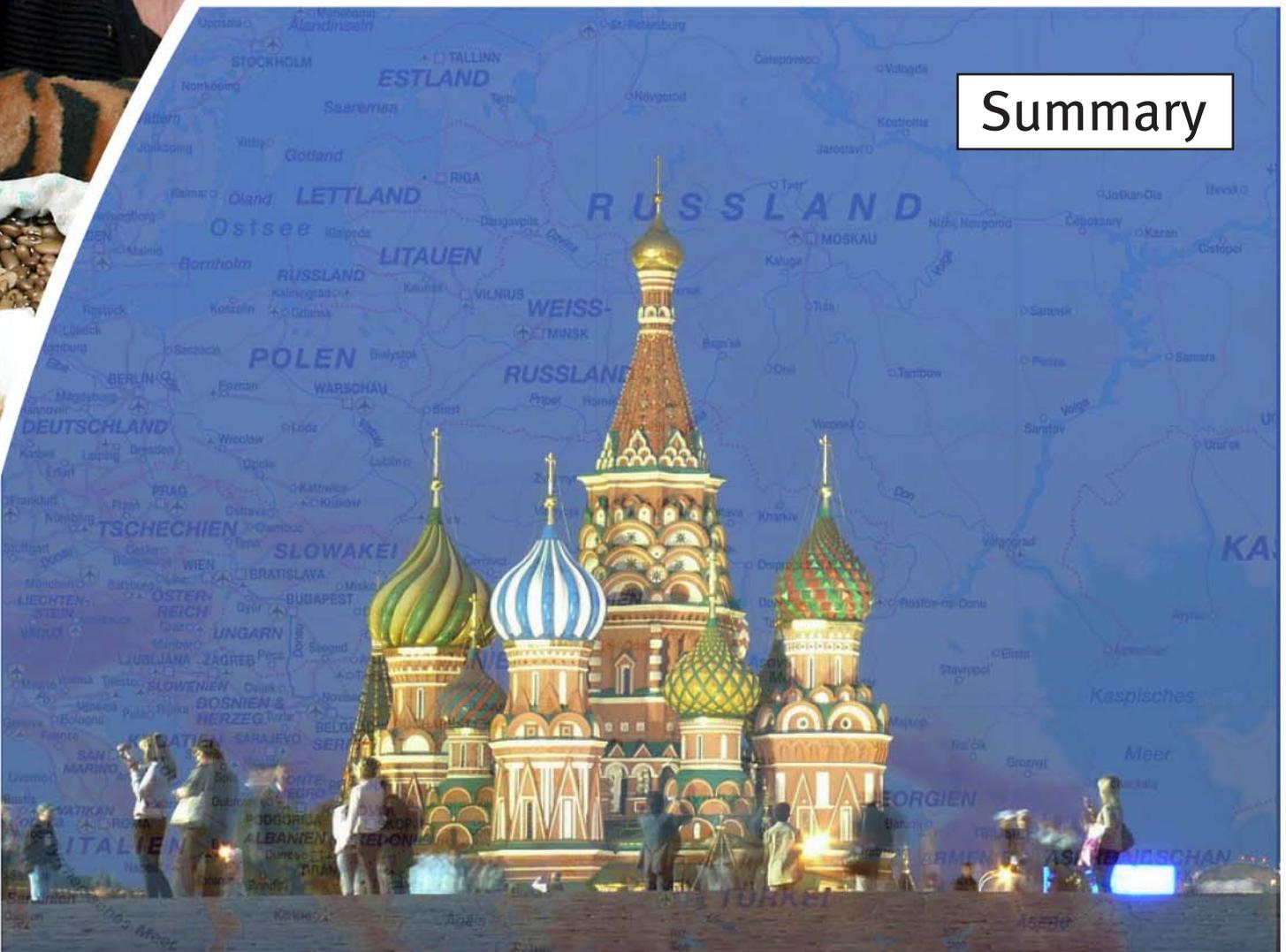


Eastern Europe 2030

Scenarios and perspectives

Summary



ScMI AG:

ScMI stands for »Scenario Management International«. Since its founding in the 1990s, ScMI is a specialist and market leader in developing and implementing scenarios. Its corporate objective is to support companies and organizations in the design of visionary strategies as well as the creation and implementation of strategic management and early warning processes.

