliant on an ever-shrinking circle of trusted advisers – misread the public’s mood and raised the state pension age to 65 years for women and 69 years for men and implemented tax rises, leading to one-third of Russia’s regional governors abandoning the president and to protests that the regime was only able to contain through a heavy-handed crackdown. The domestic fragility has led to more aggressive Russian foreign-policy behaviour that seems to be designed to provoke external crises and increase nationalist sentiment in order to detract from the trouble at home, and to a militarisation of society with young people’s military organisations and conscription seen as instruments to condition parts of the population and to bolster support for the regime.

Given these tensions, public threat perceptions in major countries focus on the prospect of great-power war, and defence policies focus on short-term measures to increase conventional deterrence postures. The immediate effect is that efforts to digitise the armed forces are slowing down, with more of the available defence spending directed at readiness and the recapitalisation of equipment inventories. Given overall spending constraints, the planned modernisation of nuclear inventories is curtailed. Defence-industrial challengers located in oil-producing states seek to take advantage of Western companies’ need for capital, by leveraging investments and acquisitions into technology transfer and a largely unconstrained arms-sales policy.

Western powers, worried about inter-state war among great powers, decided to limit force projection and effectively stop their involvement in military
crisis-management activities. When intra-state violence erupts across the Sahel and spreads into North Africa, with existing conflicts about resources spiralling out of control owing to the food and malnutrition crisis caused by COVID-19, both international will and capacity to manage the crises are in short supply.

**Scenario: Lost in Transition**

Lost in Transition is full of countervailing forces introducing challenges and sense of instability. In the realm of politics, Lost in Transition describes a future where the geopolitical situation is marred by conflict, but domestic governance structures are not particularly challenged. Economically, recovery is slow and there are attempts to decouple leading to bifurcated economic activity, with each strand led by China and the US respectively. Militarily, new alliances emerge but a key concern is the near-perfect storm that the pandemic has created for security and stability in Africa.

Despite there being no signs of an imminent economic recovery that would help tackle high unemployment, governments discarded concerns about the potential long-term effects of redistributive policies on economies and societies. Leaders decided to ramp up social expenditure and progressive taxation schemes to tackle the perceived widening of inequality in developed countries. These government interventions, alongside wider economic stimulus measures, enjoy the support of most voters as reasonable responses to the unique circumstances of COVID-19. Populist leaders have struggled to display the competence and capacity to implement decisive and coherent policies and have, with few exceptions, been replaced by centrist politicians. Deflationary pressures from the intense economic shock of 2020 have persisted, despite aggressive monetary-policy action from central banks. Continued falling prices have created problems for debtors, who see the real value of their debt rising as a result. This has fuelled a string of private-sector bankruptcies and the failure of some banks, leading to further economic contraction.

Domestic social and economic agendas leave little government bandwidth and capacity to focus on international security challenges. The dire economic circumstances reinforce the view that in times of severe crisis, countries are essentially on their own and the willingness of leaders to engage in painstaking multilateral negotiations is decreasing – they have successfully made the argument to electorates that resilience is best created from a position of strength at home.

In the US, the pandemic depression has led to calls for restraint in foreign policy and a desire to limit US entanglement in international affairs. The inward-looking focus takes hold during early 2021 under then-president Biden, and what started as a strategic pullback to free up resources for investment in large infrastructure projects at home proves so popular with voters that both Democrats and Republicans argue it is time to shield the US from foreign risks during the 2024 presidential campaign. One step removed from isolationism, the US does not formally abandon its alliances, but signals that it is not interested in providing political or military leadership and will continue to reduce its investments in bilateral and multilateral defence cooperation.

The EU struggles to come to terms with the national impulses of its members. Many national leaders insist they are solely responsible for public health and creating the conditions for economic recovery, so continue to suspend market principles and restrict the flow of people and goods when it serves their interests. The European Commission is engaged in rear-guard actions to defend its existing competencies against a steady drumbeat of ideas from national leaders to take back control and roll back integration. Ambitions for a follow-on European recovery fund are abandoned amid national-level divisions.

China, while economically weakened, is seeing signs of recovery. Beijing is determined to use US and European retrenchment to seize a global leadership role. While structural economic-deceleration pressures aggravate existing debt and productivity problems and hence temper Beijing’s drive, China’s leadership senses an opportunity to change existing international rules and institutions in its favour, while also leaping ahead in technology terms by leveraging its military–civil fusion doctrine. Moves by Western states to decouple certain sectors of economic activity from China are exploited by Beijing to push a
decoupling agenda of its own. China is seeking to cut its reliance on Western supplies, acquiring distressed companies throughout the world, transferring technology back to China and attempting to split global markets into competing spheres. China also seeks to use its holdings in Western firms and in securities to further political ends.

The inward-looking focus of the US and Europe is perceived as decline by the rest of the world. China is making inroads in its international engagement, continuing the practice of soft loans and infrastructure investment, albeit on a reduced scale and, having installed a Chinese national as director-general of the WHO, Beijing has launched an international public-health campaign distributing mass-produced Chinese coronavirus vaccines. China is also collaborating with emerging defence industries, particularly in the Middle East. Some of these have access to Western technology, having made far-reaching technology transfers a condition for any arms purchases in the first half of the 2020s, when Western countries relied even more heavily on export business to substitute for shrinking home markets. Whereas China pursues the digitisation of its armed forces with vigour, corresponding efforts in the US and Europe slow as defence spending is directed towards resilience and homeland-defence tasks.

