



Trend Compendium 2050

Megatrend 2

Politics & Governance

2024
Edition



Roland
Berger

The Roland Berger Trend Compendium 2050 focuses on stable, long-term developments ...

- The **Roland Berger Trend Compendium 2050** is a global trend study compiled by **Roland Berger Institute (RBI)**, the think tank of Roland Berger. Our Trend Compendium 2050 describes the **most important megatrends** shaping the world between **now and 2050**
- Our **trend views are based on most recent studies, data and analyses.** We critically examine the results for relevance, plausibility and reliability
- We deliberately use **publicly available sources** to make our analyses verifiable
- To incorporate today's uncertainties into strategic planning, we recommend **combining the megatrends of the Roland Berger Trend Compendium 2050** with the **Roland Berger scenario planning approach**



Is it worth dealing with megatrends when globally impactful events such as the COVID-19 pandemic or the war in Ukraine are taking place?

Of course! The coronavirus pandemic and the war in Ukraine have far-reaching consequences and deeply affect people, economies, and politics but neither event has derailed the megatrends analyzed herein – this is the inherent nature of megatrends: climate change, societal aging, or technological innovations do not lose their momentum, their direction, or their importance. To overcome such challenges and to master resulting opportunities, our awareness and our understanding of megatrends is vital – not least in order to develop sustainable answers

... and covers six megatrends that shape the future development of our world to 2050

1

People
& Society



Population
—
Migration
—
Education
& Labor
—
Values

2

**Politics &
Governance**



Global
Risks
—
Geopolitics
—
Future of
Democracy

3

Environment
& Resources



Climate Change
& Pollution
—
Biodiversity
—
Resources &
Raw Materials

4

Economics
& Business



Global Trade
& Value Chains
—
Power Shifts
—
Energy
Transformation
—
Debt Challenge

5

Technology
& Innovation



Value of
Innovation
—
Frontier
Technologies
—
Humans &
Machines

6

Health
& Care



Global Health
Challenges
—
Healthcare of
the Future
—
Caregiving

Global risks center around environmental concerns while geopolitical power shifts are underway – Decline of democratic traits accelerates

Subtrends of megatrend "Politics & Governance"



2.1
Global
Risks



2.2
Geo-
politics



2.3
Future of
Democracy

1



Global
Risks

2



Geo-
politics

3



Future of
Democracy

Awareness of global risks is key for decision makers everywhere – For the decade ahead, environmental, tech and societal concerns rank highest

Top 20 global risks on a ten-year horizon by likely severity of impact, 2024




2.1

Global Risks



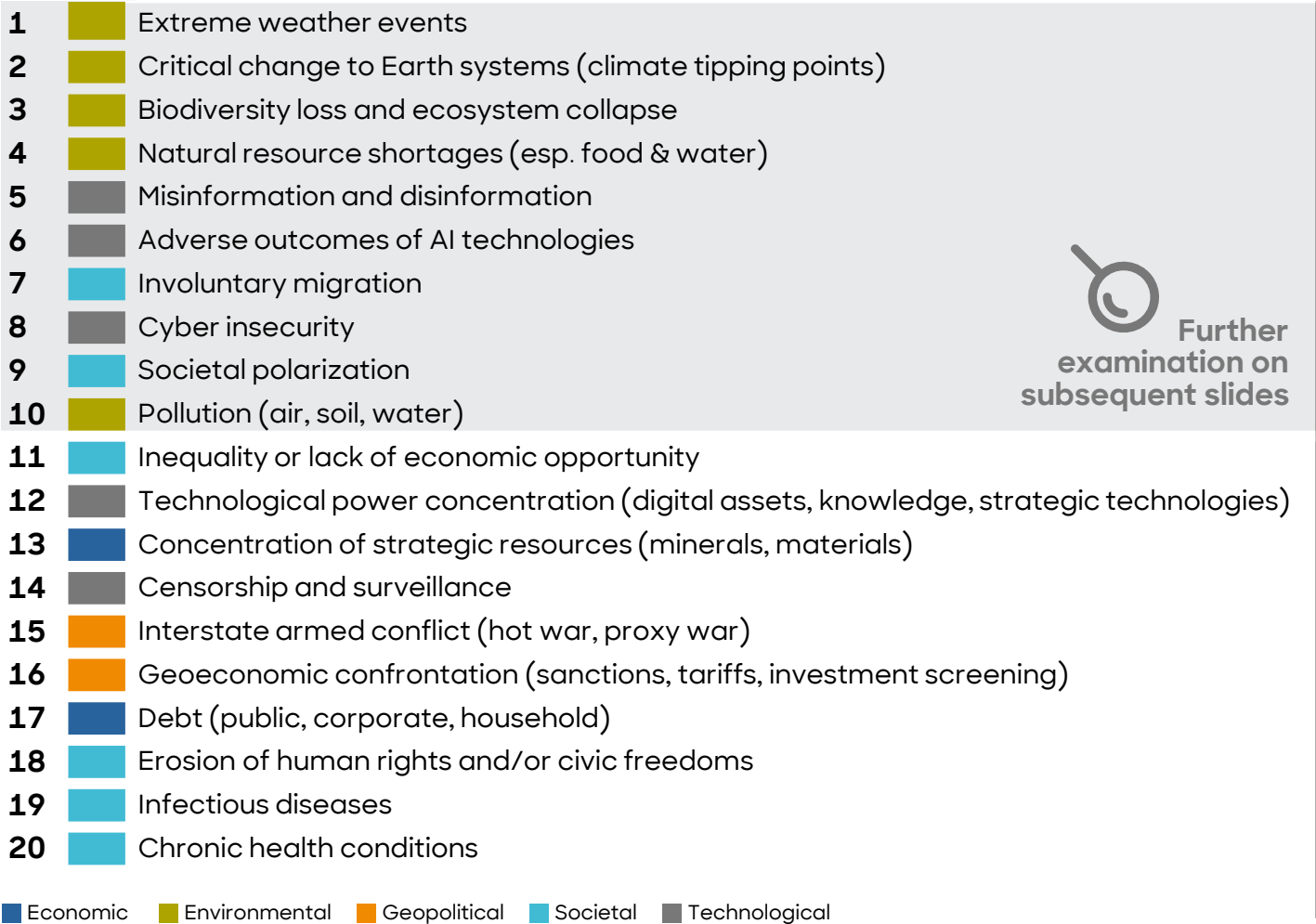
2.2

Geo-politics



2.3

Future of Democracy



- The World Economic Forum's Global Risks report is based on its annual **Global Risks Perception Survey** completed by more than **1,400 members** from the WEF's network of business, government, civil society thought leaders, policy makers and risk experts. Input for the 2024 report was sought in the fall of 2023
- The WEF defines **global risk** as "the possibility of the occurrence of an event or condition which, if it occurs, would **negatively impact** a significant proportion of global GDP, population or natural resources."
- Among the WEF **Global Risks 2024** assessment **with a 10-year view, environmental (climate- and nature-related) risks clearly dominate** the top 5 as well as the top 10 – a trend now evident for more than half a decade
- **However, technological and societal risks** are now both more pronounced in the top 20 under a long view than previously seen
- Most notably and for the first time, **multiple tech risks** have moved up this long view ranking; equally, **societal concerns** – such as challenges brought on by large-scale involuntary migration as well as societal polarization – have overtaken some economic and geopolitical concerns

Globally, environmental, tech and societal risks are considered to dominate the next ten years – Our analysis continues along these three risk clusters

The 10 most severe risks over the next 10 years¹⁾



2.1

Global Risks



2.2

Geo-politics



2.3

Future of Democracy

Environmental



- 1

Extreme weather events
- 2

Critical change to Earth systems (climate tipping points)
- 3

Biodiversity loss and ecosystems collapse
- 4

Natural resource shortages (water, food)
- 10

Pollution (air, water, soil)

Technological



- 5

Misinformation and disinformation
- 6

Adverse outcomes of AI technologies
- 8

Cyber insecurity

Societal



- 7

Involuntary migration
- 9

Societal polarization

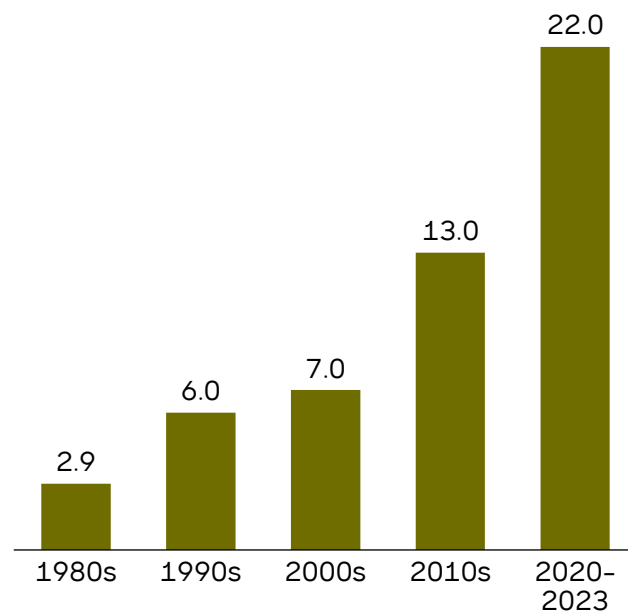
- Results concerning the top 10 risks under the longer, **ten-year horizon view** highlight 3 clusters: the **perceived importance of environmental risks** is taking the top four places and totaling **five out of ten of the most severe risks** – a view not dissimilar to the previous year
- **However – and for the very first time** in the more than two-decade long history of this WEF survey under a long view – **three technological risks** are being anticipated so acutely by respondents that they have risen to represent the **second most important** risk category in the top 10 – even pushing economic and geopolitical risks further down the ranking. By contrast, **only a year ago, there were no technological risks** among the ten most severe longer-term risks
- In the following, **our analysis of global risks is grouped in line with the three dominant risk clusters** from the 2024 WEF Top 10 Global Risks, as shown on the left
- Furthermore, **geopolitical risks, trends and challenges** are examined in subsequent sections here in **Megatrend 2 Politics & Governance** of the **Roland Berger Trend Compendium 2050**
- Regarding present and future societal trends, please also refer back to the recently published **Megatrend 1 People & Society** of the Trend Compendium 2050 for more detailed analysis
- Even more in-depth analysis of trends regarding **Environment & Resources** and **Technology & Innovation** topics can be found in **Megatrend 3** and **Megatrend 5**, respectively (both forthcoming)

1) Input for the 2024 WEF Global Risks Report was sought in the fall of 2023
Source: WEF; Roland Berger

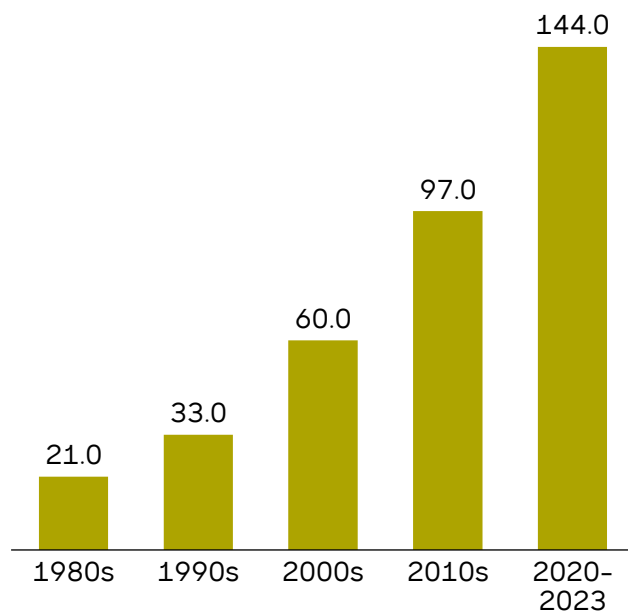
Extreme weather events, the top longer-term risk, present a sizeable challenge: Events and associated costs have been surging for decades

Weather and climate disasters in the US where overall damages/costs reached or exceeded USD 1 bn¹⁾

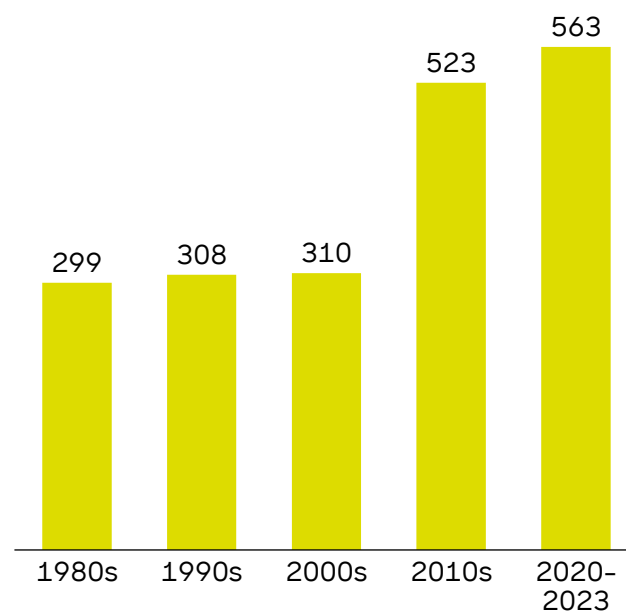
Average number of events p.a.



Average cost p.a. [USD bn]



Average number of deaths p.a.



“Extreme weather is becoming the new normal.”

António Guterres, Secretary-General of the UN

1) 2023 preliminary NOAA figures not yet inclusive of all data for the December 2023 East Coast storm and flooding event
Source: NOAA National Centers for Environmental Information; UN; Roland Berger

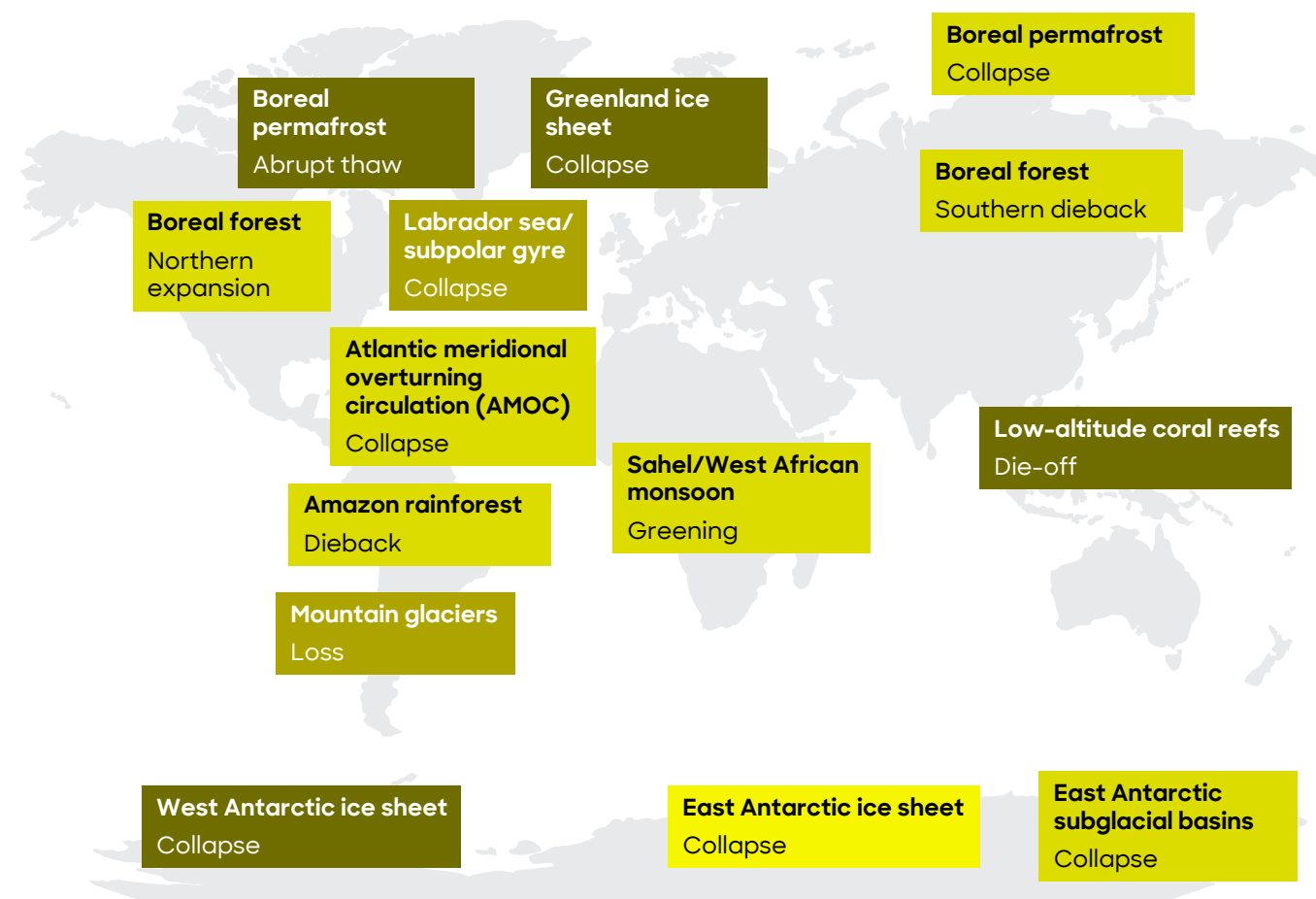
**2**

Critical change to Earth systems (climate tipping points)

Politics & Governance

Critical change to Earth systems is looming, as the breaching of tipping points becomes more likely ...

Examples of global and regional tipping elements



Global warming thresholds: ■ 1.5°C ■ >1.5°C-2°C ■ >2-4°C ■ >4°C

- **Tipping elements** are large-scale, relevant **components of the Earth's system**, which are characterized by a threshold behavior
- There are three categories of tipping elements: **oceanic** and **atmospheric circulation patterns** (e.g. that of the Atlantic ocean), **cryosphere entities** (e.g. Arctic/Antarctic ice melting), and **biosphere components** (i.e. large-scale ecosystems such as coral reefs)
- Large-scale discontinuities in the climate system have a **temperature change threshold** – a **tipping point**; once tipped, transition (abrupt or gradual) can continue without further forcing
- **Tipping points vary**: For example, coral reefs are more susceptible to rising temperatures than the Amazon rainforest
- Information from most recent IPCC report suggests that **tipping points could be exceeded even between 1 and 2°C of warming** – not at 5°C as was previously thought. Four elements (low-latitude coral reefs, the Greenland and West Antarctic ice sheets, and boreal permafrost) are expected to tip at 1.5°C
- At the current trajectory of global warming, at **least one tipping point could be passed in the coming 10 years**, with climate scientists noting that **cascading effects** might be common



2.1 Global Risks



2.2 Geo-politics



2.3 Future of Democracy



2

Critical change to Earth systems (climate tipping points)

Politics & Governance



2.1

Global Risks



2.2

Geo-politics



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Future of Democracy

... and failure to act (faster) will result in double digit economic losses - Two regions will be more affected than others

Mid-century GDP changes with different temperature rises and economic impact severity, relative to a no-climate change world¹⁾ [%]

	Well below 2°C increase Paris target	2.0°C increase The likely range of global temperature gains	2.6°C increase	3.2°C increase Severe case
World	-4.2%	-11.0%	-13.9%	-18.1%
North America	-3.1%	-6.9%	-7.4%	-9.5%
South America	-4.1%	-10.8%	-13.0%	-17.0%
Europe	-2.8%	-7.7%	-8.0%	-10.5%
Middle East & Africa	-4.7%	-14.0%	-21.5%	-27.6%
Asia	-5.5%	-14.9%	-20.4%	-26.5%
Oceania	-4.3%	-11.2%	-12.3%	-16.3%

1) Temperature increases from pre-industrial time to mid-century (2048). Data show values for the upper border of the simulation range, i.e. for severe outcomes of tail risk parameters ((un)known unknowns)

Source: Swiss Re; Roland Berger

Intact ecosystems deliver value through a broad spectrum of services – Their total value is 1.5 times the size of global GDP

Monetary values p.a. for biodiversity and ecosystem services, by biome

Value in int. USD per hectar, 2007 prices

	Provisioning services	Habitat services	Regulating services	Cultural services	Total economic value
Marine	102	5	65	319	491
Coral reefs	55,724	16,210	171,478	108,837	352,249
Coastal systems	2,396	375	25,847	300	28,917
Coastal wetlands	2,998	17,138	171,515	2,193	193,845
Inland wetlands	1,659	2,455	17,364	4,203	25,682
Fresh water	1,914	0	187	2,166	4,267
Tropical forest	1,828	39	2,529	867	5,264
Temperate forest	671	862	491	990	3,013
Woodlands	253	1,277	51	7	1,588
Grasslands	1,305	1,214	159	193	2,871

- High levels of **biodiversity and intact ecosystems** provide **indispensable beneficial services** at local, regional and global level, thus providing food and habitats, help mitigate climate change and pollution, and provide cultural and recreational services
- The **global economic value of biodiversity and ecosystem services** is estimated to be more than **1.5 times the global GDP**
- Such **estimates** are uncertain (as are those for single biomes or services), but they **highlight the sheer scale of the economic value** derived from biodiversity and ecosystem services
- There are two **main reasons why biodiversity and ecosystem services are undervalued** in political and business decisions, economic accounts, and market prices **at present**: First, **decision makers lack knowledge** about the interactions between economies and ecosystems. Second, most of the **ecosystem services** are not priced into the market because they are **public goods**
- To help provide a **full picture of biodiversity's connection with the economy**, a universal, **comprehensive natural capital accounting framework (UN SEEA¹)** has been created. As of 2022, 92 countries have compiled UN SEEA accounts

1) UN SEEA: System of Environmental-Economic Accounting
Source: OECD; Markandya; de Groot; Costanza; SEEA; Roland Berger



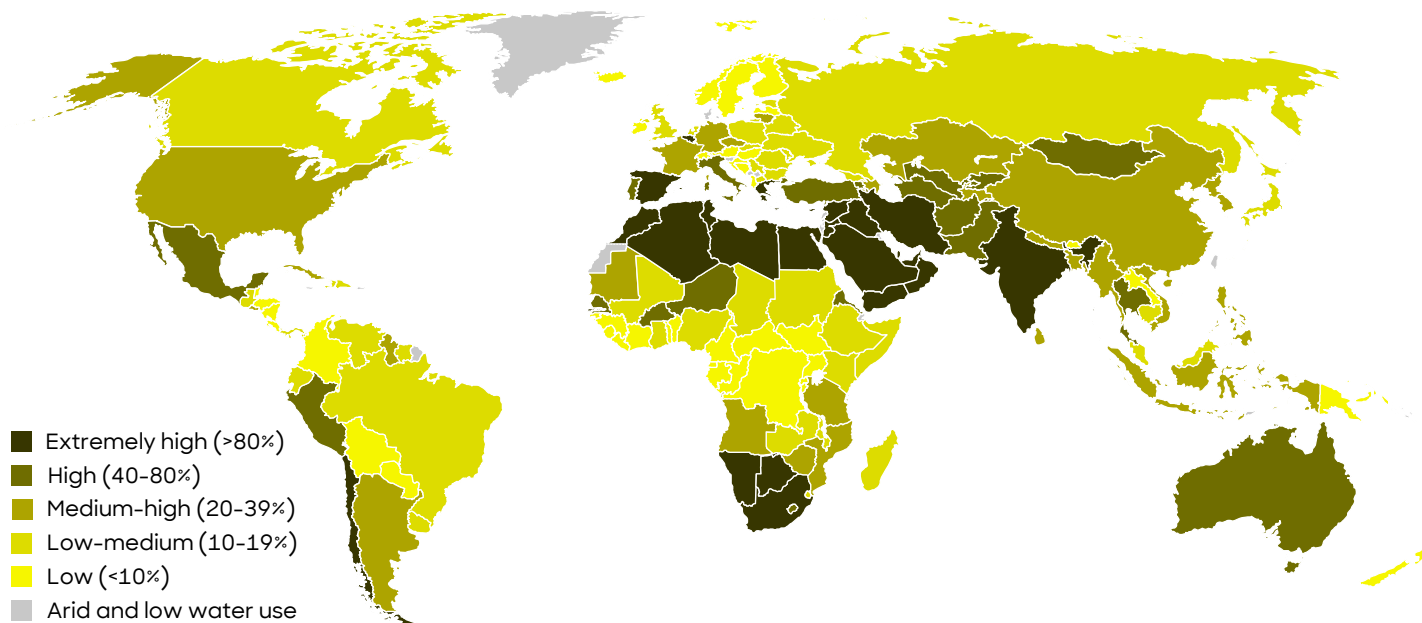
4

Natural resource shortages (water, food)

Politics & Governance

Water is essential to all living beings but - as the climate warms - A further 1 billion people will live with extreme water stress by 2050

Projected water stress levels¹⁾ in 2050



”

"Water is essential to nearly every crisis we face, because when we don't have enough water, we don't produce enough food or energy."

World Resources Institute

- The **level of water stress** is defined as the proportion of **total freshwater withdrawal** by all major sectors (agricultural, industrial, municipal) in relation to **total renewable freshwater resources** after considering environmental flow requirements. Glaciers, lakes and rivers as well as groundwater are all considered as freshwater
- At present (2023), the World Resources Institute's Aqueduct Water Risk Atlas shows that **25 countries – housing one quarter of the global population – face extremely high water stress each year**, regularly using up almost their entire available water supply (e.g. Bahrain, Cyprus, Kuwait, Lebanon, Oman)
- At least **50% of the world's population – around 4 billion people – live under highly water-stressed conditions for at least one month of the year**; this will rise to **60% by 2050**. Such short-term draughts have recently affected Mexico, parts of the UK, South Africa, Iran, and India
- Increased water demand is often the result of growing populations and industries but living with this level of **water stress jeopardizes people's lives, jobs, food and energy security**

1) Water stress level: Ratio of withdrawals to water supply; baseline water stress measures the ratio of total water demand to available renewable surface and groundwater supplies. Water demand include domestic, industrial, irrigation, and livestock uses. Higher values indicate more competition among users. A country facing "extreme water stress" means it is using at least 80% of its available supply, "high water stress" means it is withdrawing 40% of its supply

Source: World Resources Institute; WEF, Roland Berger

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Global Risks

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Geo-politics

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Future of Democracy

Air, water and soil pollution can reinforce their respective harmful effects, adversely impacting the environment, health outcomes and the economy

Air, land/soil and water pollution – A vicious circle of environmental pollution



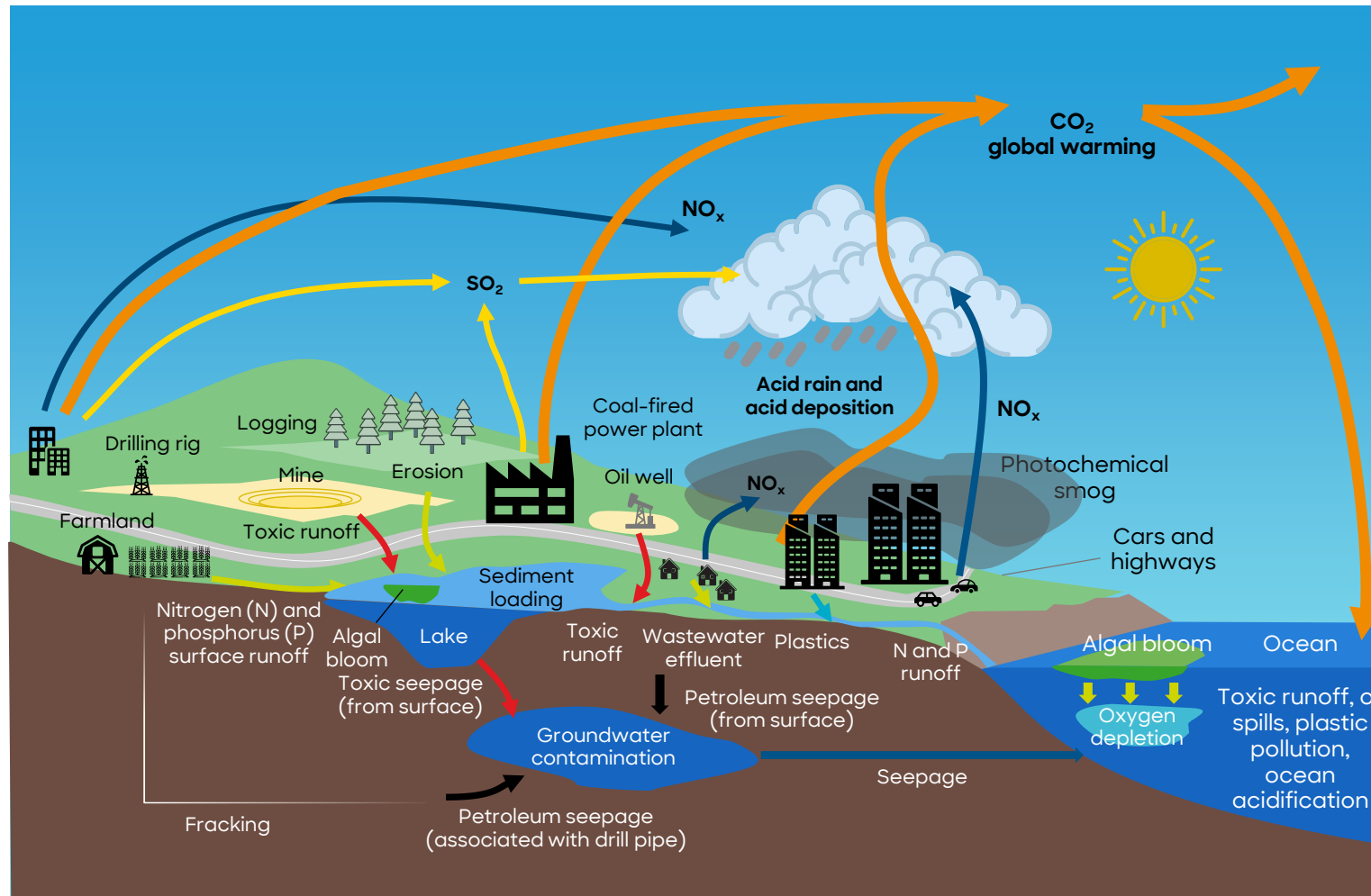
2.1 Global Risks



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2.3 Future of Democracy

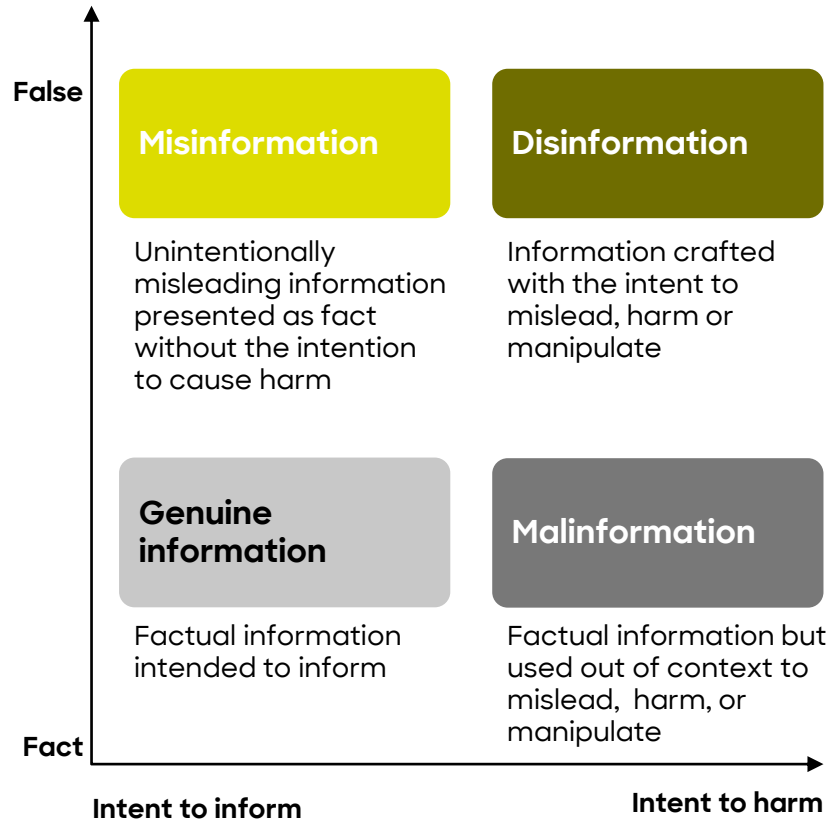


- Pollution, i.e. the introduction of **harmful materials into the environment** (air, land, water) stemming from **human activity**, carries many **risks**, such as impacts to and loss of human life, financial loss, and/or damage to nature and ecosystems
- Human activity includes **household and industrial activities** and accidents, **oil spills** and **radioactive contamination**. Noise and light pollution are two further types of originating from human activity
- Other causes of pollution include **natural events**, for example, particles emitted during volcanic eruptions
- **Because air, land and water interact with each other, their respective pollution undergoes mutually reinforcing effects:** contaminants in the air can be washed into the soil through means of natural precipitation, subsequently running off into waterways, groundwater and oceans – a vicious circle of environmental pollution

Tech risks and intent: As mis- and disinformation grow as global risks, their influence on societal and political divides becomes more pronounced

Information ecosystem

Concerns over weaponization of fake news, 2022



Global 27¹⁾

76%

+4
pts

Change,
2021 to 2022

- **Disinformation**, such as manipulated content designed to imitate credible sources, and **misinformation**, e.g. satire taken as factual news, **disrupt our information ecosystem** with widespread and adverse impacts on public perception
- Mis- and disinformation, ranking 5th overall among global risks, is the leading technological risk; this highlights the **urgency posed by unregulated technologies**, particularly in light of **2024's key elections**
- AI advancements have enabled the creation of sophisticated **deepfakes**, adding to the increasing challenge of discerning truth in media as well as the authenticity of online content
- With the Edelman Trust Barometer indicating a **record high level of concern over fake news**, the integrity of upcoming key elections is at stake, necessitating a concerted effort to develop and implement strategies to also **combat AI-generated dis- or misinformation** and strengthen trust in the information infrastructure

1) Global 27 refers to the 27 countries surveyed in the Edelman Trust Barometer 2022, including Argentina, Australia, Brazil, Canada, China, Colombia, France, Germany, India, Indonesia, Ireland, Italy, Japan, Kenya, Malaysia, Mexico, Russia, Saudi Arabia, Singapore, South Africa, South Korea, Spain, Thailand, the Netherlands, United Arab Emirates, United Kingdom, and the United States



2.1 Global Risks



2.2 Geo-politics



2.3 Future of Democracy

While AI capabilities are hugely promising, adverse outcomes of AI tech cause a variety of concerns even amongst tech experts

Selected critical views of entrepreneurs and scientists on AI

Erik Brynjolfsson, MIT
"We need to work aggressively to make sure technology matches our values."

