

BTI 2016 | Executive Summary

Increasing political and social tensions

Transformation Index BTI 2016



This Executive Summary outlines the results of the Bertelsmann Stiftung's Transformation Index BTI 2016. It covers the period from 1 February 2013 to 31 January 2015.

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Introduction

The political management of democratic transformation, economic development and social inclusion, as well as the societal dialogue around these topics, has become more difficult. In most Arab countries, a short-lived democratic awakening has long since been suffocated by a harsh authoritarian rollback, as seen in Egypt. The collapse of states such as Libya, Syria and Yemen has left behind a vacuum that terrorist organizations such as the Islamic State have filled with destructive power. The ordeal in Ukraine, where separatist and hegemonic aspirations challenge a fragile country in transition, calls to mind the unresolved geopolitical conflicts in the post-Soviet region. Even in some established democracies such as Hungary, political opposition and civil society forces critical of the government are being systematically marginalized. Protests against inequality, economic hardship, corruption and insufficient social-welfare protections have introduced new divisions between elites and dissatisfied citizens even in such a relatively advanced country as Brazil.

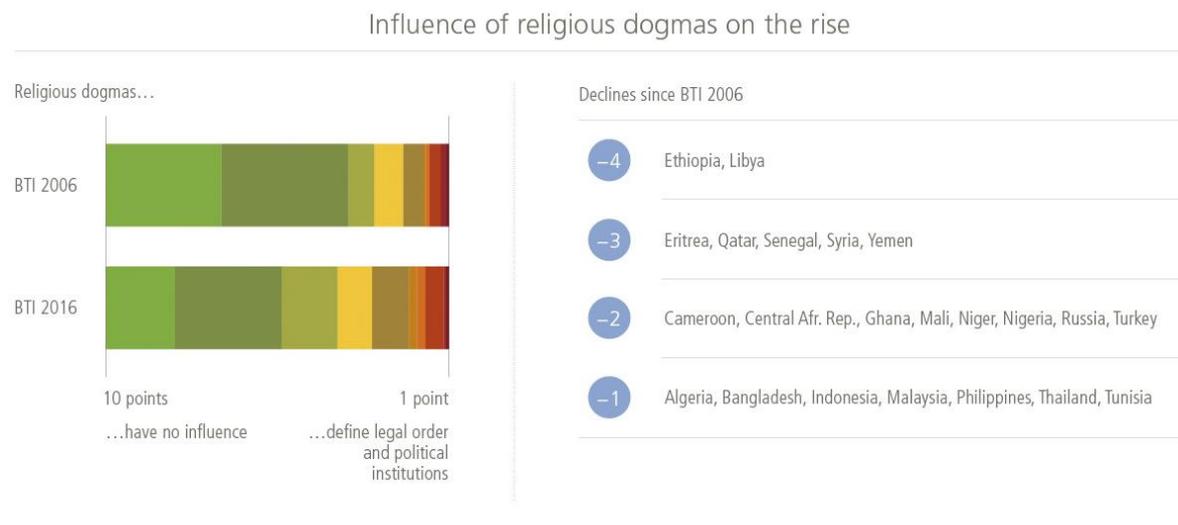
These developments are not isolated cases. The BTI 2016's data demonstrate a new degree of repression in many autocracies, a strengthening of existing defects in democratic societies, a higher intensity of political and social tensions, and a waning capacity for dialogue and conflict resolution among leading political actors in the 129 developing and transformation countries surveyed.

Religion's influence on politics continues to grow

On the BTI's ten-point scale, the intensity of social, ethnic and religious conflicts has increased in the past 10 years by more than half a point on a global-average basis. Social conflicts increasingly play out along religious cleavages. These conflicts are exacerbated by militant and extremist organizations that – from Boko Haram and al-Qaeda to the Islamic State and the Taliban – primarily follow a violent jihadist ideology.

