



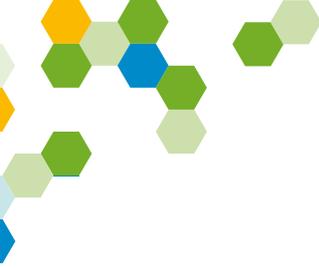
SPECIAL REPORT

Global trends for a year of collective challenges

Madrid, February 2019

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INTRODUCTION

The beginning of a new year always encourages us to reflect on the future - a period obviously influenced by the previous one.

In this regard, 2018 was not an easy year for several of the pillars that generate stability in the global context. There is a feeling that the environment around us, on a global scale, is unpredictable and it seems that, at any moment, anything can happen.

It is true that, given the capacity of human beings to assume reality, what is abnormal may be considered normal and what is uncertain may be perceived as the opposite. In such a case, chaos would be much closer than we realize.

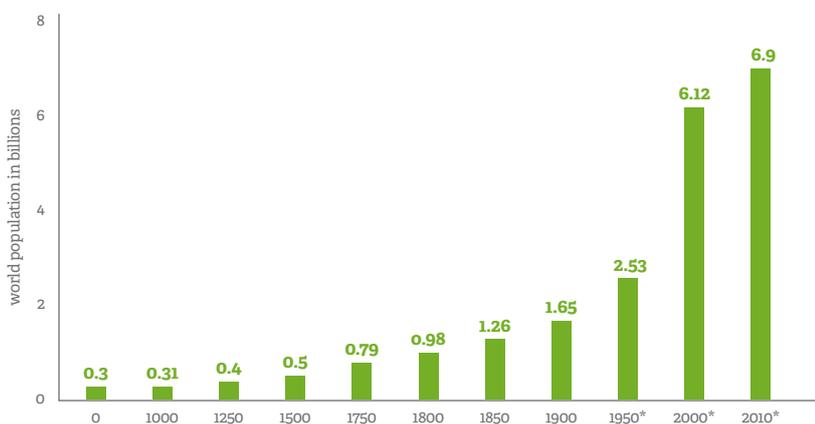
A society that wants to build its future in a stable way must build its community system on democratic principles and respect for the rule of law. If you then add a great capacity for dialogue with international multilateral relations, you have a good chance of moving in the right direction.

GLOBAL TRENDS

Great trends condition the future evolution of the world in which we live in. These include the evolution of the world's population, major displacements of populations, climate change, insecurity, populist movements and crises.



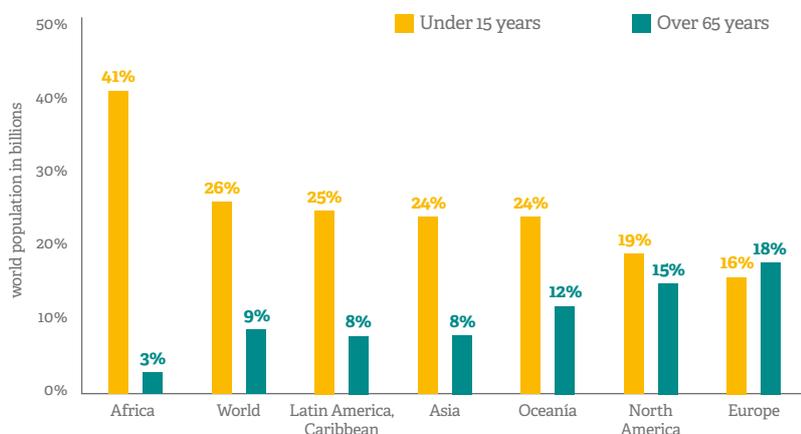
Figure 1. Development of the world population since the beginning of the Common Era (in billions)



Source: United Nations
Additional information: Worldwide. United Nations. UN DESA. 1999, 2010*

The world's population is 7.5 billion people, with some particularities: the population tripled between 1950 and 2016, more than half of the planet's population lives in Southeast Asia, the continent with the youngest population is Africa and the continent with the oldest population Europe. In the year 2100, the planet will have 11 billion inhabitants and, according to the United Nations forecasts, Africa will undergo major demographic growth. Europe, on the contrary, will age significantly and experience demographic loss.

Figure 2. Proportion of selected age groups of the world population in 2018, by region



Source: United Nations
Additional informations: worldwide

In recent years there have been large population displacements. On the one hand, there were very large international migratory movements which, according to the 2018 Global Migration Report, involved the relocation of a total of 244 million people, or 3.3% of the world's population - 41% more than in the year 2000. Of these, 22 million were refugees¹. On the other hand were those resulting from the opportunities offered by land, sea or air connections. According to IATA data, 4.1 billion people were displaced by air in 2018. This figure will double in 2037. China, India and Indonesia will become the world's largest aviation markets, ranking first, third and fourth respectively².

