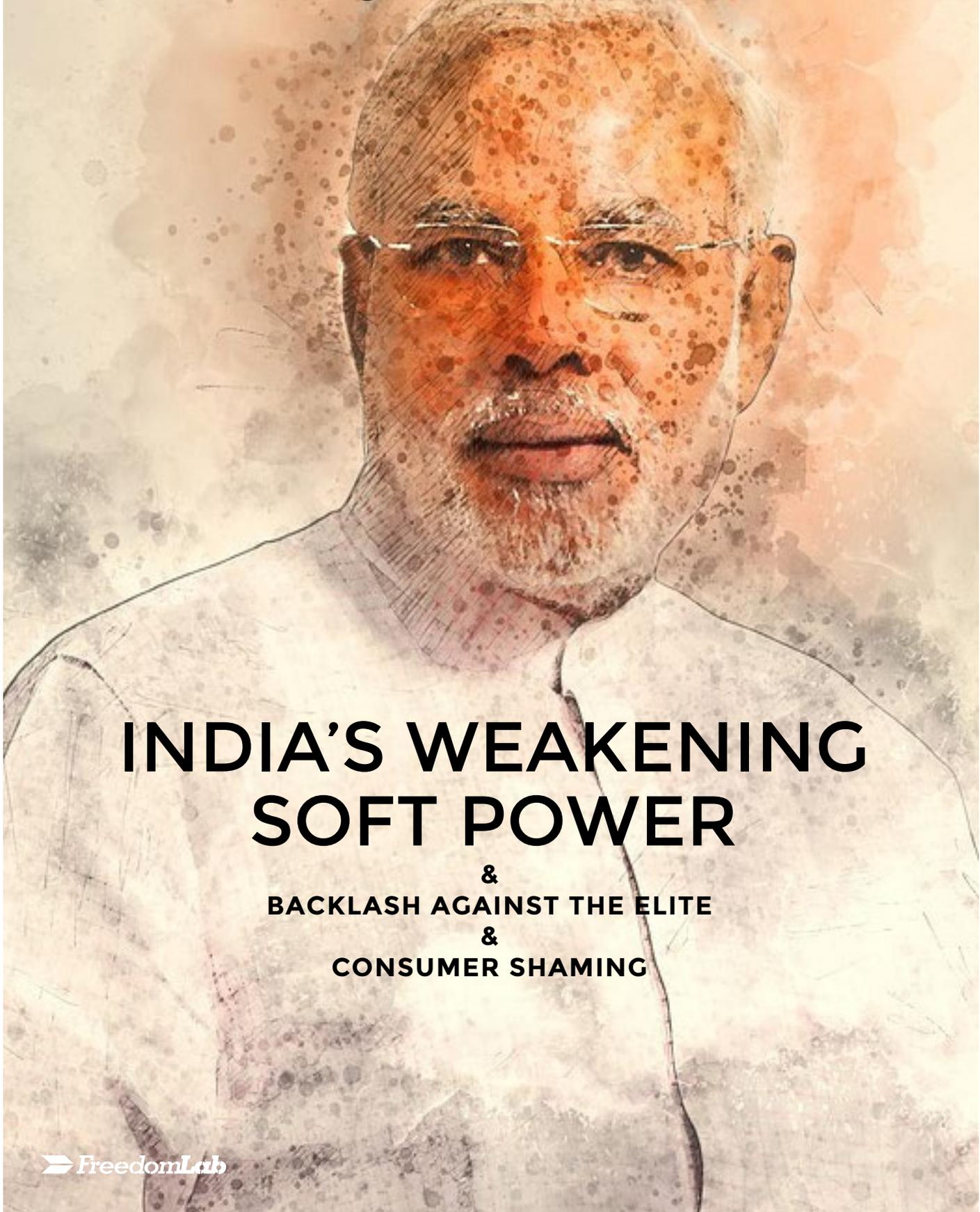


ISSUE 10

# RISK RADAR

2019



## INDIA'S WEAKENING SOFT POWER

&  
BACKLASH AGAINST THE ELITE  
&  
CONSUMER SHAMING



# 1. India's weakening soft power

The democratic image and soft power of India is losing force. National and international criticism of Indian leader Narendra Modi is growing. For the prime minister of a fast-growing and the world's fifth-largest economy, a slowdown of the economy does not bode well and will likely fuel wider criticism of his leadership style. The Modi government's leverage hinges strongly on being one of the fastest-growing economies in the world. Growth fell from 8% in the middle of last year to 5% year-on-year in the most recent quarter. Although Modi is seen as a leader who is good for business and the economy, there are worries that the economic troubles might be more than cyclical. Moreover, unemployment is on the rise, posing a challenge. The risk is that Modi will not push for the necessary economic reforms (labor, tax and financial sector reforms) and focus more on projecting his power through nationalist politics instead.