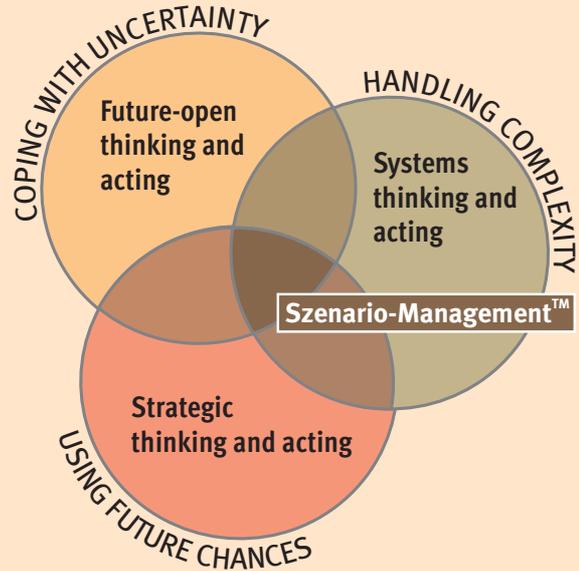
Based on its methodological competence, ScMI has worked with the majority of German DAX-companies. Furthermore the computer-aided scenario method has been enhanced by ScMI to fit the needs of small and medium-sized enterprises as well as business units and departments of a company. Together with its clients, ScMI has accomplished more than 250 scenario development projects.



Please feel free to contact us, if you are interested in our company profile or further information.

Scenario-Management

Today private, state and public organisations face three challenges: increasing uncertainty, increasing complexity and increasing competition. They have to consider three new approaches in order to master these:



Coping with uncertainty: Today changes are standard. Rigid prognoses fail. Therefore, companies have to accept that the future is no longer predictable. Moreover, they should anticipate alternative future paths and integrate these multiple future into their strategic planning. This approach is called future-open thinking.

Handling complexity: Many markets and industries are converging. The amount of relevant influence factors is increasing and it is difficult to understand their interactions. Thus companies must learn to understand these interactions and the behaviour of such systems so that effective strategies can be developed. This approach is called systems thinking.

Using future chances: It is important in a situation of increasing competition to be one step. Therefore, companies should not only concentrate on short term success. They have to identify future possibilities and risks early enough in order to integrate them in their decision process. This is the core of strategic thinking.

Scenarios describe the identification of alternative future developments on the basis of systems thinking. The development and implementation within the context of strategic decision processes is the subject of scenario-management. ScMI develops this approach continuously and adjusts it to new application areas.

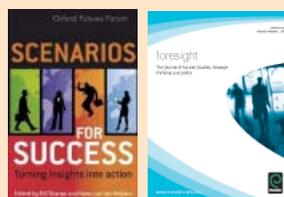
Further information:

A. Fink, O. Schlake, A. Siebe: **Erfolg durch Szenario-Management** – Prinzip und Werkzeuge der strategischen Vorausschau, Campus-Verlag

A. Fink, A. Siebe: **Handbuch Zukunftsmanagement** – Werkzeuge der strategischen Planung und Früherkennung, Campus-Verlag

A. Fink, P. Hadridge, G. Ringland: From Signals to Decisions. in: B. Sharpe, K. van der Heijden (edit.): **Scenarios for Success: Turning Insights into Action**. Chapter 6, Wiley, Chichester

A. Fink, A. Siebe, J.-P. Kuhle: **How scenarios support strategic early warning processes**. in: *foresight*, Vol. 6 No. 3, 2004, S. 173-185





Eastern Europe 2030 – Scenarios and perspectives ...

»Where is Eastern Europe?« – even that question is complex enough to set off several controversies. For those from »the West« having suffered from the Cold War, Eastern Europe is closely connected to the former Soviet Union. But furtherly taking into account historic, geographical, ethnic and cultural aspects, that subjective picture of Eastern Europe increases to a heterogeneous one. A picture that we can hardly take a standard look at (see box below). However, various general questions are arising – especially in the corporate, political and public field:

- What about Eastern Europe's future economic importance – as marketplace, energy supplier and as economic actor?
- How stable will this area be?
- What will the relationship between Russia and the EU look like?
- Which way will the Eastern European countries orient themselves? – Which part of Eastern Europe will belong to the EU and in how will that affect the progress of the entire EU?

