

BTI 2018 | Executive Summary

Polarization and repression increase

Transformation Index of the Bertelsmann Stiftung



This Executive Summary outlines the results of the Bertelsmann Stiftung's Transformation Index BTI 2018. It covers the period from 1 February 2015 to 31 January 2017.

More information is available online: www.bti-project.org.

Introduction

Findings for the BTI 2018 depict a world of increasing political instability and a rapid decline in the acceptance of democratic institutions. In more and more countries, government leaders are deliberately undermining the checks and balances designed to hold the executive accountable, thereby securing not only their power, but a system of patronage and the capacity to divert state resources for their own personal gain. At the same time, protests against social inequality, mismanagement and corruption are growing.

Accordingly, the quality of democracy, market-economic systems and governance in developing and transformation countries has fallen to its lowest level in 12 years. The Transformation Index of the Bertelsmann Stiftung (BTI) identifies three developments that account for this trend:

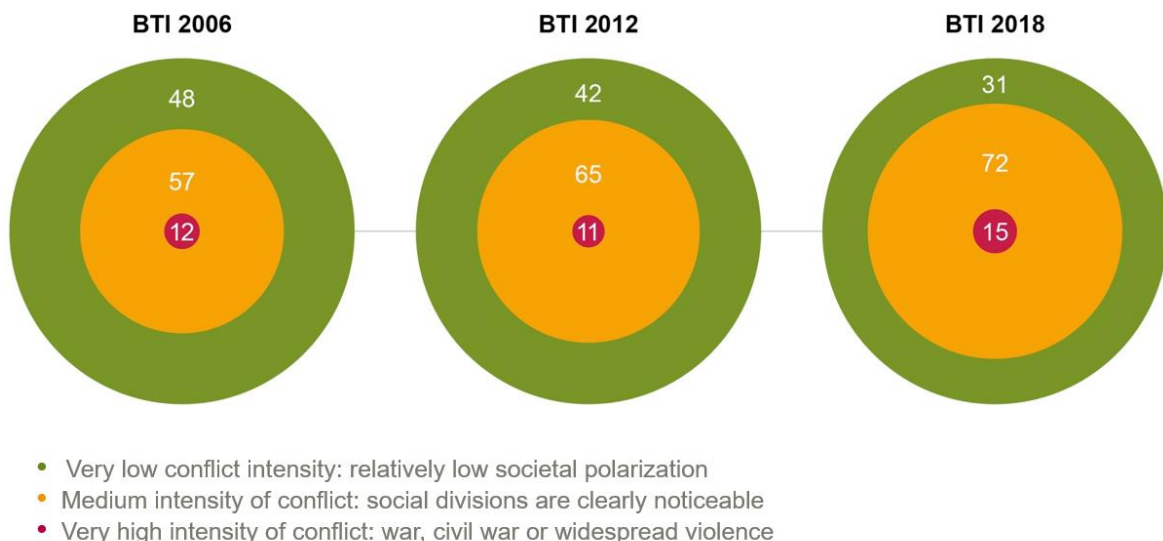
- **Governance:** An increasing number of governments no longer responds effectively to growing domestic tensions. In many countries, protests against mismanagement, inefficiency (especially regarding the lack of a coherent anti-corruption policy) and a system of patronage are generally mobilized along existing ethnic, religious or social cleavages. Every so often, elites in these countries even instrumentalize these cleavages to foster polarization and the consolidation of their power. In such a context, increasingly few on all sides demonstrate a willingness or ability to engage in dialogue.
- **Economics:** The fall in commodity prices put pressure on many export-dependent economies, resulting in a decline of economic performance and macroeconomic stability in one third of the countries surveyed. Many elites have failed to respond to global challenges with economic policies that ensure stability and social inclusion. In 72 countries, poverty and inequality are strongly pronounced, persistent, and evidently structural in nature. Within the last ten years, the share of BTI countries achieving a moderate to good level of social inclusion has fallen from one-third to one-fourth.
- **Politics:** The long-term trend of increasing restrictions on political freedoms and the rule of law continues unabated. While in recent years this was primarily due to greater repression in hardening autocracies, in this study there are above all some relatively advanced transformation countries whose governments are showing a more authoritarian leaning. The lack of responsiveness of governments against the background of social exclusion and a lack of economic prospects has led to a crisis of confidence in the established political system and to the rise of populist parties in many countries.