As a rising superpower and the world's largest democracy, India, unlike China, for example, is more susceptible to accusations of infringing on the freedom of its citizens.

The ongoing proxy war with Pakistan in Kashmir and the encroachment on civil freedom in the latter region are among the main points of internal and external contention. In August, the Indian government revoked Article 370 of India's constitution, which guaranteed special rights to the Muslim-majority state, the most far-reaching political move regarding the disputed region in nearly 70 years. Currently, eight million Kashmiri Muslims are living under security lockdown, have no internet connection and are restricted in the transport of people and goods. A record of 3000 people are jailed. This crackdown on Kashmiri Muslims is called [a move of punitive populism](#), a political strategy that refers to leaders' use of tough-on-crime rhetoric and policies to gain popular support. As the economy weakens, Modi's attention seems to be focused on strengthening his mandate by protecting the nation from an "enemy" in the form of the Muslim minority in the Jammu and Kashmir region.

Another threat to India's democratic functioning is the fact that freedom of speech is compromised. [Indian news media did not seem to express any criticism](#) of the government's decision to revoke Article 370. Meanwhile, India is under fire for leading internationally in temporary internet shutdowns. And finally, the country is considering [censoring streaming platforms](#) like Netflix and Amazon Prime Video. These are all stains on the democratic soft power image of India.

Modi's actions in Kashmir do not only reflect a crackdown on democratic values, but also point to a centralization of power in a country that has heretofore been governed in a decentralized way. Seeing this increasing centralization of government power, [critics](#) have expressed worries that India cannot work from the center. India was among the first countries to constitute a federally governed multicultural democracy. But Modi revoking the special rights of Kashmir has nullified this, showing that the government is pursuing a Hindu nationalist agenda.

## Implications:

- Although Modi was convincingly reelected, as economic performance declines further, support for Modi and his party BJP will dwindle. In the state Haryana, the highest rate of unemployment can be linked to a [fierce drop in support](#) for the BJP. The question remains how long Modi's Hindu nationalist, punitive populist agenda can serve as a narrative to support his leadership.
- A slowdown of the Indian economy is a real risk considering the fact that new economic reforms are highly needed while Modi [does not seem willing to act](#).
- There is no reason to assume the Kashmir conflict will end anytime soon, leading to more international disapproval and [heightened tensions](#) and trade restrictions between India and neighboring countries.

## RISKS MARKED ON THE RISK RADAR AS NUMBER 1

## 2. Backlash against the elite

Across Lebanon, Chile, Hong Kong and Iraq, people are protesting corruption, tax hikes and the political elite, often wearing Joker make-up or masks. After the Yellow Vests movements earlier this year, new protests have erupted globally. Since The Joker came out in cinemas globally, the Joker has been visible as a symbol of protests on the streets, particularly in Lebanon.

Although the reasons for protests and the ways in which people feel suppressed differ, the circulating images of police repression are very similar and the face popping up with more frequency is also the same across countries; the face of the Joker in Todd Philips' recent movie, which has already hit the \$850 million mark in global revenues. In September, as the movie was feared for its evocative power, cinema chains in the U.S. already banned masks, costumes and toy weapons at screenings of Joker. In Hong Kong, masks of Pepe the Frog (a symbol of the alt-right movement) and Winnie the Pooh (ridiculing the Chinese President Xi Jinping) are spotted at demonstrations and the Guy Fawkes face, from V for Vendetta, is globally still the most-used mask during protests, but the Joker has made a rapid entry. It serves as a timely symbol for vulnerable groups in society to express their feeling of being treated as or viewed as clowns. They feel that the majority of the people are not being heard by those in power, be it because of endemic corruption in Lebanon, suppression in Hong Kong or a metro fare hike in Chile. The Joker face is not necessarily politically right-wing or left-wing, but the face of vexation over social neglect by the powerful elite.