Elon Musk, Tesla
"I think there's a real danger for digital superintelligence having negative consequences. So, if we're not careful with creating artificial general intelligence, we could have a potentially catastrophic outcome."

Sam Altman, OpenAI
"The best case [for AI] is so unbelievably good ... But the bad case ... is like lights out for all of us ... It's impossible to overstate the importance of AI safety and alignment work."

Bill Gates, Microsoft Foundation
"[The power of AI is] so incredible, it will change society in some very deep ways. The world hasn't had that many technologies that are both promising and dangerous."

AI Technology and concerns: key Insights from selected publications

Rapid pace

AI development is outstripping regulatory adaptation, leading to potential systemic risks

Opacity

The "Black Box" nature of AI complicates understanding and accountability

Autonomy threat

Advancing AI systems may undermine human autonomy and decision-making capabilities, making individuals more dependent on AI

Data abuse

Data use and surveillance in complex systems is designed for profit or for exercising power

Concerns

Inequities

AI may worsen existing social and economic disparities

Displacement of jobs

AI advancements may lead to significant job displacement, creating existential risks for workers unable to transition to new roles

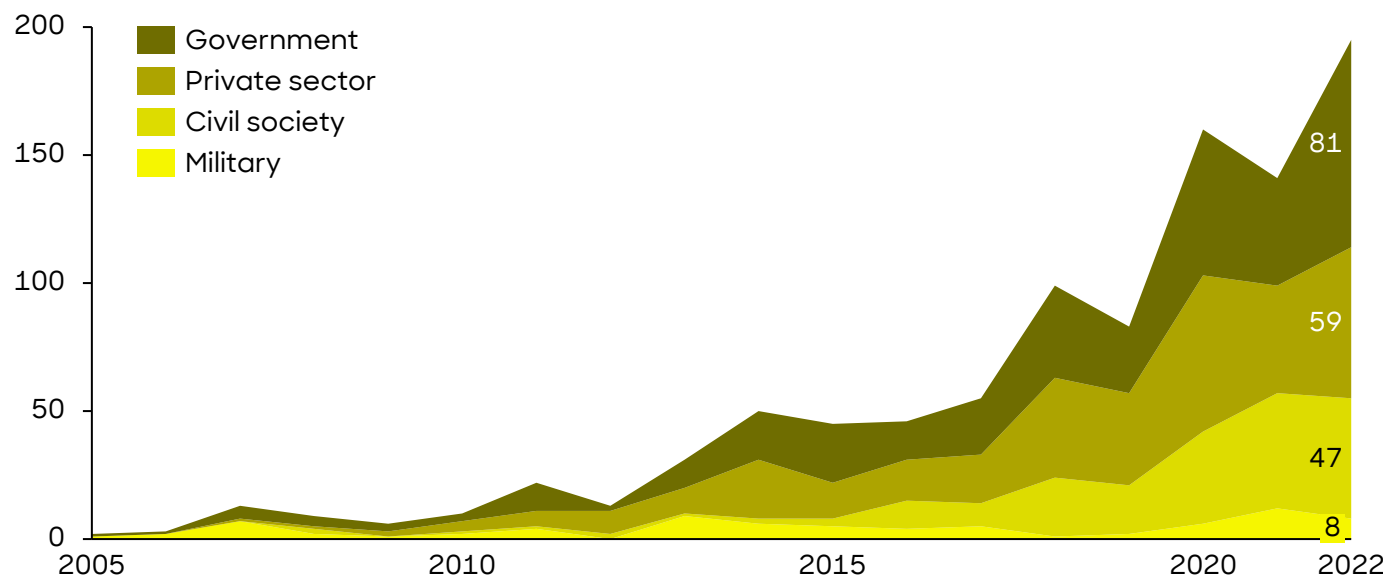
Misuse potential

AI capabilities could be exploited for harmful purposes, impacting global security, with examples including the weaponization of information and mayhem caused by rogue AI and autonomous weapons

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Global
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Cyber incidents are a constant risk for governments as well as companies, the top two targets of state-sponsored cyberattacks

Cyberattacks by target, 2005-2022¹⁾



“Particularly in an era of rising tensions between superpowers, **cyberattacks are another battlefield** in which escalation is a key risk. **If cyberthreats continue without mitigation, governments will continue to retaliate** against perpetrators, **leading to open cyberwarfare**, further disruption for societies and **loss of trust in governments’ ability to act as digital stewards.**”

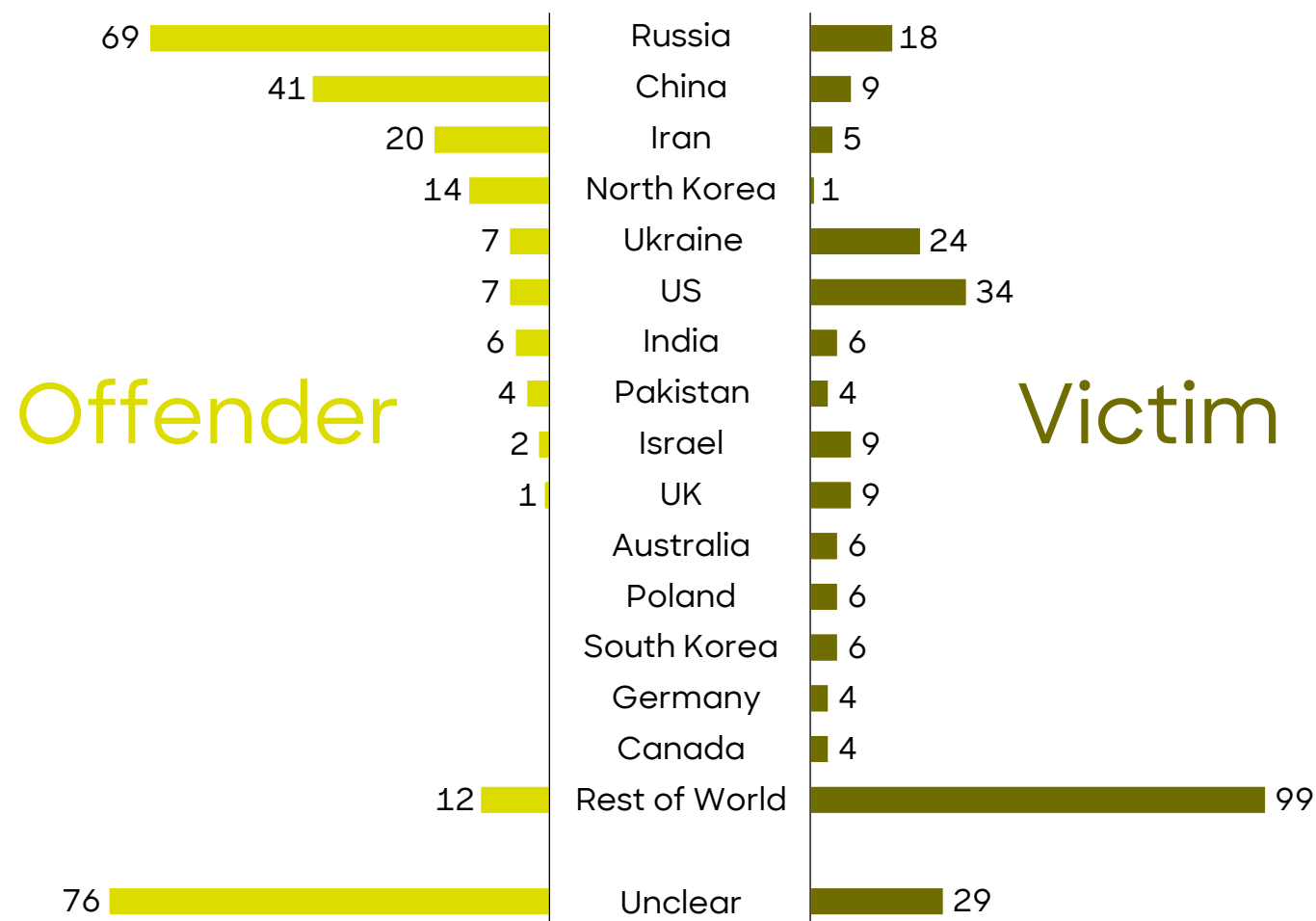
World Economic Forum

- The CFR's cyber operations tracker focuses on instances of **publicly known state-sponsored cyber activity**, therefore only containing **data** involving suspected **perpetrators (threat actors)** affiliated with a **nation-state**. The purpose is to comprehensively and accurately identify when states conduct cyberoperations in pursuit of **foreign policy interests**. Reporting on nonstate actors – such as hacktivist groups – tends to be murkier, thus giving less reliable data
- **Governments** and the **private sector** are the clear **top two targets** of such malevolent cyber activity (e.g. incidents of denial-of-service attacks, espionage, destruction of data, sabotage, etc.). A more recent trend is the **rise in attacks on civil society** targets
- **Cyber insecurity** stems from the use of cyber weapons and tools to conduct **cyber crime, cyberespionage, cyberterrorism, and cyberwarfare**, to gain control over or cause disruption to the target's operations
- **Cyberterrorism** is the use of computer network tools to **shut down critical national infrastructures** (such as energy, transportation, government operations), or to coerce or intimidate a government or civilian population

1) CFR's Digital and Cyberspace Policy program's Cyber Operations Tracker is a database of publicly known state-sponsored incidents that have occurred since 2005
Source: CFR; WEF; Roland Berger

Global cyber risks: China, Iran, North Korea and Russia lead attacks - US and Ukraine are the most targeted countries recently

Cyberattacks¹⁾ by offender and victim, January 2022 - December 2023¹⁾

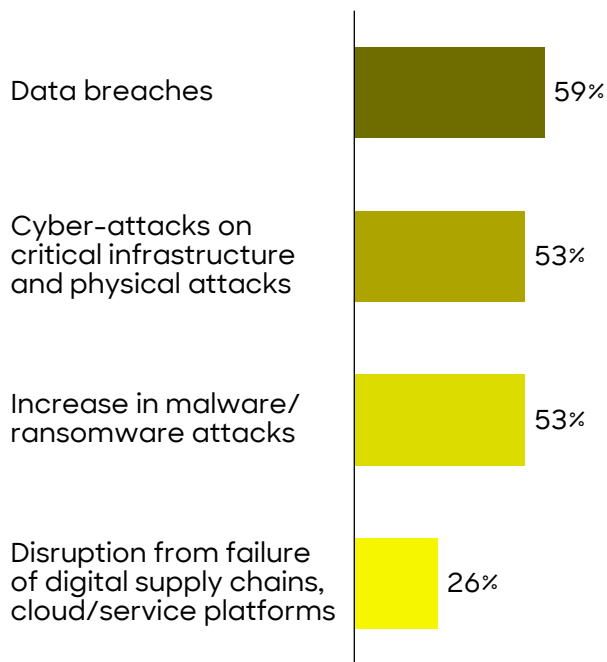


- In the main, the **predominant sources** of clearly identifiable cyberattacks are from four countries: **Russia, China, Iran, and North Korea**. Within the analyzed time frame, Russia is notable for 69 attributable attacks, many of which can be linked to the ongoing war in Ukraine
- In stark contrast to the highly concentrated number of offenders, the **victims** of cyberattacks **are more globally dispersed**, with the "Rest of World" group alone accounting for 99 incidents. This reflects the **global vulnerability** and the indiscriminate nature of cyber threats that extend beyond major powers to affect – sometimes simultaneously – a wide array of nations
- The category labelled "unclear" highlights the **inherent difficulties in cyberattack attribution**. The anonymity of the cyber realm and the use of sophisticated techniques to conceal an attacker's identity mean that many cyber perpetrators remain unidentified, thus posing a significant challenge for cybersecurity efforts

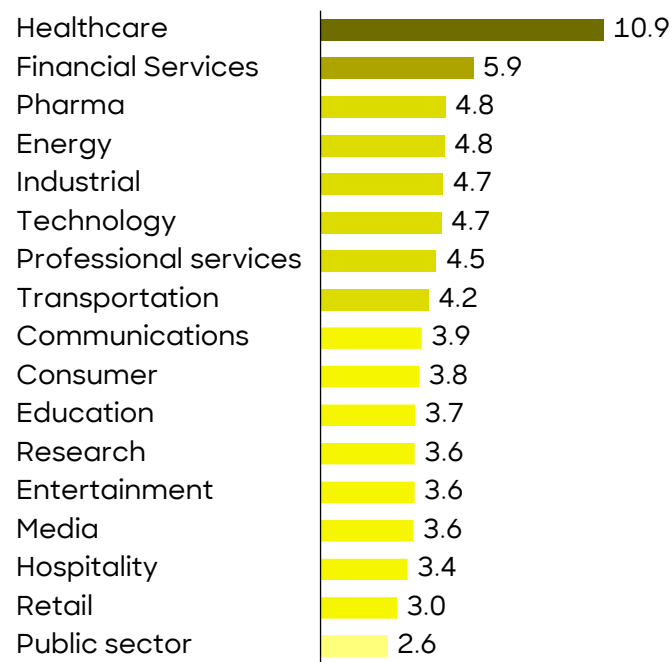
1) The CSIS timeline lists state actions, espionage, and cyberattacks with losses over USD 1 million. For corporate victims, the country of the company's base or the attack location was used. The number of total offenders is not equal to the number of total victims, as one country can target multiple victims in a single cyber attack

For businesses, data breaches are the top cyber concern – The average global cost of a data breach by industry varies widely

Top types of cyber exposure concerns for businesses¹⁾, 2024 [%]



Average cost of a data breach by industry, 2023 [USD m]



“Among the major drivers of cyber risk are **wars** and other **forces majeures**, **large-scale shifts in economic cycles**, and **new vulnerabilities** that can emerge any time a team introduces changes to factors such as business models, key partners, core processes, technology adoption, and regulatory compliance.”

John Fokker, Head of Threat Intelligence, Trellix

- For companies, the top cyber concern according to the 2024 Allianz Risk Barometer are **data breaches**; the primary objective of a **data breach** is **data theft**
- The **average global cost of a data breach** reached a new high in 2023 of **USD 4.45 million** according to IBM, but this varies markedly across industries, with the **highest average cost** seen in the **health-care** industry, which is highly regulated and considered critical infrastructure
- For businesses equally concerning are **attacks on critical infrastructure/physical attacks** and the increase in **ransom- or malware attacks**
- The primary goal of a **ransomware attack** is **monetary gain**: the average **cost of a ransomware attack cost more than the average cost of a data breach**, estimated at USD 5.13 million (2023)
- Cyber attacks can have many **hidden costs**: Beyond direct monetary losses, costs can include opportunity costs (lost sales), system downtime, reduced efficiency, reputation damage, loss of trust, IP theft, detection, escalation and incident response costs, notification cost, post-breach response cost, outside assistance cost, cyber risk insurance, and damage to employee morale

1) Total number of respondents: 3,069 respondents from 92 countries. Survey undertaken in the fall of 2023; respondents could select more than one risk
Source: Allianz; IBM; Trellix; Roland Berger

The number of forcibly displaced people has nearly doubled between 2015 and 2023 – their number is expected to increase further

Selected examples of involuntary migration¹⁾



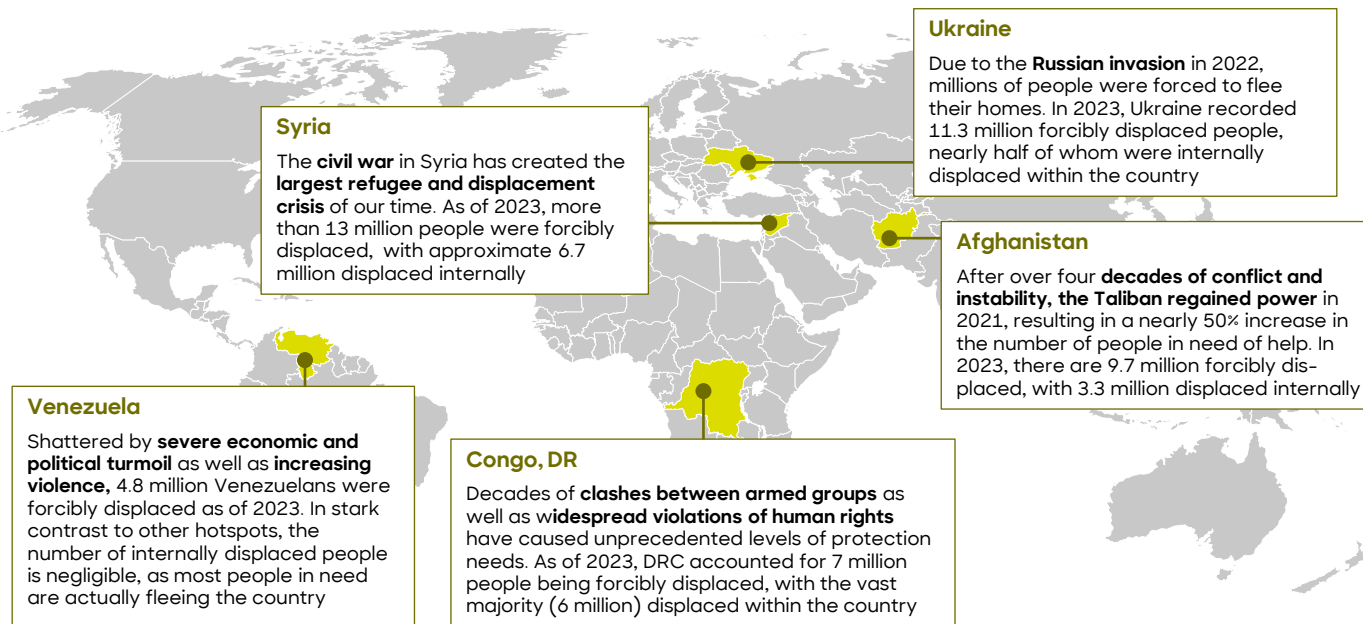
2.1 Global Risks



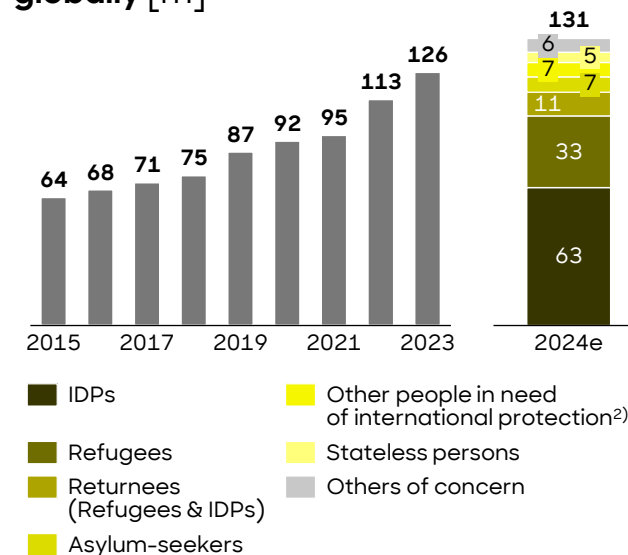
2.2 Geo-politics



2.3 Future of Democracy



People subject to forcible displacement, globally [m]

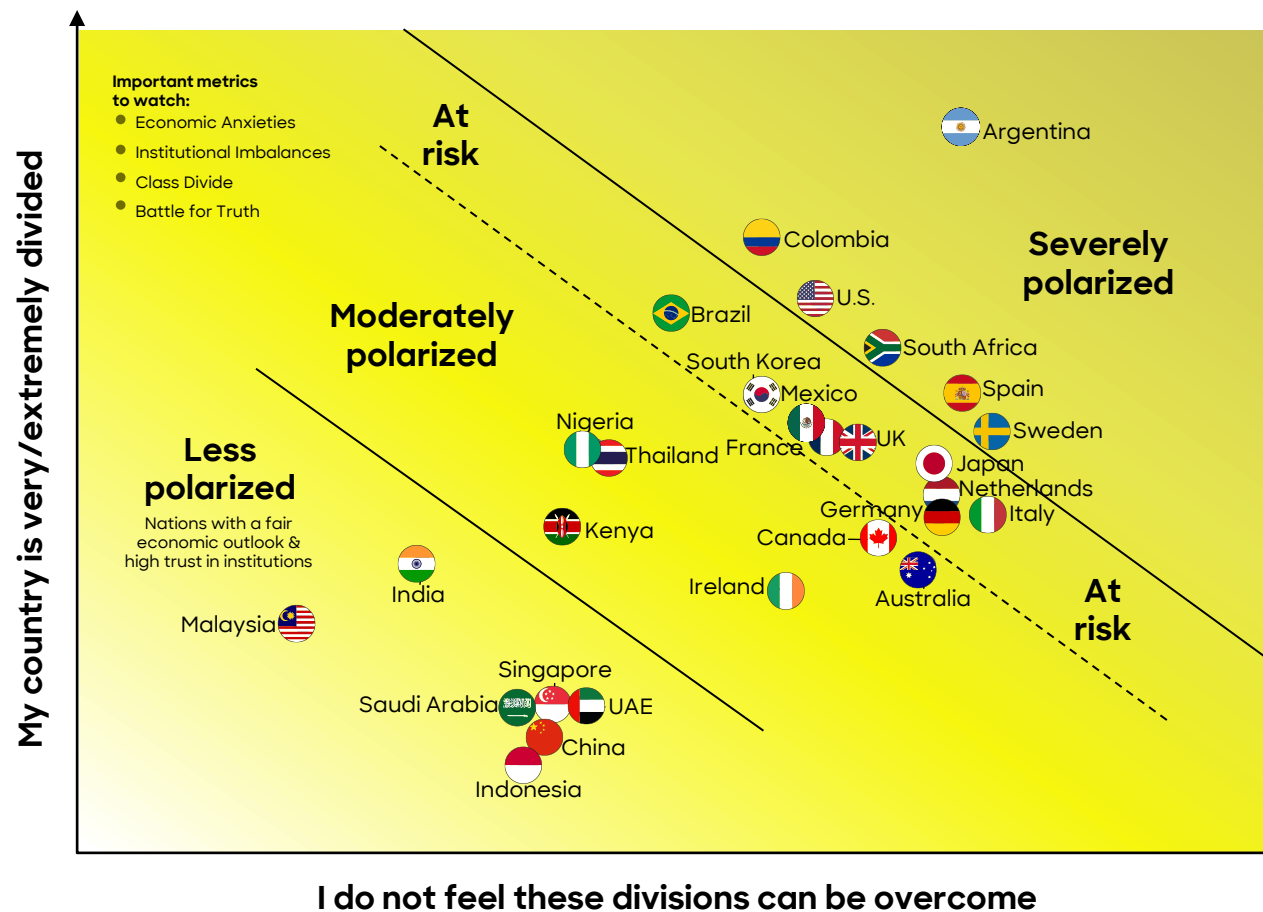


- Every year, millions of individuals are compelled to abandon their homes **due to conflict, violence, human rights violations, persecution, disasters, and the repercussions of climate change**
- While individuals from various countries globally experience forced displacement, **Syria, Ukraine, Afghanistan, the Democratic Republic of the Congo, and Venezuela** have emerged as recent hotspots for violence and turmoil, leading to a **substantial exodus** of people from their homes
- In addition to the significant human tragedy for those affected, **involuntary migration places tremendous pressure on host countries**. Issues such as limited residential space and rising migration costs contribute to **growing discontent** among the local population, fostering increased **polarization**

1) WEF definition of involuntary migration risk drivers include, but are not limited to, persistent discrimination and persecution; lack of economic advancement opportunities; human-made disasters; natural disasters and extreme weather events, including impacts of climate change; and internal or interstate conflict; 2) UNHCR: People who are outside their country or territory of origin, typically because they have been forcibly displaced across international borders, who have not been reported under other categories (asylum seekers, refugees, people in refugee-like situations) but who likely need international protection, including protection against forced return, as well as access to basic services on a temporary or longer-term basis

Distrust, weak social fabric, and perceived unfairness drive polarization globally – Many western countries are at risk of being severely polarized

Divided nations with entrenched divisions, 2023, survey results¹⁾



- With macroeconomic pressures emerging from the COVID-19 pandemic, the Russian invasion of Ukraine and the subsequent cost-of-living crisis, a **new set of anxieties** have been **added** to already **existing worries** about climate change and job losses due to automation (and most recently, AI) for many people
- Consequently, a **descent from distrust to acute polarization** can be observed in many countries – which, in some cases, is **turning violent** as was evident, for example, in the storming of the United States Capitol building in 2021, or the lengthy and fierce Gilets Jaunes protests in France
- A survey conducted by the Edelman Trust in 2023 revealed that there are already **six countries that are severely polarized**, with a **further nine countries – most of which are industrialized Western economies – at risk of severe polarization**. A country is considered severely polarized, when most respondents assumes their country to be very or extremely divided and feel that those divisions cannot be overcome
- According to the survey, **distrust in governments, a lack of shared identity, systemic unfairness, economic pessimism, societal fears and distrust in media** are the **largest drivers of polarization** in all countries surveyed – creating a toxic mix
- Without intervention**, it is highly likely that a **continued move from a crisis of institutional trust to a crisis of interpersonal trust** can be observed in the future, potentially leading to even more violence

1) Results of a survey of more than 32,000 people from 28 countries
Source: Edelman Trust Barometer; Roland Berger

According to survey results, polarization has increased recently in many countries – Social fabric appears to weaken across the globe

Divided nations with entrenched divisions, 2023, survey results¹⁾ – Percent who say... [%]



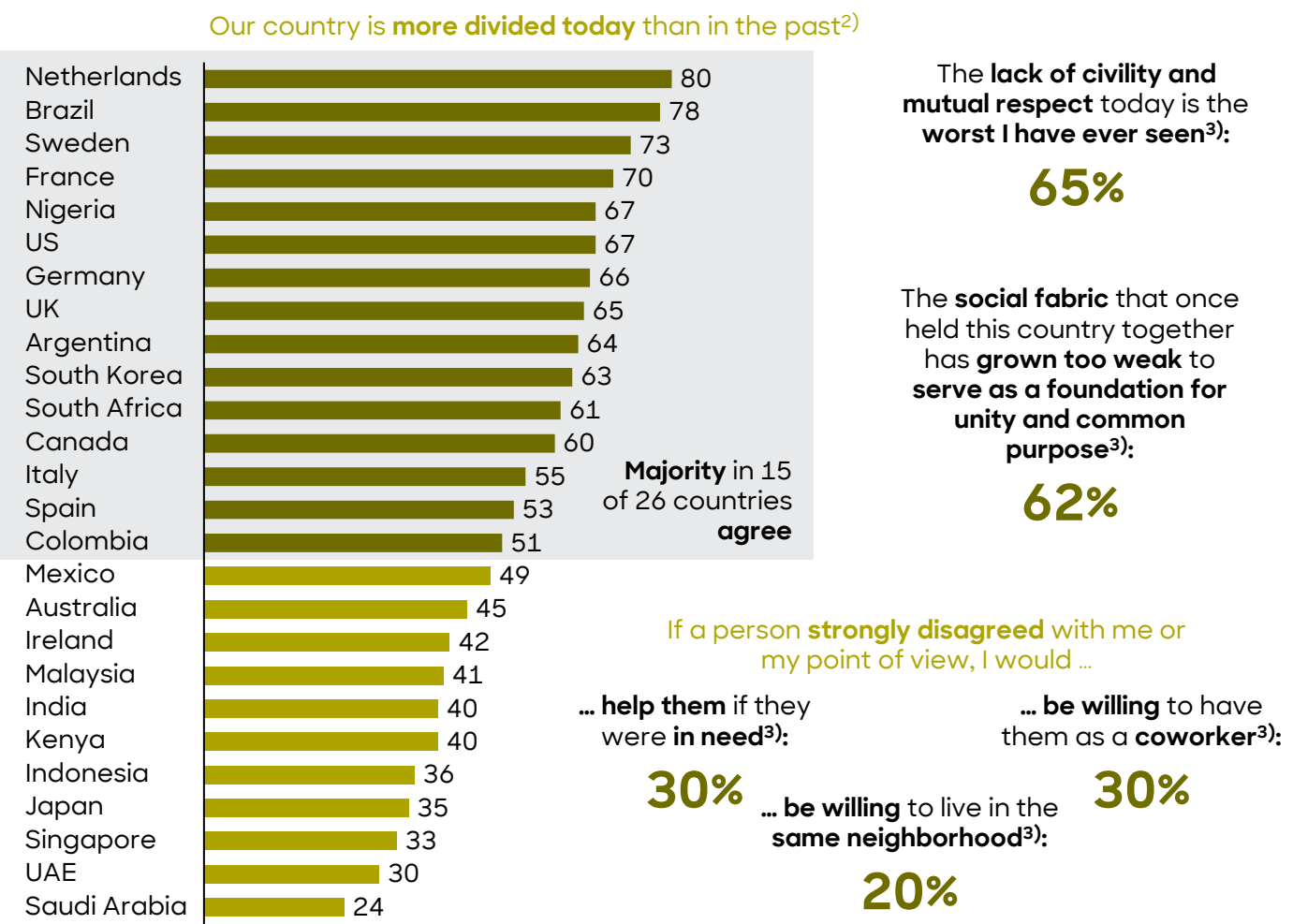
2.1
Global Risks



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Future of Democracy



- The 2023 Edelman Trust Barometer findings reveal a **surge in division** across most countries in recent years. Out of the 26 surveyed nations, respondents from 15 countries stated that their nation is **presently more divided** than in the past
- Respondents assert that **civility and mutual respect** toward those with divergent opinions are **diminishing**, and that the **social fabric has weakened** as a foundation for unity and purpose. **Ideology** has, for many, transformed into a **core aspect of identity**, resulting in a decline in the willingness of people to help, coexist, or work with those holding differing opinions
- While business leaders, NGO leaders and teachers are **seen as unifiers**, rich people, hostile foreign governments, national governments as well as journalists are considered as **divisive force**, exploiting and **intensifying the division of people**
- As per the survey, **businesses play a pivotal role** in polarization. 63 percent of respondents indicate that they support, or purchase brands based on their values, yet they **expect businesses to have a more active role** in society. However, respondents also **recognize the risk** that increased societal engagement might lead to **businesses being politicized**