The answers to those and further questions need to be elaborated coherently instead of giving an isolated account of them. Consequently, it is evident to think ahead

Where actually is »Eastern Europe«?

The definition of the term »Eastern Europe« depends on where and how it is applied:

- **Geographically**, Eastern Europe comprises the Ukraine, the European part of Russia, Belarus, and occasionally Moldavia. Due to their location, those countries are also called »North-Eastern-Europe« (Northern Russia belonged to Northern Europe for a long time).
- **Historically**, the Baltic states need to be added to the definition given above. The Caucasian countries Georgia, Armenia and - conditionally - Aserbeijan are often considered to be part of Eastern Europe as well. The importance of the Orthodox Church is characteristic of that term.
- **Ethnically**, linguistically and culturally, Eastern Europe represents the part of the continent inhabited by Slavic Peoples. With reference to that assumption, the Hungarian, Romanian, Moldavian, Lithuanian, Latvian and the Estonian as non-slavic countries are consequently no part of Eastern Europe.
- **Politically**, in times of the Cold War, Eastern Europe was the term for the accumulation of all communist countries in Europe.

In the following, we will take on a view as extensive as possible and thus most likely use the term Eastern Europe in its political sense.

Eastern Europe's long-term capabilities by means of scenarios. In doing so, it is not the intention of the ScMI AG to depict the precise future in terms of a prognosis. In fact, an intellectual framework is created, which enables decision makers to run through the consequences of different options and thus, prepare for the future.

The scenario creation process involves the challenge of equilibrating a comprehensive perspective on the one and an adequately specific point of view on the other hand. Consistently, the scenarios for Eastern Europe cover the development of both individual sub-regions such as the current EU member states and specific regions such as the Balkans and Caucasus. At the same time, they do not relate to unique developments of single countries (besides Russia).

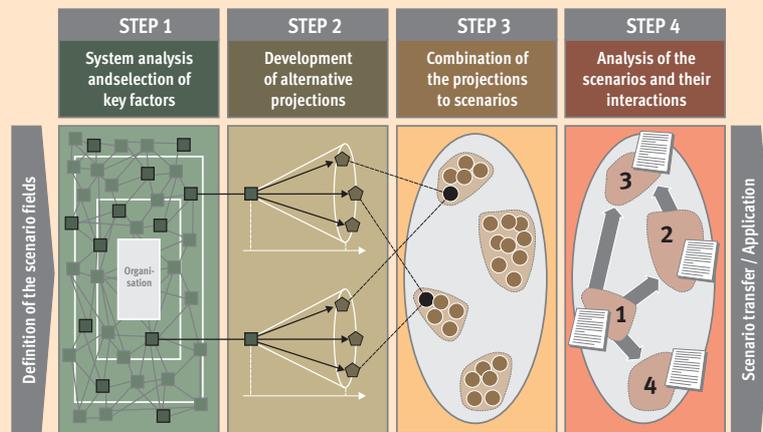
The future visions now being available emerged from an internal scenario project. Their aim is – besides the illustration of the the Scenario Management – to give food for thought, depict possible consequences and to encourage future-open thinking in general.

Please do not hesitate to contact us for a further insight into that topic.

Dr. Alexander Fink
Dr. Andreas Siebe
Jens-Peter Kuhle

Four steps of scenario development

Scenarios are developed to support strategy or decision processes. Thus, they focus on a specific topic for example: a market, an industry or a specific environment. This scenario field needs to be defined before the four steps of scenario development can commence:



System analysis and selection of key factors (Step 1): Firstly, the scenario field is structured and described by concrete influence factors. Based on an evaluation of the interaction between the influence factors about 15-20 key factors are selected. These factors determine the future development of the scenario field.

Development of future projections (Step 2): Then, possible alternative future developments so called future projections are developed and formulated for each key factor. The future projections describe strategically relevant, characteristic and qualitative development alternatives of each key factor.