As we [wrote earlier](#), in many countries around the world, a large part of society is not experiencing progress, while inequality is growing and wealth is concentrating around the elite. As a result, dissatisfaction with the wealthy elites who are in power is growing, corruption and precarious living conditions are becoming increasingly unacceptable.

As the IMF published in its biannual global economic outlook, after a sharp decline in economic growth in 2018, there will be no more growth this year. IMF explains how rising trade and geopolitical tensions have fueled uncertainty about the future of the global trading system and international cooperation more generally, taking a toll on business confidence, investment decisions, and global trade.

Implications:

- The outbursts of civil unrest that have quickly erupted simultaneously and worldwide have gained [attention in financial markets](#). For instance, they have made investors wary that the resulting pressures on stretched government finances will be one of many consequences.
- As recovery of economic growth is not in sight, protests are not likely to end anytime soon. On the contrary, they might even inspire people in other countries that face a politically corrupt system, price hikes in basic necessities, or other forms of oppression.

**RISKS MARKED ON THE RISK RADAR AS NUMBER 2: TENSIONS THROUGHOUT THE MIDDLE-EAST, RISING INEQUALITY**

### 3. Consumer shaming

Shaming unsustainable consumer practices has reached multiple domains. The phenomenon that began with meat-eating and flying, has now spread to other industries. The goal of sustainable practices is to reduce society's ecological footprint, a measure to ensure that the speed with which we consume resources and generate waste will be more in line with how fast the planet can recover from these habits. Growing consumer awareness and limited climate action in politics have led to the shaming of consumers' everyday life choices. Besides flying and meat eating, driving SUVs, buying fast fashion, eating cheese, and even using Google's search function have become shameful practices.

The rhetoric of shaming is seen as a threat to businesses. The clothing industry is the latest target of shaming, as the industry is highly unsustainable. According to the UN Economic Commission for Europe, the \$2.5 trillion industry is responsible for roughly 10% of global greenhouse gas emissions and consumes more energy than aviation and shipping combined. Meanwhile, the UN argues, low-priced fashion encourages consumers to buy more frequently and to throw away still-wearable clothing instead of buying less and reusing clothes by buying second-hand. In a recent [interview](#), the CEO of fast-fashion retailer H&M expressed his worries about the heightened scrutiny that the fashion industry is facing over its environmental impact.

Shaming consumers is not just a threat to businesses, but also poses a societal risk. It might fuel polarization in society. As we wrote before, the [personal has become exceedingly political](#). Although fashion already has a long history of being political, the visible, the physical, and our appearance are now being judged on sustainability. As consumer tribes are groups of people emotionally connected through similar consumption values and similar practices can strengthen bonds between people, these judgements may underline the differences between groups. This could result in more intense polarization. Especially as businesses leaders are framing the situation as a trade-off between sustainability and economic welfare, this can give rise to polarization. Indeed, while the H&M CEO recognizes the need to reduce environmental impact, he adds that the industry "must also continue to create jobs, get better healthcare and all the things that come with economic growth." This kind of rhetoric might fuel a further divide between the wealthy, highly educated consumer and the rest of society.

Implications:

- This supposed trade-off between economic or ecological well-being is fueling polarization. Although one can stop consuming meat and start buying second-hand clothing and furniture, new organic, sustainable alternatives are often more expensive than the more polluting products. Vegetarian and vegan products are a hype among young urban conscious consumers, but prices are often so high that they are only attainable for the elites. In multiple Western countries, ordering a salad is often more expensive than ordering a burger. Among American consumers, Whole Foods is cynically called Whole Paycheck. Families struggling to put food on the table will find it intolerable to be shamed for their food choices. Shaming unsustainable consumer practices might thus lead to a backlash from those who cannot afford sustainable lifestyles.
- Those living [sustainably by default](#), not being able to fly around the globe and afford a luxury lifestyle, are often hurt by price hikes in the name of sustainability, such as increased fuel prices. The Yellow Vest Movement was sparked by this catch 22 of ecological versus economic wellbeing, hitting those at the economic bottom the hardest and leading to protests against the polluting, global elite.
- Shaming consumer behavior might be impactful in clearly visible and explicitly unsustainable practices (e.g. flying), but disregards other, less visible areas such as housing. Thus far, shaming has not included some of the most impactful, but hardly visible, consumer choices such as domestic heating.

**RISKS MARKED ON THE RISK RADAR AS NUMBER 3: RISING INEQUALITY**



# RISK RADAR

## EUROPE

### OCTOBER 19

The potential political, sociological, economic and technological threats.