Governance

Weak conflict management and anti-corruption policy

The intensity of social, political, ethnic and religious conflicts has increased continuously and significantly in recent years. The global average of all states already examined in the BTI 2006 shows an increase in conflict intensity of 0.50 points on a 10-point-scale. This confirms the European perception of a "world out of joint" in the face of an increasingly violent and conflict-prone neighbourhood and therefore requires a caveat: the proportion of countries in which there is war or civil war has hardly increased in recent years. While violence has dramatically escalated in Syria or Yemen, also good post-conflict management in Côte d'Ivoire or Liberia can be recorded, further away from and possibly less noticed by Europe.

The increase in conflict intensity has been driven to a much greater degree by an increased polarization that falls below this threshold, but is observable in nearly all regions of the world. In the BTI 2006, social, ethnic and religious tensions were assessed as being at a very low level in around 40% of the sample's countries. This figure has fallen to 26% in the BTI 2018. In between the groups of countries with the highest and lowest conflict intensity are now 72 countries where domestic social cleavages have become significantly more salient, even if violence has overall broken out only sporadically.



In view of these increased challenges, it is all the more alarming that conflict management is the one aspect in governance performance that has deteriorated most in global average over the past 12 years.

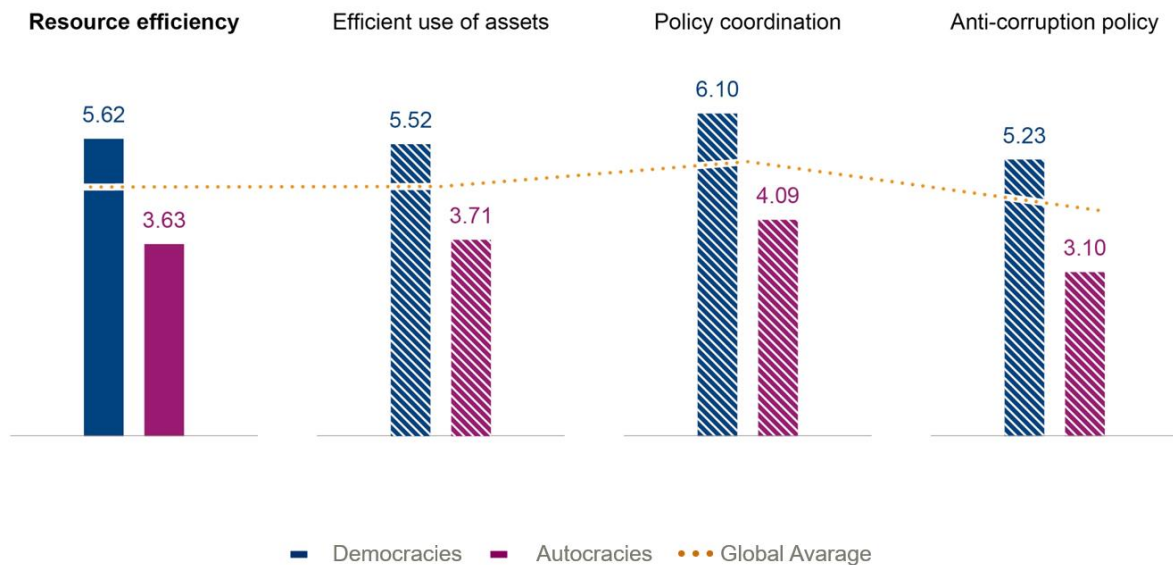
In 57 countries, governments today are less willing or able to defuse social conflicts. This was particularly true for Burundi and Turkey during the assessment period from February 2015 to January 2017.

In most Arab countries, governments are deliberately escalating social conflicts, particularly in Bahrain, Libya, Syria and Yemen. But also in southern and eastern Africa the ability for effective conflict management has been declining for years. After North Africa and the Middle East, this region is now the most conflict-prone and least de-escalating in the world, not only in the chronically unstable Horn of Africa, but also with negative trends in Kenya, Lesotho, Mozambique, Uganda and Zambia.

A growing inability or unwillingness to defuse conflicts generally runs parallel to an erosion of the consensus on goals among leaders, a diminishing capacity for civil society to participate in policy-making processes and a growing influence of anti-democratic veto actors. We see this in East-Central and Southeast Europe, where a climate of polarization and heated populist rhetoric has corroded – more so than anywhere else in the world, albeit from a high level – the consensus on goals.