The influence of religious dogmas on the internal functioning of political systems has once again increased, after the clear negative trends highlighted in the BTI 2014. In 21 states, legal systems and political institutions were more strongly subject to this influence than was the case two years ago, with reductions evident in only five countries. The influence of Islamism has again increased in the Arab states of Iraq, Libya and Syria, but in Turkey too the government is pursuing a more strongly Islamist agenda than in the past. This stronger religious charge within the political sphere is neither solely limited to the Arab world, nor to majority-Muslim societies. However, there are clear regional

focal points. The 42 countries in which religion currently has at least a perceptible influence on politics are either Arab, African or Asian. Considering the longer time period since the BTI 2006, the interference of religious dogmas on legal order and political institutions has shown the largest increase over the last decade; indeed, this is the most strongly pronounced negative trend within all 18 indicators in the dimension of political transformation.



Less room for dissent

The ratio of democracies and autocracies remained relatively stable, even showing a slightly positive trend: while the BTI classifies Iraq and Thailand again as autocracies, Guinea, Madagascar, Mali and Nepal now fulfill again minimum standards of democratic rule, so that 74 democracies more clearly outnumber the 55 autocracies (BTI 2014: 72 to 57). In general, however, the balance of political transformation between 2013 and 2015 is negative. In this time span, the status of political transformation deteriorated in almost 60 percent of all 129 countries surveyed. Moreover, the extent of the deterioration in comparison with the BTI 2014 is greater than that of the improvements. In a fifth of all countries, the quality of democracy has declined significantly, while it has significantly improved in less than one-tenth.

The most serious setbacks were again in the areas of political participation rights (quality of elections, media and press freedom, freedom of assembly) and rule of law (separation of powers, civil rights). Repression in autocracies increased markedly. Worldwide, the number of hard-line autocracies has

risen from 33 to 40 countries, more than in any other BTI. In turn, the group of moderate autocracies with certain basic constitutional and participatory standards has shrunk to just 15 countries.

74 democracies : 55 autocracies in BTI 2016
72 democracies : 57 autocracies in BTI 2014



Nearly three-quarters of all autocratic regimes quash political opposition as soon as it appears, and limit civil liberties to such an extent that their political systems can only be described as hard-line autocracies. While there seemed to be a tendency in recent years to grant a certain degree of dissent and pluralism – from the approval of opposition parties’ participation in elections to tolerance for a moderate amount of opposition media and non-governmental organizations – numerous autocratic regimes are now again resorting to cruder methods to inhibit open societal discourse. Arbitrary detentions of human-rights activists and journalists have become more frequent, as have bans on demonstrations and repressive laws against civil society organizations. This often happens under the guise of fighting terrorism or the prevention of foreign interference in domestic affairs. The regional focus here lies primarily in the Middle East and North Africa and in Post-Soviet Eurasia. Autocratic regimes reacted severely to the events of the Arab Spring and the Euromaidan, with the aim of suppressing any protest that could endanger the stability of their own rule. This trend was exacerbated by the significant upsurge in many autocracies of protests against social injustice, rigged elections, arbitrary actions by the ruling elite and rampant corruption.

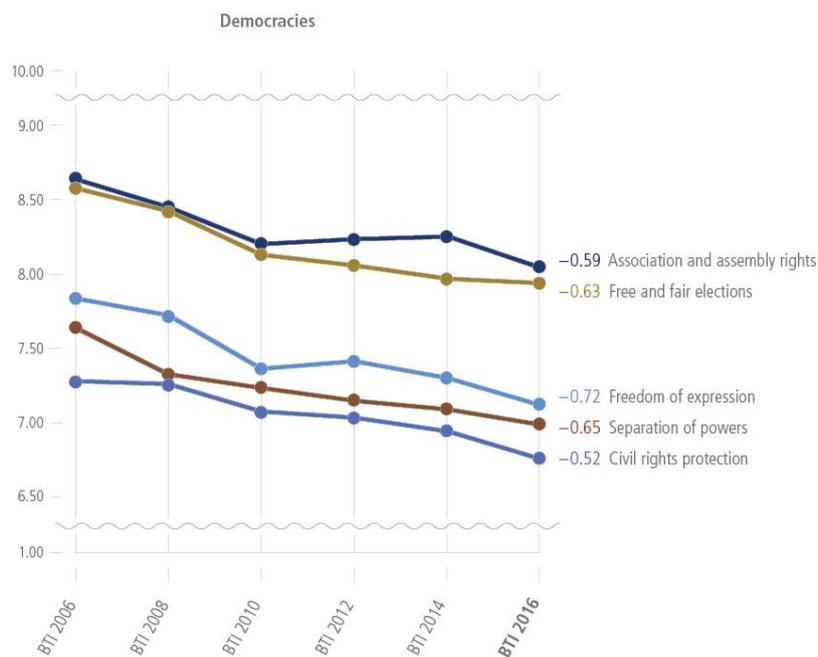
Seeking to secure their regimes’ stability, governments have turned to a set of similar instruments ranging from bans on demonstrations to legal measures creating paternalistic oversight of civil society organizations, media and opposition parties. Three strategies have recently been employed in an increasing number of states: one is the control of overseas funding flows to local civil society organizations, as well as the registration of these NGOs as “foreign agents”; the second is the co-option of civil society organizations by state foundations like in Morocco or the construction of state-directed