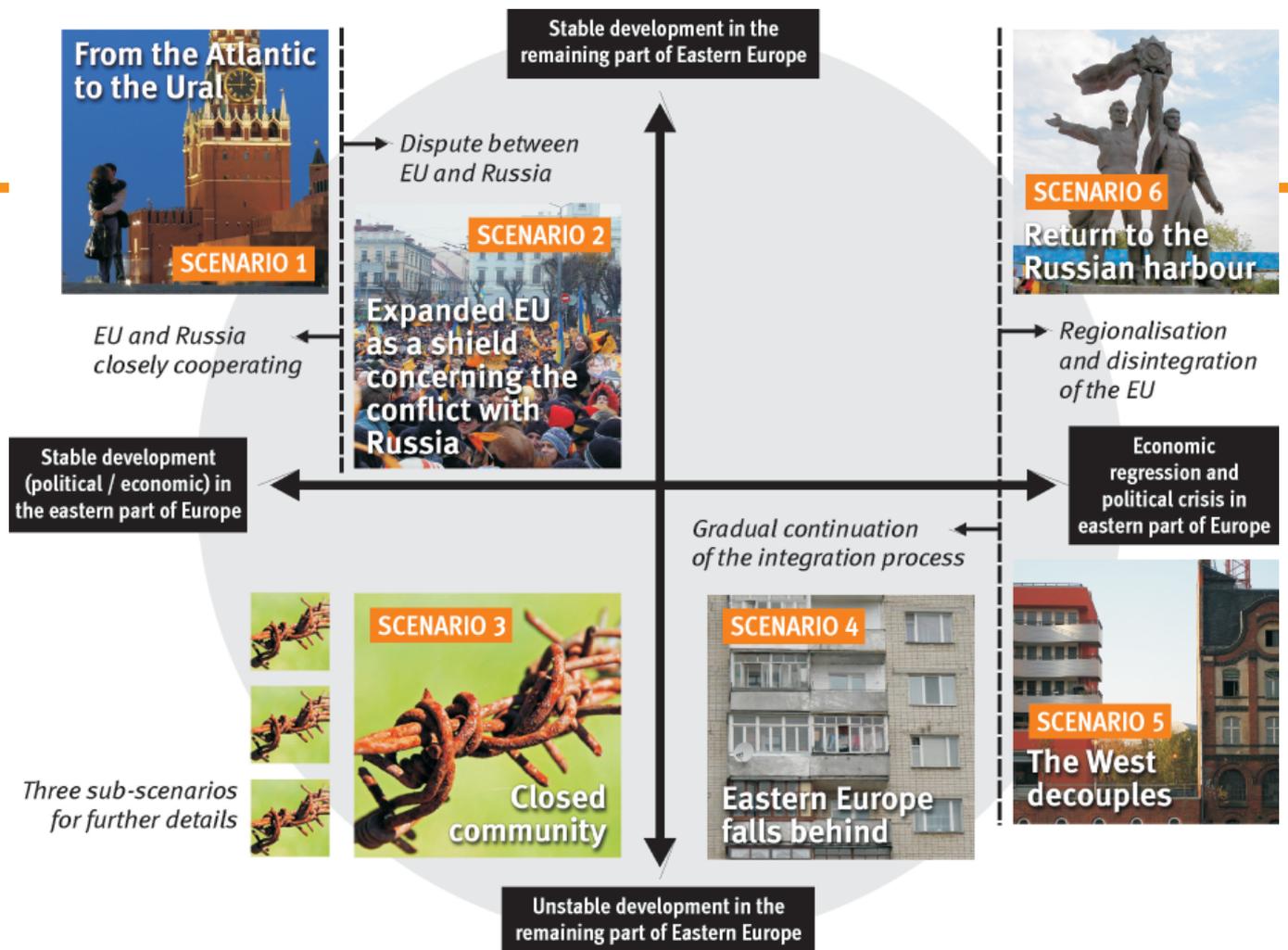
Linkage of the projections to scenarios (Step 3): Scenarios are thinking tools which show possible future developments. Thus, each scenario must be consistent and at the same time, the scenarios should differ from each other as much as possible. As a result of this process three to eight alternative scenarios describe the whole window of opportunities. Afterwards these pre-scenarios are enhanced so that they can be used by a particular target group.