Russia’s economic and social problems continued to grow during the first half of the 2020s, accelerated by COVID-19. During the 2024 presidential election campaign, President Putin argued that Russia had been duly restored as a great power in world affairs thanks to the sacrifices of its people. It was now time to strengthen Russia from within, he said, and improve quality of life and living standards. Following his re-election, Putin along with Xi Jinping signed the Treaty of Harbin covering economic, scientific and defence cooperation, with Xi seeing it as confirmation of China’s leadership ambitions and Putin focusing on its economic potential – this marriage of convenience thus giving both presidents what they desire. During their joint press conference following the treaty’s signature in early 2025, the two presidents announced they had also secured the agreement of all Shanghai Cooperation Organisation members and all members of the Collective Security Treaty Organization to merge the two groups by the end of the year. Despite the geopolitical tensions, none of the great powers pursue an outright confrontational approach to their relations with each other, with the US retrenching and China and Russia sensing that the centre of gravity is shifting their way in any case, if they exercise strategic patience.

Public-opinion polls show that the COVID-19 pandemic has a lasting effect on threat perceptions, and pandemics, natural disasters and climate change routinely top national-risk assessments. Events on the African continent - where the direct and indirect effects of the pandemic are being amplified by weak underlying socio-economic structures - showed that these concerns are warranted. With African economies suffering from reduced FDI flows in the aftermath of the pandemic, COVID-19 negatively affected the ability of the working-age population to plant, irrigate and harvest crops. Lack of personal protective equipment and the inability to implement rigorous social-distancing measures in areas with poor housing further increased the pressure on governance structures. The failure of national governments to provide even the most basic needs for a significant part of the population is exploited by organised-crime groups and militias, particularly in urban settings. The international response to Africa’s crisis is poorly resourced. Most nations that traditionally were providers of sizeable contingents for overseas humanitarian assistance, stabilisation operations and overseas development aid have reduced their engagement, with public opinion worried primarily about resilience at home and the physical challenge and financial costs of deploying during a pandemic: these represent sizeable obstacles to military activity.

**Scenario: Home Alone**

The *Home Alone* scenario outlines a future world in which the economic recovery is highly uneven. Attempts to generate momentum for renewed international cooperation fail as great-power rivalries intensify – however, the EU emerges as a more confident geopolitical actor. Globalisation is disrupted by a drive to create regional and local supply chains and China forces a bifurcation of production for some sectors. Armed conflict linked to state fragility increases markedly, while the ability and willingness of international actors to provide humanitarian assistance and crisis-management resources fall dramatically.
Despite the fact that what was widely considered the biggest economic shock since the Second World War took place in the 24 months after the outbreak of the 2020 pandemic, global economic output was growing at a remarkable speed by the mid-2020s. However, the aggregate picture marked deep regional divergence. Some growth rates might have looked impressive on paper but in reality illustrated a distortion caused by the precipitous drop in economic activity in 2020 and 2021, a circumstance that political leaders, including those of a populist disposition, struggled to explain to citizens desperate for positive signals. In 2025, high-paced, professionally designed and sustained social-media campaigns amplify societal divisions, and attempts by governments to call out and correct misinformation fail to keep up. Paired with the failure of governments to anticipate the pandemic in the first place, trust in political institutions has reached an all-time low in many countries.

The largest market economies, including the US and the EU member states, are running large budget deficits and have accumulated public debt surpassing 100% of GDP, in some cases even running to more than 200%. Sizeable elements of the economy remain dependent on financial support from the government. Unemployment figures are high given that not all elements of the service sector were able to transition to a digital environment with ease and manufacturers continued to look for ways to reduce their employee numbers, including through automation and the general embrace of new technology and disruptive production models. Health and welfare spending have been rising every year, complicating efforts to improve public finances. Governments keep interest rates artificially low while at the same time letting inflation accelerate by a controlled amount to manage the cost of continued borrowing.

Oil prices remain below US$50 a barrel, owing to large stockpiles and a failure of oil-producing countries to unite around a policy to curb production, given that the wealthier among them seem willing to use their access to capital markets and their respective sovereign wealth funds to frustrate the competition. China, which on the occasion of the 100th anniversary of the CCP in 2021 redoubled efforts to stimulate a rapid domestic economy, contributes to a positive trajectory for some of the other economies in East and Southeast Asia.

While economic recovery is thus highly uneven, there is a shared perception of vulnerability among governments, given the global nature of the challenge. Those countries that displayed higher levels of capacity in controlling the virus and its effects lead the charge to build new regional coalitions for multilateral action and international cooperation. In Europe, this development supported the sentiment that diminishing national-level capacity to deal with global challenges required stronger EU-level coordination. The lessons of 2020, when solidarity and unity among EU member states collapsed in the early stages of the pandemic, provided a playbook of what weaknesses to address, and the policy choices around the European recovery fund agreed later in 2020 suggested that long-held taboos can fall away in the face of enormous pressure. By 2025, the sentiment that the EU has stepped up to an existential crisis provides the momentum for far-reaching security and defence cooperation, beginning with a decision in 2022 – marking the 30th anniversary of the signing of the Maastricht Treaty which established the EU – to end unanimity as a requirement for decision-making on foreign and security policy.

Elsewhere, however, the spirit of a renewed multilateral agenda has been co-opted by China and Russia, who are seeking to consolidate and extend their respective regional spheres of influence, using economic diplomacy, military intimidation and cyber operations to compel and coerce other governments. Russia is quickly beginning to see the growing presence of China in Central Asia as running counter to its own interests. The US administration, while very active and engaged diplomatically, lacks the financial means and the domestic political support to counter China’s and Russia’s assertiveness.

The splintering of international cooperation into regional spheres extends to trade and supply chains. Reliable and secure access become more important than the sheer costs of production. Supply chains – built around production strategies that focus on the regions where the goods produced will be used – are incentivised by governments and adopted by the private sector. Globalisation does not end, but it becomes much more selective. China’s position in the global supply chain suffers, but because of the size of its domestic market it
remains an attractive destination for foreign businesses, a fact that China leverages, forcing companies into a ‘Local + China’ strategy and so bifurcating production sites and processes.

