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GEOPOLITICAL RISK OBSERVATORY

North Africa

Luiss Report
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November 2025

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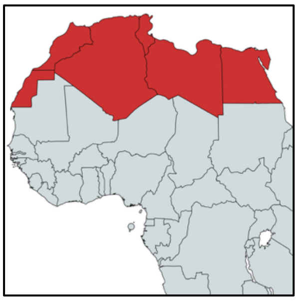
GRO Overview: North Africa

GRO Overviews are neither extensive analysis nor news updates. Instead, they offer a general perspective over areas and issues, trying to provide a series of factors and variables that organizations should monitor to anticipate risks. For in depth analysis or day to day updates you should contact the observatory at strategicchange@luiss.it

Summary

North Africa's geopolitical risk profile in late 2025 is defined by intertwined stressors: fragile domestic politics in key states (Egypt, Tunisia, Libya, Algeria, Morocco), spillovers from Sahel insecurity, transactional great-power competition, climate and water stress, and the weaponization of migration and energy linkages to Europe, all of which elevate exposure to shocks in trade, security, and finance across the Mediterranean corridor and beyond.



Historical and Geopolitical Context

Since the Arab uprisings of 2011, North Africa's political trajectories diverged but retained common threads of regime resilience, constrained reforms, and security-first governance, particularly where counterterrorism, border control, and regime stability were prioritized over deep institutional change, leaving structural socio-economic grievances unresolved in multiple countries. The protracted war and fragmentation in Libya, coupled with recurrent governance and economic strains in Tunisia and Egypt, created a Maghreb and Nile corridor where domestic fragility intersects with transnational networks in the Sahel, enabling jihadist and criminal actors to exploit borderlands and weak peripheries. In parallel, the region's diplomacy has shifted toward tactical, transactional bargaining, leveraging migration flows, energy, and selective security cooperation, amid narrower Western engagement and a more multipolar environment featuring Russia, Gulf actors, Turkey, and China, reshaping alignments without resolving underlying risk drivers.

Global implications

Energy, migration, and security make North Africa a global risk transmission belt: disruptions in Algerian gas, Libyan exports, or Eastern Mediterranean routes can ripple into European energy security, industrial inputs, and the EU's decarbonization pacing and pricing, especially as Europe leans on Mediterranean energy and clean-molecule corridors during its transition period to 2030 and beyond. Escalation or spillover from the Sahel's insurgencies or from Middle East flashpoints into North African theatres could stress NATO's southern flank, trigger maritime and airspace risk premia, and complicate supply chains through the Gibraltar and central Mediterranean routes, with second-order effects on insurance, logistics, and tourism. Increasing use of migration management and critical inputs as bargaining chips raises the volatility of EU-North Africa agreements, potentially affecting Schengen dynamics, European politics, and regulatory responses, while global fragmentation and tariff frictions amplify uncertainty around industrial investments tied to the region's location advantages and trade access. Besides migration inflows, Europe is also exposed to the region in terms of dependency from natural resources, especially oil. Moreover, different economic trends in growth and attractiveness mark a fragmented region with great internal divisions. Morocco and Egypt are experiencing robust growth and attracting significant foreign investment, in sharp contrast to Algeria and Tunisia, where economic stagnation and fiscal pressures persist. Geopolitical frictions compound these economic disparities. The sustained closure of the Algeria-Morocco border continues to fuel intra-Maghreb rivalries heightened also by recent negotiations on fighter jets supply to Morocco from USA, while Libya remains an arena for proxy competition between multiple major foreign actors including Egypt, UAE, Turkey.

Practical implications for businesses and interests

Political-security risk manifests as episodic operational disruption risks—port slowdowns, air/sea advisories, and localized curfews—especially where borderlands and coastal hubs interface with transnational networks, raising costs via security, compliance, and insurance surcharges for logistics, energy, and tourism operators. Policy and regulatory volatility—price controls, FX measures, localization, and sudden shifts in migration or energy bargaining—can affect market access, cash repatriation, and contract sanctity, making political-risk coverage, step-in clauses, and robust dispute resolution strategies critical for investors in infrastructure, energy, and manufacturing. Opportunity-risk duality persists in energy and transition value chains: Algeria's modernization of hydrocarbons, Morocco's renewables and prospective green molecules, and Mediterranean interconnections present investable pipelines, but bankability hinges on credible EU-Mediterranean frameworks, stable offtake, and shielded cross-border infrastructure amid contested security and fragmented geopolitics. The area is also particularly exposed to changes in the security conditions in the Read Sea with potential disruptions on the Suez Canal and global trade routes.

What to monitor

To effectively navigate this complex environment, the following indicators should be continuously monitored for signs of escalation or change:

- Sahel spillover indicators: jihadist activity migration northwards, border incident frequency, and changes in joint operations or security cooperation with Maghreb states.
- Libya stabilization trajectory: ceasefire integrity, oil export continuity, and milestones toward unified institutions or renewed fragmentation.
- Energy corridors and deals: Algerian and Libyan gas reliability, EastMed and Nigeria–Morocco pipeline milestones, and EU–Mediterranean energy pacts shaping offtake and financing.
- Migration governance shocks: shifts in EU-North Africa agreements, maritime interdiction practices, and domestic political pressures influencing transactional leverage.
- Macro-financial stress: FX liquidity, inflation, subsidy reforms, and IMF-linked conditionality affecting Egypt, Tunisia, and others with spillovers to payment risk.
- Great-power footprint changes: Russian, Gulf, Turkish, Chinese security-economic engagements and implications for Western access, sanctions, and compliance.
- Climate and water stressors: drought, agricultural output swings, and infrastructure strain affecting social stability and migration pressures.
- Regional security architecture: NATO southern flank initiatives, EU security-migration packages, and African regional bloc realignments impacting coordination.

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