umbrella organizations following the Russian example; and the third is the legally sanctioned regulation of Internet access and social media.

Participation rights subject to restrictions in democracies too

However, the status of political transformation has deteriorated in many democratically governed countries as well. Free and fair elections, the freedoms of association, assembly and expression, the separation of powers, and civil rights have been further restricted there as well.

Rule of law and participation rights in decline in democracies



Infringements of association and assembly rights, in particular, became more pronounced in a total of 19 countries, or a quarter of all democracies, most significantly in sub-Saharan Africa. In countries such as Kenya, Nigeria and Senegal, demonstration and assembly rights were curtailed with reference to possible violent escalations or terrorist threats. In Mozambique and Zambia, the government restricted the opposition's ability to hold meetings in advance of elections. Conditions for civil society engagement were restricted even in relatively advanced democracies such as Botswana, Ghana and South Africa.

Press freedom and the freedom of expression, showing a continuing negative trend, are now more significantly impaired in nearly all East-Central and Southeast European countries than was the case 10 years ago, particularly in Macedonia and Hungary. This has primarily been due to interference with the reporting process by governments or individual politicians, as well as the acquisition of leading media organizations by influential businesspeople, thus intensifying competition and economic difficulties for smaller independent publications. The media, political and economic spheres are more strongly intertwined, which means the press has increasingly lost its capacity to function in terms of oversight and as a watchdog. The fusion of the political and economic arenas also increases the pressure on critical journalists, with the threat of libel suits often leading to self-censorship. Media reform in Poland of late 2015, not covered by this survey, is yet another indicator of this worrying regional development.

Citizens doubt democratic institutions' ability to perform

In many countries, the restriction of political and civil rights can be seen as directly related to the rise of majoritarianism. Numerous democratic governments with strong majorities have conceived their electoral victories as an absolute mandate to implement political goals uncompromisingly, without consulting with the opposition or civil society, and with a disregard for minority rights. Hungary remains the most prominent negative example of a government running roughshod over the separation of powers through the targeted curtailment of oversight mechanisms and the freedom of expression. Other defective democracies such as Argentina, Ecuador, Macedonia and Turkey have undergone a similarly strong polarization, engaging in an exclusionary and paternalistic form of rule that contains essential features of the authoritarian governance practiced in Russia or Venezuela.

Populist, polarizing or illiberal movements often benefit from widespread citizen dissatisfaction with mismanagement and economic injustice. Support for democracy remains high in most countries with reliable survey data, but in nearly half of all democracies, skepticism has significantly increased: regarding the performance of institutions, the willingness of political elites to engage in reform, and the capacity of governments to produce economic opportunity and ensure social inclusion.