1) Results of a survey of more than 32,000 people from 28 countries; 2) For this question, results for China and Thailand are not provided by the original source; 3) Figures refer to the total average of all 28 countries surveyed
Source: Edelman Trust Barometer; Roland Berger

In the nearer term and at country level, the risk landscape is dominated by economic concerns, followed by societal issues

Five most important risks for 2024 and 2025, selected G20 countries¹⁾

	1	2	3	4	5
USA	Economic downturn	Infectious diseases	Inflation	Use of biological, chemical or nuclear weapons	Energy supply shortage
Mexico	Economic downturn	State fragility	Energy supply shortage	Inequality (wealth, income)	Illicit economic activity Erosion of social cohesion
Brazil	Economic downturn	Inflation	Public debt	Censorship	Inequality (wealth, income)
UK	Economic downturn	Inflation	Energy supply shortage	Household debt	Labour shortage
France	Economic downturn	Erosion of social cohesion	Public debt	Labour shortage	Energy supply shortage
Germany	Economic downturn	Labour shortage	Energy supply shortage	Inflation	Erosion of social cohesion
Turkiye	Economic downturn	Involuntary migration	Inequality (wealth, income)	Erosion of social cohesion	Censorship
Saudi Arabia	Infectious diseases	Inflation	Adverse outcomes of AI	Economic downturn	Misinformation and disinformation
India	Misinformation and disinformation	Infectious diseases	Illicit economic activity	Inequality (wealth, income)	Labour shortage
Japan	Interstate armed conflict	Labour shortage	Economic downturn	Non-weather-related natural disasters	Extreme weather events
South Korea	Economic downturn	Household debt	Asset bubble burst	Labour shortage	Inflation Inequality (wealth, income) Use of b/c/n weapons
Australia	Economic downturn	Inflation	Household debt	Energy supply shortage	Extreme weather events

■ Economic ■ Environmental ■ Geopolitical ■ Societal ■ Technological

- For the World Economic Forum's Executive Opinion Survey over 11,000 respondents from 113 economies were asked to assess the **most pressing issues for the next two years in their country**
- This survey provides deeper **insights into local risk concerns and priorities** – and perhaps **more regional manifestations of global risks**
- For the next two years, **economic risks weigh heavily** among executives in these large economies; beyond that, a more **mixed picture** can be observed: **societal** (although more pronounced), **technological**, and **environmental risks feature** in very different ways **depending on national perceptions**
- This nearer term view is particularly interesting for politicians in the **super-election year of 2024** and thus for their potential to shape global **geopolitics**

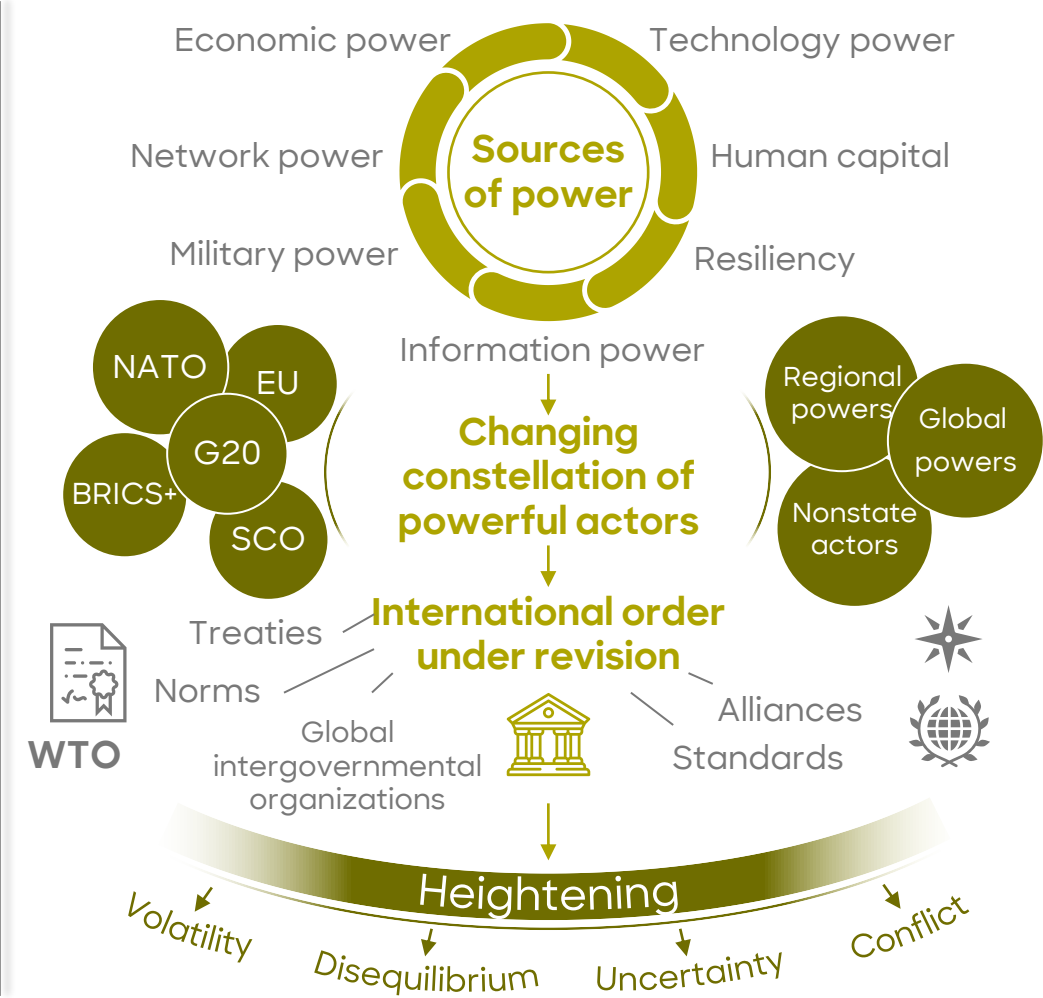
1) Survey undertaken April – August 2023; Russia and China not included in the survey
Source: WEF; Roland Berger

The geopolitical fallout of global shocks is unearthing new tensions and embedding structural change among the constellation of powerful actors

Factors and challenges influencing the global world order

“**Shocks** of recent years – most notably, the **war in Ukraine** and the **COVID-19 pandemic** – have reflected and accelerated an epochal **change to the global order**. **Risks** that are more severe in the short term are **embedding structural changes** to the **economic and geopolitical landscape** that will accelerate other global threats faced over the **next 10 years**.”

World Economic Forum



- Due to Russia's invasion of Ukraine in February 2022, **NATO's importance is renewed**: At present the alliance has **31 member countries**, including **Finland** which joined NATO in **April 2023**. **Sweden's** membership is nearing finalization but pending ratification by Hungary. Three countries (**Ukraine, Bosnia and Herzegovina, Georgia**) show strong aspirations to join
- New **hybrid unions**, going beyond pure security cooperation, are becoming more prominent. In June 2023, India hosted the **Shanghai Cooperation Organization (SCO)**, a Eurasian organization for mutual **security, political and economic cooperation** founded in 2001. Full members include China, Russia, India, Iran, Pakistan, Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan. Saudi Arabia and Qatar became dialogue partners in 2022. In **2023, five new dialogue partner were welcomed**: UAE, Bahrain, Kuwait, Myanmar, and the Maldives
- **Türkiye**, already a dialogue partner, has expressed a **wish to become a full SCO member**, causing friction with other NATO members

Geopolitical trends point to a myriad of changes worldwide for regions as well as countries, corporates and citizens

Selected facts on global geopolitical developments



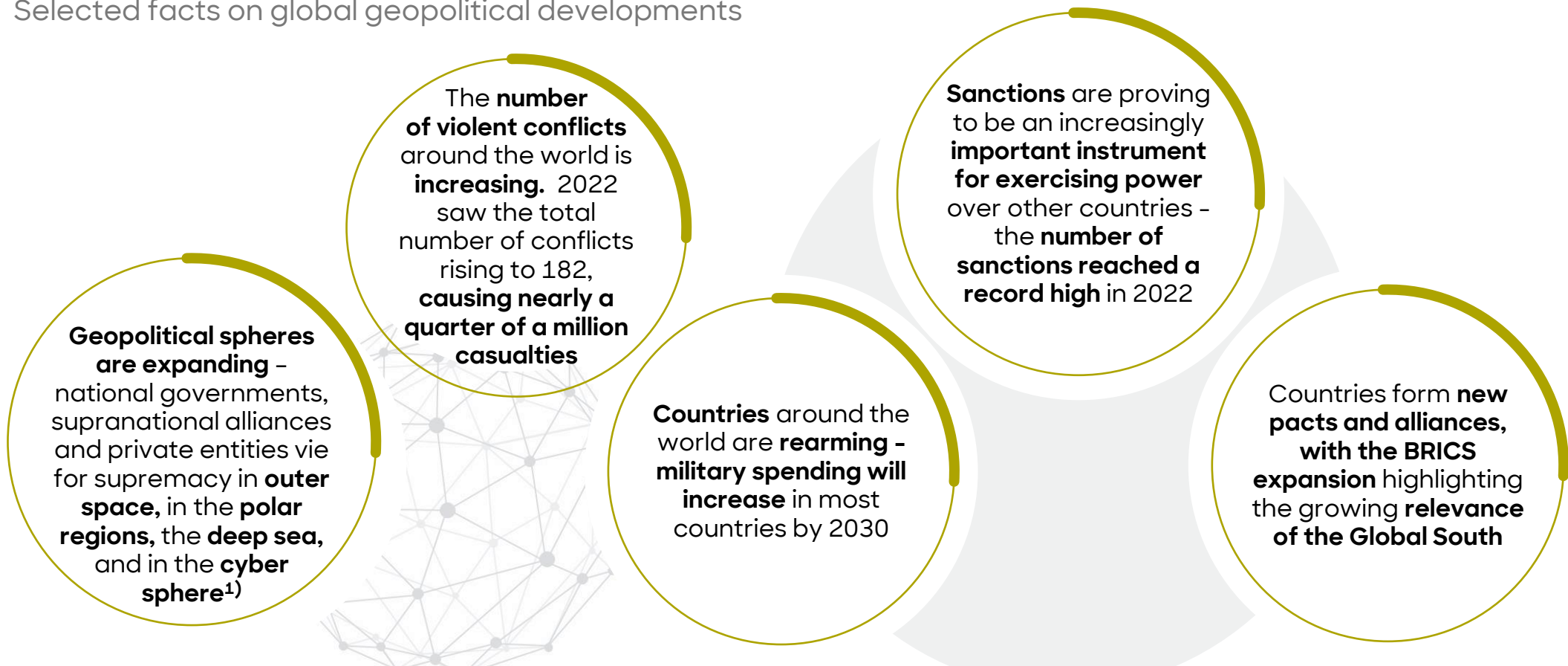
2.1
Global
Risks



2.2
Geo-
politics



2.3
Future of
Democracy



The world is changing: The **COVID-19 pandemic** and a **series of conflicts and wars** around the world is **re-shuffling the geopolitical landscape**. Many countries are seeking **new allies and forging alliances**. With the US and China, **two superpowers are thriving for global hegemony** – but many third-parties are hedging their bets and seek opportunities in playing both sides to **maximize their own interests**.

1) While recent developments surrounding the cyber sphere have already been covered in subtrend 2.1, dedicated analysis on geopolitical developments in outer space, polar regions and the deep sea will be presented in this sub-trend (2.2)

Geopolitical rivalry enters new realms: Space is turning into the next geopolitical arena, with players from new nations and the private sector emerging

Geopolitics of space: A timeline



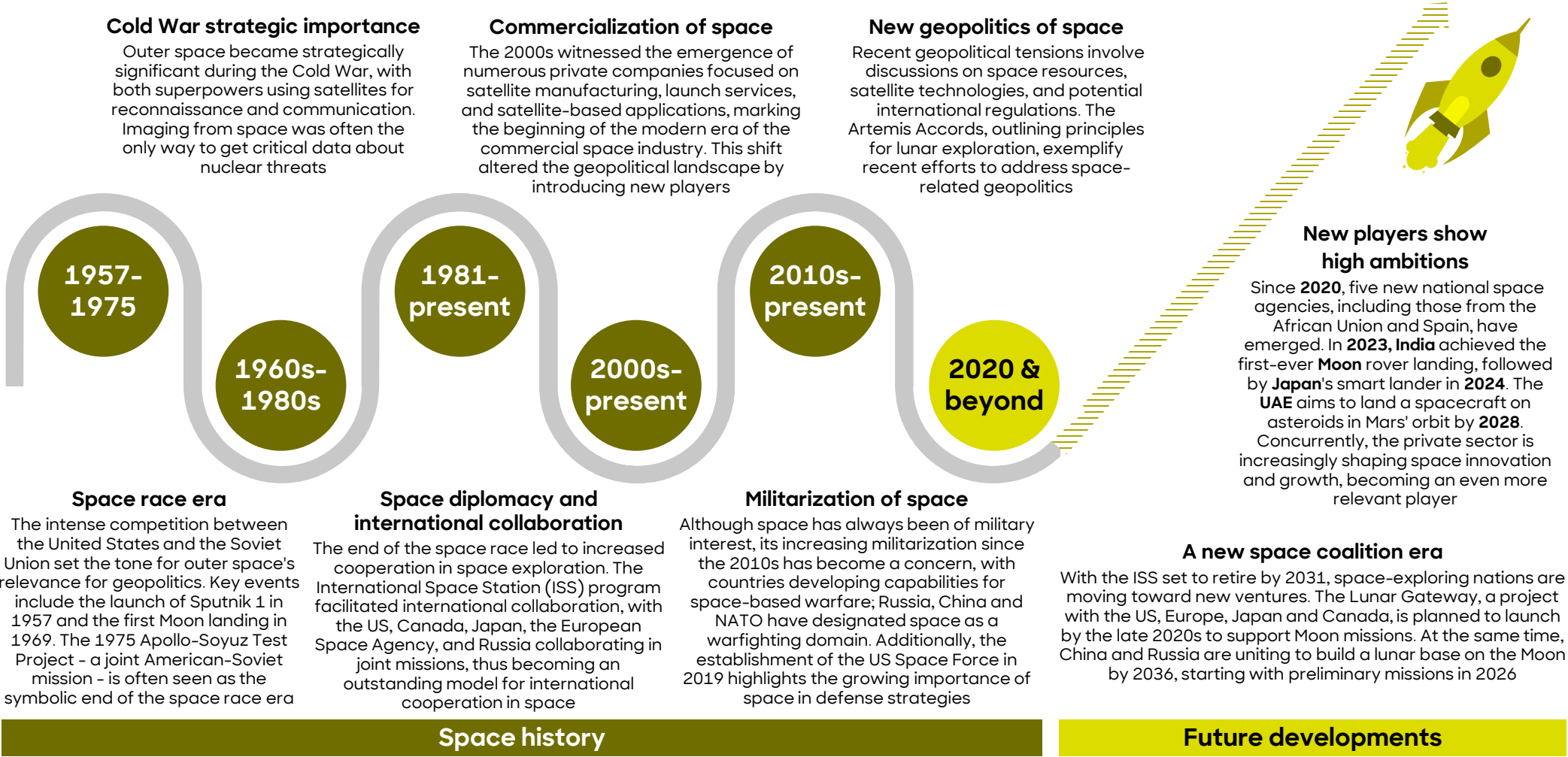
2.1
Global Risks



2.2
Geo-politics

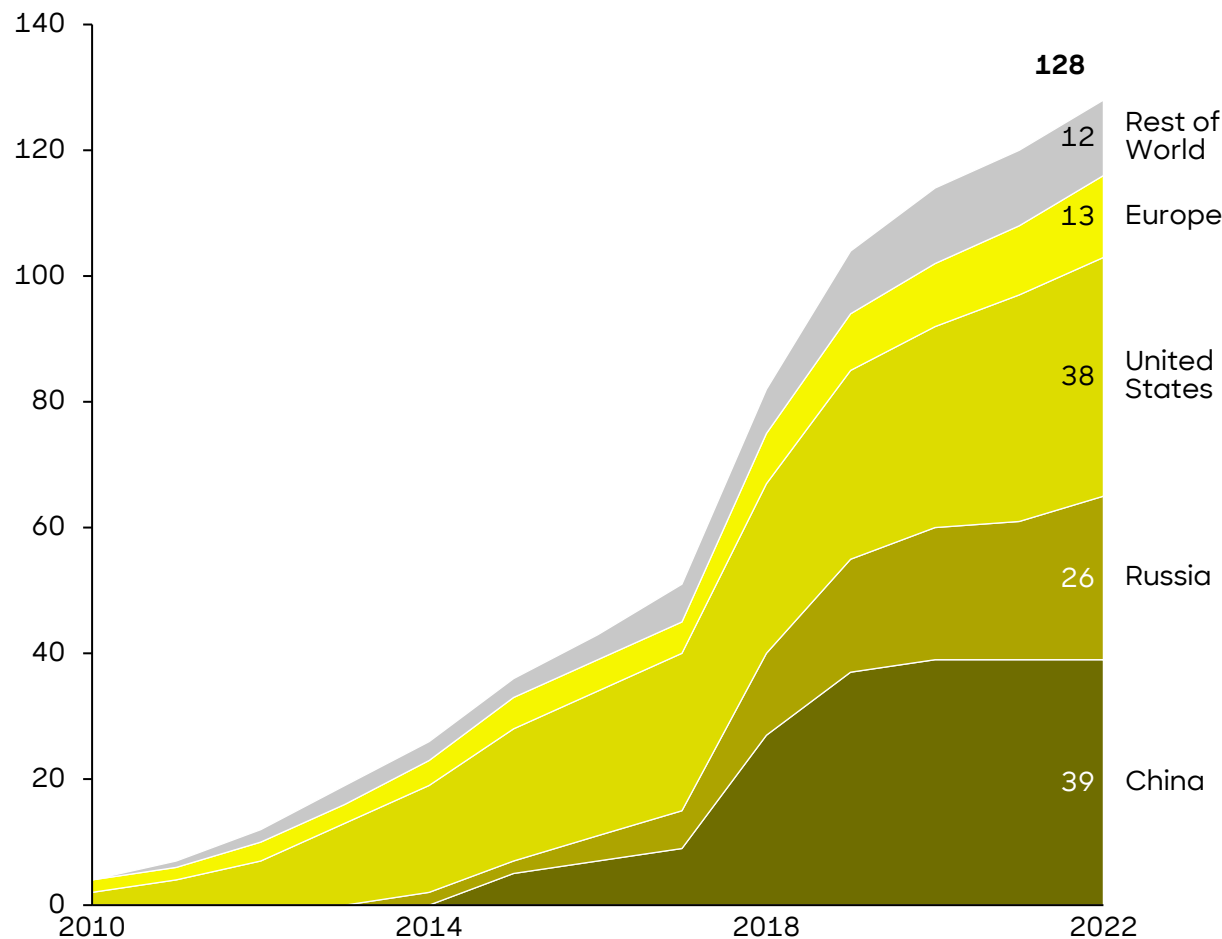


2.3
Future of Democracy



The growing significance of space among a select number of entities is evidenced in the substantial growth of satellites used for military purposes

Cumulative number of active military satellites in orbit¹⁾



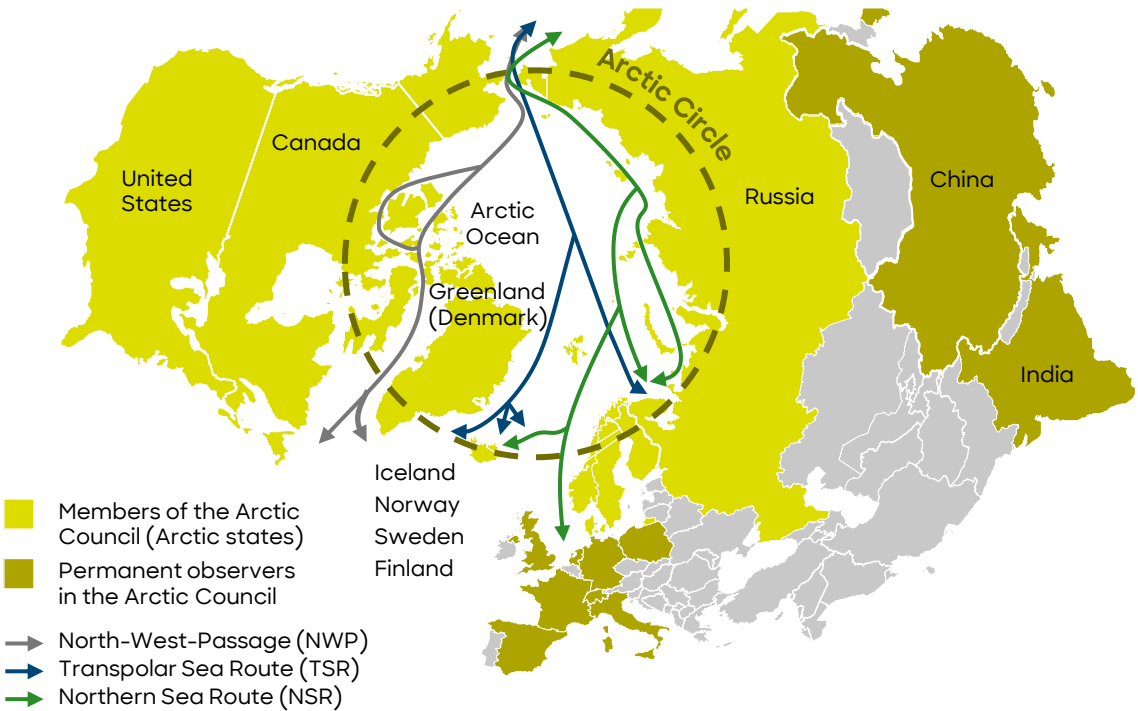
- During the Cold War, the term '**Space Race**' symbolized the fiercely competitive showground for the United States and the Soviet Union, with both countries **leveraging satellites for surveillance, communications, and missile warning purposes**, while vying for global and scientific prestige as well as military supremacy
- Today, a **rising number of entities** – nations, blocs and non-state/for profit – are **planning or undertaking space initiatives**. At present, the US, China, Russia, Europe, India, Japan, and Israel represent the **most established space powers**, each with domestic orbital launch capabilities and a track record of satellite operations. Other nations, especially countries from the **Middle East**, are **catching up**, increasing their space capabilities significantly
- Increased access to space has also led to the development and improvement of **weapons for space warfare**, such as anti-satellite weapons (ASAT) or kinetic kill systems
- As of 2023, there has been no large-scale battle or war in space. However, during the 2023 Israel-Hamas War, **Israel's Arrow 2 system intercepted a ballistic missile launched from Yemen by Houthi rebels** on October 31, 2023. This successful interception occurred outside of Earth's atmosphere, marking the **first recorded practical instance of space warfare** during an active conflict

1) Military satellites also include satellites that are used for mixed purposes, including military uses. A satellite is considered active if it has not exceeded its expected lifespan since the launch year

Source: UCS Satellite database; Wilson Center; Roland Berger

As nations strive for strategic advantages in new areas, the race for the Arctic is on - Access to resources and new shipping routes are key objectives

The geopolitical race for the Arctic



90 billion barrels

is the estimated size of undiscovered oil deposits beyond the Arctic Circle, accounting for **5.9% of the worlds known oil reserves**

That's equivalent to

110%	1,677%	339%	52%
of Russia's reserves	of Norway's reserves ¹⁾	of US reserves	of Canada's reserves ¹⁾



1,669 trillion cubic feet

is the estimated size of Arctic natural gas resources, accounting for **24.3% of the worlds known gas reserves**

That's equivalent to

99%	2,354%	500%	2,736%
of Russia's reserves ¹⁾	of Norway's reserves	of US reserves	of Canada's reserves

- Surprisingly, countries such as China, India, and many EU states have observer status in the Arctic Council, even though they are not Arctic states. The **Arctic Council** is an **intergovernmental forum** with the goal of promoting cooperation, coordination, and interaction among the Arctic states and Indigenous peoples in matters related to **sustainable development and environmental protection** in the Arctic region
- The interest in the Arctic region is driven by a combination of economic, environmental, and (geo-)strategic factors.** Aside from its estimated reserves in natural resources, it is also expected to become a major trade route in the not-too-distant future. Due to climate change, forecasts suggest the Arctic Ocean to **be ice-free during summer months as early as the 2030s**, as the Arctic is heating up twice as fast as the rest of the planet. This will open new trade routes, which would cut shipping routes between Europe and East Asia by up to 40%. With 90% of global trade being shipped by sea, even a limited uptick in such trade routes could have a significant effect on global trade

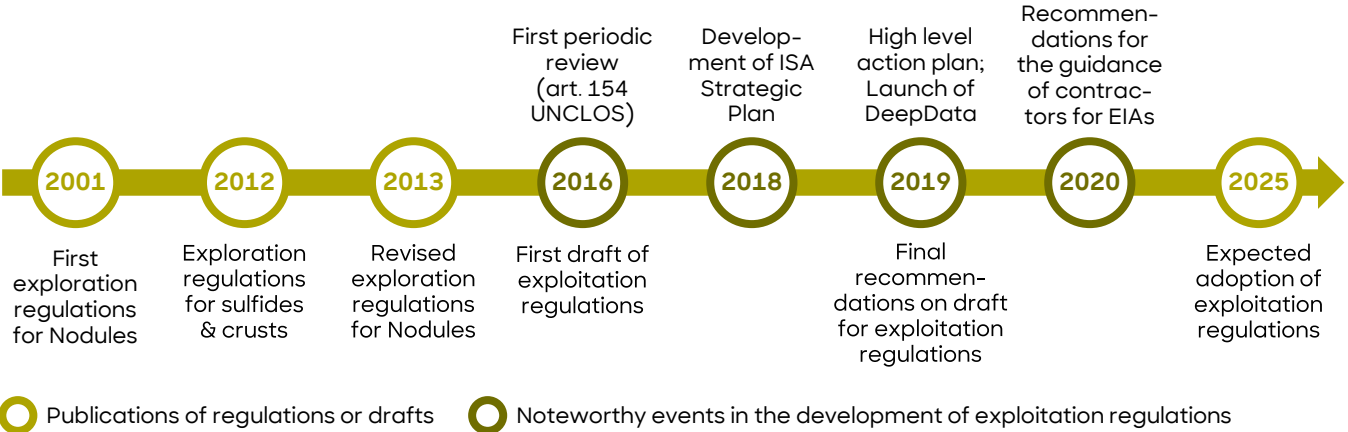
1) Values refer to the respective countries proven reserves

Source: Visual Capitalist; Roland Berger

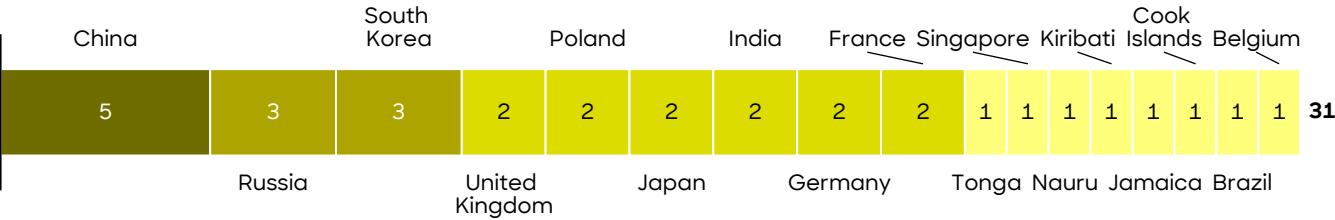
Given the surging global demand for precious minerals, deep-sea mining is now a newly contested realm – China has staked the largest claim so far

Governance of deep-sea mining and exploration

Important legal and political developments at the International Seabed Authority



Current deep-sea exploration contracts provided by International Seabed Authority



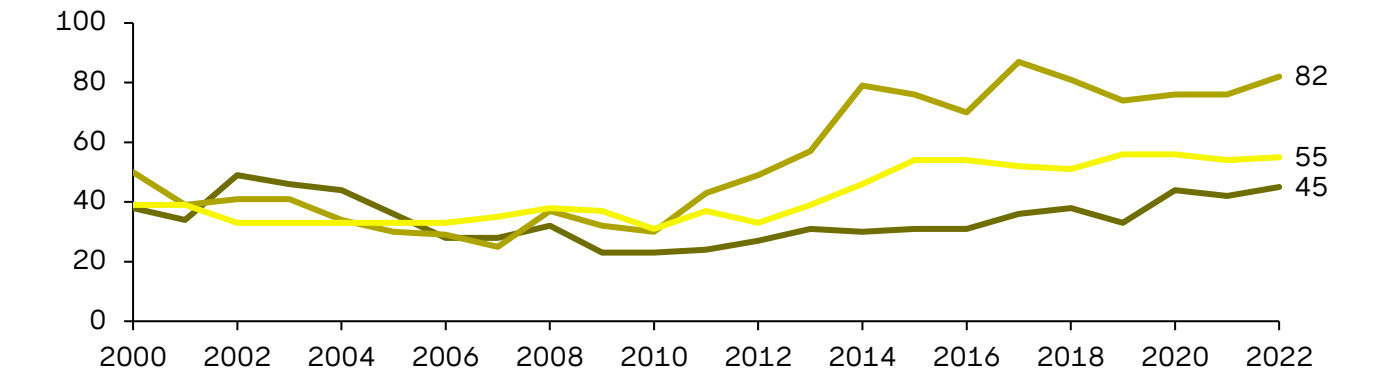
- Given that more and more metals are necessary for the clean energy transition, many countries are looking at the yet underexplored market of **deep-sea mining**
- Mining of the deep sea is still under considerable investigation, but **metals are expected to be abundant below the seafloor**. Reserves are estimated to be worth anywhere from USD 8 trillion to more than USD 16 trillion
- While some countries hope for a new booming industry, others worry about the inevitable environmental impact. 23 member countries of the **International Seabed Authority (ISA)** have recently called for a moratorium on exploration contracts
- As of November 2023, ISA has entered into **31 contracts** with 22 contractors for the exploration for **polymetallic nodules** and **sulfides**, and **cobalt-rich ferromanganese crusts** in the deep seabed
- To date, **China already holds 5 of the 31 licenses** – the most of any country – **so far granted by ISA** in preparation for the start of deep-sea mining as soon as 2025
- When that happens, **China will have exclusive rights to excavate 92,000 square miles** of international seabed – about the size of the United Kingdom – or 17 percent of the total area currently licensed by the ISA

Over the past decade, the number of violent conflicts as well as the number of casualties has risen notably – State-based violence causes high fatalities