Table 1. Population of the world and regions, 2017, 2030, 2050 and 2100, according to the medium-variant projection

REGION	POPULATION (MILLIONS)			
	2017	2030	2050	2100
World	7,550	8,551	9,772	11,184
Africa	1,256	1,704	2,528	4,468
Asia	4,504	4,947	5,257	4,780
Europe	742	739	716	653
Latin America, Caribbean	646	718	780	712
North America	361	395	435	499
Oceania	41	48	57	72

Source: United Nations, Department of Economic and Social Affairs, Population Division (2017). *World Population Prospects: The 2017 Revision*. New York: United Nations.

¹ World Migration Report 2018
<https://publications.iom.int/es/books/world-migration-report-2018>

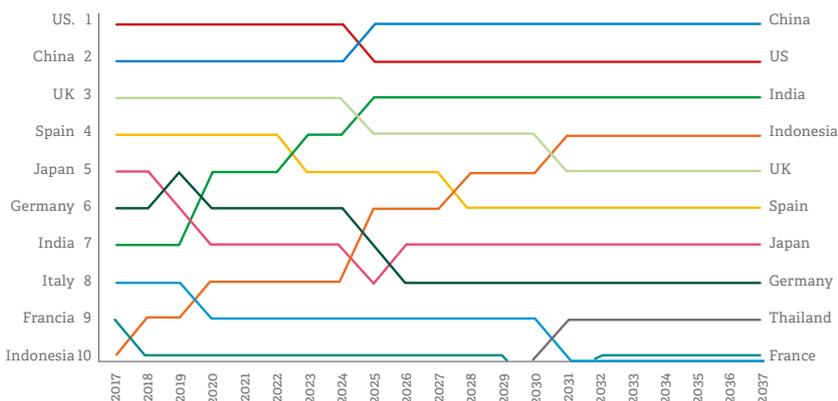
² Future of Aviation Industry 2035-IATA
https://www.iata.org/IATA_Future_Trends_4.pdf

No one with even the slightest observation capacity can question the phenomenon of climate change and its consequences, not only for future but current generations. Climate change passivity is producing increasingly worrying results that translate into clearly perceptible issues, such as the progressive decline

in biodiversity – with a clear impact on food security or, for example, the gradual increase in the level of marine masses and the ice decline at our planet’s poles. According to the Intergovernmental Panel on Climate Change (IPCC), the average sea level rise between 1901 and 2010 was 1.7 millimeters per year—between 1993 and 2010, it was 3.2 millimeters per year. An increase in land temperature of 2°C will cause sea levels to rise by 0.93 meters by 2100, according to the IPCC. Preventing it will require an extraordinary intervention in global decarbonization.

The deterioration of international order, including the controversial and disconcerting presidential actions of the United States, make for a **more insecure world**. There are greater geopolitical, technological and commercial tensions and, of course, there is the constant threat of terrorism, to which the control of natural resources can be added. According to the START⁴ report on "Global Terrorism", in 2017, there were 10,900 terrorist attacks in the world, in which 26,400 people died; making it the third consecutive year (since its 2014 peak, which had 17,000 attacks and over 45,000 victims) that terrorism has shrunk. However, if the figures

Figure 3. The 10 largest air passenger markets over time (ranked by passenger numbers, to, from and within each country)



Source: IATA/TE

Figure 4. Global average sea level³. Satellite data: 1993 – Present



Source: Satellite sea level observations. Credit: JPL/PO.DAAC

³ NASA SEA LEVEL CHANGE, Observations from Space. <https://www.sealevel.nasa.gov/understanding-sea-level/key-indicators/global-mean-sea-level>

⁴ <https://www.start.umd.edu/gtd/>

are compared to those of the decade before the September 11, 2001 attacks, there is still a very disturbing terrorist presence, including cyber-attacks.

Global risks are intensifying, yet there is a lack of collective will to resolve them. This is due to various reasons, including the idea of taking back control, as pointed out by the recent World Economic Forum Global Risk Report⁵. This can be at the national level of political rivals, or externally in multilateral or supranational organizations. The biggest paradox in all of this is undoubtedly the United Kingdom and its hypothetical exit from the European Union.