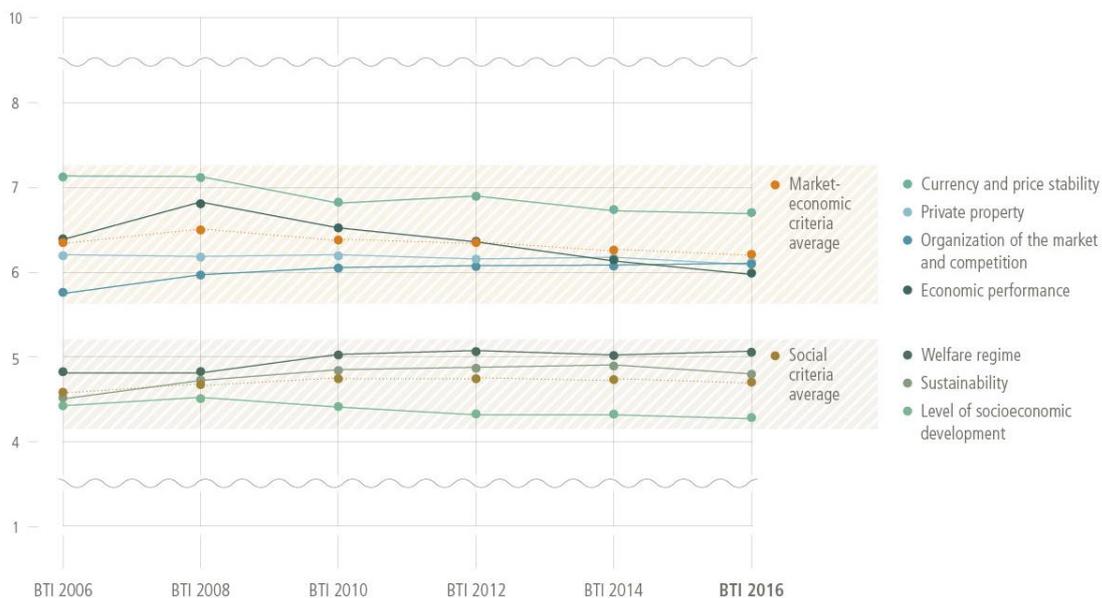
This disillusionment has been fueled by the persistent inability of governments to bring office abuse and corruption under control. Only 30 countries have managed to install at least moderately well-functioning integrity mechanisms (6 to 9 points). In the overwhelming majority of countries, the government is only partly willing and able to introduce anti-corruption measures or fails completely

in containing corruption. Accordingly, anti-corruption policy (4.35) is the worst performance aspect of all government indicators, especially regarding Africa, the Middle East and above all Post-Soviet Eurasia. Singapore is the only autocracy with functioning integrity mechanisms. Only East Central and Southeast Europe stand out positively, with significant improvements especially in Latvia and Poland.

Social policies remain a major weak point

Conflicts and transformation crises are also inseparably associated with social ills. Poverty, inequality and the lack of economic opportunity in particular represent a kind of social dynamite, apt to explode into protests against poor governance. The socioeconomic development level has for years been stuck at an extremely low global average; currently at 4.34 points. No indicator in the BTI 2016 is rated lower. Since 2006, the BTI has persistently documented the gap between the economic and social components of a socially responsible market economy.

Persistent gap between economic and social development



Once again, the BTI 2016 reveals economic criteria of currency and price stability (6.70), private property (6.14), organization of the market and competition (6.07), and economic performance (6.03) to be on average significantly above social criteria of welfare regimes (5.05), sustainability (4.79) and the level of socioeconomic development (4.34). The gap is largest in those places where the need

is greatest, such as in the underdeveloped regions of sub-Saharan Africa, particularly West Africa. Benin, Burkina Faso, Mali and Niger are representative of a number of countries which have generated an above-average level of economic growth and are open to market-economic reforms, without this having also led to broad-ranging improvements in living standards and opportunities for advancement within the general population.

In 90% of all surveyed countries, governments are more successful in establishing growth-promoting market and competition frameworks, stable currencies and prices, and protections for private property than they are in overcoming socioeconomic barriers, providing social security and equality of opportunity, and formulating sustainable environmental and education policies. This is largely caused by a one-sided pattern of prioritization in recent decades: governments placed a higher priority on structural economic adjustments than on an active social policy. The BTI has identified few countries, including Bhutan, Bolivia, Mongolia and Rwanda, in which this justice gap has perceptibly diminished over the last 10 years. This finding suggests that more must be done to strengthen the institutional underpinnings of social inclusion, and that it must be more resolutely targeted in the formulation of economic-development strategies.