Conflicts around the world proliferate

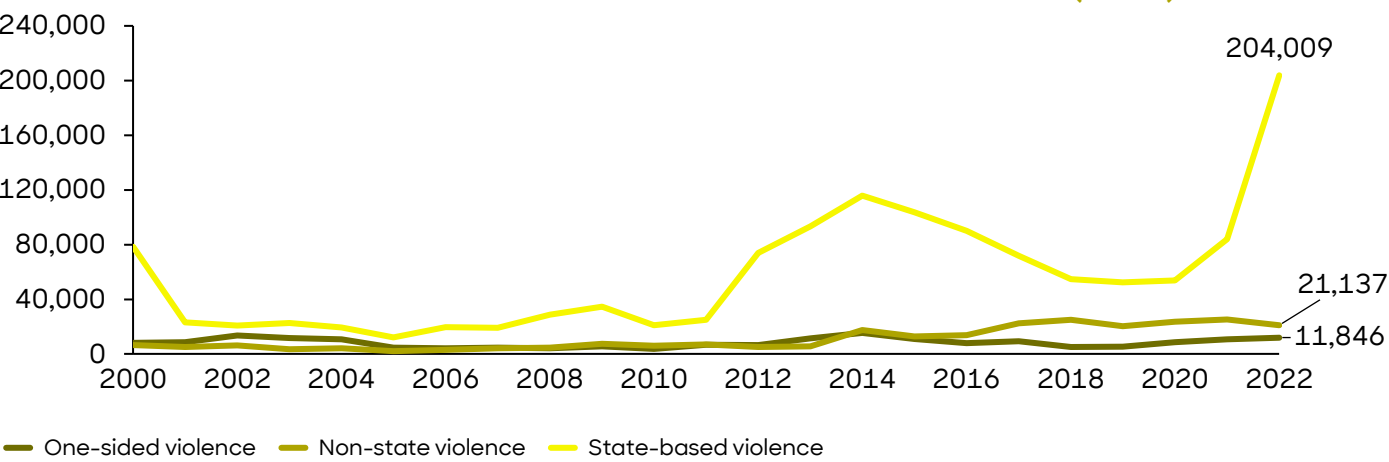
Number of violent conflicts

Total number of **conflicts** (2022): **182**



Conflict-related casualties

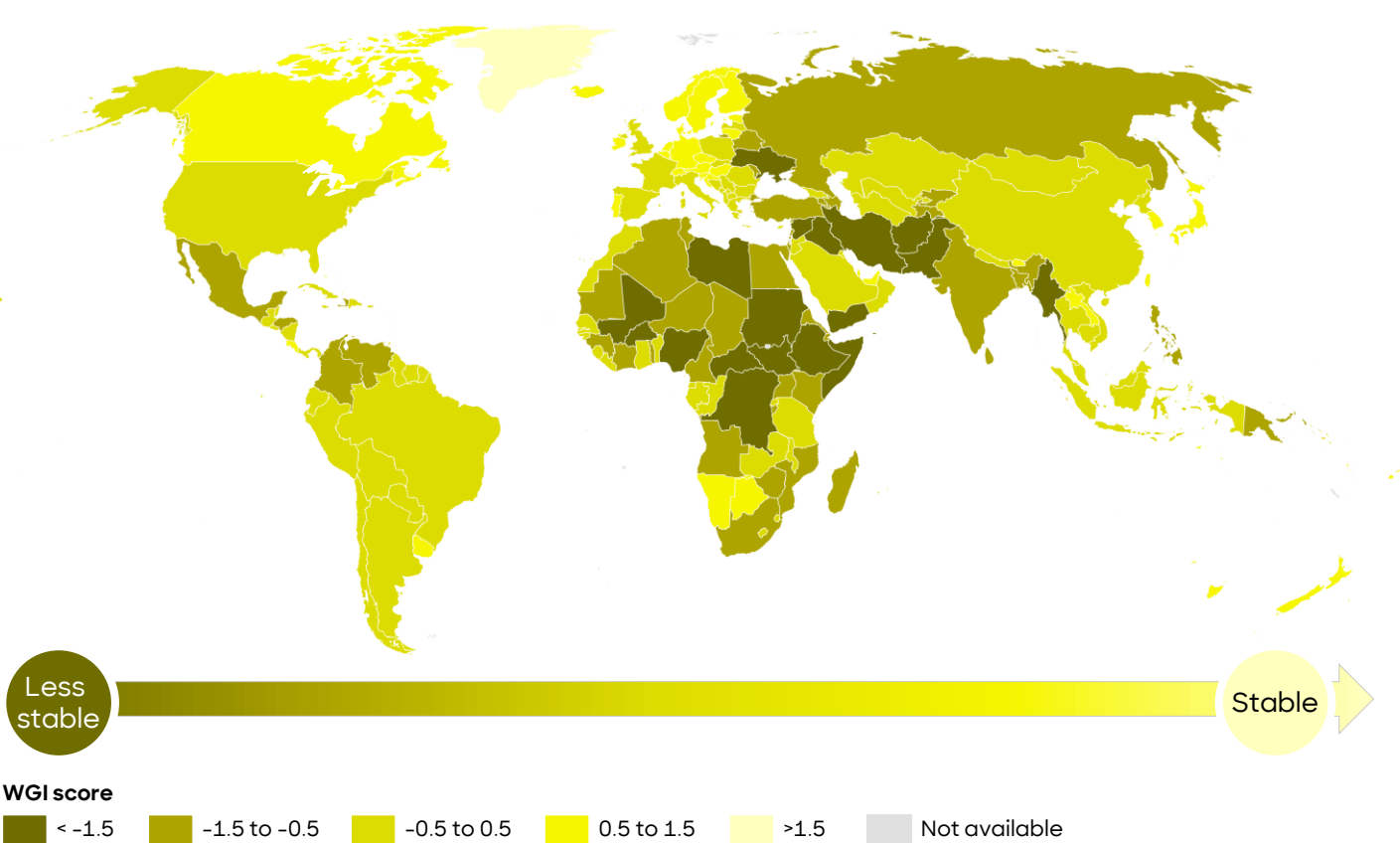
Total number of **deaths** (2022): **236,992**



- According to data from the Conflict Data Program at Uppsala University, the **global number of violent conflicts is on the rise**. In total, there were 182 conflicts in 2022, compared to 109 a decade earlier
- UCDP defines a **violent conflict** as the **use of armed force** between two organized armed groups, which results in at least 25 battle-related deaths in a year
- The **largest share** of these conflicts, with 82 incidents in 2022, stems from so-called **non-state violence**, i.e. conflicts between groups where neither party is legitimized by a state or government
- The **fastest-growing category** was **one-sided violence**, where a state or governmental organization acts against a non-state group
- Not only the number of conflicts but also the **number of fatalities is increasing dramatically**. Surging by a significant 97% from the previous year, battle-related deaths reached a **total of nearly 237,000 in 2022** – the highest since the Rwandan genocide in 1984
- This sharp rise in casualties was **driven by the Russia-Ukraine conflict and the Tigray war in Ethiopia**

Numerous countries in Central Asia, MENA, and Sub-Saharan Africa are grappling with increased political instability and violence

Worldwide governance indicator: Political stability, absence of violence¹⁾, 2022



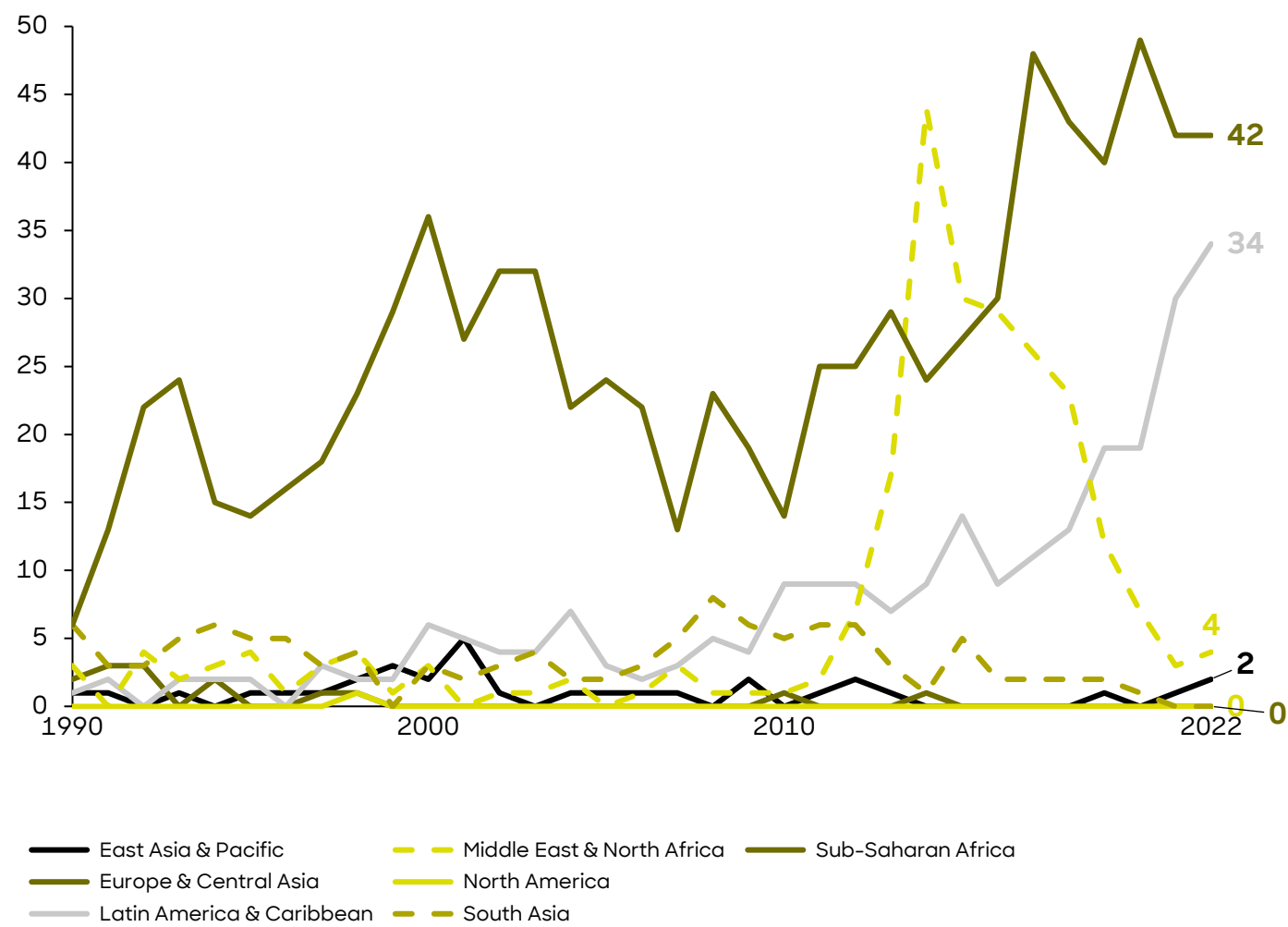
- The World Bank's Political Stability Index and Absence of Violence/Terrorism indicator captures the **perceived likelihood that the government will be destabilized or overthrown** by unconstitutional or violent means, including politically motivated violence and terrorism
- With 104 countries, **a considerable number of nations exhibit a zero or negative scoring**. On average, countries in the MENA region and South Asia perform particularly poorly. Such countries are often characterized by being lower-middle income countries
- Surprisingly, there is also **significant room for improvement** regarding political stability in many of today's **advanced economies** – notably the US, where this score has consistently declined since 2015, reaching 0.0 in 2022
- Similarly, **other countries** that are functioning democracies, but are **marred by domestic politically-motivated violence, also do not score well** on this indicator

1) The indicator summarizes a comprehensive set of variables including violent demonstrations, social unrest, armed conflict, international tensions, terrorist threat, political terror, security risk rating, intensity of internal conflicts (ethnic, religious or regional), government stability, orderly transfers, external conflict, ethnic tensions, protests and riots, interstate and civil war, and many more. The indicator is constructed in a way that centers the global average of each indicator on a value of 0. This centering is a statistical normalization technique used to make cross-country comparisons more meaningful and interpretable

Source: World Bank; Roland Berger

While the number of non-state conflicts in Middle East is decreasing, conflicts are surging in Sub-Saharan Africa and Latin America

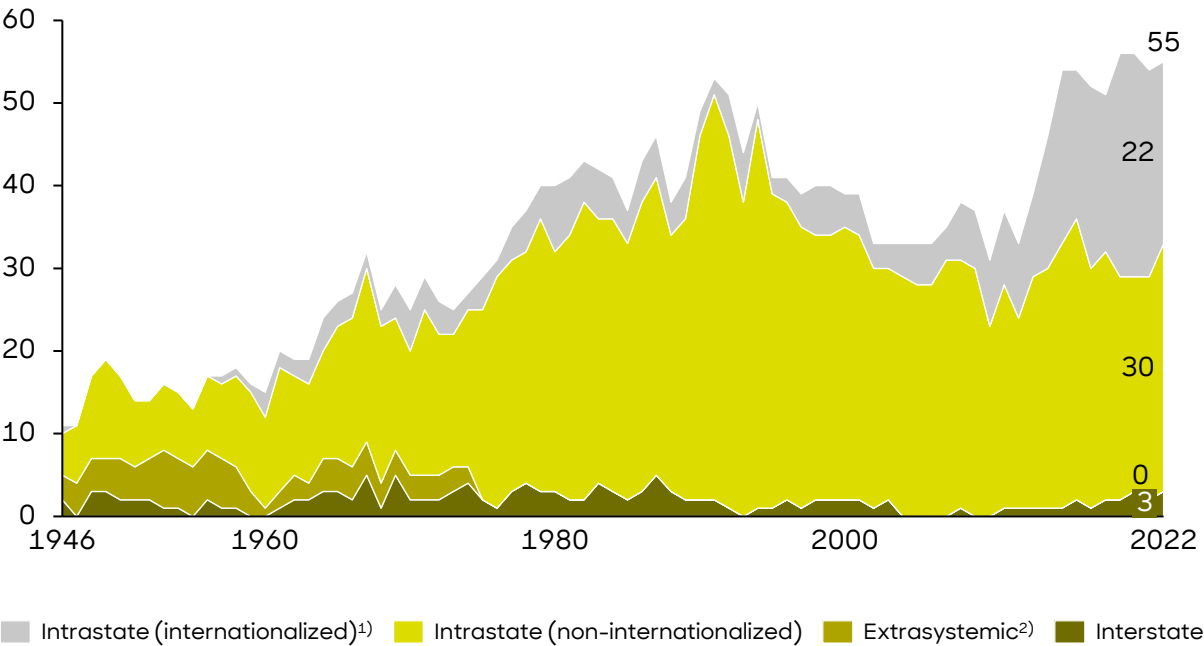
Number of non-state conflicts, by region



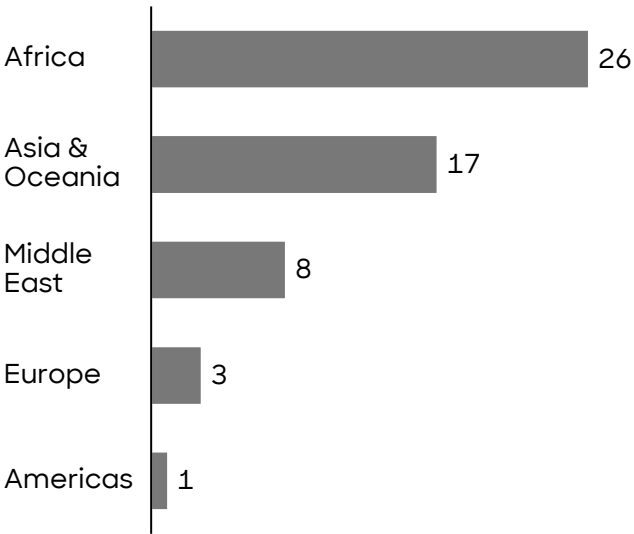
- While the 2010s were particularly marked by outbreaks of violence in the Middle East reflecting the Arab Spring turmoil, **non-state violence has since increasingly spread to Sub-Saharan Africa and Latin America**
- Conflicts in **Latin America** are characterized by particularly high levels of violence, with approximately **15,000 deaths in 2022** alone, accounting for about three-quarters of all casualties from non-state violence, while the actual number of unreported cases is expected to be even higher
- **Most of these casualties** occurred in **Mexico due to turf wars between two rival cartels**, both prominently involved in the country, with their competition amplifying violence and triggering new conflicts elsewhere across Latin America

The number of internationalized intrastate conflicts has risen considerably in recent years

Ongoing state-based conflicts by type



Ongoing state-based conflicts by region

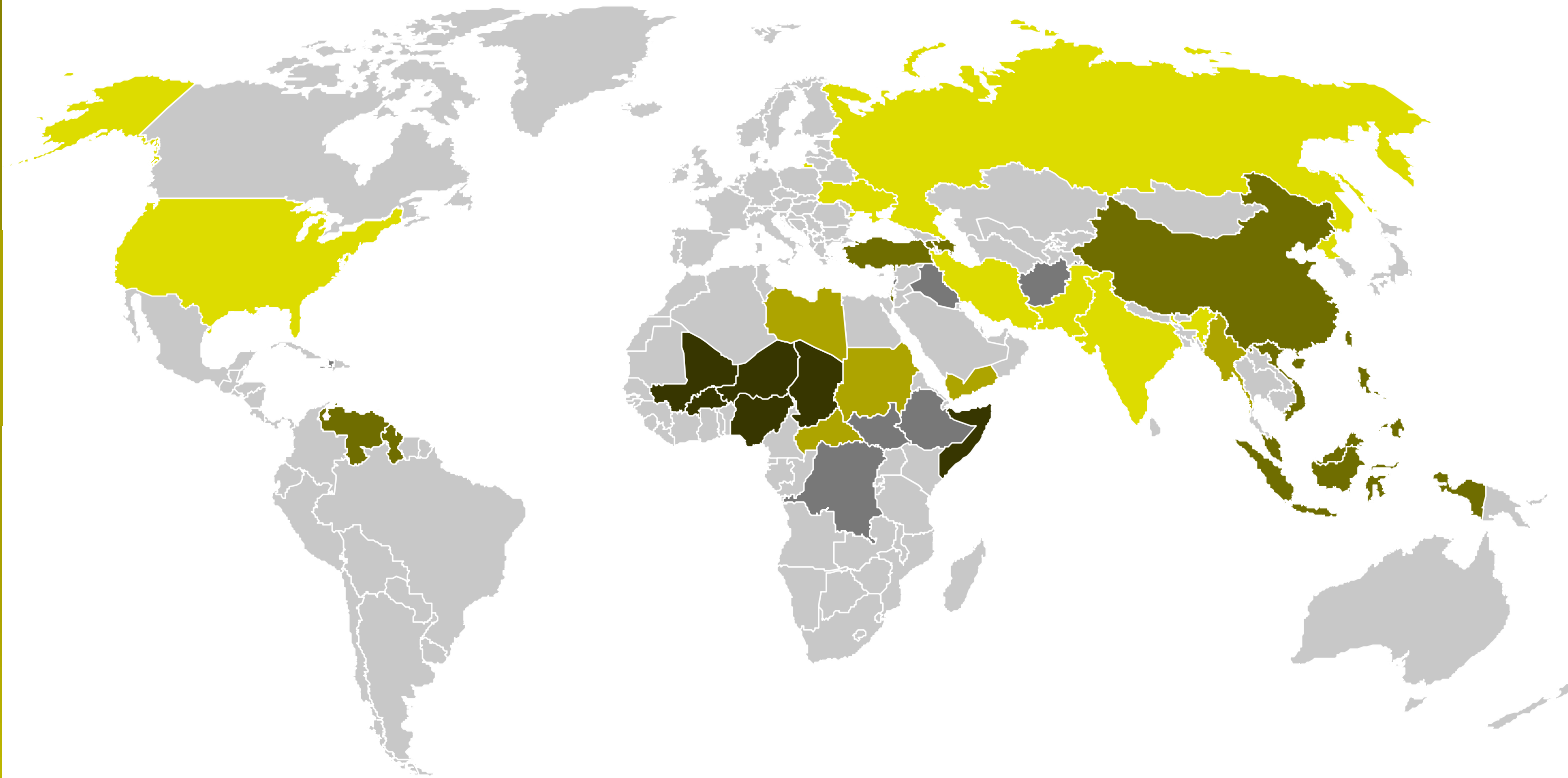


- In 2022, internationalized **intrastate conflicts climbed to 22**, reflecting a trend of global factors, such as **security concerns and foreign interests**, driving external powers to intervene in what were once internal matters
- **Africa and Asia & Oceania report the most state-based conflicts**, with many conflicts arising from **internal governance issues, ethnic and sectarian divisions, and battles over natural resources**, all often worsened by external geopolitical interests

1) An internationalized intrastate conflict is a conflict between a state and a non-state armed group, with involvement of a foreign state, that causes at least 25 deaths during a year
2) An extrasystemic conflict is a conflict between a state and a non-state group outside its own territory. These conflicts are by definition territorial, since the government side is fighting to retain control of a territory outside the state system
Source: UCDP; Roland Berger

The global conflicts map displays several worsening flashpoints and a much longer list of persisting and unwavering conflict areas

Where are the world's ongoing conflicts?



Territorial dispute

- Nagorno-Karabakh conflict
- Kurdish-Turkish conflict
- Israeli-Palestinian conflict
- South China Sea disputes
- Venezuela-Guyana conflict

Civil war

- Central African Republic
- Libya
- Myanmar
- Sudan
- Yemen

Interstates

- US-Iran conflict
- India-Pakistan conflict
- Russo-Ukrainian war
- North-Korea crisis

Transnational Terrorism

- Violist extremism in the Sahel
- Al-Shabaab conflict in Somalia

Political instability

- Afghanistan, Pakistan, Lebanon, Iraq, South Sudan, DRC, Ethiopia, Haiti and Venezuela



2.1 Global Risks



2.2 Geo-politics



2.3 Future of Democracy

Geopolitical flashpoints abound: Conflicts, tensions and regime changes cause humanitarian crises – Violations shift to include new methods ...

Important conflicts to watch in 2024

- 1 Gaza
- 2 Greater Middle East war
- 3 Sudan
- 4 Ukraine
- 5 Myanmar
- 6 Ethiopia
- 7 The Sahel
- 8 Haiti
- 9 Armenia-Azerbaijan
- 10 US-China

Signs to watch out for

According to the UN, the **most common causes** of conflict today include

- Regional tensions
- Breakdowns in the rule of law
- Co-opted or absent state institutions
- Illicit economic gain
- Scarcity of resources exacerbated by climate change

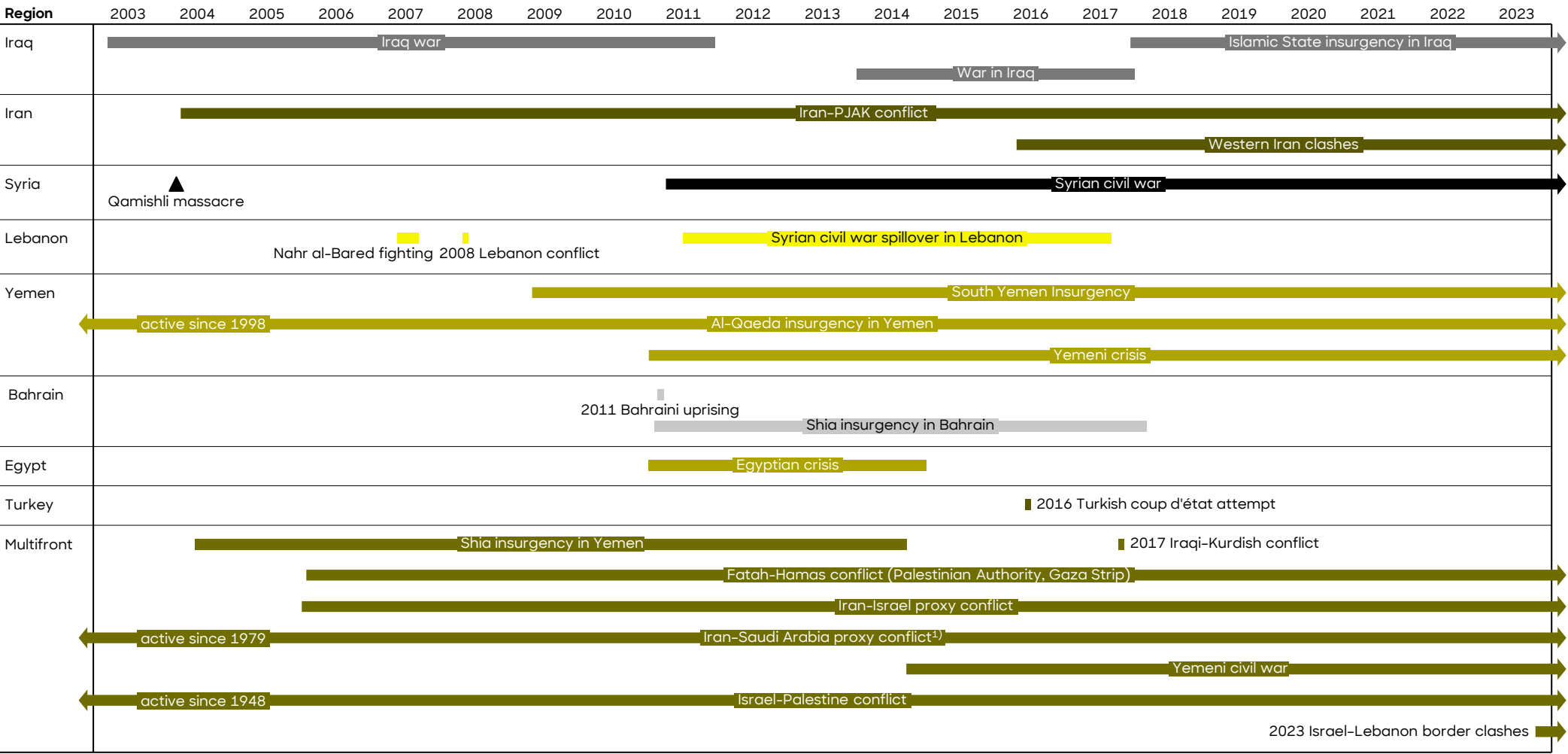
Selected methods of modern warfare

- Cyberattacks
- Disinformation
- Electoral interference
- Instrumentalization of migrants
- Sabotage of infrastructure

- With the **number of conflicts increasing**, not only the number of **battle fatalities** is rising, but also the **suffering of survivors** in conflict zones
- **Millions of Sudanese suffer acute food insecurity** because of the country's civil war. Fighting involving Islamists elsewhere in Africa and Central Asia drives millions of people from their homes and causes humanitarian devastation. Yemen's conflict kills more people – mostly women and children – due to starvation or preventable disease than violence
- Worldwide, the number of **displaced people**, most due to war, is at a **record high**
- **Great power standoffs continue or intensify**, involving Russia over Ukraine, the Middle East conflict involving Israel and Palestine, as well as the US and Iran as well as the looming conflict surrounding Taiwan
- Moreover, **states compete fiercely even when they're not fighting directly**: The 21st century aggression and violation toolbox contains a broad set of methods: Cyberattacks, disinformation campaigns, election interference, economic coercion, and the instrumentalization of migrants

Enduring, historically complex, and continuously relevant – The persistent conflicts of the Middle East

Overview: Selective modern conflicts in the Middle East



1) In 2022, Iran and Saudi Arabia held Iraq-brokered peace talks amid ongoing regional tensions and mutual accusations of interference

Source: Secondary research; Roland Berger

Exerting power can cover a wide range – Traditionally, hard power involves a coercive "push" while soft power refers to an attractive, persuasive "pull"

Forms of power

Hard power

Hard power involves **exerting influence** through **coercion**, employing strategies such as military force, economic sanctions, and financial incentives



Military

Invasions
Blockades



Sanctions

Asset freeze
Travel ban
Trade embargos



Payments

Stop of aid
Trade barriers



Culture & Heritage

Sports
Tourism
Literature



Education & Science

Technologies
Higher education



Media & Comms.

Marketing
Social Media



People & Values

Trust
Character



International relations

Diplomacy
Int. organizations



Governance

Rule of law
Human rights



Business & Trade

Infrastructure
Growth expectations
Brands

For example

Soft power

Soft power **leverages attraction and persuasion** as tools **to shape perspectives and impact behavior**. Its origins encompass cultural elements, governmental actions, political values, and constructive global interactions

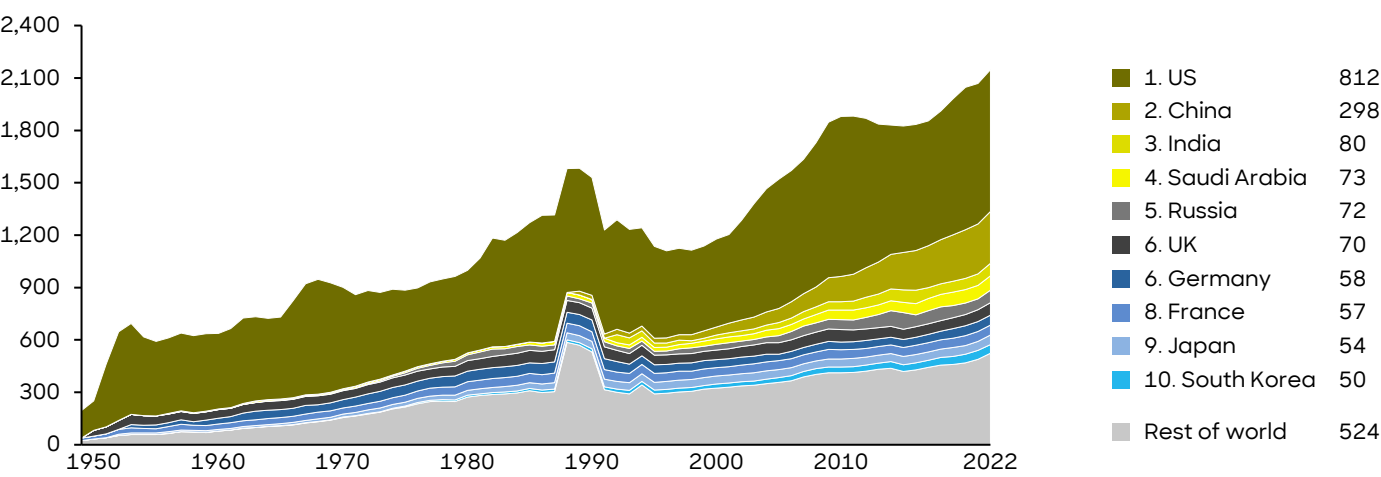
“A country may obtain the outcomes it wants in world politics because other countries – admiring its values, emulating its example, aspiring to its level of prosperity and openness – want to follow it ...”