Strategic interpretation of the future space (Step 4): Following their development the scenarios are interpreted strategically: Who are the winners and the losers? Who is pushing the scenario development? What are early signals that indicate the incidence of a scenario? This step finalizes the results of the scenario process in order to make them usable in the context of the strategic planning

Scenario processes are organised in two different ways:

Scenario project: The scenario development takes place in a series of mostly one-day workshops that are held by a scenario team. These workshops are prepared and reinforced by a small core team. This is the most intensive way to work on a topic as well as having flexible project management. This is shown by the possible range of a scenario project from three workshops and a duration of two months to projects with a large number of workshops and a duration of half a year.

Scenario conference: Alternatively, the scenario development takes place in a two- or three-day event that has been developed by ScMI and is exclusively offered as a scenario conference. Up to 25 people can participate in such a conference. It is also prepared by a core team so that the conference time can be used efficiently. In 2.5 days all essential milestones of the scenario development are run through in a group dynamic process.

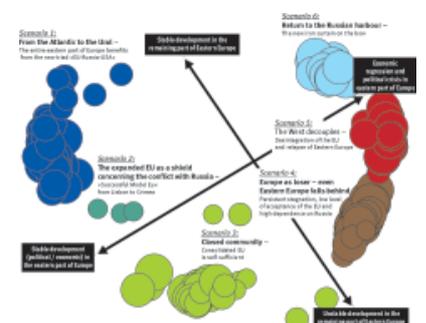


The »map of the future«

The future mapping gives an overview of the arisen scenarios that have been furtherly characterized according to two dimensions:

- The scenarios on the left hand side – 1, 2 and 3 – include growth, political stability and reliable allocation of resources in the eastern member states of the European Union. The scenarios on the right hand side – 4, 5 and 6 –, in contrast, reflect economic regression and unstable allocation of resources in those countries mentioned beforehand which at the same time means crises and a low level of acceptance towards the EU.
- The three scenarios in the upper part of the mapping – 1, 2 and 6 – represent a relatively stable political and financially successful development in a substantial part of the remaining Europe. Whereas the scenarios 3, 4 and 5 depict critical developments in various forms.

The basic difference between the scenarios in the first quadrant – 1 and 2 – lies in the position of Russia, which in, the first future, may be described as partnership and in the second as conflict. The European Union itself is considered to be distinctive with regard to the right part of the map. While scenario 4 includes a gradually continuing integration process, scenarios 5 and 6 foresee a deconstruction of the EU.



The map of the future is based on a »future space mapping« (Zukunftsraum-Mapping™), where scenarios are visualized as groups of similar possible futures. Within such a mapping, several dimension could be identified and sub-scenarios could be analyzed in detail.

The scenarios at a glance



From the Atlantic to the Ural

The entire eastern part of Europe benefits from the new triad »EU-Russia-USA«.

The three centres of power Brussels, Moscow and Washington have moved up closer and created a prospering economic area based on the western democratic model. The eastern EU member states benefit most from that development and increasingly catch up with the west. The remaining Eastern European states take advantage from their position as important link and develop into internationally successful business locations.



The expanded EU as a shield concerning the conflict with Russia

»Successful Model EU« from Lisbon to Crimea

Russia puts emphasis on its role as independent great power and tries to establish its own community of states with its close neighbours. But most Eastern European countries refuse to comply with that – even military – pressure and seek shelter under the »western shield« of NATO and EU. That extended form of the European Union embraces modern structures and thus creates growth and wealth which particularly is to its Eastern European member states' advantage.



Closed community

Consolidated EU is self-sufficient

The consolidation of the European Union led to an integrated 'union of 27' characterized by a social market economy and efficient social systems. Today's eastern border of the EU is a common policy that separates the wealthy eastern parts of the EU from the stagnating ones. At the same time, the autocratic Russia and the powerful European Union are in a state of fundamental conflict of interest.