Economic performance and macroeconomic stability decrease

Given this urgency to act, it is all the more evident that the favorable economic and budgetary conditions in the years before the economic and financial crisis were not consistently used for sustainable social policies. Growth rates are no longer as high as in the years of plenty from 2004 to 2007. The indicator surveying the economic output of developing countries and emerging markets has fallen continually as a global average since the BTI 2008. Since January 2011, the end of the BTI 2012's review period, all BRICS countries have declined in terms of economic performance; Brazil (-3 points), India and Russia (both -2 points) by the greatest amount, and China and South Africa (both -1) somewhat less. Argentina (-2) and Mexico (-1) too have lost momentum. Of the 11 emerging markets in the G-20, only four – Indonesia, Saudi Arabia, South Korea and Turkey – have maintained the level reached in January 2011, and none has measurably improved since that point.

In addition, macroeconomic stability has declined in the majority of the G20-countries. Brazil's central bank has had considerable difficulty in keeping inflation under control, particularly as the Rousseff government has been tasked with simultaneously stabilizing government finances, reducing the current account deficit, stopping the depreciation of the currency, and increasing regulated prices

for electricity, gasoline and public transportation. India too had major problems with currency stability at least until 2013. Since that time, falling oil prices and the trust placed in the Modi government have led to a restoration of moderate inflation rates. The Russian economy is suffering not only from low oil prices, but also from Western sanctions. The reserves that provided liquidity and boosted the economy during the 2008 financial crisis and in the 2014 – 2015 period are expected to be exhausted in the course of the next three years. Finally, South Africa shows a volatile exchange rate due to a growing current account deficit, a low savings rate and dependence on short-term capital inflows.

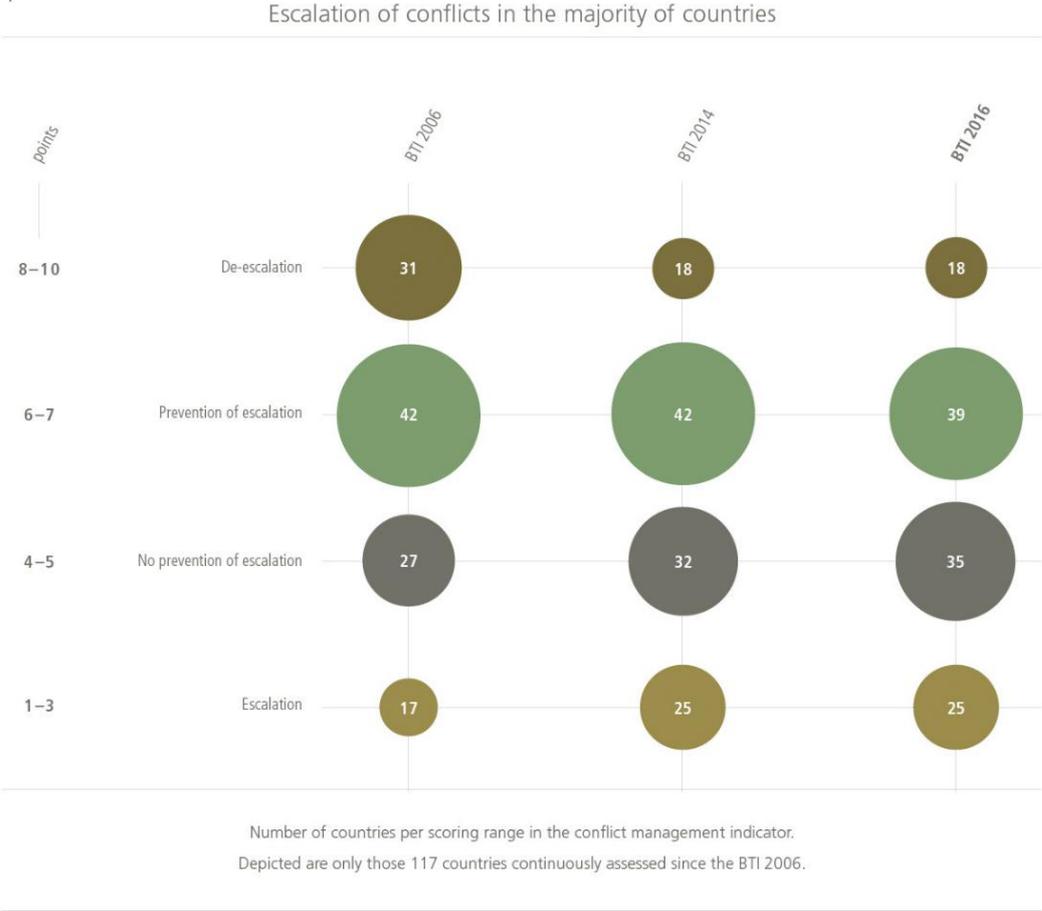
The decline of macroeconomic stability in many countries was often triggered or accompanied by a decline in fiscal discipline, falling commodity-export incomes and at times high bank-bailout expenditures, particularly in Eastern Europe. Under these circumstances, it will be difficult for many governments to carry out much-needed sociopolitical reforms.