Populism, driven by left-wing, right-wing or even moderate politicians, is seen as a strategic approach that frames politics as a battle between two antagonistic sides, the public and the corrupt elite. Recently, however, it has found a very

favorable breeding ground, with several countries now governed by populist leaders. Such is the case for Brazil, Mexico, the United States, India, the Philippines, Hungary and Italy, for example. According to The Guardian, populist leaders now govern countries with a total population of almost two billion people⁶.

We live in times in which the unexpected becomes reality. Reality surpasses all fiction and crises arise in shapes far too difficult to contain. Therefore, we must be prepared to expect the unexpected in order to anticipate solutions to critical situations that are increasingly likely to occur. In all of this, technology and communications play a major role.

2019 faces a volatile world with peculiar leaders who have an imperial vision for their leadership performance.

Trump, leading the United States, is provocative, controversial and disconcerting through his politics of tweets. He can describe Europe, one of his most solid allies, as an "enemy" or start a trade war with China... or paralyze the U.S. administration because of his disputes with the Democratic

⁵ The Global Risk Report 2019, World Economic Forum.

<https://www.weforum.org/reports/the-global-risks-report-2019>

⁶ <https://www.theguardian.com/news/2018/dec/03/what-is-populism-trump-farage-orban-bolsonaro>



“We must be prepared to expect the unexpected in order to anticipate solutions to critical situations that are increasingly likely to occur”

majority in Congress over the wall with Mexico.

Putin, who won the presidential elections in March 2018 with ease, embodies the modern archetype of Czarist Russia through demonstrations of international strength aimed at national consumption. The Christmas present he decided to offer to the Russian people at the end of last year did not go unnoticed. It was a new strategic weapon: the "Avangard" hypersonic missile, capable of surpassing the American missile shield, and which reminded us of previous USSR eras in terms of weapon prioritization. In this context, Putin has accused the United States of increasing the risks of a nuclear confrontation in the world by not making progress on the INF Treaty (Intermediate-range Nuclear Forces) and refusing to negotiate an extension of the START-3 Treaty, which limits strategic armament.

Xi Jinping, after presidential term limits were eliminated in 2018, has been confirmed as the paramount leader (a status that Mao Tse-Tung, founder of the People's Republic of China, once represented), and whose 70th anniversary will be celebrated on October 1, 2019. The Chinese leader promotes a global actor approach that, instead of competing head-on for world leadership with the United States, develops what he has called the vision of a community of shared destiny, based on cooperation and,

from that point of view, ends with the model of alliances led by the United States. Equally, Chinese diplomacy is skillfully working to reform international institutions and norms so that China's interests are better considered. All of this is part of a new narrative about China as an internationally committed country.

In Europe, leaders face a time bomb with an upcoming detonation date of March 29, unless it is deactivated earlier. The UK's exit from the European Union is one of the biggest bottlenecks in the history of British politics, which (as that date approaches without a clear solution) passes the pressure on to the rest of the 27 Member States, that must remain more united than ever.

Macron and Merkel, who have the great responsibility of providing an overview of the future of European integration, have specific internal vicissitudes. Macron is facing the crisis of the "yellow vests," which was initially due to the increase in the price of fuel and the loss of purchasing power and has now shown that there is a great deal of social discontent. For the time being, this crisis, far from being defused by the government's failure to offer satisfactory solutions, runs the risk of continuing to escalate.

Merkel, meanwhile, is in the home stretch of her broad mandate as Chancellor of

“In Europe, leaders face a time bomb with an upcoming detonation date of March 29, unless it is deactivated earlier”

Germany after passing the baton in December 2017 to Annegret Kramp-Karrenbauer (AKK) as head of the Christian Democratic Union (CDU). Her departure will influence the direction Germany will take politically towards liberal and pro-European democracy or towards progressive nationalism with a dose of xenophobia. The results of the European Parliament elections in May and the subsequent elections in Saxony, Brandenburg and Thuringia will have to be followed closely.

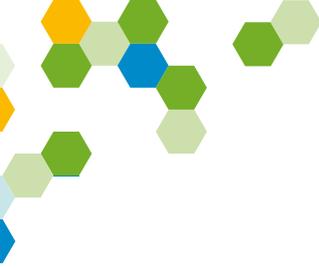
A hyper-connected and hyper-transparent world, with disruptive competitors, propels 2019. In this ever-changing world, in order to win, it is necessary to be in constant transformation and to seek excellence in responsibility. The solutions to problems come from the interconnection of intelligent machines, which process an unusual amount of information and impact on social and professional relationships. Creativity and anticipation are key in this context. Technology continues to play an important role, but has issues of special attention, such as fake news and misappropriation of identities that affect citizens, businesses and governments.