In the area of armed conflict, the pandemic and its effects have, in a vicious cycle, caused a marked increase in violence. In particular, populations in countries that were conflict-afflicted when COVID-19 raced around the world were vulnerable due to collapsing health systems, and the resulting health crises led to further migration and violence. There were also several cases in which conflict parties determined that the pandemic provided them with cover to aggressively push their advantage and consolidate their positions, renouncing international mediation efforts. Furthermore, the economic devastation caused by the pandemic was exacerbated by mass quarantine, which took away the ability of millions to feed their families, creating grievances that led to new armed conflicts in Africa. Humanitarian-assistance missions and supplies decreased markedly given travel and other restrictions, and existing crisis-management operations curtailed their activities and deployed footprint, with several troop-contributing nations deciding to evacuate their personnel. With the situation dire in multiple conflict regions and the number of countries in conflict rising, pressure mounts on the EU and the US to agree debt forgiveness and suspend sanctions on conflict parties to enable at least a higher degree of humanitarian assistance.
Scenario implications

This section outlines implications of the four scenarios discussed above. The focus here is on the effects the scenarios might have on politics, economics and the military realm, often with reference to the balance of power with regards to China, the EU, Russia and the United States. The assessment and observations of the consequences of the pandemic proceed by issue area and then by scenario.

Geopolitical dimension
The *Silver Linings* scenario has at its core a G3 world order built around three centres – China, the EU and the US – with Russia being a less central player with fewer options to actively influence geopolitics. Each of the three centres has opportunities to reap political advantages in this setting.

The renewed pursuit of multilateralism as the basic mode of international decision-making will likely strengthen the role of the EU in that international order. The US would remain the pre-eminent international power, but US leaders would need to accept the idea of an increasingly powerful China and EU – the US would need to make room at the top. China would likely turn to multilateralism in areas where Beijing sees opportunities to advance its interests. Moreover, the positive reaction of populations to government actions in the face of the pandemic, and the relative success also of multilateral responses, reduces the appeal of populist politics. It would provide an opening to strengthen international institutions, such as the WHO.

It is plausible that in the *Silver Linings* scenario, great power relations become in some respects a mutually beneficial situation enabled by a division of labour. The Global Counter-COVID Coalition (GC3) mentioned in the scenario could provide opportunities for regional leadership, with – for example – the US focusing on Latin America, China on a several countries in Asia (such as Pakistan), and the EU on its wider neighbourhood in the east and the south although this would have to take place against a backdrop of energised middle powers who are active in setting up the GC3. Countries and organisations that are seen to actively to assist struggling states in countering the pandemic and its effects are likely to gain political, economic and even defence-related benefits or opportunities in this future world.

While the US–China trade relationship becomes more stable – there is cooperation to tackle the protectionism seen early in the pandemic, and the relationship overall has been dialled down from a confrontational stance – it remains competitive rather than cooperative. This uncertainty drives the US to reaffirm its alliance relationships and to devote funds to a continued global presence. It also drives China to continue to use soft loans and other engagement globally, to generate political support or acquiescence.

A successful EU-led effort to help struggling states would raise its status as an international security actor. More importantly for the EU, this *Silver Linings* scenario would lead to far-reaching measures to improve security and defence integration notwithstanding US alliance recommitment. The lesson of the pandemic response for the EU is that it needs to bolster Europe’s ability to respond. But this may come at the expense of further initiatives to deepen political integration, not least as there would still seemingly be a focus on how

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well nations performed economically and in the initial response. The EU would likely take a lead in promoting green policies across the continent and, shaken by the pandemic, unanimity might finally emerge to enable agreement on greater environmental-protection measures.

While the balance of power per se is less a priority concern for China, the EU and the US in this scenario, the rest of the world might not feel that way. Silver Linings provides some room for emerging powers to increase their influence via issue-based international coalitions, but powers seeking greater status than their capabilities imply have fewer opportunities to play off China, the EU and the US against each other. Russia, meanwhile, focuses on regime protection and as a consequence of its desire to reduce economic and political pressure dials back its activities in Ukraine and softens the tone of its messaging regarding Western states. Russia becomes less of a geopolitical spoiler, though it is far from a reliable partner. Reduced hydrocarbon demand is potentially destabilising for Russia and parts of the Middle East.

A political vulnerability in the Silver Linings scenario is that governments will tend to prioritise voter satisfaction and support over fiscal prudence. The resulting high levels of debt will create an intergenerational challenge that in the long run, beyond the time horizon considered in this paper, will put pressure on the ageing populations of Europe and China in particular.

In the Downfall scenario, the major powers – China, the EU and the US – are all inward-looking and their appetite for geopolitical activism is curtailed. Russia on the other hand externalises its domestic travails and turns into a more destabilising force. Moscow’s geopolitical influence will expand, not because of its own strength, but because there is no counterbalance from others. In this scenario, it is likely that the vacuum left by the major powers and not entirely filled by Moscow provides opportunities for countries that manage to thrive under the challenging circumstances outlined in Downfall. One such country could be Saudi Arabia, buoyed by favourable oil prices.

For China, the scenario could lead to a succession crisis within the CCP and to internal strife. The scenario could also amplify the already existing socio-economic divide within the country, further threatening regime stability. The EU is set to lose influence in this scenario because it will not be able to generate strength from within, through a dynamic process of integration, and the external circumstances are all challenging to the business model the EU prefers: there will be less multilateralism; less focus on international law and norms; trade regimes would splinter; and the movement of people is likely to be more restricted in order to manage public health, control migration flows and enable economic protectionism. The US, if domestic discord can be contained, would retain a lot of latent power but much less of an ability to project it internationally. The appeal of populist politicians, meanwhile, would be boosted by a growing focus on national responses and evident distrust in the response to the pandemic by governments. There is a serious risk that trust in democracy is being undermined by political and economic challenges, and governments find it difficult to convince populations – or at least a majority of segments within populations – that established structures are worth preserving.