The details of that scenario may be embodied by three different variations:

- Sub-scenario A: Warsaw is allowed to – Kiev is not
- Sub-scenario B: Eastern Europe as critical backyard of the booming EU
- Sub-scenario C: Three-step development: Western EU, Eastern EU, Eastern Europe



Scenario-Management is a systematic process that leads to alternative scenarios which could be used in strategic management, innovation and early warning processes.

Europe as loser – even Eastern Europe falls behind

Persistent stagnation, low level of acceptance of the EU and high dependence on Russia

Europe can hardly catch up with the geopolitical dynamics and noticeably falls behind the global economic competition with the United States and the emerging economies in Asia and South America. Being furthermore challenged by a persistent recession, the European area loses track of its integration processes. Its eastern member states even fall behind the internal competition being challenged by serious crises while the remaining parts of Europe are left out despite their Western orientation.



The West decouples

Desintegration of the EU and relapse of Eastern Europe

The European Union is practically faced with splitting. While its eastern European members suffer from a persistent recession, the western European countries are guided by their own interests and cooperate directly with Russia e.g. referring to the allocation of resources. Consequently, the EU becomes even less attractive to its eastern members. That makes them finally decouple and leads to a »quasi-withdrawal« of the eastward enlargement (that had already been completed)..



Return to the Russian harbour

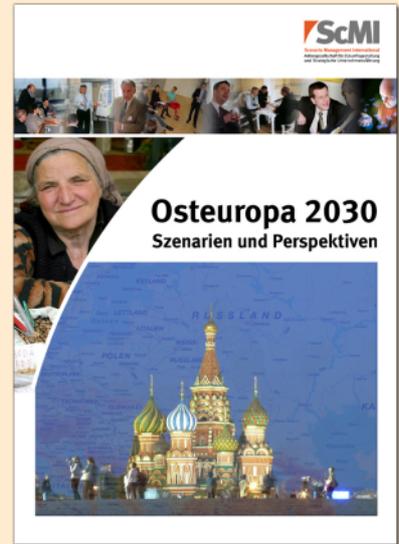
The new iron curtain on the bow

The European integration has lost its charisma. Especially Eastern Central Europe suffers from the conflicts arising from particular interests that wear out the union. Instead of orientating themselves towards the West, many of the autocratic and nationalizing countries in Eastern Europe look at Russia bearing up as local hegemonic power in a (in terms of security policy) fragmented world. Europe gives Russia free reign, being increasingly dependent on its resources.

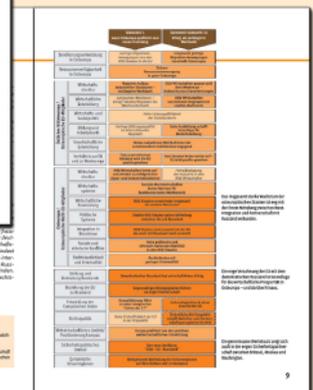
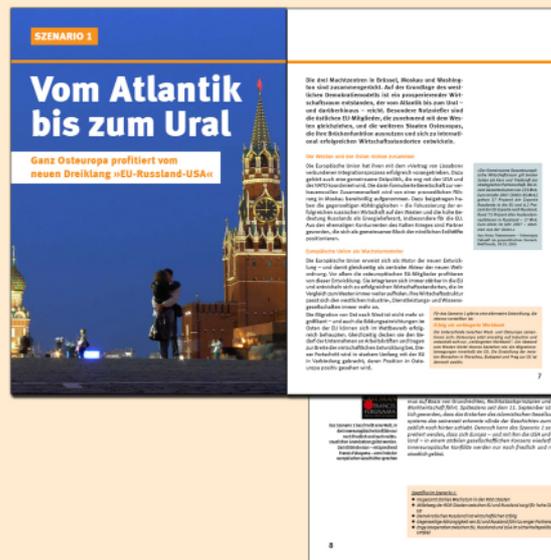


Scenario study

The results of ScMI's scenario project »Eastern Europe 2030« have been processed in a detailed report, which extensively describes the scenarios outlined above. It furthermore includes the analysis of the alternative paths of development, several sub-scenarios, indicators for early diagnosis, possible crisis scenarios as well as the various options for applying the scenarios in practice.



Please feel free to contact us, if you are interested in that comprehensive scenario study (which is available in German only) or with regard to any further questions.



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