Downward growth characterizes 2019. The title of the recent World Bank report on the "Global Economic Outlook" is quite revealing and defines the outlook as: Darkening Skies.

Moderation in economic activity and increased global risks obscure the global economic outlook for 2019. International trade and investment have softened, and, at the same time, trade tensions have increased. Global liquidity has started to decline and the volume of global debt (317% of GDP in the second quarter of 2018) exceeds the level reached before the last crisis.

Global growth will fall from a revised 3% in 2018 to 2.9% in 2019 and 2.8% in 2020-21. Growth in the Euro area, which had already fallen to 1.9% in 2018, slows further in 2019 to 1.6% and an average of 1.4% in 2020-21.

This is an election year for Europe with Brexit and other challenges in the background. Elections to the European Parliament will take place in May, with a possible decline in the influence of the two main traditional parties of the European Parliament: the European People's Party and the European Socialist Party. There will be seven national elections in EU Member States and six presidential elections. The EU institutions will have new leaders: a new President of the European Commission and a renewed College of Commissioners; a new President of the European Council; a new President of the European Parliament; a new President of the European Central Bank; and a new head of European Diplomacy.



**“2019 is a year of political
and economic crossroads
for Spain”**

The issue on migration will continue to dominate in politics.

2019 is a year of political and economic crossroads for Spain. Municipal and European elections will be held in the spring, but general elections cannot be ruled out, given the context. Regional elections will also be held, except in Andalusia, Catalonia, the Basque Country and Galicia. The consequences of the recent elections in Andalusia have a telescopic projection on the national political situation, greatly affected by the sovereignty challenge of independence in Catalonia.

Candidates must play a decisive role in municipal elections. In regional elections, the panorama that may arise is not so predictable and, of course, it is in European elections that there could be a VOX irruption, in line with what happened with Podemos in 2014. The Spanish economy will be influenced by the context of lower world and European growth. Macroeconomic projections show that the economy will continue to slow, although growth will remain at around 2.2%. The

decline in private consumption, high unemployment and wages growing above productivity pose challenges for the Spanish economy in 2019. High levels of public debt and deficits, coupled with political uncertainties, also confer significant vulnerabilities on Spain's economy.

2019, in general, is a year with shared challenges and problems. The response must therefore be inspired not by individual approaches, but by solutions based on cooperation and dialogue, respecting human dignity, democracy, pluralism, justice, solidarity and, of course, the certainty that comes from respecting the rules of “the game.”

Author



José Isaías Rodríguez is Senior Counselor. Renowned professional connoisseur of Europe and of Spanish companies's relations with the European administration, began his career in the Spanish Confederation of Employers' Organizations (CEOE) as deputy director of the Department of European Communities. For 25 years he was the director of the CEOE Delegation in Brussels, a position from which he represented the interests of Spanish companies before European Institutions and BUSINESSEUROPE. Subsequently, and for two years, he was deputy secretary-general of the CEOE. For 24 years, he was Adviser to the European Economic and Social Committee and Vice-Chairman of the Employers Group. He is a Trustee of the ADECCO Foundation and President of VALCAMBRE. He holds a degree in economics and business studies from the University of Seville, a master's degree in European studies from the Catholic University of Leuven and a diploma in European studies from the Ministry of Foreign Affairs of Spain (Diplomatic School) and holds a Diploma in National Defence from CESEDEN.

jirodriguez@llorenteycuencia.com



LLORENTE & CUENCA

GROUP MANAGEMENT

José Antonio Llorente
Founding Partner and Chairman
jallornte@llorenteycuenca.com

Enrique González
Partner and CFO
egonzalez@llorenteycuenca.com

Adolfo Corujo
Partner and Chief Strategy Officer
acorujo@llorenteycuenca.com

Goyo Panadero
Partner and Chief Talent and
Innovation Officer
gpanadero@llorenteycuenca.com

Carmen Gómez Menor
Corporate Director
cgomez@llorenteycuenca.com

Juan Pablo Ocaña
Legal & Compliance Director
jpocana@llorenteycuenca.com

MANAGEMENT - AMERICAS

Alejandro Romero
Partner and CEO Americas
aromero@llorenteycuenca.com

José Luis Di Girolamo
Partner and CFO Americas
jldgirolamo@llorenteycuenca.com

Antonieta Mendoza de López
Vice President of Advocacy LatAm
amendozalopez@llorenteycuenca.com