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In the Downfall scenario the pandemic has led to a fundamental reordering of international political relations. Less common ground, less trust and less focus on the importance of the rule of law all combine to heighten the risk of misinterpretation, miscalculation and inadvertent escalation.
US is less active on the global stage, it is still a formidable power and even the modest commitment to global alliances is still a deterrent to incursions on allied territory.

Nonetheless, the rest of the world is likely to back the seemingly stronger force, the China–Russia alliance. The EU has lost capacity as it deals with its member states’ nationalist impulses and the US appears to have lost interest in providing a counterbalance. At a minimum, this scenario greatly complicates any hedging strategy by countries, and the pressure to pick sides will increase.

China would have a lot of levers to pull in this scenario. Beijing could strike economic and diplomatic deals with select European countries, help mitigate the crisis in Africa through the BRI, influence Russia via its newfound alliance and contain the US by simply not directly challenging it in the Western Hemisphere. It is plausible that two spheres of influence will emerge and that autocratic states around the world will be increasingly attracted to the Chinese model of domestic political and social control. Russia’s partnership with China would make Moscow more dependent on Beijing’s goodwill, and would likely result in pressure on Moscow, as the weaker player in the relationship, to accept less advantageous economic and trade concessions and one-sided technology partnership agreements.

With European integration stalled and possibly in reverse in this scenario, there would be a risk that the EU divides into several small groups of member states who compete with each other, creating a gridlock in the European Council that would be increasingly reflected in the European Parliament. There would still be a federalist impulse within the EU’s institutions, but its governments now have other preoccupations. More broadly, multilateralism has been tainted by the pandemic response and stutters regionally as well as globally, with international organisations also losing credibility. Even where centrist politicians remain in power, the pressure on them to abandon their traditional positions would be high because of the societal and economic dislocation. Those divisions in Europe would be easy to exploit for external actors and it is plausible in the Lost in Transition scenario that Europe becomes a battleground of competing great-power interests. With the US and China likely still preoccupied with each other, it is possible that Russia would be the power most likely to try and exploit Europe’s introspection and possible disunity; Russia may be focused on its economy, but it remains an opportunist.

In the Home Alone scenario, the pandemic response has led to a desire to create local supply chains, a development driven primarily by a desire to bolster national resilience. Any hopes for a renewed spirit of multilateralism will thus be difficult to sustain as multilateralism in trade and other economic activity will be undermined. Trust in institutions and political leaders will likely reach an all-time low in this scenario. This would exacerbate already existing vulnerabilities to adversarial information campaigns, which would be designed to amplify these effects and target societal unity.

The EU emerges from the Home Alone scenario as a more confident global actor. This stems from the sense among states that national-level responses were not enough in the pandemic, and that coordination at the EU level is needed for better responses. The decision to move beyond the principle of unanimity in decision-making for foreign- and security-policy decisions will have far-reaching ramifications for decision-making in other areas. Nonetheless, with recoveries haphazard and variable, governments would likely see value in divesting themselves of some competencies in order to concentrate on national issues.

Though there would likely be resistance from populist leaders to any greater centralisation in Europe, they face challenges in retaining power because they are unable to match rhetoric with reality. Their previously successful agenda of blaming others for
continued economic problems in order to generate support and divert attention will in time lose its attraction as citizens see neighbouring states faring better. This will lead them to either accept the decisions to centralise more authority within EU structures, or be marginalised as populations look to the example of better-performing countries. To improve resilience in future crises and shore up trust in democracy, there would likely be relevant initiatives at the European level, including to improve regulation of digital media in order to reduce disinformation and cyber vulnerabilities, in conjunction with NATO states.

Greater cohesion in Europe is not reflected elsewhere. With the general global economic recovery masking regional divergence, states that are unable to draw on the benefit from multilateral frameworks face political turbulence as populist leaders seek to either shore up their position or gain power by sowing division and increasing distrust of foreign states; eventually, actions such as these would have the effect of increasing tensions. This would be exacerbated by the desire to create local supply chains in the wake of the pandemic; for states that are not part of effective multilateral structures, this focus on national resilience would risk increasing distrust in multilateralism and established political structures. There may be a renewed multilateral agenda in Europe, but in this scenario it would be viewed in a more transactional way by Russia, China and perhaps even the US. Russia and China look to undermine cohesive or coordinated action in Europe, and between Europe and the US and like-minded partners. The EU–US relationship could rupture as both sides protect their own recovery.

**Geo-economic dimension**

The *Silver Linings* scenario raises the question of who would be buying the treasury bonds issued by the US and European governments to finance extended periods of deficit spending. If China decided to take the opportunity to bolster its foreign-exchange-reserve holdings, China’s economic position vis-à-vis the US and Europe would be reinforced. In the context of the overall optimistic outlook of the *Silver Linings* scenario, the implied increased interdependence could be an impetus for even closer cooperation. In this scenario, China – given that its savings rate is among the highest in the world – is better positioned than the US or Europe to boost domestic consumption without massive borrowing from abroad. The pace of China’s rise would most likely be moderated by the fact that Beijing would be entangled in multilateralism and partnerships. Multilateralism, in relation to trade and economic issues, receives a fillip as China, the US and EU see value in maintaining and developing further multilateral organisations and agreements that they see as benefiting them and as having performed adequately during the pandemic.