Joseph Nye, former Deputy US Secretary of Defense

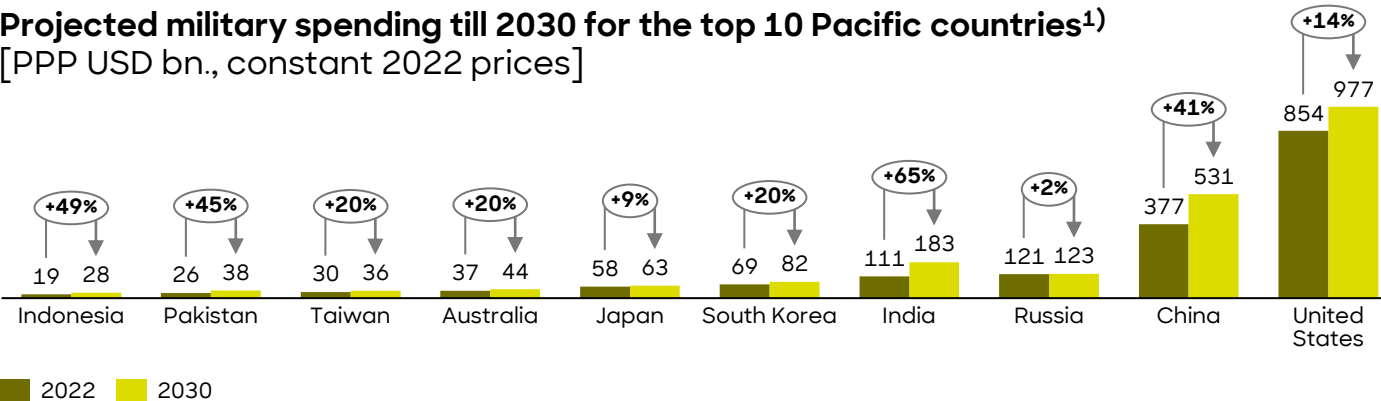
Given the increasing number of conflicts, military expenditure is increasing around the globe – US is the undisputed leader in terms of military spending

Military expenditure is on the rise

Development of military expenditure¹⁾ [USD bn., constant 2022 prices]



Projected military spending till 2030 for the top 10 Pacific countries¹⁾ [PPP USD bn., constant 2022 prices]


















- **Military spending has significantly increased** over recent decades. Given the current geopolitical circumstances, it is expected that this trend will intensify in the decade to come
- Forecasts indicate that the **United States will continue to uphold their top position** as the global leader in absolute military expenditure with an expected 14% increase in military spending between 2022 and 2030
- With increasing their military expenditure by more than 150 USD bn. till 2030, **China is expected to experience the strongest absolute growth** among the Pacific countries. This substantial increase cements China's position as the **second-largest spender on defense globally**
- **Military expenditure is expected to also increase significantly in other parts of the world.** Many governments, especially in Europe, have neglected military spending in recent years. Due to the conflict in Ukraine, several countries, e.g. Germany, have now committed themselves to raise military expenditure in the coming years to meet the **NATO goal of 2% of GDP**

1) The deviations in the values in both figures in 2022 result from the PPP conversion carried out by the Lowy Institute
Source: SIPRI; Lowy Institute; Roland Berger

Even when assessed on comparative indicators, the US military is the most powerful force – By active personnel, China commands the largest army

Ranking of the most powerful armies according to the Global Firepower Index, 2023

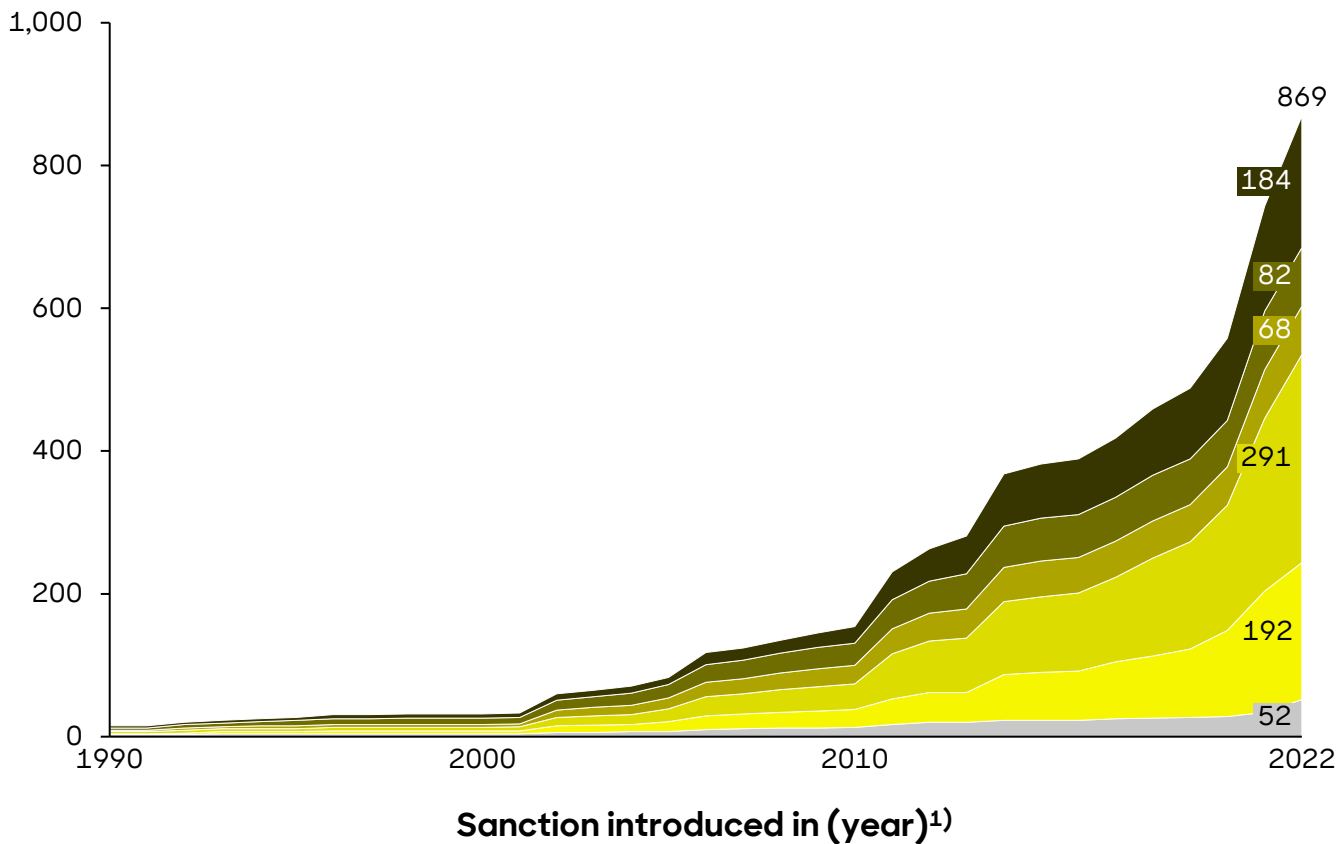
Country	 Overall Ranking	 Active Personnel	 Aircraft Fleet	 Tanker Fleet	 Naval Fleet
 US	1	1,390,000	13,300	5,500	484
 Russia	2	830,900	4,182	12,566	598
 China	3	2,000,000	3,166	4,950	730
 India	4	1,450,000	2,210	4,614	295
 UK	5	194,000	663	227	73
 South Korea	6	555,000	1,602	2,331	157
 Pakistan	7	654,000	1,413	3,742	114
 Japan	8	240,000	1,451	1,004	155
 France	9	205,000	1,004	222	126
 Italy	10	170,000	850	197	313

■ Leading position

- The **Global Firepower Index** is a quantitative evaluation of a **country's military strength**, considering various factors such as manpower, equipment, logistics, and finances, but not nuclear weapons. It provides a comparative measure of military capabilities across nations
- Note that **fleets are ranked by quantity**, not level of technology or size of vehicles; thus, while China has the largest number of ships, the US may lead in advanced naval capabilities
- The **United States** retains its dominant position as the **world's most powerful military in 2023**, ranking first in overall military strength
- With a strength of 2 million members, **China** commands the **largest number of active military personnel** globally
- **Russia** – though closely trailing the United States in the overall ranking – particularly **excels in its tank fleet**
- **European nations maintain their top 10 positions primarily due to their sizable naval fleets** and their commitment to robust defense budgets despite having fewer personnel, tanks, and aircraft in comparison to other major military powers

Exercising economic power through sanctions has been amplified during the Trump administration and gained another boost by the war in Ukraine

Number of sanctions still in place as of 2022 [by type of sanction]



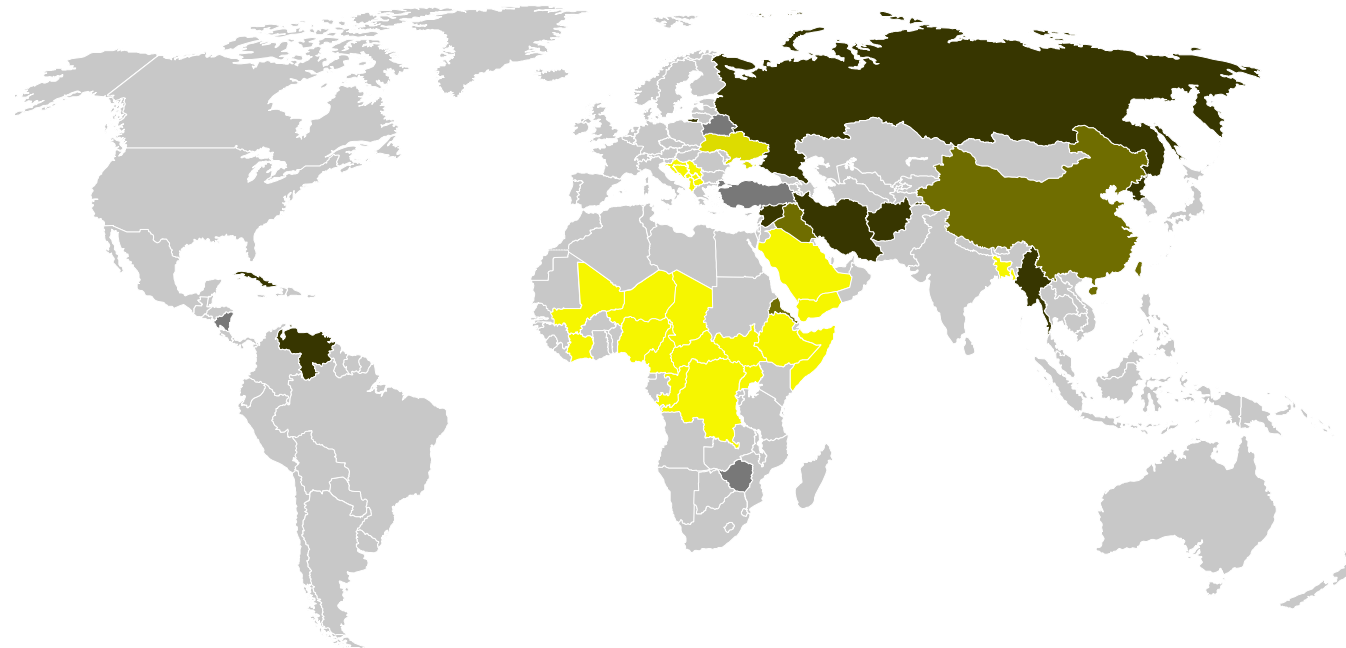
- In addition to the use of military force, the utilization of **sanctions** has emerged as another preferred instrument for **exerting influence on other countries**
- The increased use of sanctions reflects **shifts in international politics**, conflicts, and changes in the geopolitical landscape
- While in 2010, there were only 154 active sanctions imposed by countries against others, this number surged to 869 in 2022. In particular, **financial and trade sanctions have seen an eightfold increase** in recent years
- Since 1990, **Russia (88)**, Myanmar (73), Afghanistan (55), Syria, and Iran (52, respectively) have been the **most frequently sanctioned states**
- When looking at **countries imposing sanctions** on others, the **United States (542)** lead by far. With a considerable gap, this is followed by the UN (179), the EU (155), and the United Kingdom (134)

Trade sanctions Military sanctions Travel sanctions
Arms sanctions Financial sanctions Other sanctions

1) The graph only depicts sanctions that were still in place in 2022
Source: Global Sanctions Database; Roland Berger

The dollar's strong global role enables the US to use it as a sanctioning tool, prompting sanctioned countries to seek out alternatives to the USD

Countries and officials sanctioned by the United States, 2022













- Broad sanctions against the country
- Some or all government officials
- Persons contributing to conflict & destabilization of a country
- Persons undermining countries sovereignty
- Government officials contributing to conflict

- With the **USD as the world's reserve currency**, the US holds a powerful economic tool, allowing its government to exert political influence over other countries, through economic policies, trade agreements and other means
- The most recent countries to feel the full force of **US sanctions are Russia and Iran**. Especially the financial sanctions against Russia – including its **ban** from the **SWIFT** financial transaction processing system and the **freezing of its foreign held assets** – have startled large reserve-holding countries
- Due to recent macroeconomic as well as geopolitical developments, **central banks** around the world, but especially those in emerging markets, **de-dollarized**, turning to **gold**. In 2022, central banks added a staggering 1,136 tons of gold (worth about USD 70 billion) to their stockpiles – more than in any other year since 1950
- With CIPS, a clearing and settlement services, China offers an **alternative approach** to the currently US-dominated global payment system
- Furthermore, China is collaborating with the monetary authorities in Thailand, Hong Kong and the UAE in a project called **mBridge, a Central Bank Digital Currency (CBDC)** based solution for real-time cross-border payments

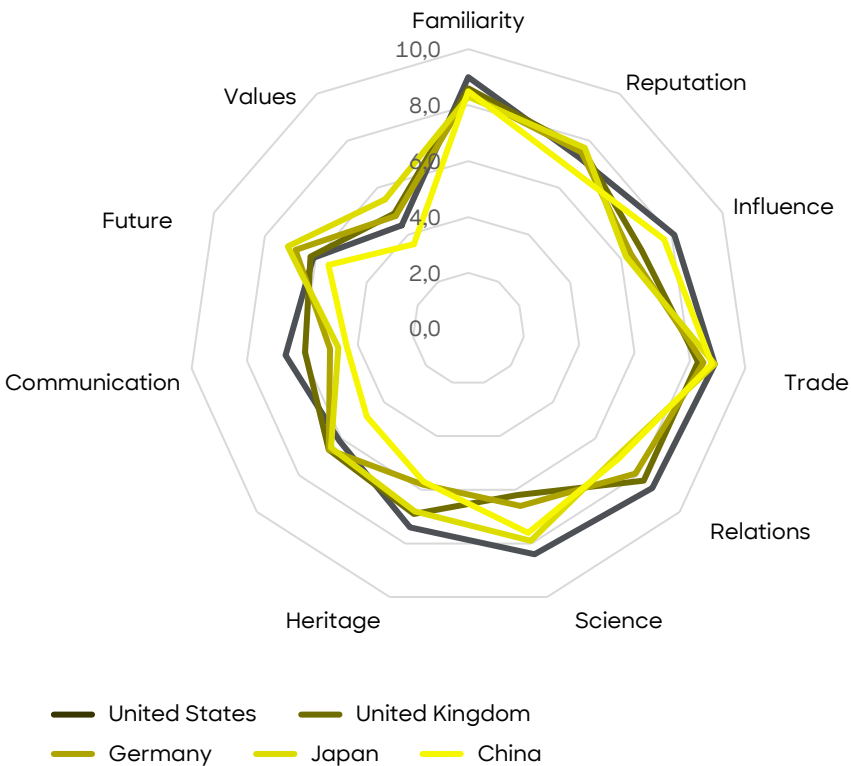
The United States clearly lead the field when it comes to assessing soft power – Middle East countries gain in prominence amid energy crisis

Global soft power index, 2024

Scoring of top 10 countries

Rank	Country	Score
1	 United States	78.8
2	 United Kingdom	71.8
3	 China	71.2
4	 Japan	70.6
5	 Germany	69.8
6	 France	67.3
7	 Canada	64.4
8	 Switzerland	62.9
9	 Italy	62.0
10	 UAE	59.7

Scoring of top 5 countries by subcategory






- The **Global Soft Power Index** assesses the perceptions of more than 100,000 people from more than 100 countries on the **'brand value' of countries** along the **seven pillars of soft power** and **four additional pillars**, namely Familiarity, Reputation, Influence and Sustainability
- As in prior editions of the Soft Power Index, the **US** maintains its position at the forefront, with a **clear lead**, with the UK and Germany follow suit
- While **China** has experienced a slight uptick in its Global Soft Power Index score (+0.8), its ranking has **slipped from 4th in 2022 to 5th in 2023**, with Japan surpassing it. While many nations intensified their global involvement in trade, investment, tourism, and talent throughout 2022 and 2023, **China retained a closed stance** during 2022, adhering to a "zero COVID" policy
- There is hardly any change among the world's top 10, with a notable exception of the **UAE** ascending to the 10th place, marking the **first Middle Eastern nation to achieve this distinction**. Other Gulf nations have also witnessed a **surge in Global Soft Power Index scores**. This surge can be attributed to their growing significance amid a global **energy crisis** triggered by Russia's invasion of Ukraine

1) Brand Finance's Global Soft Power Index is the result of a survey, conducted among both, the general public and specialist audiences. It incorporates a broad range of measures, which are summarized among as the subcategories mentioned above. The score is calculated as a weighted sum of the results of each subcategories, with Familiarity, Reputation and Influence accounting for 50% and the other categories accounting for the remaining 50%

Source: Brand Finance

In more recent times, aspects of soft power have increasingly undergone a process of deliberate and covert "sharpening"

Sharp power: Examples of the weaponization of soft power

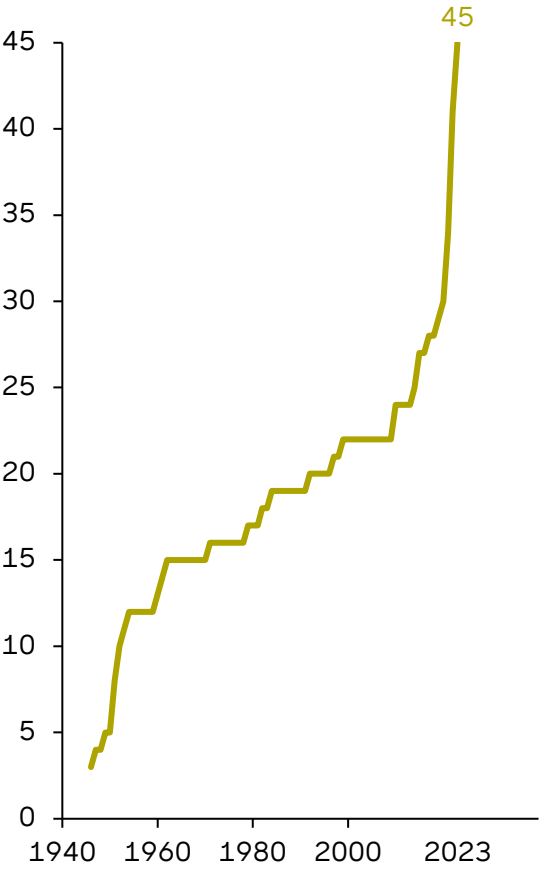
Pillar of soft power	How to weaponize the pillar	Example of soft power being weaponized
<div>Media & Communications</div> <div></div>	Information manipulation involves the spread of disinformation, fake news , and propaganda to deliberately and deceptively influence public opinion or decision-making processes in other countries	Russia has been accused of spreading disinformation to sow discord and interfere in the political processes of other (democratic/liberal) countries, including alleged interference in the 2016 US presidential election , the 2016 UK Brexit Referendum and - with substantial evidence - the 2014 Scottish Independence Referendum
<div>People & Values</div> <div></div>	"Refugees as weapons" and "weaponization of migrants" are terms used to describe a hostile government organizing a sudden influx of refugees into another country with the intent of causing political disturbances in that entity, or to extract concessions from the targeted country, and/or to achieve other political, military, and/or economic objectives	In 2021, the government of Belarus has been accused by the EU of weaponizing the flow of Middle Eastern refugees into Poland. The Belarus-EU border crisis entailed an influx of coordinated groups of immigrants, primarily from Iraq, with smaller groups elsewhere from the MENA region, to Poland, Lithuania, and Latvia via those countries' borders with Belarus A similar tactic utilized by the Russian government has been observed at the border to Finland in 2022 and 2023, and by Türkiye at the Greek border in 2020
<div>Business & Trade</div> <div></div>	A special kind of trade: " Weaponized drug trafficking " describes the fact when drug trafficking exists or is enabled for purposes beyond profit	Syria's illicit production and trade of captagon , an addictive drug prevalent in the Middle East, has created a business estimated to be worth as much as USD 57 billion, funding the Syrian regime . Recently, President Assad has been deploying this dominant "market force" as a bargaining tool with Arab states and as a pathway back onto the international political stage, e.g. at the 2023 Arab Summit

- The **distinction between hard and soft is becoming less relevant**, because the tools that were originally meant to project soft power have become subject to abuse in recent years. Many observers even distinguish for a **third category** of power, namely **sharp power**
- **Sharp power involves efforts by a state to deliberately and deceptively manipulate and shape opinions** and attitudes **abroad** in ways that are **not easily traceable** or attributable. Unlike overt propaganda or traditional public diplomacy, sharp power often involves activities that are more covert and can exploit the openness of democratic societies
- Many (illiberal or authoritarian) states have indeed become aware of the benefits they could draw from **soft power tools providing useful conduits for disinformation** and manipulation, all powered by the **multiplier effect of social media**
- **Cultural diplomacy**, exchange programs, students, academic and scientific cooperation schemes have also become **vehicles for entrisism into other states' relevant institutions**

Given the changing geopolitical environment and the rising number of conflicts, forging military alliances has become increasingly common

The rise in military alliances reflects a changing security landscape

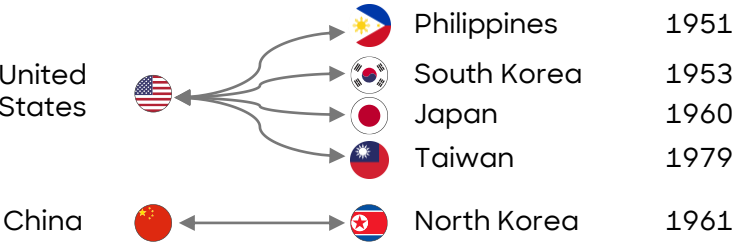
Cumulative number of active military alliances, 1946-2023



Major multilateral defense pacts

Treaty name	Known as	Year
Inter-American Treaty of Reciprocal Assistance	Rio Treaty	1947
North Atlantic Treaty	NATO	1951
ANZUS	ANZUS	1951
Five Power Defense Arrangements	Five Powers	1971
Collective Security Treaty	CSTO	1992
Alliance of Sahel States	ASS	2023

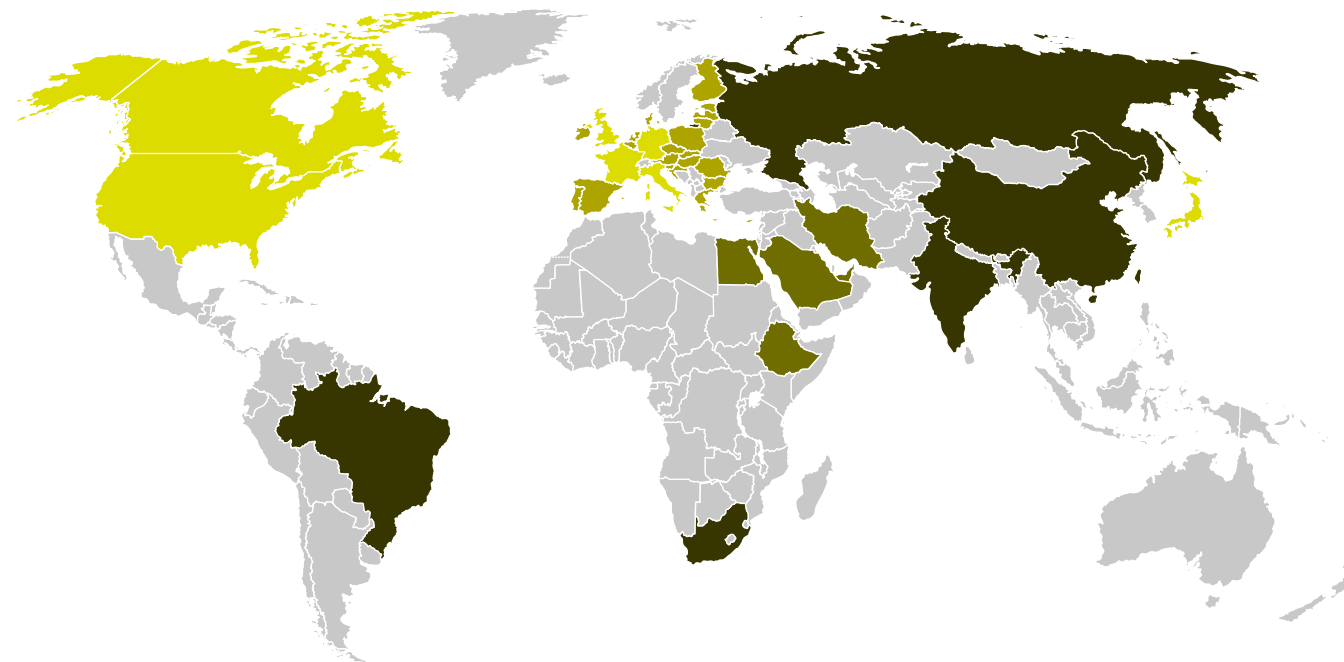
Selected bilateral defense pacts



- The international geopolitical landscape is witnessing a **surge in the formation of military alliances**, marking a significant trend in global security dynamics. Countries are increasingly recognizing the strategic advantages of aligning with partners to address shared regional security challenges
- Economic and strategic interests play a pivotal role in the formation of military alliances, as nations seek to **safeguard resources and ensure regional stability**
- In the **Asia-Pacific** region, nations are forging alliances to **navigate territorial disputes**, geopolitical tensions, and ensure collective security
- The **Middle East** region is experiencing the emergence of military alliances driven by **regional conflicts**, sectarian issues, and concerns over external threats
- A **notable driver of the recent surge in active military alliances** was the **United Kingdom**. **Post-Brexit**, the nation lost access to multiple security and defense pacts tied to EU membership, necessitating **bilateral renegotiations**

With the recent expansion – having added five countries in early 2024 – BRICS+ nations aim to challenge the existing world order dominated by the G7

G7 and BRICS

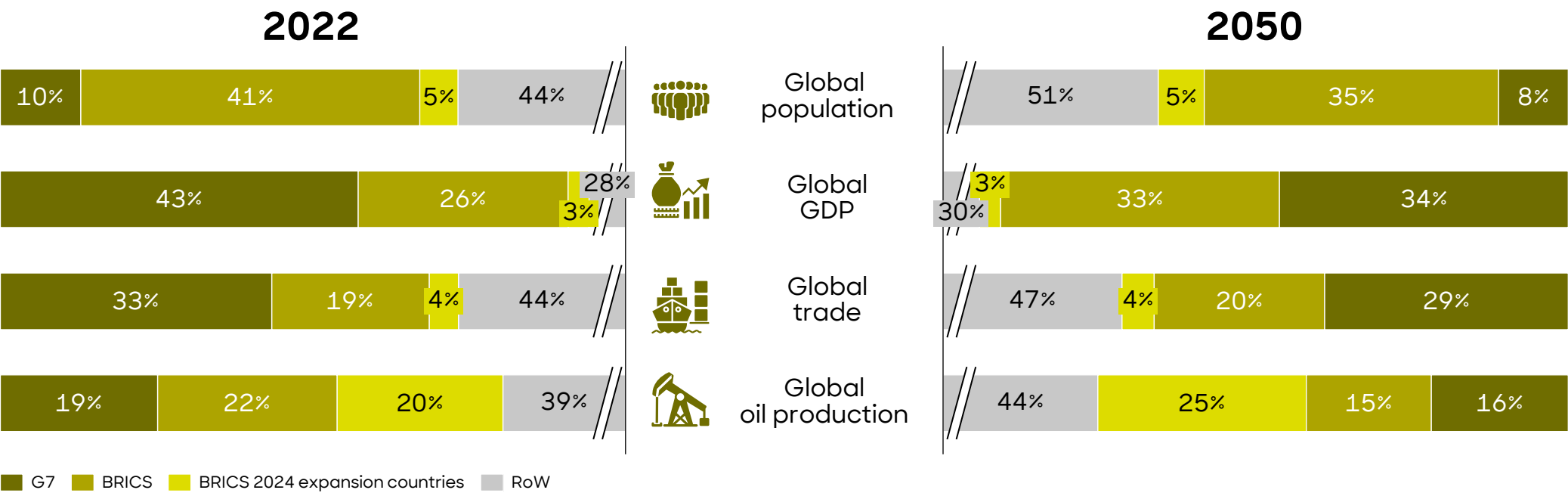


- G7 members
- EU as member of G7
- BRICS 2024 expansion countries
- BRICS countries

- The expansion of BRICS to **BRICS+** is a significant step in the bloc's push to counterbalance the Western-dominated international order. The addition of the **five new members – Egypt, Ethiopia, Iran, United Arab Emirates and Saudi Arabia** – will augment the bloc's advocacy for a more equitable global governance system that more strongly respects and reflects the issues and needs of the **Global South**
- With its new members, the enlarged bloc will represent **almost half of the world's population** and just over **a third of its GDP** at purchasing power parity, making it a significant force in the global economy
- However, the **enlargement** could hinder the bloc's geopolitical aspirations, as the additional membership **may make agreement more difficult**, particularly in times when its initial focus on economic collaboration has been overtaken by geopolitical issues
- This topical shift indicates a gradual change in the global power structure with **wide ranging implications for global governance** and international relations for all power blocs – old and new

BRICS expansion is poised to augment their geopolitical sway – By 2050, BRICS+ bloc is expected to have a higher economic relevance than G7

BRICS expansion and its impact on selected indicators¹⁾

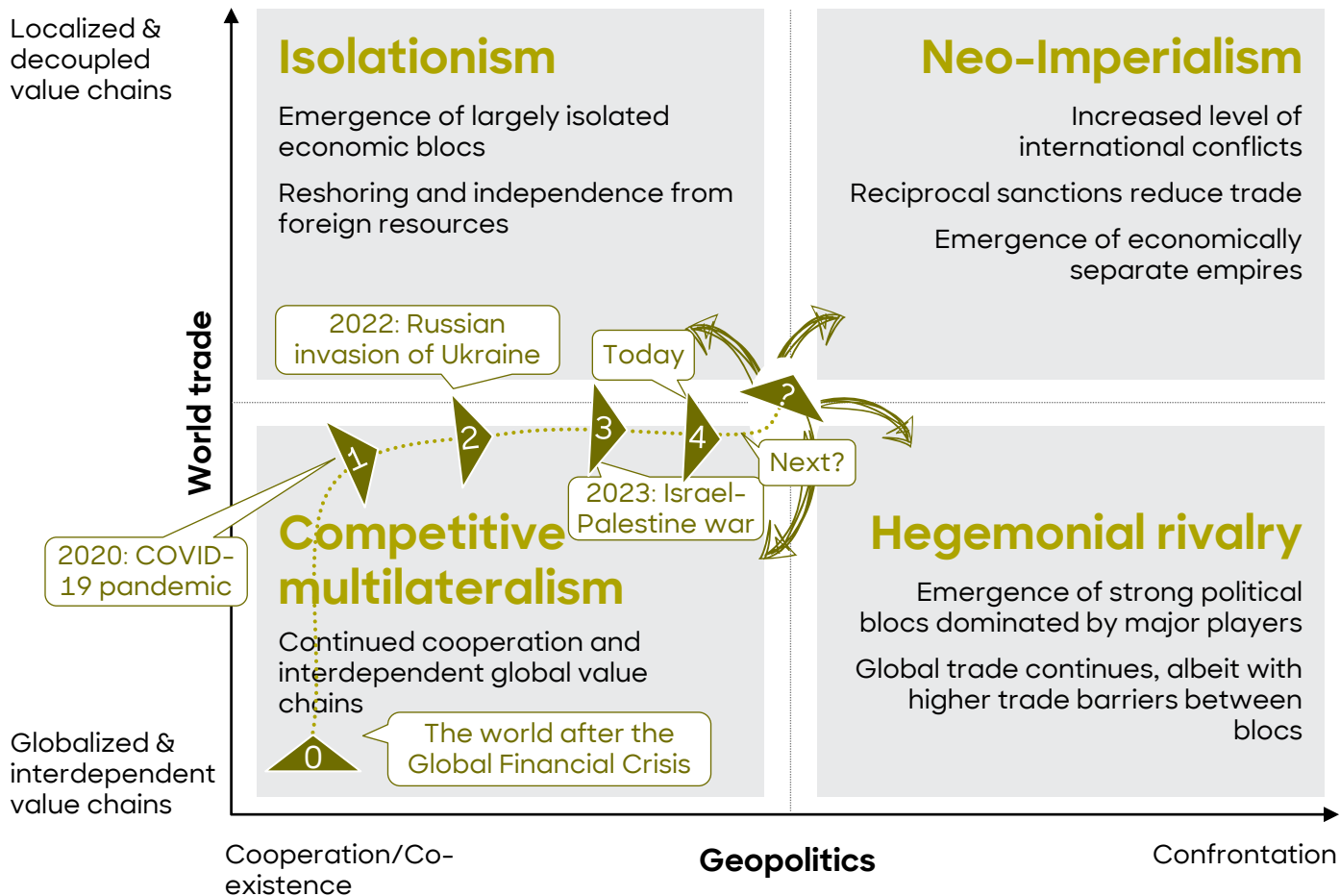


- Factoring in the new membership countries from 2024, the BRICS+ nations increase their geo-economic influence – in the Global South and worldwide. **By 2050, even without any additional members after 2024, BRICS+ will have a larger GDP than the G7.** This will strengthen its influence, positioning the bloc for a pivotal role in reshaping global dynamics by 2050
- The inclusion of **new BRICS members** in 2024 notably **bolsters its collective share of oil production**, making the bloc a key player in the global energy landscape. As the share of global oil production share of the new BRICS members is projected to grow by 2050 – while that of the G7 countries and the original BRICS members declines – their prominent position is ensured for the foreseeable future