SPAIN AND PORTUGAL

Luisa García
Partner and Managing Director
lgarcia@llorenteycuenca.com

Arturo Pinedo
Partner and Managing Director
apinedo@llorenteycuenca.com

Barcelona

María Cura
Partner and Managing Director
mcura@llorenteycuenca.com

Óscar Iniesta
Partner and Managing Director
of Arenalia
oiniesta@llorenteycuenca.com

Muntaner, 240-242, 1^o-1^a
08021 Barcelona
Tel. +34 93 217 22 17
Tel. Arenalia +34 660 201 020

Madrid

Joan Navarro
Partner and Vice President
of Public Affairs
jnavarro@llorenteycuenca.com

Amalio Moratalla
Partner and Senior Director
of Sport and Business Strategy
amoratalla@llorenteycuenca.com

Iván Pino
Partner and Senior Director
of Digital
ipino@llorenteycuenca.com

Ana Folgueira
Managing Director of Impossible
Tellers
ana@impossibletellers.com

Lagasca, 88 - planta 3
28001 Madrid
Tel. +34 91 563 77 22

Lisbon

Tiago Vidal
Partner and Managing Director
tvidal@llorenteycuenca.com

Avenida da Liberdade nº225, 5^o Esq.
1250-142 Lisboa
Tel. + 351 21 923 97 00

UNITED STATES

Erich de la Fuente
Partner and Chairman
edela Fuente@llorenteycuenca.com

Mike Fernandez
CEO
mikefernandez@llorenteycuenca.com

Gerard Guiu
Director of International Business
Development
gguiu@llorenteycuenca.com

Miami

600 Brickell Avenue
Suite 2020
Miami, FL 33131
Tel. +1 786 590 1000

Nueva York

277 Park Avenue, 39th Floor
New York, NY 10172
Tel. +1 212 371 5999 (ext. 374)

NORTH REGION

Javier Rosado
Partner and Regional Managing
Director
jrosado@llorenteycuenca.com

Havana

Joan Navarro
jnavarro@llorenteycuenca.com

Mexico City

Juan Arteaga
Managing Director
jarteaga@llorenteycuenca.com

Rogelio Blanco
Managing Director
rblanco@llorenteycuenca.com

Av. Paseo de la Reforma 412, Piso 14,
Col. Juárez, Del. Cuauhtémoc
CP 06600, Ciudad de México
Tel: +52 55 5257 1084

Panama City

Manuel Domínguez
Managing Director
psolanilla@llorenteycuenca.com

Sortis Business Tower, piso 9
Calle 57, Obarrio - Panamá
Tel. +507 206 5200

Santo Domingo

Iban Campo
Managing Director
icampo@llorenteycuenca.com

Av. Abraham Lincoln 1069
Torre Ejecutiva Sonora, planta 7
Tel. +1 809 6161975

ANDEAN REGION

Luis Miguel Peña
Partner and Regional Managing
Director
lmpena@llorenteycuenca.com

Bogota

María Esteve
Partner and Managing Director
mesteve@llorenteycuenca.com

Av. Calle 82 # 9-65 Piso 4
Bogotá D.C. - Colombia
Tel: +57 1 7438000

Lima

Luis Miguel Peña
lmpena@llorenteycuenca.com

Av. Andrés Reyes 420, piso 7
San Isidro
Tel: +51 1 2229491

Quito

Carlos Llanos
Managing Director
cllanos@llorenteycuenca.com

Avda. 12 de Octubre N24-528 y
Cordero - Edificio World Trade
Center - Torre B - piso 11
Tel. +593 2 2565820

SOUTH REGION

Juan Carlos Gozzer
Regional Managing Director
jcozzer@llorenteycuenca.com

Buenos Aires

Mariano Vila
Managing Director
mvila@llorenteycuenca.com

Av. Corrientes 222, piso 8. C1043AAP
Tel: +54 11 5556 0700

Santiago de Chile

Constanza Téllez
Managing Director
ctellez@llorenteycuenca.com

Magdalena 140, Oficina 1801.
Las Condes.
Tel. +56 22 207 32 00

Sao Paulo and Rio de Janeiro

Cleber Martins
Managing Director
clebermartins@llorenteycuenca.com

Rua Oscar Freire, 379, Cj 111,
Cerqueira César SP - 01426-001
Tel. +55 11 3060 3390

Ladeira da Glória, 26
Estúdio 244 e 246 - Glória
Rio de Janeiro - RJ
Tel. +55 21 3797 6400



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