Russia’s room for manoeuvre would be constrained by persistently low oil prices, but given that its break-even price – the oil price that would allow it to balance its budget – is closer to US$40 a barrel, Moscow is likely to be able to withstand such circumstances for several years. Russia, finding itself outside a grand coalition of China, the EU and the US, would be on the back foot overall, for example in trade negotiations. Its weak economy would reduce Moscow’s bargaining power further, though it might attempt to use its energy exports to European states as a way of ensuring some political leverage. The poor economic performance in Russia since 2016 and the restrictions this placed on investment in R&D and innovation would become notable.

For several oil-producing states in the Middle East and in Africa, however, this scenario holds stability risks as lower government revenue paired with healthcare failures during the pandemic would prove problematic. The pressure on these countries to step up economic-diversification efforts would be high. The scenario also suggests that security of supply might become a problem for non-oil-producing Western states, highlighting the indirect benefits that a rapid ‘greening’ of the economy would bestow on them. More generally, the use of technology to drive green and other economic transformation is an opportunity presented by this scenario. In the *Silver Linings* scenario, many developing economies would be better placed to employ young people, reducing the risk of disaffected-youth bulges, which in turn could reduce migration pressures on Europe and the US.

The *Downfall* scenario constitutes a serious economic challenge to multilateralism and also populist governments that have looked to exploit the situation for political purposes.
In the Downfall scenario, it is plausible to expect that previously existing notions of what represents sustainable levels of public debt will be altered permanently. In Europe, managing the socio-economic challenge of increased numbers of unemployed young people and an older generation that is likely to be perceived as privileged by the younger cohorts will continue to require high levels of spending in this scenario. That said, with economic growth continuing to be weak, there is a risk that a lost generation of ‘Generation L’ jobless young people will lose faith in the established structure of the Western economy, as well as its supporting multilateral institutions. Trust in government will fall and discontent will rise, and there is greater appeal – certainly for the unemployed – in previously fringe radical redistributive economic theories. In particular, greater political uncertainty and political divergence will have a knock-on effect on international trade flows, which reduce as countries increase protectionist tendencies and attempt to secure supply chains in order to minimise risk against future outbreaks.

It is likely that Downfall would see major players revisiting their climate targets or abandoning them outright. This could take the form of increasing reliance on coal for energy – perhaps in India and China – or the pursuit of other environmentally hazardous economic policies, such as fracking and the exploitation of other natural resources. In light of the wider security-related implications of this scenario, it is possible that major donor nations would focus their international aid and development spending on migration and security concerns. Some power will likely flow to large technology companies who might have the resources to weather the economic storm. Being a recipient of their investments could become an important priority for governments in this scenario, potentially lowering regulatory and oversight requirements.

In the Lost in Transition scenario, the US drawback from global concerns and the inward focus of the EU create a vacuum for China and Russia to exploit – for example, in terms of exports to emerging markets. The EU’s underestimation of an economically weaker Russia in the early 2020s means the region will be unprepared when Chinese efforts to bolster Russia take effect. The EU, for example, would not be in a position that is economically strong enough in order to respond with sanctions to Russian or Chinese provocation.

For China, it would be tempting in this scenario to pursue with determination the creation of enclosed ecosystems controlled by Beijing and unencumbered by influence from the US or the EU, for example by linking the digital economy, public health and electronic currency (such as Bitcoin). China will begin to rebuild its export base, taking account of other states’ preoccupations and its early emergence from the pandemic. International trade flows would begin to pick up as a result, but these are driven by Beijing, which gives China additional political and economic leverage as its forays provide export routes for other nations further behind in their recovery. But China is selective in its engagement. It focuses its reviving trade ties on markets that help it in its bid to decouple parts of its economy from Western suppliers. This is protectionism in the extreme and, as other nations more fully emerge from the pandemic, they follow the same path.

In the Home Alone scenario, governments around the world will likely have to provide fiscal incentives to attract and sustain the domestic or regional manufacturing and technology base to be economically successful. More generally, opportunities will arise for some countries in Southeast Asia which will attempt to replace China in the supply chain. They will, however, also want access to the Chinese market,

With the US withdrawing and the EU looking inwards, Lost in Transition creates a power vacuum for China and Russia to exploit. In the Home Alone scenario security-of-supply challenges will slow down trade.
driving them towards a hedging strategy and possibly taming their desire to fill the gap.

Nonetheless, while there will be only a limited reassertion of multilateralism, the EU’s growing political and security confidence translates into the economic sphere; it is likely to be the one clear winner in terms of economic multilateralism. Stronger coordination would be seen as an unalloyed good. In an environment of uneven global recovery, Europe’s leaders might then agree that the European recovery fund could be a model for other regions. Europe’s economic response thus enables it to consider longer-term trade and political benefits.

Despite these successes, across the globe the decision by many states to prioritise the security-of-supply issue will lead to the slowdown of international trade – this will partly be a result of greater customs checks as nations become increasingly suspicious of economic exploitation. Protectionism and the prioritisation of security of supply over free movement will lead to inexorably higher prices that, in time, will force industry and consumer pressure to reduce barriers.

**Military and armed conflict**

On the military side, the *Silver Linings* scenario is likely to lead to an initial contraction in global defence spending given an overall lowering of tension, whereby governments pursue cooperation and other COVID-19-induced spending priorities. Grievances that would be expected to drive international terrorism and other risks related to regional instability are likely to be reduced compared to the other scenarios. Threat perceptions will change, with pandemic, humanitarian-assistance and disaster-relief responses of greater focus than before. After an initial shock to defence spending, budgets are likely to stabilise, but greater budget shares might be made available to focus on defence cooperation and defence diplomacy to support the easing of tensions, and the budgets for operations and maintenance might shrink.