1) Global GDP and global trade based on USD data for constant prices and exchange rates; global oil production based on barrels per day
Source: Oxford Economics, Roland Berger

Along dimensions of geopolitics and world trade we see four different scenarios for a future world order

International order scenario matrix



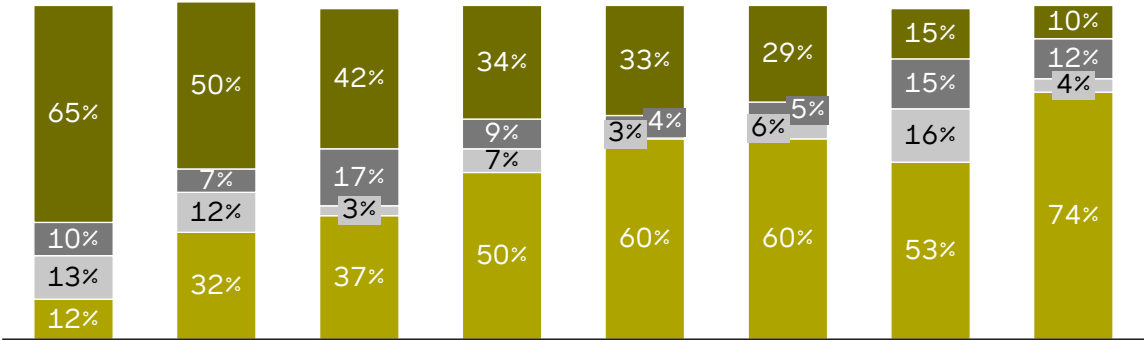
- For some time, global governance displays a notable tendency toward **rivalrous multi-polarity**, where major powers and blocs compete more intensely and less co-operatively on the global stage – leaving the rest of the world to strike a difficult balance
- While the pace of globalization continues to slow, a **transition to more unilateral action of major powers can be observed**, as is evident in the **rise of trade protectionism** – a prominent example being the US IRA¹⁾
- Established **global value chains** rely on a liberal, cooperative and peaceful world order. The Russian invasion of Ukraine has underscored that such a world cannot be taken for granted and subsequent sanctions against Russia have further **polarized the international order** – while the war exacerbates already existing economic disruptions and challenges such as inflation and shortages stemming from the global pandemic
- At the same time, this has raised the question of what the **relationship of democratic states vis-a-vis authoritarian/autocratic regimes** may look like in the future

1) Inflation Reduction Act of 2022
Source: Roland Berger

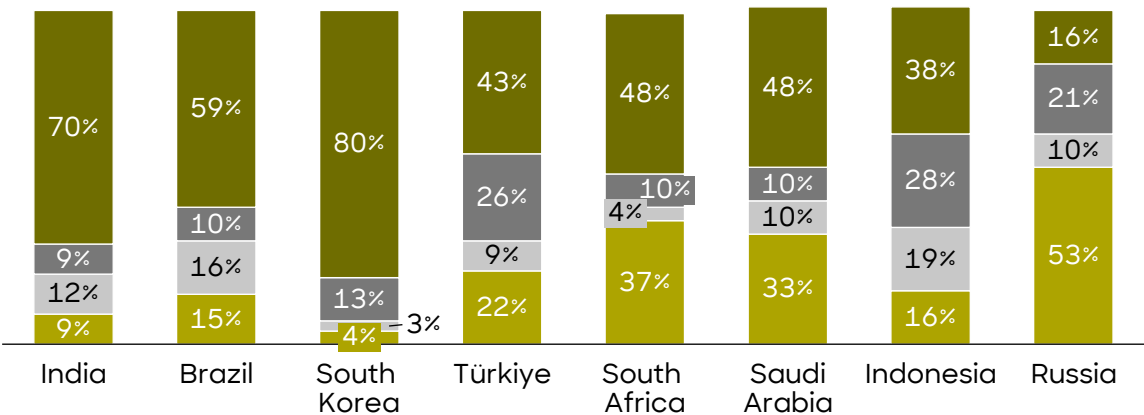
At present, nations appear to be pursuing selective strategies that offer specific advantages rather than aligning themselves with a bloc

On trade versus security cooperation, do you prefer your country to be closer to the United States and its partners, or China and its partners? [%]

Trade cooperation



Security cooperation

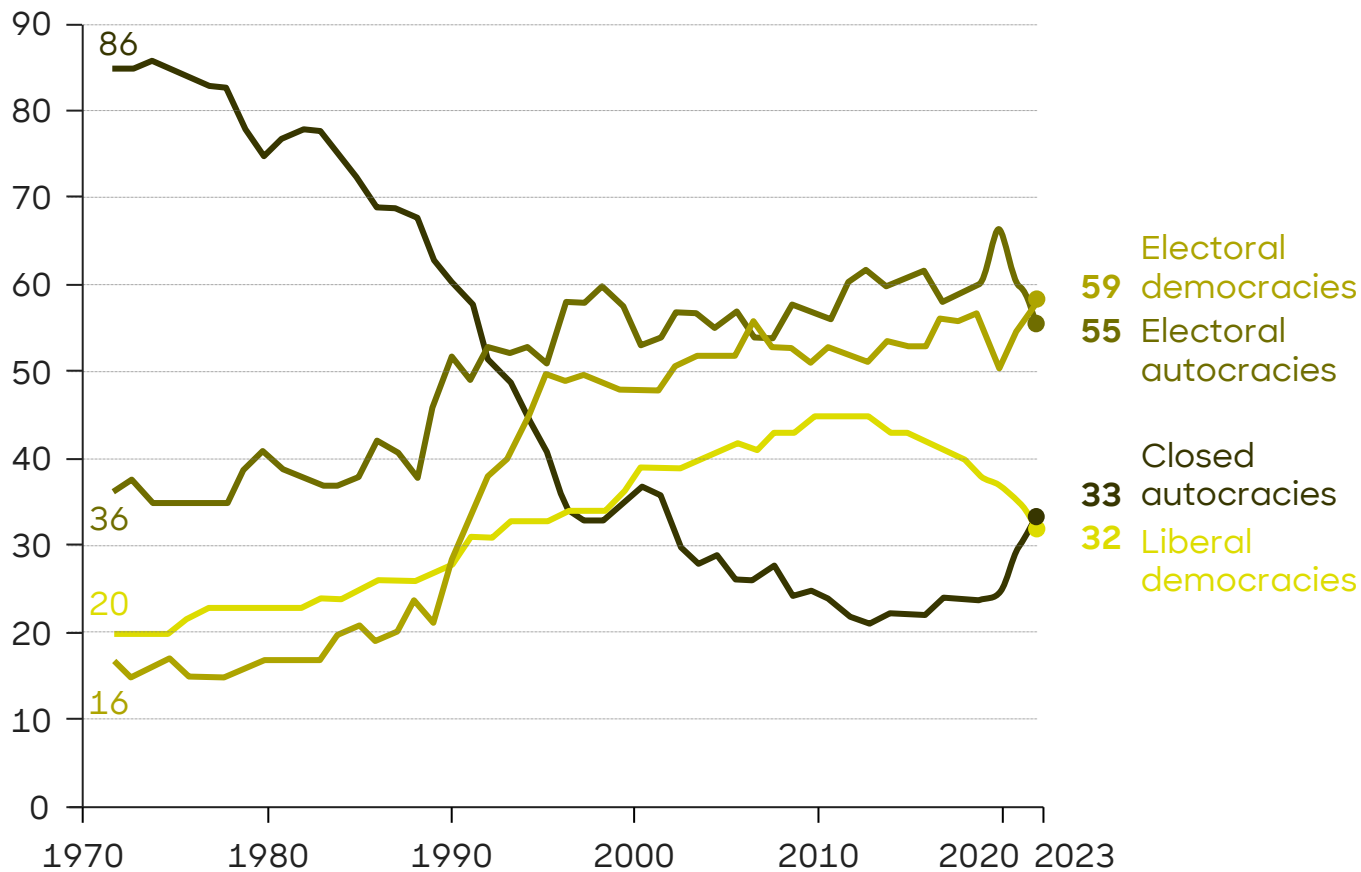


US & partners Neither No answer China & partners

- Commentators frequently point out that, when describing the geopolitical landscape of the 2020s, a **competition between** the aspiring superpower, **China**, and the existing hegemon, the **US** is looming
- In that regard, the world is often discussed in **terms of blocks, reminiscent of the Cold War era** when countries such as Cuba were associated with the Soviet Union, while those in Western Europe leaned towards the US. In addition, the so-called Non-Alignment Movement comprised countries that opted for neutrality and did not align with either bloc. **More recently**, the term "**geopolitical swing states**" has been coined, denoting countries that chart their course on a more independent, issue-by-issue basis
- According to surveys conducted in 2023, **current third-party countries such as Brazil, India or South Korea are strategically navigating** the current geopolitical environment to achieve the best possible outcomes
- For example, many countries are **inclined towards China for trade cooperation**, while **in matters of security**, a preference for **collaboration with the US** is observed

A more divided world: The future of liberal democracy is under threat – Autocratization trends are intensifying ...

Number of countries classified by regime type, 1972–2023¹⁾

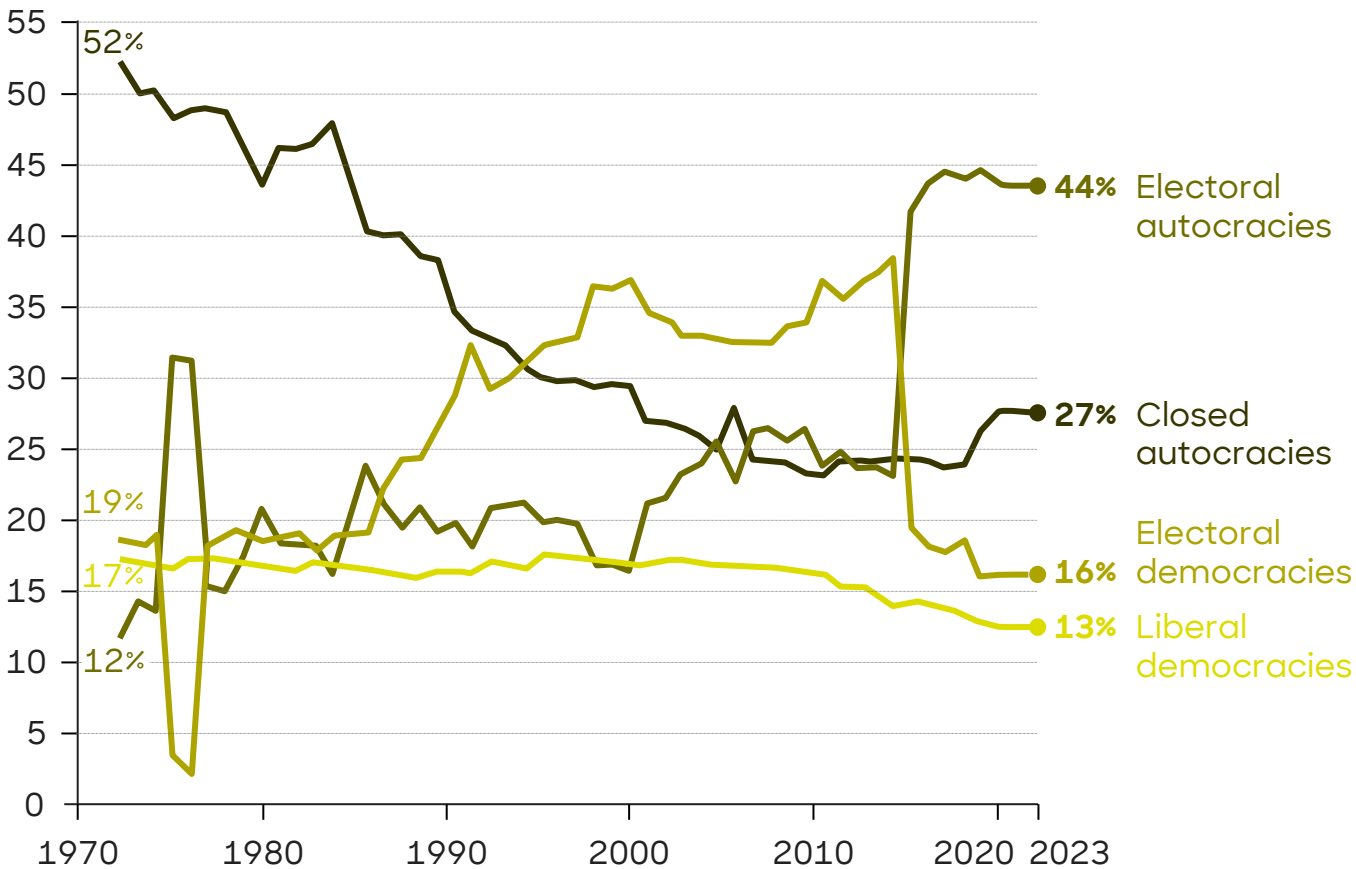


- **Electoral democracies** are the **most common regime type**; electoral democracies as well as electoral autocracies have increased in numbers over the past five decades – the latter, for example, includes **Hungary, Türkiye and India**
- The most recent years’ **increase** in the number of **electoral democracies** may appear to be a positive but is largely a **consequence of liberal democracies undergoing** (gradual) **autocratization**
- For the first time since 1995, there are **fewer liberal democracies than closed autocracies**; the former declined from a **peak of 44 in 2009** to **32 in 2023**
- The number of **closed autocracies** has gone up from a low of 22 in 2012 to 33 in 2023, highlighting the other momentum of the current wave of autocratization. In recent years, countries such as **Afghanistan, Chad, Eritrea, Iran, Mali, Myanmar, Uzbekistan, and Vietnam** have fallen under this regime type

1) Uncertainty remains about regimes that exhibit similar degrees of authoritarian and democratic traits and thus are close to the threshold between democracy and autocracy. In 2023, such uncertainty applied to 18 countries. Thus, the number of autocracies in the world might range from 82 to 101 countries, with 88 being the best estimate
Source: University of Gothenburg/V-DEM Institute; Roland Berger

... increasing the share of the global population not living under democratic regimes to 68% in 2020 – India's sizable population boosted this trend

Share of global population living under four regime types, 1972-2023¹⁾ [%]



- The magnitude of the decline in democracy is much **larger when accounting for population size**, indicating that many more people live in autocratic than in democratic countries: **Together, electoral and closed autocracies are now home to 5.7 billion people – 71 % of the world’s population.** This share has increased from 48 % ten years ago
- **Electoral autocracies** continue not only to be the **most common regime** type but also the **most populous**. A major (though contested) case in point is that the world’s largest democracy and home to 1.42 billion people recently turned into an electoral autocracy: **India**
- By contrast, the number of **liberal democracies** (32) is slowly decreasing – their **population share** now stands at only **13%**
- **Electoral democracies** account for the remaining **16%** of the global population – a figure much changed over the past fifty years, only to fall **below its 1970 level**
- On V-DEM indicators overall, the **level of democracy** enjoyed by the **average global citizen in 2023 is down to the levels in 1985**. While the decline was most pronounced in Eastern Europe and South and Central Asia, democracy levels have **increased** in Latin America and the Caribbean

1) Based on 87 countries (best estimate) under autocratic regime
Source: University of Gothenburg/V-DEM Institute; Roland Berger

Around the world, democratic standards are being weakened - Democracy broke down in half of the top autocratizers in the last three years

A selection of observations



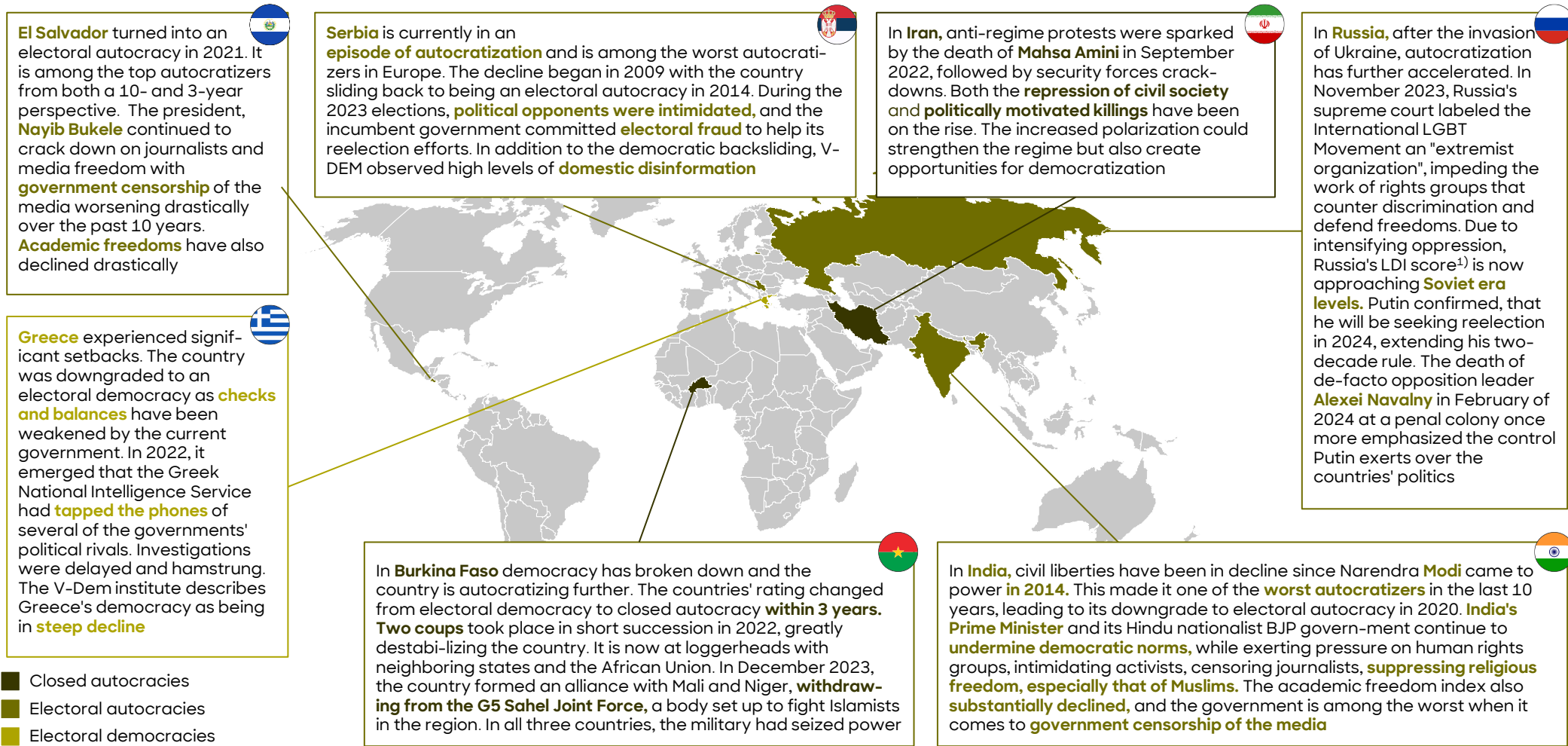
2.1
Global Risks



2.2
Geo-politics



2.3
Future of Democracy



1) The LDI score captures both liberal and electoral aspects of democracy. It includes the Liberal Component Index and the Electoral Democracy Index and includes institutional features that guarantee free and fair elections as well as limits placed on governments that guarantee individual liberties and checks and balances between institutions
Source: V-Dem Institute; Freedom House; press research; Roland Berger

Roland Berger | 50

Despite the global wave of autocratization, achievements are being made across the world – Some democracies are bouncing back

A selection of observations



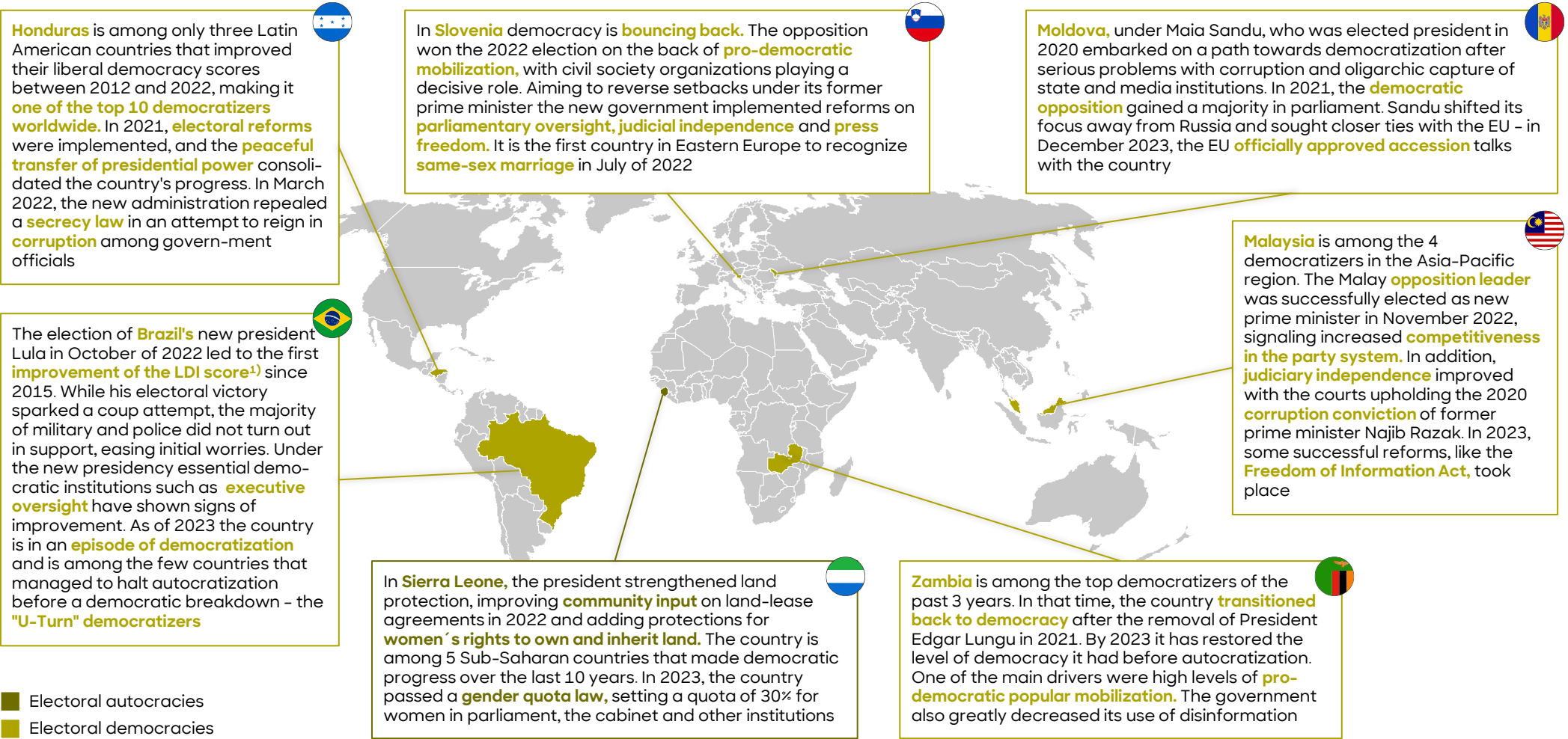
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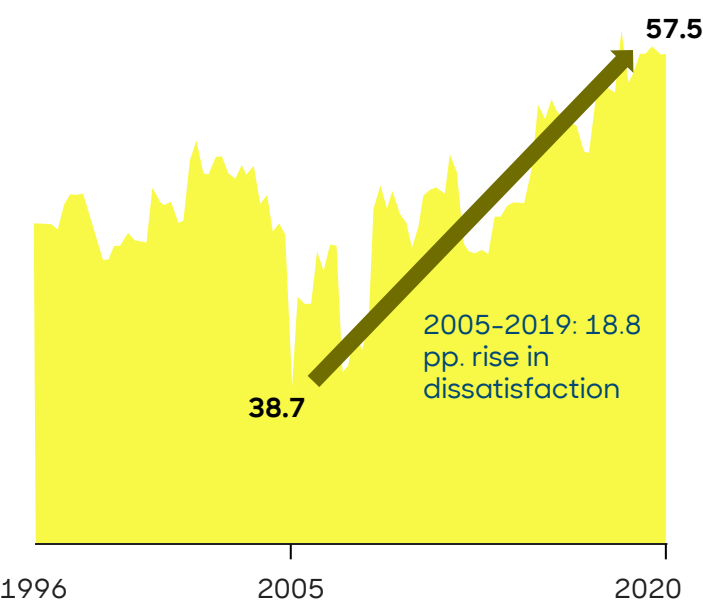
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Roland Berger | 51

Within democracies, public dissatisfaction with democracy is on the rise since 2005 – However, amongst advanced economies views vary widely

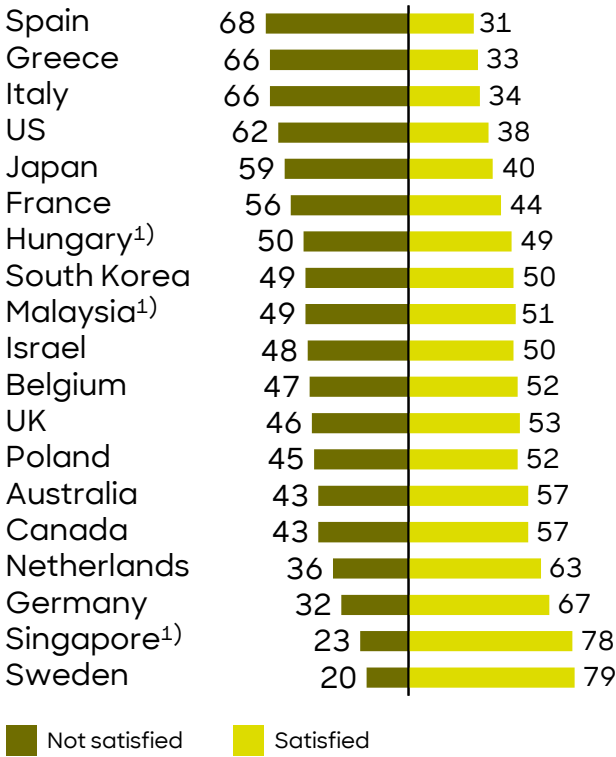
Global dissatisfaction with democracy on the rise

Share of population in 77 democracies being dissatisfied with democracy, 1996-2020 [%]



The University of Cambridge's Centre for the Future of Democracy tracks the 'mood' in **77 democracies**; observations are based on a constant-country, population-weighted sample of these democracies for which data exists from the mid-1990s to 2019. This represents 2.4 billion individuals across all continents

Share of population in selected democracies being not satisfied/satisfied with democracy, spring 2022 [%]



Pew Research surveyed public attitudes in 19 advanced economies from March to May 2022

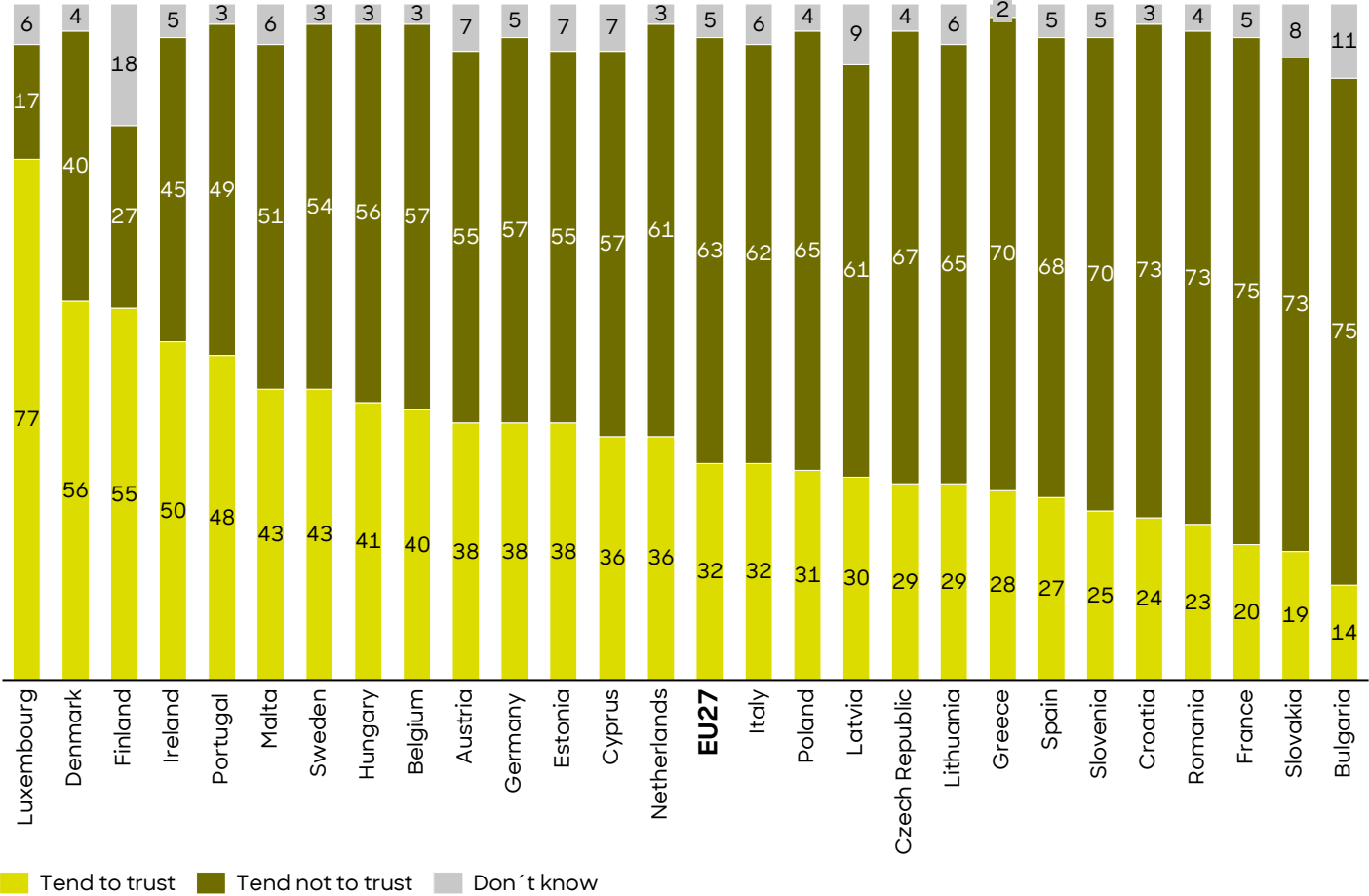
- Across the globe, democracy appears to be in a **state of discontent**: dissatisfaction with democracy has risen over time
- 2019 represents the **highest level of democratic discontent** on record: nearly 58 percent are unhappy with democracy
- The **rise in democratic dissatisfaction** has been especially sharp since 2005, with just 38.7 percent of citizens dissatisfied in that year. Since then, the proportion of dissatisfied citizens in the 77 observed democracies has risen by almost one-fifth of the population
- But **views can vary widely at the national level**: According to a Pew Research survey undertaken across **19 advanced economies** in spring 2022 **levels of dissatisfaction** with democracy are notable in southern European nations (Spain, Italy, Greece) but also the US, while northern European countries (Sweden, Germany, Netherlands, Poland, UK) appear more satisfied with the way democracy is working in their country

1) Hungary, Malaysia, and Singapore are electoral autocracies according to the V-DEM University of Gothenburg classification
Source: University of Cambridge Bennett Institute; Pew Research Center; Roland Berger

Democracy depends on trust in political institutions. Yet especially trust in national government is generally low