Deficient domestic consensus-building generally goes hand-in-hand with a lack of cooperation with international organizations and other states. In the last 12 years, almost one-half of all countries surveyed by the BTI have lost credibility in terms of their willingness to act as reliable partners. In an era demanding greater international cooperation in addressing global challenges, influential states such as Mexico, Russia or Turkey are losing their ability to play a key role as reliable, peace-oriented agents of positive change.

Global average scores for the efficient use of available resources and anti-corruption policy remain the lowest among all governance indicators (4.71 and 4.27 out of 10 points, respectively). A total of 91 out of 129 governments have proven either wholly unable or only partially able to make efficient use of their administrative and financial resources. And 103 states either lack the will or capacity to fight corruption effectively. Democratically governed countries perform much better on both indicators than do autocracies, particularly in terms of battling corruption. The improvement of 0.24 points in the global average compared to the BTI 2006 is exclusively due to the proportionately greater progress made by democracies. 31 democratic states are fighting corruption better today than twelve years ago. It is striking that it is precisely the defective democracies under populist-authoritarian leadership such as Hungary and Turkey, whose strong men competed with the election promise of greater transparency and less corruption, but once in power fail to effectively implement anti-corruption policies and punish abuse of office.



Most autocrats do little to fight corruption and office abuse beyond paying lip service. Indeed, the allocation of offices and public contracts secures critical support for the retention of power. The BTI recognizes somewhat serious efforts in the area of anti-corruption policy – that is, with a score of more than five points – in only four out of 58 autocracies. However, the vast majority of autocracies are not efficient and professional systems; as a rule, they are characterized by corruption, kleptocracy and arbitrary rule that offers no genuinely convincing alternative to a sustainable economic and social development that promises all citizens more participation.

Economic Transformation

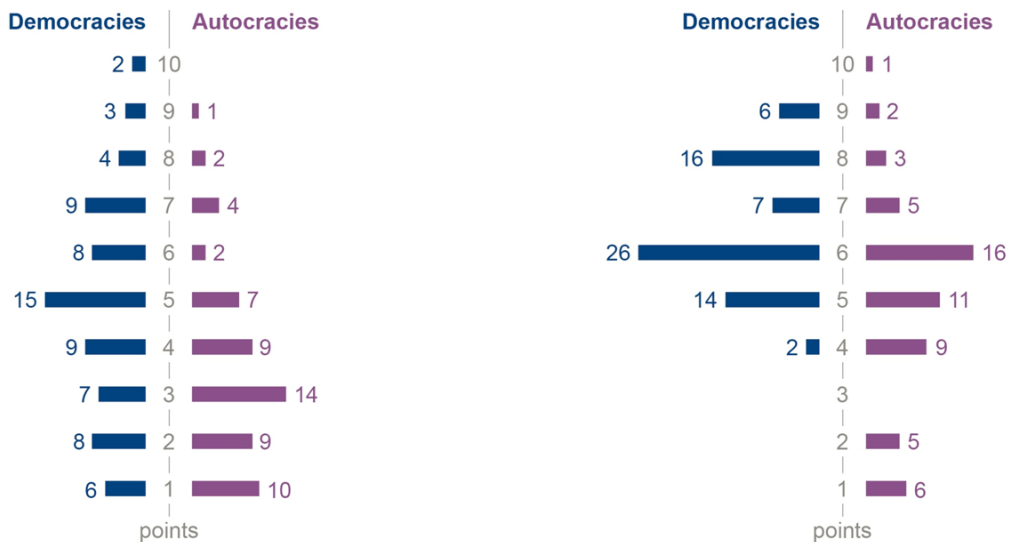
Less growth, more social inequality

Poor governance has played a major role in the fact that the economies of many developing and transformation countries have become weaker, more unstable and in some cases even more unequal in the past ten years. The ongoing decline in commodity prices over the last two years, however, has also significantly contributed to this trend. Overall, 24 countries recorded a substantial decline in their status of economic transformation, which was particularly marked in eight countries with a minus of more than 0.50 points. Neither the civil-war-torn Yemen, the energy-price-dependent and insufficiently diversified Azerbaijan and Kuwait, nor the poorly governed and economically run-down Mozambique, Venezuela or Zimbabwe are surprises on this list. However, Namibia (-0.86) and Turkey (-0.57), two formerly rather stable countries, also number among the countries showing

the sharpest declines, illustrating the worrying trend of overly dominant ruling parties and a significant deterioration in governance.