The conventional military threat to Europe emanating from Russia would likely be reduced, but hybrid challenges, including through disinformation and cyber campaigns, will likely remain an issue and lead to greater adoption of new organisations, focus on high-technologies and integrated command and control as well as better coordination across governments. Russia, for its part, will reduce the frequency of its exercises close to its borders and its forces’ forays on combat drills, and will also adopt a pragmatic approach to capability procurement. Russia will focus even more than before on the modernisation of existing equipment than the acquisition of new-design platforms. Russia’s generational shift in terms of aircraft, ships and armoured vehicles will continue to take longer than anticipated. China, meanwhile, as it deepens its global engagement with the Health Silk Road, will continue to develop military capabilities that it feels are needed to protect these investments.

Overall capability priorities would concentrate on long-range precision-strike weapons as well as autonomous and uninhabited platforms to be able to achieve military effects from a distance and with lower manpower requirements. Given that governments in this scenario will have doubts about the ability to deploy conventional forces, it is likely that nuclear capabilities will receive increased attention. However, it is plausible that the changing threat perception entailed in this scenario would alter procurement priorities, with greater emphasis on capability that supports contingencies in which there is military aid to civil authorities (MACA) and other homeland-security tasks. Armed forces would demonstrate their utility during the pandemic, and with less focus on overseas deployments capability procurements will also focus on the ‘first responder’ role at home with more command-and-control, medical, engineering and transport assets.

While the *Silver Linings* scenario is likely to see an initial contraction of defence spending the *Downfall* scenario could lead states to employ their military capabilities in an unconstrained and even pre-emptive way.
emitter of carbon dioxide. The armed forces are also likely to face recruitment and retention challenges, given the more benign economic circumstances.

In the Downfall scenario, a much-weakened NATO paired with deteriorating political unity in the EU decreases the level of military power the US and European countries will be able to wield. Budgets are pressured and procurements are delayed. Previous ambitions to improve the integration of military capabilities at the EU level come to nothing, as member states are focused internally. Overall, a weaker environment in terms of international norms and mechanisms to enforce them could allow some states to employ their capabilities in a more unconstrained way, for example for pre-emptive strikes against potential adversaries. Reduced job opportunities in the wider economic context would lead to a global boost in military recruitment and retention.

Initially catastrophic for defence spending, this scenario will lead to the realisation for governments in the Euro-Atlantic realm that they are facing an increased likelihood of state conflict. The remaining uncertainty would be around whether the US and European governments would be able to reverse the likely decline in defence spending before capabilities are lost and forces have been hollowed out. China, given that it has more fiscal space and the impact of the pandemic on its economy has been less severe, is likely to consider its armed forces as good a place as any to invest in the domestic recovery. The pace of its military modernisation will likely still slow down, given the disruption and requirement for further economic transformation. The demand for defence (and security) spending in Russia will be high in this scenario, to support both foreign- and domestic-policy priorities. It is likely that this would further delay investment in much-needed domestic social and welfare programmes.

A combination of reduced R&D budgets (which is likely in this scenario) and a threat perception focused on great-power war, along with strong recruitment and retention, could lead the US and other NATO armies to increase investment in conventional capability and to reduce efforts to exploit emerging technologies for transformative effect. Focusing on the tried-and-tested, rather than on disruptive but untested, technologies, will be attractive under the circumstances. It is also reasonable that the combination of social and political unrest leads to increasing military support to domestic police forces and to armed forces routinely being used to assist with border and migration control.

In the Downfall scenario, many drivers of conflict are increasing in both inter-state and intra-state armed violence, which in turn has the effect of increasing the list of perceived threats. Economic and political tensions among states are likely to increase in this scenario in several global flashpoints, including between India and Pakistan, Iran and Saudi Arabia or China and Taiwan. State failure and fragility is a likely outcome of this scenario and there would be a growing community of people that would feel alienated and disenfranchised. Terrorism – international and potentially also domestic – would probably be an increased threat in Europe and the US. The scenario would likely also see a flaring up of piracy in several previous hotspots. Given that the scenario foresees an unwillingness by major powers to engage in crisis-management operations, it is likely that unfolding crises will generate a military requirement for non-combatant evacuation operations at short notice. It will also likely mean an increasing role for private military companies and fewer inhibitions over their use.

Western states, preoccupied by their own political and economic travails, will also have to remain focused on Russia, which will seek to use the armed forces as a way of solidifying support for the regime. Russian disinformation campaigns could focus on domestic audiences, with the regime exploiting, for example, filmed intercepts of Russian aircraft and shipping to stoke nationalist sentiment. China’s growing nationalism will also create cause for concern, but the US will not be as interested in demonstrating its support for Taiwan, for instance. The risk is that this knowledge will embolden Beijing towards seeking reunification in advance of the 100th anniversary of the People’s Republic of China in 2049.

The risk in the Downfall scenario, given that some operational experience in Europe would shift to MACA operations, is that militaries would be less well prepared to deal with other, more traditional, military contingencies, which in turn could imply that in crisis situations other governments might be tempted to seek
rapid escalation and exploit lower levels of readiness among Europeans. Lack of conventional capabilities also risks nuclear-weapons states relying more on these weapons, particularly if they have global reach.

The Lost in Transition scenario in many ways represents a return to classic balance-of-power politics. The US is likely to act as an offshore balancer in this scenario, but with limited capacity, given that it will need to sacrifice power-projection capabilities for homeland defence and non-traditional security threats. To achieve this, the US might significantly reduce its legacy platforms and accelerate investment in stand-off, global-strike capabilities for power-projection purposes. Given that inter-operability among allies would be lower in this scenario, perceptions of deterrence might shift and a drive for European powers to recapitalise legacy systems such as main battle tanks would be plausible. Tolerance for redundancies and some inefficiencies in European defence cooperation would likely increase, and efforts to transform armed forces using technology would slow down.