### PRIORITY OF RISK

Is a determination of the likelihood of occurrence and the estimated impact.

### NEW RISK



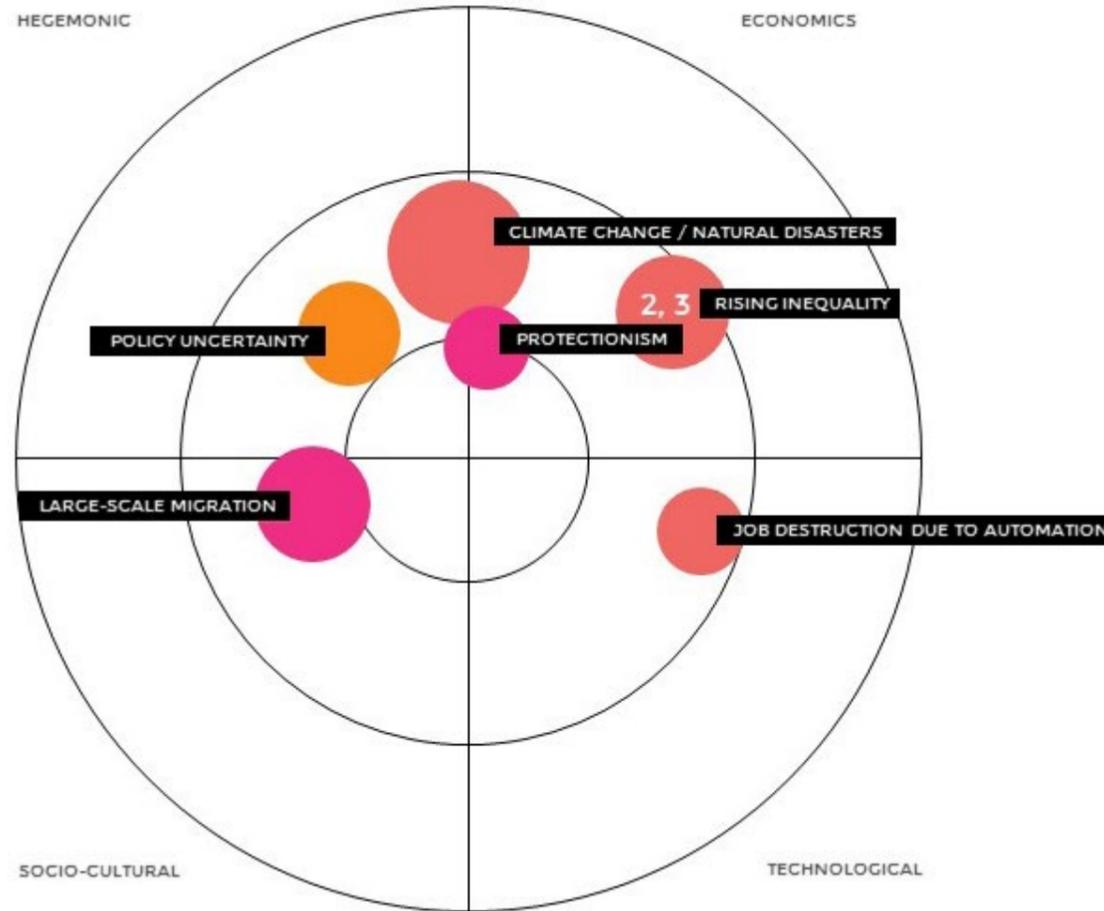
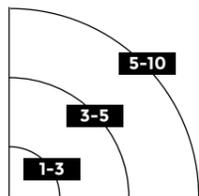
### ESTIMATED IMPACT



### LIKELYHOOD OCCURENCE



### TIME HORIZON (IN YEARS)



### KEY RISK SHIFTS

1. India's weakening soft power
2. Backlash against the elite
3. Consumer shaming

### OTHER TOP EUROPE RISKS

- Opioid crisis
- AI failure and arms race
- Deteriorating relationship Russia and the West
- Mental health issues
- Weak southern European economies
- Spread of infectious disease
- Unrest and regime change in the periphery of EU
- Pension Crisis
- Declining internet freedom
- Weak Southern European Economies
- Policy uncertainty
- Friction over Arctic Sea
- Anti-establishment parties come to power
- Terrorism
- Secular stagnation
- Global debt glut
- Digital Infrastructure Failures

# RISK RADAR

## WORLD

### SEPTEMBER 19

The potential political, sociological, economic and technological threats.