The Namibian SWAPO leadership is representative of a series of government parties in southern Africa which increasingly rely on clientelism in governing their countries. In Mozambique, Namibia or South Africa, at times massive declines in efficiency have taken place, including a bloated administration or an overextended state budget, paired with reduced punishments for the abuse of office and an overall diminished rule of law. Like the SWAPO, the Turkish AKP played a major role in the democratization and liberalization of the country. However, the leadership role thus obtained enabled it to construct new patronage networks, which it is now seeking to defend and promote by violating market and private economic principles, right up to the expropriation of allegedly government-critical entrepreneurs.

The correlation between deficient governance and economic difficulties hinted at in these examples can also be observed on a larger scale - both with regard to the weaker economic and social performance in poorly governed autocracies, and to intensifying economic problems in countries with a declining quality of democracy.



Level of socioeconomic development

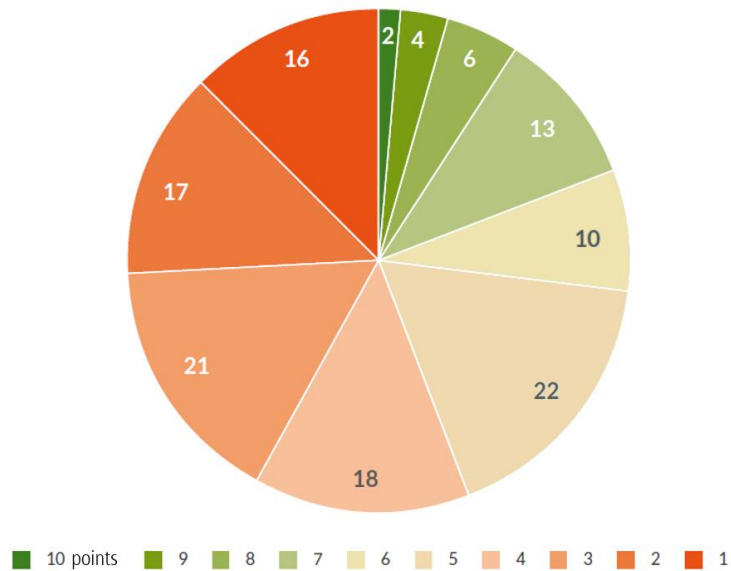
Economic performance

Number of countries per scoring level, BTI 2018

The global average for the level of socioeconomic development, generally the weakest of all factors in economic transformation, fell to a new low in this year’s BTI (4.26). Within the last ten years, the share of BTI countries achieving a moderate to good level of social inclusion has fallen from one-third to one-fourth. This includes 26 of 71 democracies, but only nine of the 58 autocracies surveyed

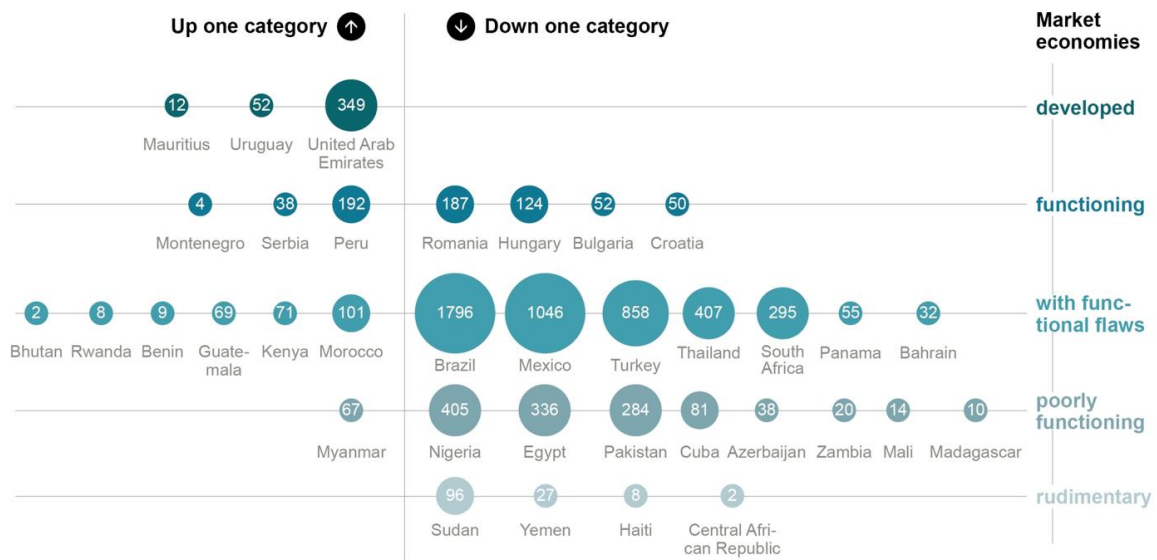
by the BTI. On global average, democratically governed countries have invested significantly more in social safety nets, while authoritarian regimes have done little in this regard.