Russia would likely be forced to share technology that China struggles to produce by itself, for example precision-engineering capabilities when it comes to turbofan jet engines or elements of ballistic-missile defence. Moscow might be forced into being a junior partner in co-development projects with China. Closer ties with China could also threaten the credibility of Russia’s nuclear deterrence since China is sceptical of nuclear-crisis-escalation management. China would have means to increase its power-projection capabilities in this scenario but would be unlikely to seek confrontation. Beijing’s continued focus on military modernisation would manifest itself in greater digitisation within the People’s Liberation Army, and China would continue to improve its exercises designed to test these technologies, its developing capabilities and its improving organisations. However, these forces would remain hamstrung by the military’s position as the CCP’s praetorian guard, and the party carefully watches for any signs that the military is looking to become a more professional organisation focused more on military than party imperatives.

The implications of a Sino-Russian alliance could have far-reaching effects, in particular paired with US disengagement and European introspection. Particularly in the Indo-Pacific, the probability of a wave of nuclear proliferation would increase. Australia, Japan and the Republic of Korea would likely seek a national strategic deterrent force to protect against aggressive Chinese and Russian behaviour.

Regional instability and violence in Africa would increase migration pressures on Europe, most likely leading to an increased hardening of borders, the constraining of asylum and migration legal rights, and military support to counter-migration operations and border security. Given that there are substantial African diasporas in some European countries, the Lost in Transition scenario would probably exacerbate domestic inter-ethnic tensions and increase the risk of domestic terrorism.

With pressure to focus on public infrastructure and social-support spending high in the US and Europe, the added factor of retrenchment might contribute to driving down defence expenditure. China and Russia could be tempted to fill the void but given US retrenchment the competitive impetus is muted. A steady increase in defence spending by China and Russia is thus more likely than strong growth – it would leave more resources for other policy priorities, in particular given their weaker economic position, and this scenario provides non-military opportunities for China and Russia to gain influence.

Where economic and strategic trends are uneven, so too is defence expenditure. In this scenario, a variable economic recovery means that defence-spending trajectories also vary between states. Increasingly these are driven by economic realities, continued focus on health and welfare spending, threat perceptions and established defence planning; some states are forced to take hard choices over capability procurement and the shape of their defence organisations. Two spheres of influence may pull the global system apart, increasing instability and consequently defence expenditure. For the US, there is likely a need to provide significant financial support to underperforming industries, which would
reduce the funds available for defence. For Europe, there would be incentives to increase defence spending to bolster its expanding geopolitical presence and to take into account the subdued outlook for US defence spending. In general terms, defence-spending increases can be expected to be negligible because other impulses and priorities will likely dominate treasuries.

However, government moves to spur greater digitisation and automation in business and industry would usher in greater civilian use of new technologies, such as AI, that are then harnessed by some states’ defence establishments in order to try to retain globally relevant impact without necessarily retaining globally deployable armed forces of the same scale as before the pandemic. The utility of ‘spin-ons’ from these civil-sector initiatives would prove valuable in light of accelerating attempts by states, such as Russia and China, to mount influence and cyber operations. They convey a greater degree of protection by finally driving near-seamless civil–military coordination in tackling these threats, but defence ministries might have to cede organisations and capabilities to coordinating government bodies (such as national-security secretariats or national-security councils).

The judgement in European states that global challenges on the scale of the pandemic require closer EU-level coordination could spur greater coordination in security and defence policy, particularly if this is also enabled by the decision to move beyond unanimity in foreign-policy decision-making. The experience of the pandemic leads to closer national threat perceptions, and agreement that there are threat perceptions that can be mutually identified by EU and NATO member states. This would be likely to reduce barriers to closer defence coordination within the EU – with the EU able to finally drive member states to adhere to capability development plans – as well as with NATO.

The sobering effect of the pandemic would help the generation of capability-development plans focused on redundant combat as well as combat-support and combat-service-support capabilities. In time, this would mean that some European military forces would become smaller, but they would also become more effective, with reduced duplication: for many there is, finally, greater value to be gained from their financial inputs. Similar to Silver Linings, this would mean close coordination with NATO, not just on capability generation but also on a more complementary approach to command and control and the allocation of operations; headquarters could be combined to improve coordination. Washington would likely welcome both Europe’s decision to do more for its own defence, but also the probability that this might make it a more effective defence and security actor.

In Home Alone, the variable recovery is also marked by an increase in conflicts, likely in their intensity as well as incidence, notably in areas that were conflict-affected to begin with. These states were in large part already ill-equipped to cope, and this has worsened. In this regard, the emergence of regional coalitions of nations could prove beneficial, but much depends on the aspirations of each coalition. With Russia and China using their relative recovery to compel and coerce other governments, and the EU and the US realising that they are unable on their own to counter these states’ actions, Brussels and Washington would agree to coordinate the activities of their respective coalitions, with NATO and EU staffs providing this function. This scenario also holds nuclear proliferation risks, including in the Indo-Pacific. Iranian efforts to pursue a nuclear-weapons capability can be expected to intensify.

While coordination would be likely on shared security interests, such as countering Russian and Chinese activity, it could in this scenario be more selective when it comes to the protection of international trade routes. With renewed stress being laid on security of supply, and globalisation increasingly selective, a desire by both EU states and the US to ensure security of supply would raise the possibility that both might disagree. This would make it more important that military-to-military ties remain as close as possible, with coordination managed by both NATO and the EU. More generally, both the US and European states would need the military capabilities to fulfil the requirement to protect trade routes and to ensure security of supply.