Trust in political institutions in European countries

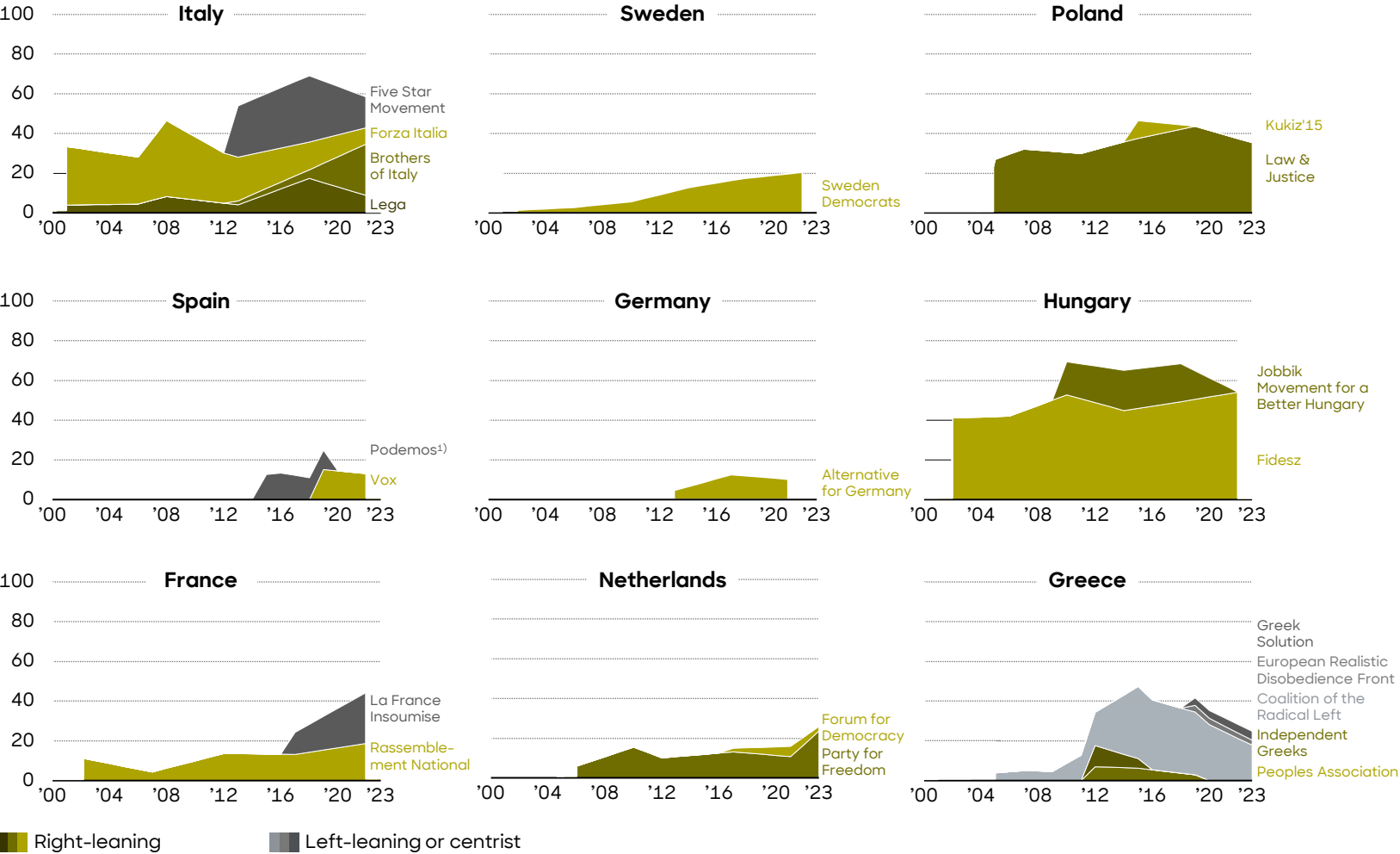
Share of respondents that tend to trust their national government, Spring 2023 [%]



- In 2023, only around a third of Europeans trusted their national government. This low level of trust has remained broadly stable over the past decade
- In Bulgaria, Slovakia, and France, trust in government is lowest with as many as three quarters of respondents tending not to trust their government. In Luxembourg, Finland, and Denmark governments enjoy the highest levels of trust
- Trust in national political parties is even lower. In no member state more than half of respondents say that they trust political parties
- In most member states, health and medical staff, the army, and the police are among the most trusted institutions
- In most EU countries trust in supranational institutions such as the EU is higher in comparison to national and local government
- Besides public governance, the OECD describes additional drivers of trust in public institutions: cultural, socioeconomic, and political drivers, as well as government action on intergenerational and global challenges. The knowledge of these drivers can guide efforts to regain trust, especially after crises

A 20-year trend: The increase in populist parties' vote shares in Europe highlights the unease of a deepening divide in public sentiment

Vote share of populist parties in national legislative elections for selected European countries [%]

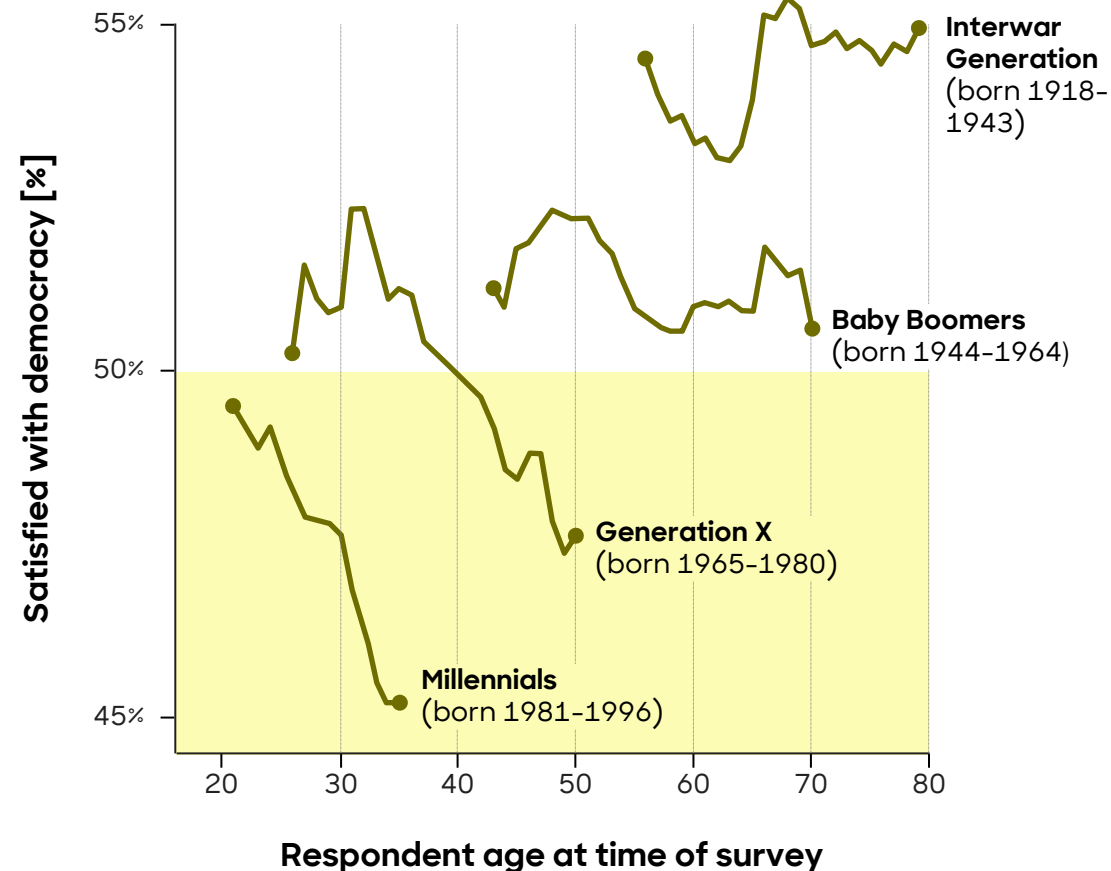


- Longer term observations regarding the rise in the **share of votes of populist parties' hint at societal divisions**
- In Italy, right-leaning populist parties have increased their vote shares, whereas left-leaning or centrist populist parties have seen a decline. With a combined vote share of almost 60 percent, **Italian populist parties hold the highest cumulative share among the selected European countries**, indicating a deep-rooted disillusionment with traditional political institutions
- Generally, **right-leaning populists are more popular across these European nations**, except in Greece and France. However, in Greece's recent election, left-leaning populists saw a decline, dropping to just over 20 percent from nearly 40 percent in the previous election
- In the **Netherlands and Sweden**, which saw negligible populist support 20 years ago, **right-leaning populist parties have surged in popularity**, exemplified by the Netherlands' 2023 election where the Party for Freedom made significant gains

1) In the 2023 Spanish general election, the political party previously known as Podemos ran under the broader coalition named Sumar
Source: Pew; ParlGov; Roland Berger

Younger generations are less satisfied with democracy than older ones and their satisfaction declines further with age

Global satisfaction with democracy by generational cohort and age¹⁾ [%]

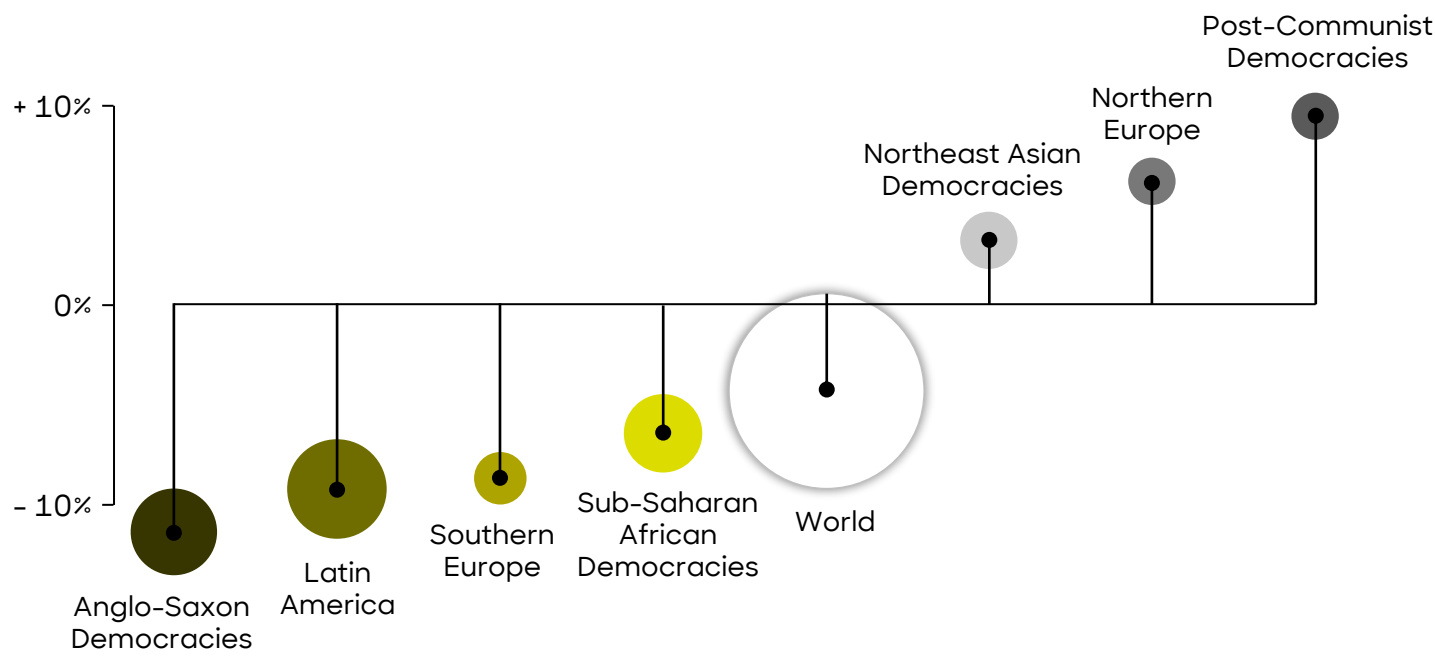


- Around the world, **young adults living in democracies today are less satisfied** with the performance of democracy **than older generations** – each generational cohort is less satisfied with democracy than the preceding cohort at comparable ages
- For example, while **a majority of Millennials** – having come of age in the 21st century – **express dissatisfaction with democracy** in their countries, a generation ago the majority of those at a comparable age (people from **Generation X in their twenties and thirties**) **have been satisfied** with democratic performance
- As the **population share of Millennials and Generation X** will **increase** compared to the shares of the older generations, the **overall satisfaction** can be expected to **decline in the future**
- In addition to the differences between the generations, the development over time within the two younger generations – Millennials and Generation X – raises **further concerns** as **younger cohorts have become more dissatisfied as they have aged**. If this development continues, the overall satisfaction with democracy will decline even further
- The **good news** is that, although differences between these generations are significant, with a range of 45–55 percent, they are not insurmountable – a **chance to mitigate remains**
- In addition, there is also **room for improvement in terms of the older generations**. If the satisfaction of the baby boomers were to increase, the overall satisfaction would strongly increase, as they account for a large share of the total population

¹⁾ Global aggregate of 75 countries in all regions of the world, weighted by country-population. The study analyzed a data set combining 3,500 country surveys, and 4 million respondents between 1973 and 2020

Concentrated in populous democracies in four regions, younger generations' lower satisfaction with democracy is unevenly distributed

Average generational satisfaction compared to the next-older generation at the same age, by region¹⁾ [%]



Bubble sizes represent population size

- Out of 2.3 billion individuals represented in the global cross-country sample, **1.6 billion are in countries with declining democratic satisfaction** from one generation to the next, while **only 0.7 billion live in countries with rising intergenerational contentment**
- In **Anglo-Saxon democracies, Latin America, Southern Europe, and Sub-Saharan Africa** the **younger generations** are **less satisfied** with democracy than the next older generation at the same age
- In **Northeast Asian democracies, Northern Europe, and Post-communist democracies** the **younger generations** are **more satisfied** with democracy than the next older generation at the same age
- The **global decline of satisfaction** with democracy might be **explained by contingent events** in recent decades, such as the aftermath of the global financial crisis, the effects of social media on news and public debate, or the legacy of failures at democracy promotion overseas
- The **divergence between the regions** might be **explained by differences in the development of inequality and youth unemployment** and in a certain "**transition fatigue**" in countries which have shifted from an authoritarian to democratic system

1) Average intergenerational satisfaction shift, by region, using comparisons at identical points in life. The intergenerational shift is the average of the gap between Millennials and Generation X compared at age 30, between Generation X and Baby Boomers compared at age 50, and between Baby Boomers and the Interwar Generation compared at age 70 – the points at which overlap data exist in all 75 countries surveyed
Source: University of Cambridge Bennett Institute; Roland Berger

The future of autocratization is democratic erosion – How to spot future would-be autocrats: A checklist of early-warning signs

Early warning signs of autocratic tendencies in (would-be) leaders/parties include:



Low commitment to the democratic process

Unwillingness to publicly commit to legal means for gaining power

Expresses willingness/need to violate the constitution

Expresses sympathy for non-constitutional means of accessing power

Attempts to undermine the legitimacy of elections



Demonization of political opponents

Denial of the legitimacy of democratic political parties to participate in political process

Describes rivals as subversive/criminal or foreign agents

Claims that rivals constitute an existential threat



Encouragement of political violence

No rejection of the use of force and willingness to ask for armed forces

Encourages or sponsors mob attacks on opponents

Endorses or praises political violence

Has ties to militia or armed gangs



Disrespect for fundamental minority rights

Curtailment of the civil liberties of democratic parties' leaders and supporters

Support laws or policies restricting civil liberties

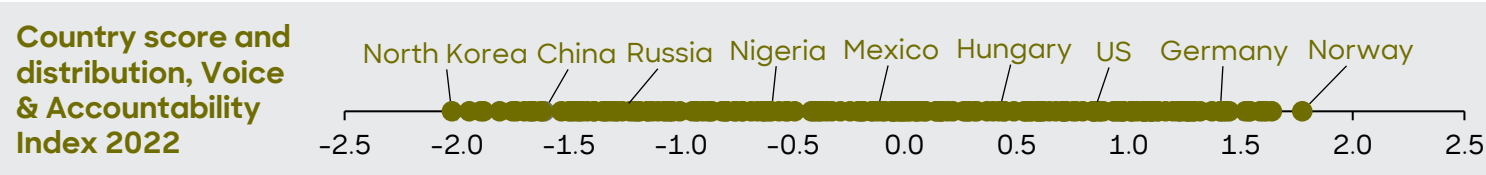
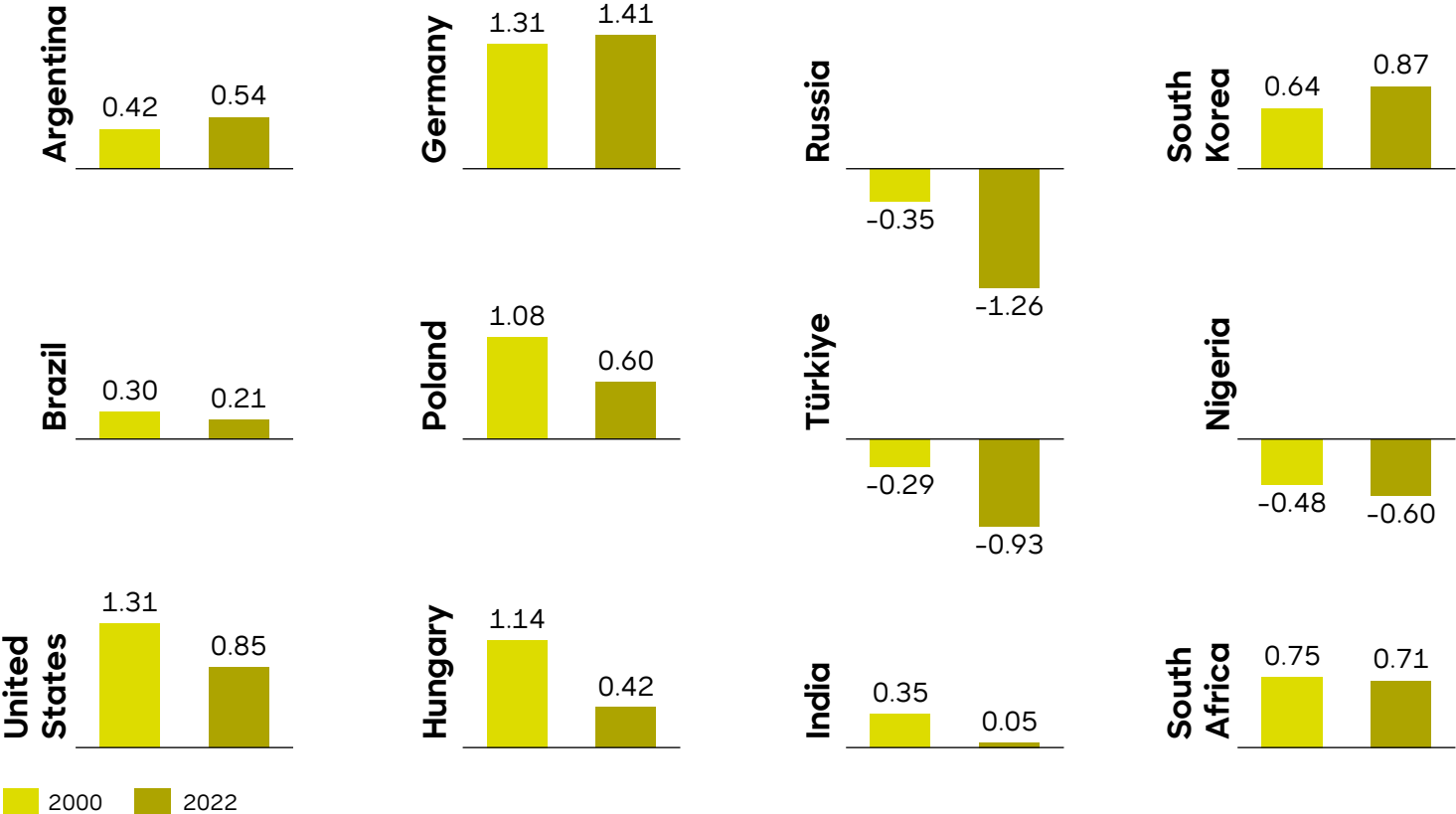
Threatens to take legal action against critics

Praises repression



The Voice & Accountability index reflects citizens ability to participate in selecting their leaders, fundamental freedoms and a free media

Voice & Accountability (VA) Index, selected countries¹⁾

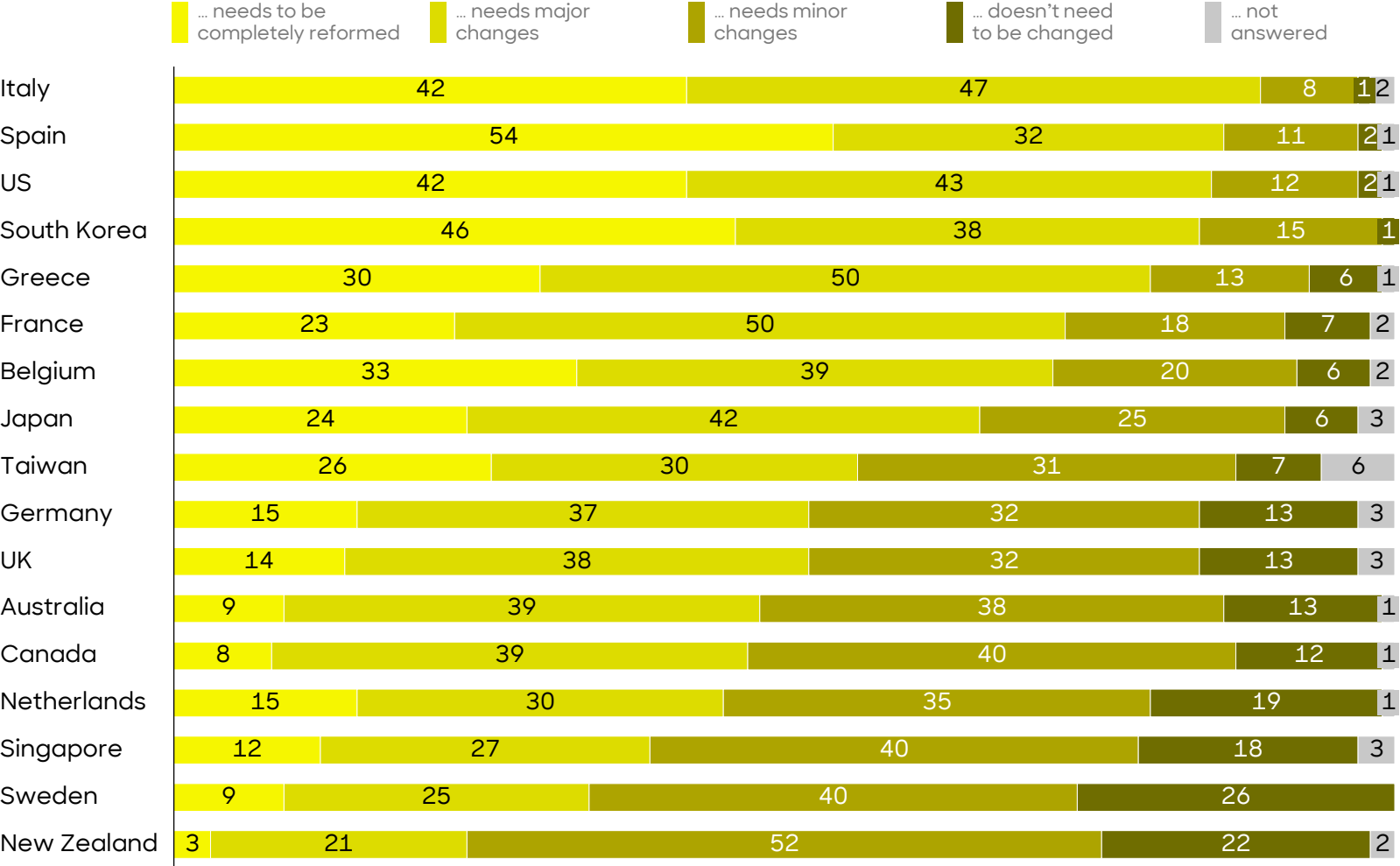


- The focus of the World Bank's governance subindex Voice & Accountability is on **participatory democracy** and **accountability**: It captures perceptions across an extensive list of variables to express the extent to which **citizens can participate in selecting their national government**, as well as **freedom of expression**, freedom of **association**, and a **free media**
- The maximum **+2.5 score** indicates the situation where there is **no obstacle to expressing voice**, whereas the **-2.5 score** reflects the situation where people have **no means of expressing their voice**
- **Norway** scores the **highest** (1.77), while **North Korea** has the **lowest score** (-2.02)
- Some **long-standing democratic countries** do not seem to **fulfill their potential**, for example the United States, which is experiencing a downward trend

1) VA Index: An aggregate index across 30+ indicators in units of a standard normal distribution, ranging from -2.5 (weak) to 2.5 (strong)
Source: World Bank; V-Dem; Roland Berger

Good governance factors in the public mood: In advanced economies, post-pandemic expectations signal the need for major political reforms

Share of respondents saying the political system ...¹⁾ [%]



- A median of **56 percent across 17 advanced economies** surveyed in spring 2021, shown left, say their political system needs **major changes**, or needs to be **completely reformed**
- Roughly **two-thirds or more** express this opinion in **Italy, Spain, USA, South Korea, Greece, France, Belgium, and Japan**
- Political reform does **not appear to be so pressing** or radical in other countries, particularly in **Sweden, Canada, and New Zealand**
- **Reasons** for wanting change are varied but attitudes are shaped in part by views about the national **economy**, the impact of **COVID-19**, and **social and political divides**

1) Spring 2021 global attitudes survey among adults in 17 countries
Source: Pew Research Center; Roland Berger

To strengthen the future of democracy and counteract autocratic tendencies, participatory citizen engagement is key

Key aspects of democracy



2.1

Global Risks



2.2

Geo-politics



2.3

Future of Democracy

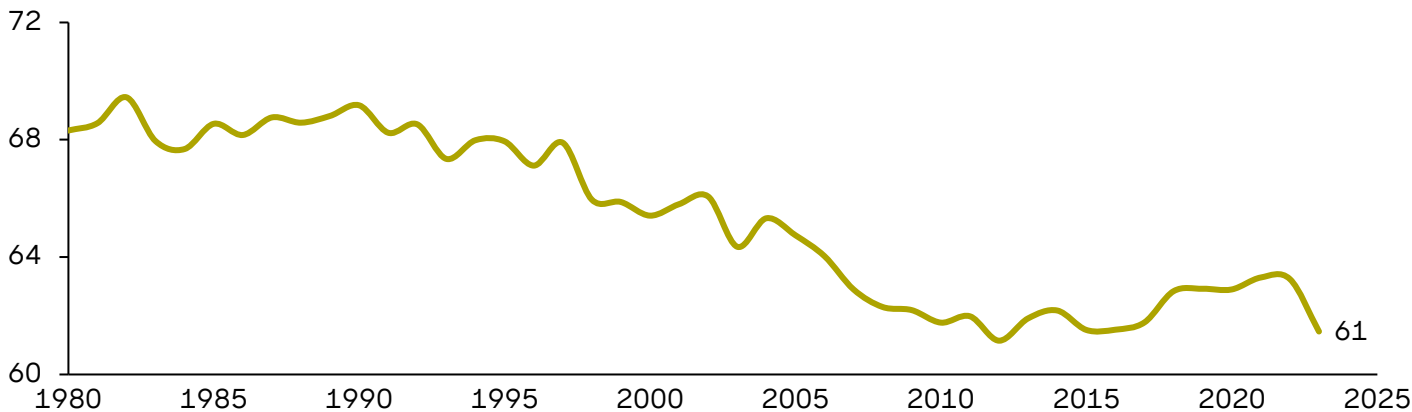


- The global black swan event of 2020 – the COVID-19 pandemic – was a catalyst for many lessons for the future of democracy: **Democracy doesn’t work without full and effective citizen engagement** – in person, at and between elections, and increasingly online
- Democratic innovations “born under fire” – often in multi-stakeholder partnerships at local or regional levels – include the accelerated development and use of **eDemocracy tools**, as means of communication and information sharing, monitoring, deliberating, and decision making
- Tools range from **digital townhalls**, remote voting, opinion polling, **e-petitions**, e-learning platforms for educators, apps and online portals for **virtual public services**, and many more
- Future crises may strain governance and local communities, but the role of **participatory, inclusive, and deliberative democratic practice** will be critically important in seeking collective solutions – between election cycles as much as in the run up to and the aftermath of polling day

Different aspects of electoral developments can be observed: Voter turnout is declining globally. Lowering the voting age is not widespread – yet

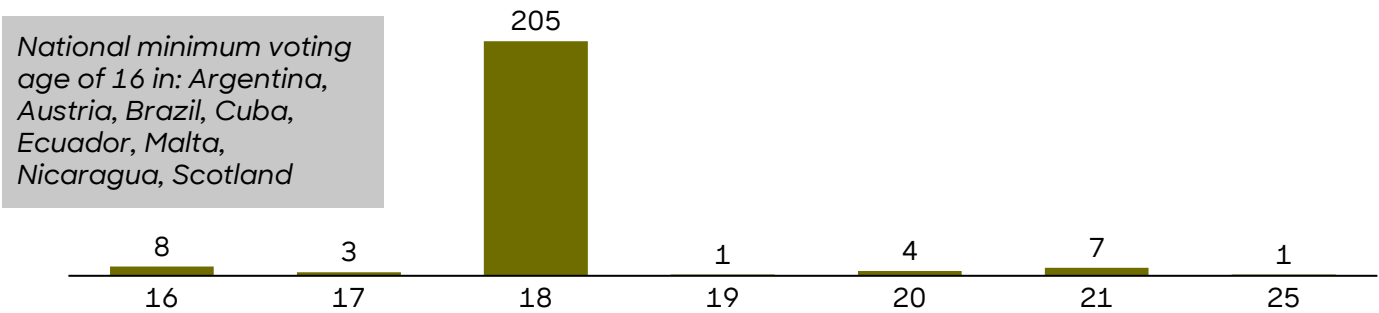
Voter turnout is declining

Voter turnout trends at parliamentary elections, 1980-2023¹⁾ [%]



- **Voter turnout** at national elections has been **declining globally** for several decades – but nationally this may vary greatly
- A **core tenet of democracy is the right to vote in (free and fair) elections**: Citizens aged 18 and over usually have a right to vote in almost all forms of political systems where elections are held
- The **vast majority of countries and territories** have a **minimum voting age of 18** for national elections – bar a small number of countries with an **age threshold** of 20+ (some Middle Eastern countries, Taiwan, Singapore)
- However, several countries, particularly in **South America**, have **lowered their voting age** for some decades in national elections, while in Europe, **Austria** and **Malta** are more recent innovators
- Some countries **have introduced lower age thresholds for regional or local elections**, such as Estonia, some German states, and parts of the UK – the **debate continues in many countries**
- Lowering the voting age is often driven by the ambition **to give younger populations equity in how their countries are governed**

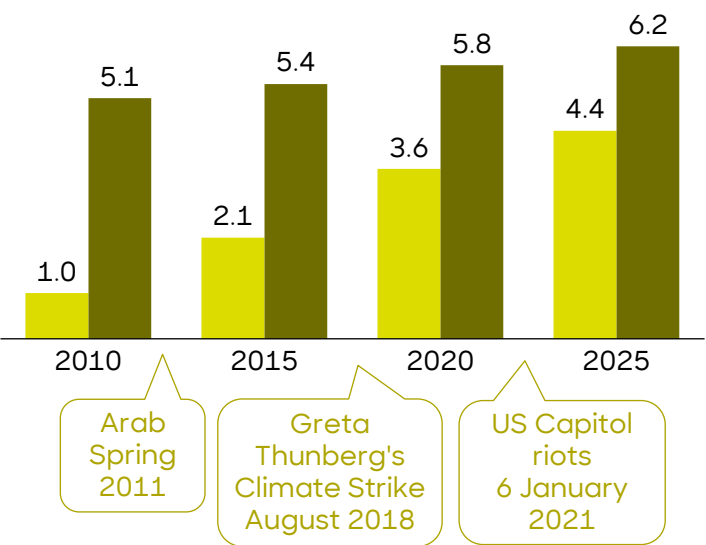
Number of countries and territories where the minimum voting age is ... years old, 2022²⁾