Level of socioeconomic development, BTI 2018



The global average for economic performance has also worsened drastically in the last ten years (-0.95). Within this period, macroeconomic indicators in 71 countries have fallen and increased in only 17 states. Only seven autocracies were able to coordinate and pursue with consistency policies targeting currency and price stability. Already small in number, the list of successful modernization dictatorships has been shortened once again. It includes countries with developed market economies such as Malaysia, Qatar, Singapore and the United Arab Emirates, as well as the developmental dictatorships working to catch up from middle (China) or low (Rwanda) levels.

But poorer governed democracies are also experiencing growing economic problems. Thus, falling export revenues in Brazil and Mexico exacerbated the crisis symptoms triggered by other politically-induced deficiencies: by the rampant corruption and the associated political crisis of confidence in Brazil, as well as by government failure in the face of a murderous drug war in Mexico, which has led to instability and an erosion of the rule of law. Corrupt and patronage structures in South Africa as well as militant polarization and religious division in Nigeria led less to a sudden economic collapse than to a continuous, but overall equally profound erosion of economic stability and performance.



Change in overall status categories for economic transformation between the BTI 2008 and 2018. The bubble size of the countries corresponds with the respective GDP in millions of current US dollars (World Bank data, BTI categories).

Conversely, positive transformation examples such as Uruguay and Mauritius show how economically successful a forward-looking policy within a stable democratic framework can be. In Uruguay, the left-center government alliance has succeeded for over ten years in combining the strengthening of market-economic structures with the successful fight against poverty and has produced a solid economic performance. Mauritius improved for the first time into the small group of 15 developed market economies and also aims at socially inclusive and sustainable development. In Argentina, one of the biggest winners of the BTI 2018, a strengthening of the rule of law was accompanied by a correction of market-distorting regulations of the previous government, even though the level of economic transformation is still below that of the last decade.

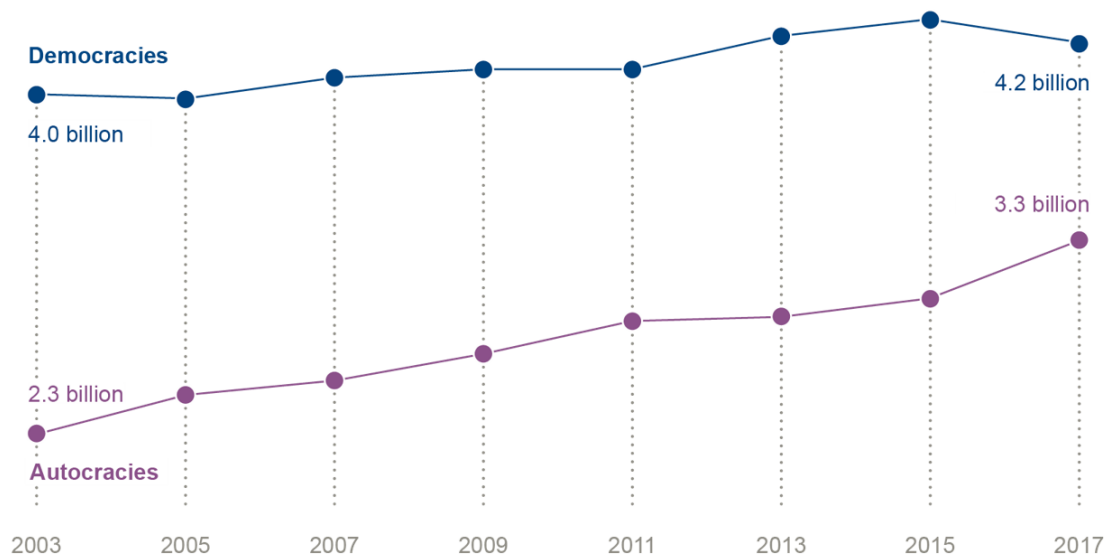
These positive developmental underscore the fact that the quality of economic governance is critical – that is, the capability to strengthen market-economic institutions over the long term; to counteract the concentration of market power by cartels, monopolies and elite networks; and to ensure a socially inclusive policy regime. In recent years, this has not been achieved by some economic heavyweights and most of the autocracies.