### PRIORITY OF RISK

Is a determination of the likelihood of occurrence and the estimated impact.

### NEW RISK



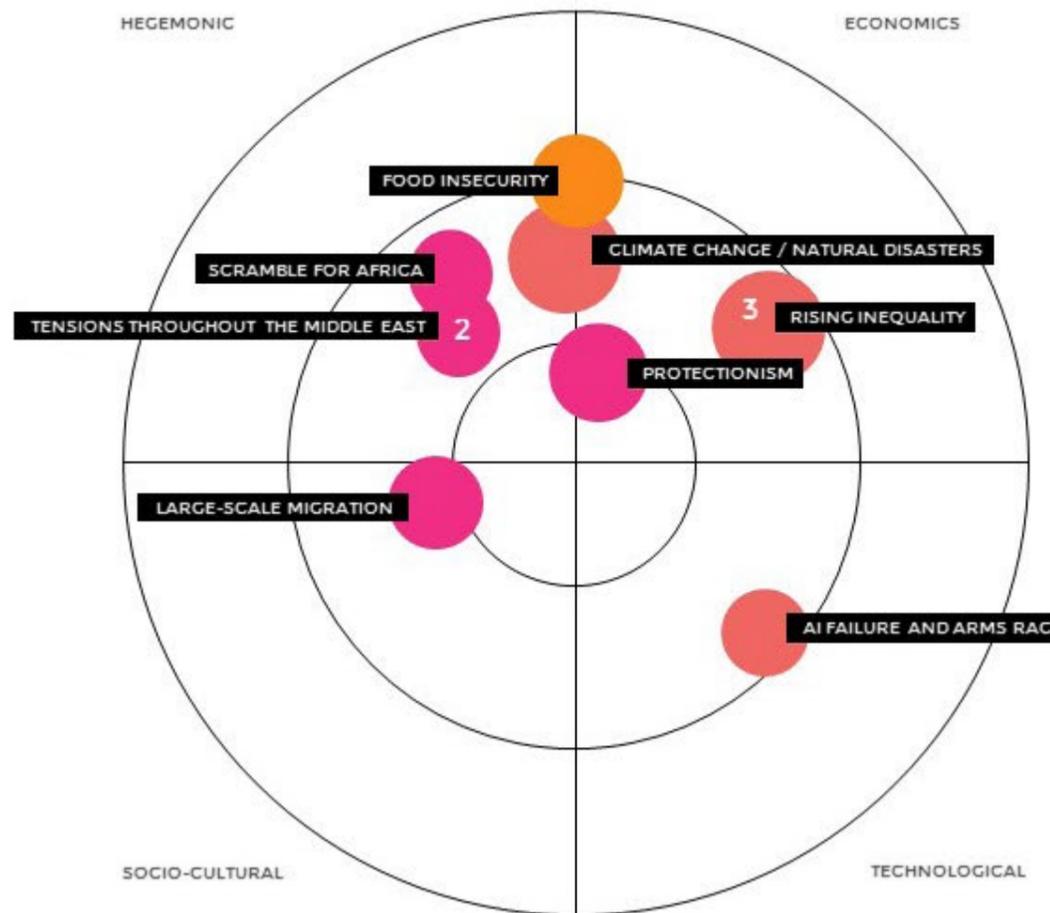
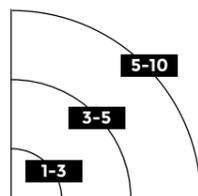
### ESTIMATED IMPACT



### LIKELYHOOD OCCURENCE



### TIME HORIZON (IN YEARS)



### KEY RISK SHIFTS

1. India's weakening soft power
2. Backlash against the elite
3. Consumer shaming

### OTHER TOP WORLD RISKS

- Opioid crisis
- Deteriorating relations Russia and the West
- Resource nationalism
- Mental health issues
- EM insolvency
- Infocalypse
- Protectionism / reform LatAm
- Spread of infectious disease
- Competition South Pacific
- Pension crisis
- Global debt glut
- Implosion North Korean State
- Water crises
- Territorial disputes South China Sea
- African terrorism
- Friction over Arctic Sea
- Digital infrastructure failures
- Declining internet freedom



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