1) All countries excl. countries with compulsory voting law, 10-year average; 2) Data available for 237 countries and territories
Source: International IDEA; ACE Electoral Knowledge Network; Roland Berger

The voice of the people is making itself heard increasingly through the medium of technology, on social media and online platforms

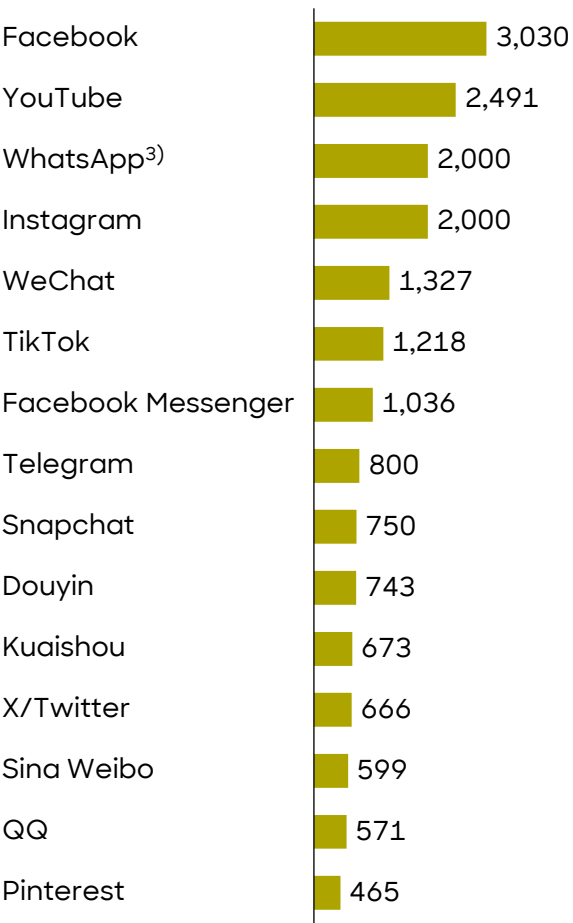
Social media users and global population aged 15+, 2010-2025¹⁾ [bn]



“Technology has already revolutionized our notion of what democracy means. It used to mean one person, one vote. Now it means, one device, one voice.”
Barry Chudakov, founder, Sertain Research

■ Social media users
■ Total global population aged 15+ years

Global social platforms ranked by number of active users, October 2023²⁾ [m]



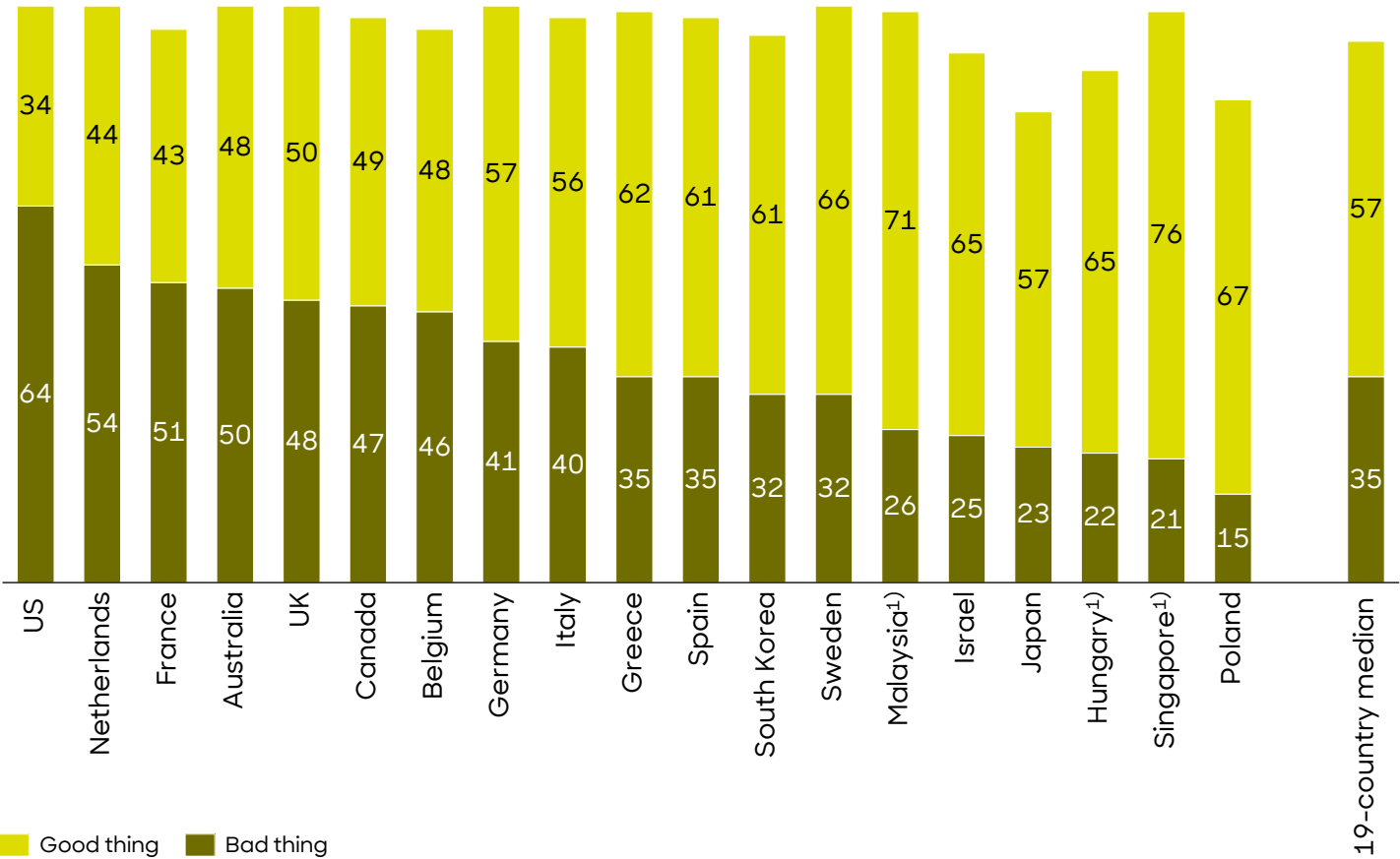
- Globally, and compared to other generations, the use of **social media as a means of freedom of expression and interaction** is unlikely to diminish in future years: **Over 70 percent** of the global population aged 15 and older are expected to **use social media by 2025 - up from 62 percent today**
- The **mass adoption** of **social media** tools for the **purpose of pro-democracy citizen protests** - first seen during the Arab Spring more than a decade ago - has also given rise to **abuse (e.g. deep fakes, conspiracy theories** and dissemination of **fake news)** by national and foreign anti-democratic forces; further threats to democracies lie in the **danger of confirmation bias**, the **shaping of opinions based on misinformation** and, more generally, the relative **absence of regulation and oversight** in the social media sphere - a current and future hot topic
- Equally and going forward, the rising use of social media as a global platform for **younger activists** - as in the exemplary case of the global **Fridays for Future campaign** started by the then under-age Greta Thunberg - illustrates that the **global agenda is not limited to being shaped by voting adults** in any one country alone

1) Approximation, legal use age 13 (on average across most major social media sites), 2025 forecast; 2) Users may not represent unique individuals; 3) 2022 data
Source: Statista; UN; DataReportal; Roland Berger

The public perception of social media varies across countries – It is broadly seen as beneficial for democracy

Perceptions of social media in selected countries

Share of population in selected democracies seeing social media as a good/bad thing for democracy in their country, 2022²⁾ [%]



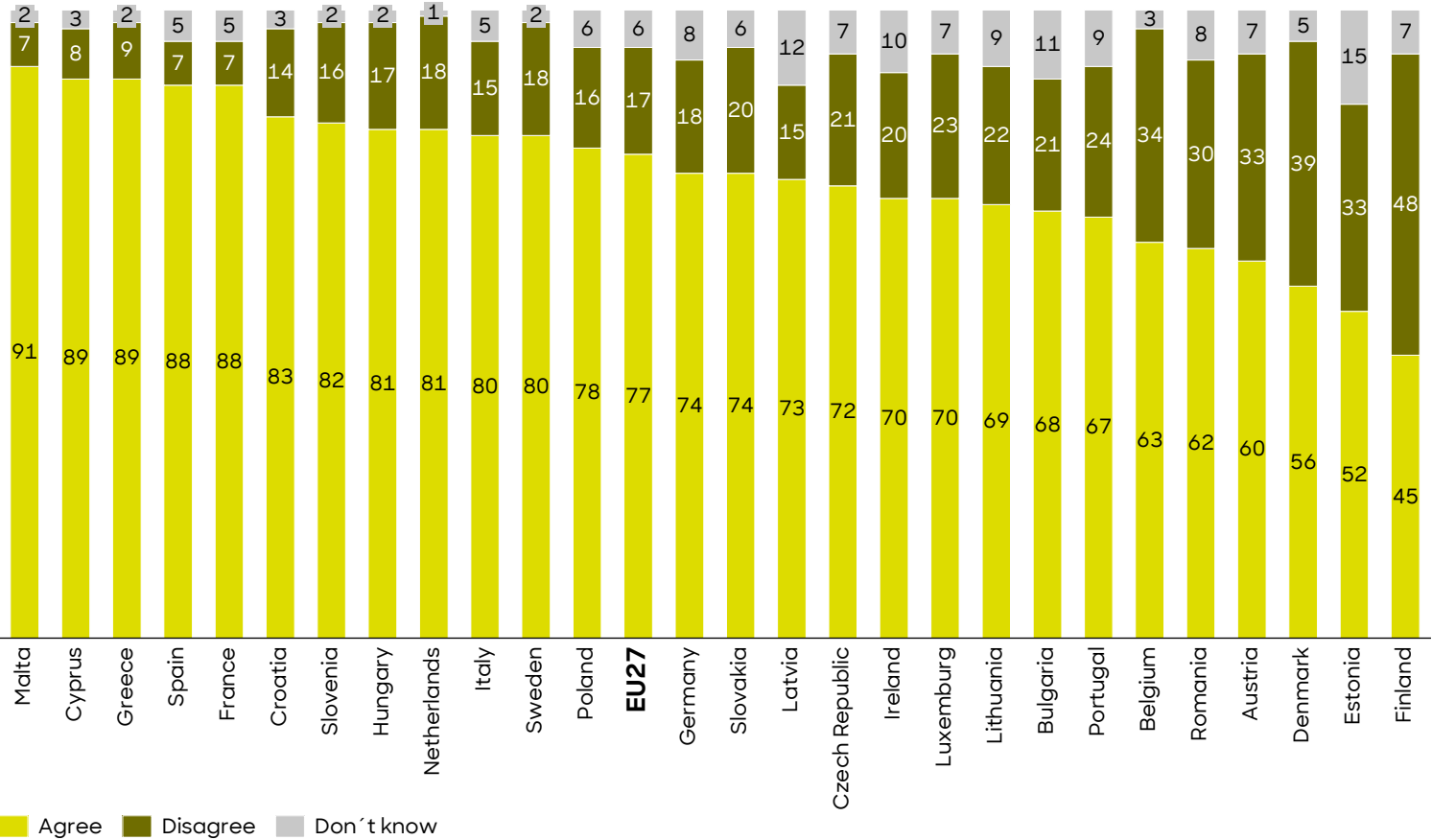
- Overall respondents tend to see social media as **beneficial** for their country's democracy. The US are a clear outlier, with social media being viewed more negatively across age groups
- Nonetheless, a significant number of respondents worry about the impact of social media. **False information and rumors** are the most widespread concern. On average 84 percent of respondents say that social media has made people **easier to manipulate** through these means
- On the other hand – and somewhat counterintuitively – 73 percent of respondents on average think social media has made people in their country **more informed** about current events
- There are large **age gaps** in some countries: Younger people tend to see social media as good for democracy

1) Hungary, Malaysia, and Singapore are classified as electoral autocracies according to the V-DEM Institute; 2) "Don't knows" are excluded
Source: Pew Research Center; V-DEM Institute; Roland Berger

Regarding the upcoming elections to the European Parliament in 2024, most citizens in almost all EU member states are worried about false information

EU citizens perception of fake news

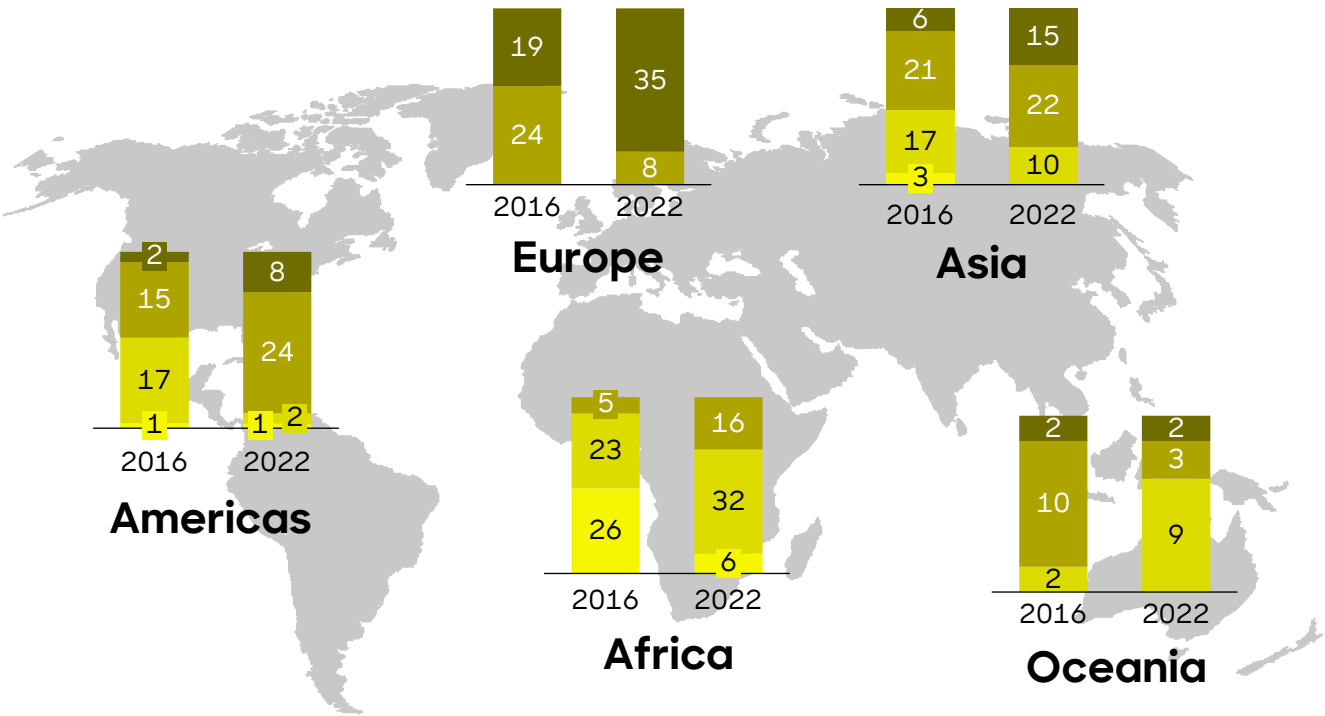
Share of EU citizens agreeing that the existence of news or information that misrepresent reality is a problem in their country [%]



- Large numbers of EU citizens agree that **news** and **information** that are **false** or **misrepresent** reality are a **problem both in their own country and for democracy in general**, with respondents in Malta, Cyprus, and Greece worrying the most
- While roughly two-thirds of respondents say that they **often encounter misleading and false information**, 60 percent think that it is easy for them to identify fake news
- **Finland**, the only country where a relative majority does not see fake news as a problem in their country, conversely is the country where respondents had the highest confidence in their ability to correctly identify them (77%)
- Regarding the European Parliament elections, a **heightened awareness** of the danger that misinformation can pose is welcome, however **false confidence** in one's ability to correctly identify it could also have adverse effects

Technology is also transforming government: E-government development levels are rising but regional digital public services delivery varies

Number of countries by region, by EGD level, 2016 and 2022¹⁾



Globally, a **continued increase** in the uptake of e-government development is evident, with **69 percent of 193 UN member states** now in the **high or very high category** in the **UN's E-Government Development Index (EGDI)**, up from 65 percent in 2020

■ Very high EGD ■ High EGD ■ Middle EGD ■ Low EGD

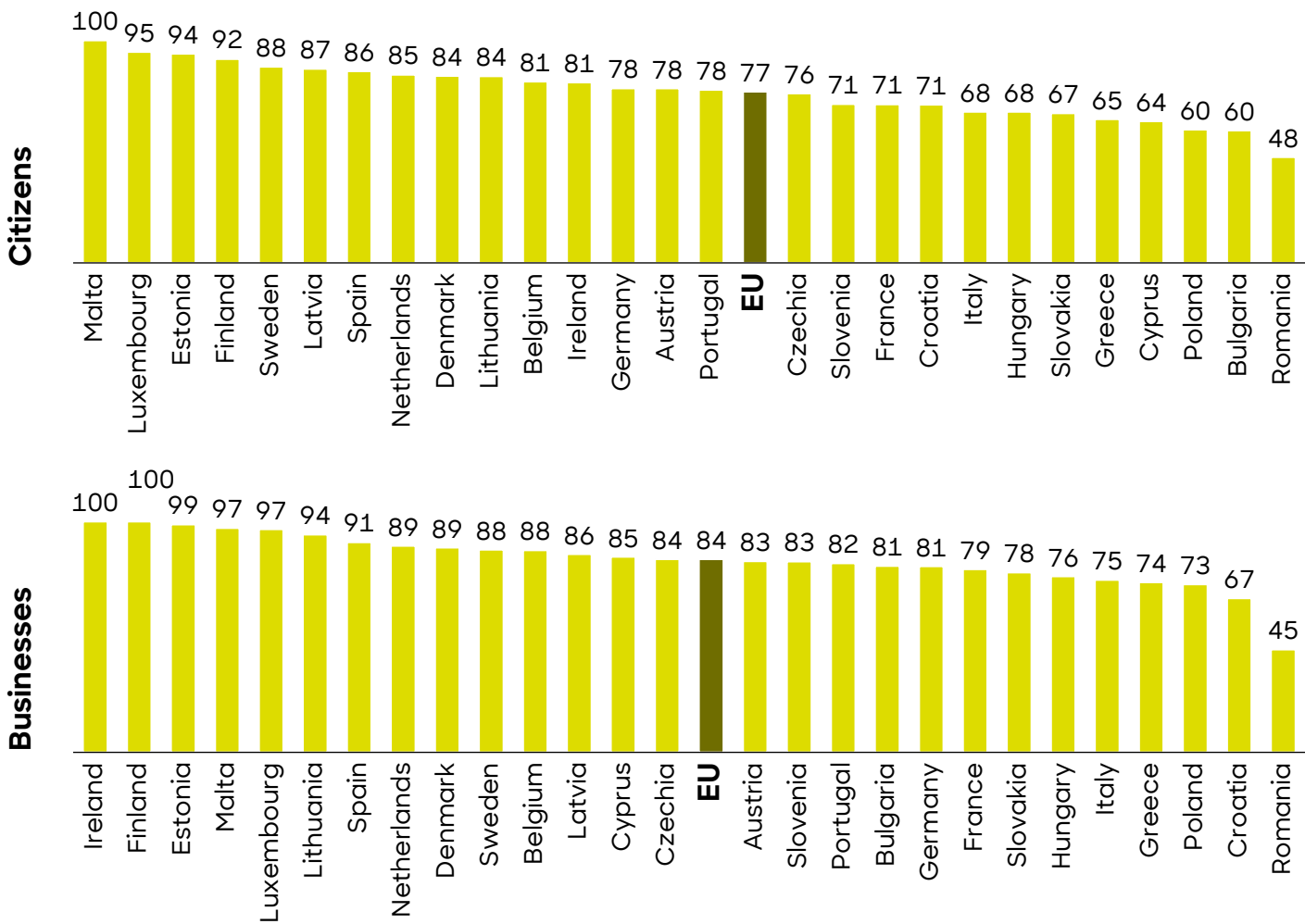
1) The E-Government Development Index (EGDI) is based on a comprehensive survey of the online presence of all 193 UN member states, which assesses national websites and how e-government policies and strategies are applied in general and in specific sectors for delivery of essential services. The assessment rates the e-government performance of countries relative to one another

Source: UN; Roland Berger

- **E-government** (electronic/digital government) refers to the use of technological communications devices and **digital solutions** to provide **public services directly to citizens and businesses** in a country or region
- Digital government development is a means to **improving public service delivery**, enhancing **transparency, accountability and inclusion**, while providing tangible **cost and time efficiencies** for governments, businesses and citizens. Depending on levels of sophistication, such development can help increase people's **engagement** and facilitate **greater citizen participation**
- Across the globe, **e-government development** is highly **variable**, but levels are **steadily increasing**. Regionally, **Europe already displays the highest level of e-government development** across the largest number of countries according to UN EGDI observations
- The **pandemic has accelerated** some aspects of online public services even further, keeping governments and people **connected**: Digital technologies have enabled governments to make **rapid policy decisions** based on real-time data and analytics, to enhance capacities of local authorities for **better coordination**, and to **deploy services** to those who need them most

In Europe, digital public services are already at a high level – The provision of key services is expected to meet the 100 percent online target by 2030

Status of digital public services for citizens and businesses, EU27, 2022¹⁾ [%]



- EU's **Digital Economy and Society Index (DESI)** analysis for 2022 finds that the share of **key digital services** that are provided online across the **EU27 is 77 percent for digital services for citizens, and 84 percent for businesses**
- **Key public services** relate to necessary, **everyday interactions between citizens and/or businesses and public service providers** at local, regional or national level, such as owning or driving a car, starting a business, regular business operations, aspects of career and employment, family and social matters, moving, studying, and small claims procedures
- Supported by nearly EUR 30 billion of funding, the **EU's Digital Decade initiative** has set future goals for online public service delivery by **2030: All key public services for businesses and citizens are expected to be 100 percent online in 2030. Ambitions extend to two additional digital targets:**
 - **All citizens** will have **access to their e-medical records (e-record)**
 - **80 percent** of citizens will use a **digital identity (eID)** solution by 2030

1) Key public services refers to defined eGovernment benchmark measures, comprising eight life event categories that relate to relevant stages in a citizens' or businesses' everyday use of online public services

Democratic leaders stand united: Combatting autocratic trends is high on their agenda – Russian invasion of democratic Ukraine adds momentum

Latest US and EU democratic efforts and themes and the standpoint of Ukraine



2.1
Global
Risks



2.2
Geo-
politics



2.3
Future of
Democracy

USA: International Democracy Summit



Held in 2021 & 2023

Three key themes:

- Defending against authoritarianism
- Addressing and fighting corruption
- Advancing respect for human rights

“Democracy doesn’t happen by accident. We have to defend it, fight for it, strengthen it, renew it.”

Joe Biden
President of the US

EU: European Democracy Action Plan




Launched December 2020

Includes measure on:

- Electoral integrity
- Tackling disinformation
- Media freedom
- Media pluralism

“Democracy is Europe's most powerful diplomatic tool. Our work to uphold democracy globally has never been so important.”

Ursula von der Leyen
President, EU Commission



“Together we need to save Ukraine. Together we need to save the world of democracy.”

Volodymyr Zelensky,
President of Ukraine

- The **future of democracy** requires **concerted efforts** – not just in times of war
- A notable, **renewed level of recognition** of the importance and value of democracy has reached political leaders in democracies
- Standing united can contribute to their **strength, but only if citizens are equally committed** to democratic principles
- This **succeeds only if institutions and processes are truly democratic** (fairness, no corruption, checks and balances) and if they are efficient and contribute to prosperity – and if democratically elected leaders abide by this mandate

2024 is a highly important year for democracy and global governance - A post-pandemic world goes to the ballot box

Parliamentary and/or presidential elections 2024¹⁾



2.1
Global Risks



2.2
Geo-politics



2.3
Future of Democracy

Europe	Americas	Asia & Oceania	Africa	Others
<div></div> Austria	<div></div> Dominica	<div></div> Azerbaijan	<div></div> Algeria	<div></div> EU Parliament elections
<div></div> Belarus	<div></div> Dominican Republic	<div></div> Bangladesh	<div></div> Botswana	<div></div> UN Security Council elections
<div></div> Belgium	<div></div> El Salvador	<div></div> Bhutan	<div></div> Chad	
<div></div> Croatia	<div></div> Mexico	<div></div> Cambodia	<div></div> Comoros	
<div></div> Finland	<div></div> Panama	<div></div> India	<div></div> Ghana	
<div></div> Georgia	<div></div> Puerto Rico	<div></div> Indonesia	<div></div> Guinea-Bissau	
<div></div> Iceland	<div></div> Uruguay	<div></div> Iran	<div></div> Madagascar	
<div></div> Lithuania	<div></div> USA	<div></div> Jordan	<div></div> Mauritania	
<div></div> Moldova	<div></div> Venezuela	<div></div> Kiribati	<div></div> Mauritius	
<div></div> North Macedonia		<div></div> Maldives	<div></div> Mali	
<div></div> Portugal		<div></div> Mongolia	<div></div> Mozambique	
<div></div> Romania		<div></div> North Korea	<div></div> Namibia	
<div></div> Russia		<div></div> Solomon Islands	<div></div> Rwanda	
<div></div> San Marino		<div></div> South Korea	<div></div> Senegal	
<div></div> Slovakia		<div></div> Sri Lanka	<div></div> Somaliland	
<div></div> UK		<div></div> Syria	<div></div> South Africa	
<div></div> Ukraine		<div></div> Pakistan	<div></div> South Sudan	
		<div></div> Palau	<div></div> Togo	
		<div></div> Taiwan	<div></div> Tunisia	
		<div></div> Tuvalu		
		<div></div> Uzbekistan		
		<div></div> Vanuatu		

- **2024 – A worldwide bumper election year:** An unprecedented number of countries and blocs ranging across the entire spectrum of electoral systems – from liberal democracies to autocracies – head to parliamentary and/or presidential ballot boxes
- These countries and economic blocs of **considerable global power** include the **US, India, Russia, the EU, and a post-Brexit UK**, while a high number of regionally important countries will decide if their respective **political pendulum** swings towards a more democratic governance style – or not
- The world will be watching the outcome of the **2024 US elections** in particular: President Biden's four-year term in office – begun in January 2021 and then seen as a **possible reset** post-Trump to a path of more **multilateral engagement** and with values more aligned with **Western liberal democratic norms** – will be heavily scrutinized for its overall performance and achievements; his adversary is most likely to be the republican nominee – again

1) Colors denote regime type as defined by V-DEM Institute in 2022; elections in Ukraine are postponed until martial law is lifted
Source: NDI; V-DEM; Roland Berger

Corporate actions – Let's talk about opportunities arising from megatrends regarding politics and governance (1/3)

Conclusion and corporate impacts

➤ ➤ **Impact:** Global risks are dynamic: companies face increased operational, regulatory, and reputational challenges due to escalating risks

Anticipate risks in a three-step approach:

1. Identify global, regional, local risks. Use a range of valid external sources and internal sources; identify blind spots (risks you haven't been aware of internally so far)
2. Derive the impact of the risks on your strategy and your business model: value chain, product-market-combination, revenue model
3. Implement measures to manage the risks: implement a tool to monitor risks and impacts, build scenarios, derive action plans to mitigate risks, think about risks as opportunities

➤ ➤ **Impact:** Cyber attacks are on the rise and have significant business consequences, with most companies inadequately prepared

- Build up a unit responsible for IT security; hire qualified employees; build up knowledge about external support
- Implement robust cybersecurity policies, procedures and technologies (software, encryption technologies, monitoring tools, etc.); establish an incident response plan for swift action in case of a breach
- Conduct regular employee training to increase company-wide cybersecurity awareness ("spot the scam") over time, keeping up with latest cyber incidents trends

Actions

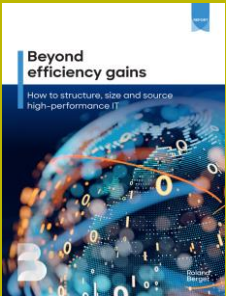
Actions

Learn how Roland Berger can help you to create corporate impact

RB Scenario Planning



Beyond efficiency gains – How to structure, size and source high-performance IT



Corporate actions – Let's talk about opportunities arising from megatrends regarding politics and governance (2/3)

Conclusion and corporate impacts



Impact: Climate related risks are dominating companies' risk landscape

Learn how Roland Berger can help you to create corporate impact



Actions

- Design an economic model for your climate adaptation. Diversify your supplier base to avoid overreliance from suppliers of an endangered region. Relocate international production sites to more secure locations if necessary. Redistribute your talents to diversify skills coverage
- Evaluate possible sources for funding climate change adaptation. COP27 included a mandate for the largest economies to help finance the developing world's adaptation to extreme weather events
- Think ahead. Climate adaptation will be a growth industry over the next decades. Use this opportunity by making investments with climate considerations in your mind

What goes around comes around – The circular economy in industrial manufacturing

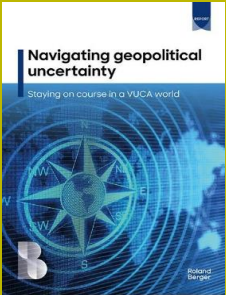


Impact: The corporate landscape faces growing volatility amidst a shifting geopolitical terrain, marked by increasing tensions and new alliances

Actions

- Integrate geopolitics into the corporate strategy based on a thorough top-down perspective. This requires a clear decision framework:
1. Work with geopolitical scenarios to systematically analyze possible implications for the company's business
 2. Define the company's risk appetite to set strategic guardrails for business reconfiguration and outline transformation requirements
 3. Develop a mitigation strategy to be prepared for future geopolitical disruptions

Navigating political uncertainty



Corporate actions – Let's talk about opportunities arising from megatrends regarding politics and governance (3/3)

Conclusion and corporate impacts

➤ ➤ **Impact:** Mis- and disinformation can threaten a company's business if decision making is based on either. This can also have adverse legal consequences if companies propagate flawed information – intentionally or unintentionally

- Establish fact-checking as standard practices and encourage critical thinking among staff
- Implement media literacy training for employees to identify mis- and disinformation
- Develop and communicate clear internal communication policies to avoid producing mis-/disinformation; engage with employees and stakeholders to build trust and credibility

➤ ➤ **Impact:** Customers as well as employees increasingly expect companies to take a stance regarding democratic values and societal developments. At the same time, global companies face varying societal and political environments

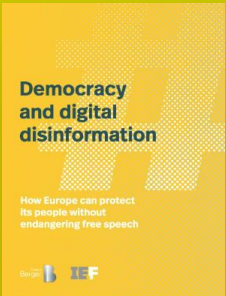
- Prioritize issues for public advocacy based on your business' values and commitments. Choose areas where you can make a positive impact while considering potential (negative) reactions
- What matters more than public declarations of values is the way a company is run: actions speak louder than words; demonstrate commitment through deeds rather than merely through talk
- Foster a culture of open dialogue and ethical transparency within your company to address internal conflicts and concerns – but be mindful of taking a stance publicly on every issue
- When expanding internationally, consider not only regional legal requirements but also political and societal nuances and trends to anticipate potential business challenges

Actions

Actions

Learn how Roland Berger can help you to create corporate impact

Democracy and digital disinformation



ACT FOR IMPACT – Roland Berger ESG Report, 2022



Main sources

Megatrend 2 – Politics & Governance



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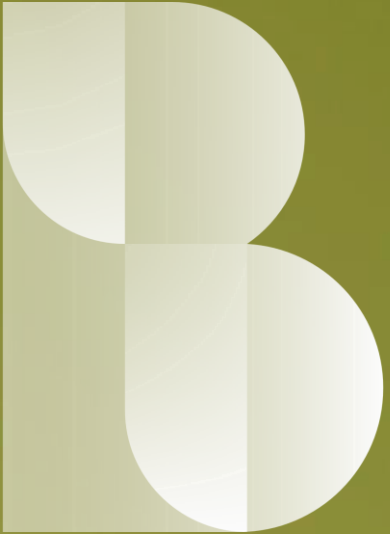
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