Political Transformation

Participation and rule of law increasingly curtailed

The status of political transformation has reached a new low in global average. Unlike in previous years, the continuation of the political downward trend is less due to state disintegration, even though after Libya and Syria, stateness has now collapsed completely in South Sudan and Yemen, where no major state actor is in a position to prevent the humanitarian disasters. Even the much more repressive regime practices in Burundi or Tajikistan do not carry much weight on a global scale, but are characteristic of the marked political setbacks and partly ethnically charged conflicts in southeast Africa as well as the hardened and often family-dynastic autocracies in Central Asia. What is more alarming, however, is that in Bangladesh, Lebanon, Mozambique, Nicaragua and Uganda there have been five regime changes to autocracy (and conversely two unstable democratization processes in Burkina Faso and Sri Lanka). These five authoritarian regressions, however, do not mark an abrupt change of system towards dictatorship, but stand for a continuous and increasing erosion of democratic standards. With a view to free and fair elections and the separation of powers, this erosion process has now reached a level that no longer permits classification as democracy.

More people than ever live in unfree societies



World population by political regime of resident country. OECD countries are considered democracies.
Sources: BTI, World Bank.

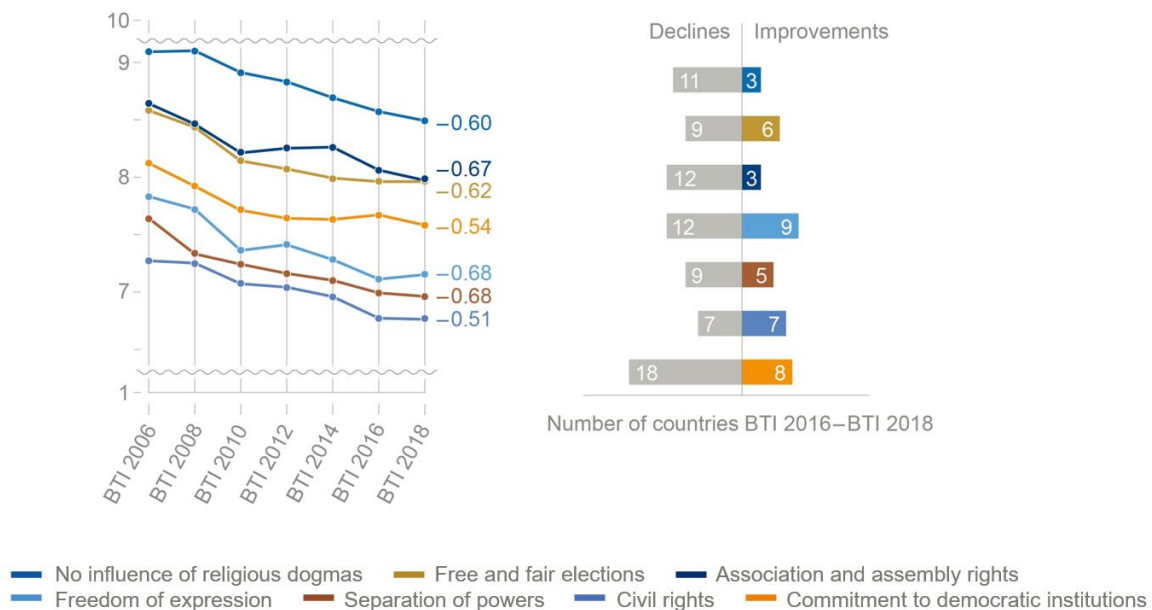
Bangladesh clearly demonstrates this pattern. Although no recent election there has taken place peacefully, they have rarely been so violent as in the case of the local elections to the union councils

in 2015 and 2016, which were accompanied by accusations of manipulation. Dozens of people fell victim to attacks by oppositional Islamists. Since the opposition boycott of the 2014 parliamentary elections, in which the governing Awami League won more than half of the seats without facing rival candidates, the legislature has acted as an extended arm of the executive. A change in the law has in some cases allowed the parliament to remove high-ranking judges on grounds of alleged misconduct or incapacity.