In Europe, variable budgets and improved coordination – including over threat perceptions, capability-development plans and procurements – mean that capability choices focus on effective centres of excellence. Small states might accept that there is no need for boutique capabilities, and large states could accept
that they have shared security responsibilities. EU and NATO states will coordinate plans to procure and manage global-surveillance and cyber capabilities, and there are likely in this scenario to be increased investments by some states in large combat enablers, such as transport and tanker aircraft that allow operations at distance, as well as long-range strike power. This effective division of labour in procurement would produce more efficient platform generation, but it would require EU and NATO armed forces to improve their inter-operability: smaller states may forego low numbers of expensive assets, but the quid pro quo is that they will not be prepared to simply provide personnel to staff lower-tier capabilities and the deployments these would equip.
The COVID-19 pandemic is an event of world-shattering proportions, and yet over the coming three to five years many of its political and military implications are likely to be evolutionary in nature. The pandemic is likely to be an accelerant of trends and developments that were already in motion before the virus emerged. Even with this qualifier, political and military adjustments can be significant, as the scenarios have illustrated. In the period considered here, the potential for radical change (and a break with past practice and assumptions) is perhaps greatest in the economic realm, including on matters of debt, monetary policy and supply chains.

Much is still unknown about the ultimate effects of COVID-19. It is therefore important to begin the process of considering the possibilities in a systematic way. The scenarios presented in this paper are not predictions, neither were they designed to identify the most likely or most probable outcomes. Instead they were developed with the intention of illuminating plausible ‘future worlds’ to assist in the task of thinking about the future in a context of persisting uncertainty.

The scenario implications will be useful to policymakers seeking to identify particular developments that may be desirable or undesirable. This will in turn facilitate discussion about the levers available and the extent to which such developments can be influenced by, for example, a government. Furthermore, the scenarios can be helpful in recognising courses of actions that appear to be robust in the sense that they would yield beneficial results across a range of alternative futures. Of course, even ‘future history’ marches on and it will remain crucial to consider the impact of unfolding events in order to maintain a sense of the direction of travel. The following selected examples, which were developed from the vantage point of European governments, show that much will depend on the perspective chosen.

For Europeans, preparing for international circumstances in which playing to one’s own strengths becomes increasingly difficult – because there is less of a focus on rules-based international cooperation and exchange – is an important starting point. The scenarios suggest there is nothing to be gained from an inward-looking perspective. Widening the aperture of statecraft within and without multilateral institutions and re-learning the language of power was already part of the discussion among foreign- and security-policy leaders in the EU before COVID-19. Doing so is ever more pressing in scenarios where the international risk of miscalculation is elevated and the danger of unintentional but rapid escalation of international conflict is increased, not least because there will be actors who will thrive even under adverse circumstances, and the ability to act at speed will be vital.

The EU has a historic track record of delivering technical aid and assistance as well as financial support to non-member countries and economies in transition. While the means to do so will not be available in all of the potential contexts discussed here, the scenario work suggests they could be a strong tool to gain political and economic benefits. Therefore, it is helpful for policymakers to consider what such programmes might look like and who priority recipients should be if the focus is on counteracting the effects of the pandemic and positively influencing developments, should the opportunity present itself.

The issue of trust in institutions and societal cohesion featured in the scenarios highlights European vulnerabilities related to adversarial information campaigns. Tying discussions about resilience to multinational regulation, for example concerning digital media and wider cyber vulnerabilities, will be important but difficult in circumstances where it is likely that policymakers’ impulses will default to the national level.
as the appropriate arena for decision-making. Greater cohesion on this matter might come from the insight that the task of reducing vulnerabilities is really one of accepting persistent vulnerabilities and managing the risks they pose. A risk-management mindset makes it easier, in discussions on resilience, to include a focus on how to recover from shock and how to restore the ability to operate.

Leveraging technology to drive economic transformation, including the ‘greening’ of economic activity, is an opportunity. Paired with the possibility that there is a fracturing – if not a complete decoupling – of commercial and wider economic activity that will most likely suppress growth, such an approach could open a wide field of potential activities: European governments would have to consider if the financial and political incentives that might be required to attract and sustain a manufacturing and technology base are directly supporting transformational goals.

On the defence side, the scenarios show that the risk and threat vectors continue to increase as a result of the pandemic. They also show that it will most likely be harder to provide the tools and instruments to address them. Alongside tasks that fall into the area of military aid to civil authorities and other homeland-security aspects, some of the scenarios raise the spectre of a more unconstrained use of military force and a heightened likelihood of inter-state conflict. Given the constrained budget environment for defence, the political temptation to concentrate on a part of the task spectrum to the detriment of others will be high. This would create future moments of increased vulnerability. For Europeans to avoid this, barriers to defence cooperation need to be lowered and a division of labour discussed. A short-term measure to address some of the readiness and manpower challenges identified in the scenarios would be a coordinated European investment in synthetic training environments.

Perhaps the most important point to take away from a European perspective – one that is perhaps self-evident and yet gets lost in the frenzy of activity to address COVID-19 – is that across the scenarios a coherent and cohesive Europe is a prerequisite to exploit opportunities and avoid becoming, if not the battleground, than at least the playground for the political and economic policies of others.
For example, at the time of writing it was unclear when a reliable vaccine would be available, how long it would take to produce significant quantities of it and for how long it would provide protection from infection.


The scenarios developed in this paper are not primarily about the course of the COVID-19 pandemic itself, how long it will last or how many ‘waves’ it might produce. The scenarios might, however, make reference to certain events – such as an effective vaccine being developed and distributed, or recurring pandemic waves complicating economic recoveries around the world – in order to provide context and establish important parameters for the narratives that underpin each scenario.


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