Governments not yet equipped for coming tasks

Currently, most governments are not sufficiently prepared for all these challenges. The group of states rated by the BTI as showing a very good quality of government includes just six countries – Uruguay, Chile, Taiwan, Estonia, Poland and Lithuania. This is fewer than ever before. The record low with regard to very good governance corresponds to a record high for poor governance: The number of governments that the BTI categorizes as having weak or failed transformation management has risen steadily in recent years to its present level of 46, a full third of the survey sample.

14 of the 15 largest countries in the BTI by area all followed a negative trend in governance. The governments of some large countries exhibited a marked drop in performance in just two years, including Brazil and Russia. Others didn't fall quite so sharply, but their function as anchors for their respective regions sends a warning signal; such was the case for Argentina and Mexico in Latin America, China, India and Indonesia in Asia, as well as Algeria and Saudi Arabia in North Africa and the Middle East. This trend was confirmed in 13 of the 15 most populous countries. While no populous heavyweight improved its governance, several anchor states – like Mexico, Nigeria, Russia and Turkey – showed pronouncedly worse transformation management both in the short and medium term.

A worrying aspect of this overall negative trend in governance is the fact that 12 of the 15 most populous countries display less willingness and capacity for international cooperation than they did two years ago, the results for Nigeria, Russia and Turkey being particularly pronounced. There was trouble throughout the BRICS countries: Brazil, China, India and, as mentioned, Russia all experienced major drops, while South Africa’s declining diplomatic engagement in the area of regional integration completed the picture of reduced cooperative capacities among these five countries. Here it is striking that one factor of international cooperation suffered in particular: credibility. In a time when increased interconnectedness and complex global problems call for even greater international cooperation, the ability of governments in major anchor countries to present themselves as peaceable and trustworthy is, in fact, on the decline.



In the last ten years, no other factor of political leadership has experienced as great a drop in quality, on global average, as the ability to effectively manage conflict. This is particularly true of Arab and African governments. In the Middle East and North Africa the average results for conflict management fell by 2.67 to just 3.50 points, the worst score in inter-regional comparison by some distance.

The capacity and willingness to resolve conflicts has decreased in more than three-quarters of Arab countries since 2006. The situation in sub-Saharan Africa is hardly better. In 23 of the 38 countries reviewed in the region, the willingness and ability to defuse societal conflicts has declined over the last decade.

In order to mitigate the intensifying social conflicts and increasing polarization, and restore citizens' confidence in political elites, there is an urgent need for more dialog, a resolute implementation of reforms, a determined fight against corruption at all levels, and a new consensus between governments and the governed with regard to the appropriate path forward. Yet all of these are governance qualities rated as weak in many countries by the BTI. If disillusionment and lack of opportunity is not to transform still more strongly into populist protest or militant radicalization, governments must take their citizens' demands for more political, social and economic participation more seriously, and search for new paths of dialog.

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All 129 country reports as well as scores, ranking tables and additional analyses are accessible at the website www.bti-project.org.