The autocratic resurgence in Bangladesh, previously the sixth-largest democracy in the world, has had palpable consequences for the global population ratio of democracies to autocracies. For the first time, more than 3 billion people are governed autocratically. The democratically governed share of the world’s population declined from 59.3% to 56.5% between 2015 and 2017.

These five new autocracies have crossed a threshold that the defective democracies of Honduras, Hungary, Moldova, Niger, the Philippines and Turkey are nearing, though to varying degrees. Poland, too, though much further away, is inching its way downward. If one includes countries such as Macedonia, Mexico or South Africa, which have suffered substantial losses in their democratic quality for a more extended period of time, it becomes obvious that the global negative balance of political transformation is largely due to defective democracies in which the rule of law and political participation opportunities are increasingly restricted.

Political and civil rights increasingly restricted in democracies



These setbacks are currently most marked in Turkey, which scored lower in 17 of the BTI's 18 democracy indicators and recorded the largest losses in the status of political transformation worldwide with a minus of 1.70 points, compared to the BTI 2016. The rigid measures taken in the wake of the failed coup of June 2016 with the declaration of a state of emergency have led to a massive restriction of freedom of expression, the press and freedom of assembly. President Recep Tayyip Erdoğan's polarizing and confrontational style of government towards government critics and alleged sympathizers of the Gülen movement resembles the pattern of rule of numerous authoritarian-populist rulers from the Philippines to Hungary and Poland and serves to mobilize and indoctrinate its own followers as well as to concentrate power while marginalizing the opposition.

In more than a fifth of all countries surveyed, the democracy balance is negative. This is due to less free and fair elections, an erosion of the separation of powers and increasing restrictions of the political activities of the opposition and civil society. Since 2006, there has been no aspect of political transformation that has declined more than freedom of organization and assembly, closely followed by freedom of expression and the press.

This shrinking of the civic space is complemented by a manipulation of civil society that privileges pro-government organizations and discredits critics of the government as foreign agents, thereby contributing to the discursive authority of the government in a controlled political environment. The means of interference, marginalization and isolation - enacting complicated registration procedures, prohibiting foreign funding or legally restricting the areas of civil society activity - are remarkably similar across national borders and suggest a transfer of strategies of repression and manipulation.

The normative transformation goals of democracy and a market-economic system have never been subject to so much controversy or threatened by internal weakness, as they are today. When democratic systems fail to ensure the rule of law and provide opportunities for political participation, and when market-economic systems fail to ensure fair competition and social inclusion, they will lose their capacity to attract support and increasingly take on the features of an illiberal and clientelist system. The foundations of democracy and market economic frameworks are thereby sapped of their substance.

This substance was kept and, in some cases, even extended in one-fifth of all countries surveyed by the BTI. Despite the global economic turmoil and rise in populism in recent years, they proved able to protect and deepen their institutional foundations. Botswana, Chile, Estonia and Taiwan stand out in this regard. Each of these countries has numbered among the top performers in each BTI dimension

since 2006. They illustrate how good governance in developing and transformation countries can foster resilience when confronted with instability and crisis.

Political transformation			Economic transformation			Governance		
1	Uruguay	9.95	1	Czech Republic	9.64	1	Estonia	7.44
2	Estonia	9.75	2	Estonia	9.29	2	Uruguay	7.36
3	Taiwan	9.55	2	Taiwan	9.29	3	Chile	7.33
4	Lithuania	9.45	4	Slovenia	9.11	3	Taiwan	7.33
5	Czech Republic	9.40	5	Lithuania	9.04	5	Lithuania	7.18
6	Slovenia	9.25	6	Singapore	8.89	6	Botswana	7.09
7	Chile	9.20	7	South Korea	8.64	7	Czech Republic	7.03
8	Costa Rica	9.05	8	Latvia	8.61	8	Latvia	7.00
9	Latvia	8.75	8	Poland	8.61	9	Costa Rica	6.85
10	Slovakia	8.60	10	Slovakia	8.57	10	Slovenia	6.78

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All 129 country reports, as well as all results and data tables, are available on the website www.bti-project.org.