



**ATKearney**

Global Business Policy Council

# Year-Ahead Predictions 2018

Businesses must prepare for 10 significant global events that will occur and trends that will gain momentum in the coming year.

25 years



*ATKearney*

## About Year-Ahead Predictions

As part of its mandate, the A.T. Kearney Global Business Policy Council continually scans the horizon for developments along the key dimensions of demography, economy, environment, geopolitics, governance, resources, and technology. In assessing this wide range of dimensions, the Council keeps its finger on the pulse of events and trends that are likely to affect the external operating environment and helps business leaders and strategic planners be mindful of likely near-term developments that could affect their industry broadly and their company specifically.

*Year-Ahead Predictions 2018* forecasts 10 significant events that we believe will occur and trends that we expect will gain momentum in the coming year. For each prediction, we first explain the current state of play and then lay out our expectations for how it will unfold over the next 12 months. Each of these developments will have an important near-term impact on the global business operating environment. When considered together, they signify potentially profound shifts.

This is the second consecutive year in which the Council has made such predictions. At the end of this publication, we hold ourselves to account by assessing the validity of the predictions we made last year.

## Executive Summary

In today's increasingly volatile world, it is difficult to speculate about what might happen next week; predicting the course of events over the next year is even more challenging. Shifting attitudes and heightened tensions in society, rising populism and nationalism in politics, and rapid technological change are all contributing to significant uncertainty in the external environment. There are, therefore, some domains for which we cannot make predictions for the year ahead with a reasonable degree of certainty. Despite this mounting volatility and complexity, there is a compelling case for the ongoing need to scan for future developments. It is with this argument in mind that we issue this annual set of predictions, which we hope will contribute to active debate on the various forces of change at work and the consequences they imply.

In that spirit, the Global Business Policy Council makes 10 specific predictions for 2018, all of which will have important implications for the global business environment:

1. **Quantum supremacy** will be achieved.
2. Difficult negotiations will raise the risk of a **hard Brexit** in early 2019.
3. **Facial recognition technology** will become omnipresent.
4. The threat from the **Islamic State** will metastasize in Southeast Asia, Africa, and beyond.
5. Domestic politics in Germany and France will cut short the **"Merkron" honeymoon phase**.
6. Catastrophic natural disasters will put even more pressure on **global insurance markets**.
7. New regulations will emerge as scrutiny of the **US Internet giants' power and autonomy** reaches a fever pitch.
8. Rapidly rising **demand for electric vehicles** will spark a spike in global sales.
9. **Chinese foreign investment** will accelerate but will face growing resistance.
10. **Breakthroughs in cancer treatments** will accelerate at an unprecedented rate.

## Prediction #1

# Quantum supremacy will be achieved.

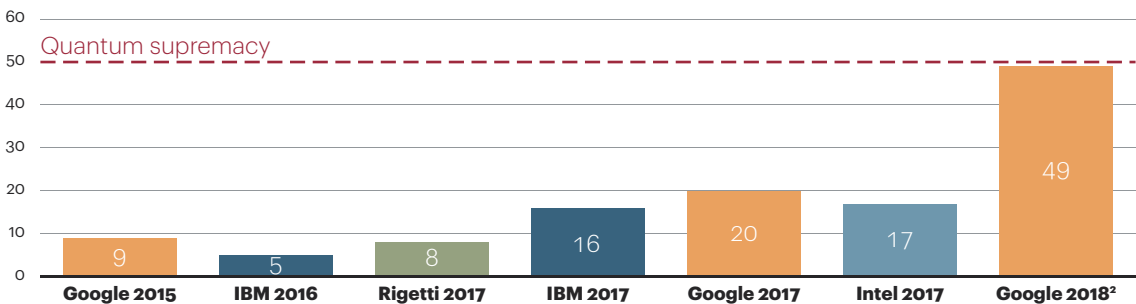
The future of computing is quantum. Quantum computing leverages the unique properties and behaviors of subatomic particles to solve computational problems exponentially faster than a traditional computer. While a traditional computer's core processing function is in the form of bits represented as either zeros or ones, the concept of quantum superposition allows for a quantum bit (commonly referred to as a qubit) to represent both a zero and a one simultaneously, significantly expanding its computational power. There is now a race to commercialize quantum computing. Earlier this year, IBM announced its initiative to build the first commercially available quantum computing system, IBM Q, to be offered on its cloud platform. Google, Rigetti Computing, D-Wave Systems, Microsoft, and others are also aiming to beat the growing competition in a field that will alter the future of computing and myriad other industries. Two major breakthroughs occurred in 2017. In July, Chinese scientists used quantum teleportation to send photons (the subatomic particle) from Earth to a satellite in low-Earth orbit. According to researchers, this demonstration is "an essential step toward global-scale quantum Internet." And in August, the first quantum private communications network was deployed in China. Both developments made a big splash in scientific journals and some mainstream media, but the rapid advancements in quantum computing globally have not received nearly enough attention in recent years.

Despite these breakthroughs, we are several years away from the point at which quantum computers will change our daily lives. In 2018, however, we will cross a crucial threshold known as quantum supremacy—when a quantum computer's capabilities surpass the most powerful non-quantum supercomputer ever built. Scientists have determined that this threshold is about 50 qubits. Although today's quantum computers operate on far lower levels, the science is advancing at such a rapid rate that quantum supremacy will be reached in 2018 (see figure 1). And once one company achieves quantum supremacy, others will not be far behind. Quantum computing will dramatically enhance the power of artificial intelligence (AI) and data security, in addition to opening up new areas of scientific discovery—all with substantial business implications. In 2018, for instance, scientists will begin using quantum computers to simulate chemical reactions as part of new pharmaceutical discoveries and the quest for next-generation battery technology.

Figure 1  
**Developers are racing toward quantum supremacy**

### Quantum computing power<sup>1</sup>

Qubits



<sup>1</sup>Select breakthroughs in gate-based (using chips) quantum computing

<sup>2</sup>In development

Sources: IBM, Google, Futurism; A.T. Kearney analysis

Prediction #2

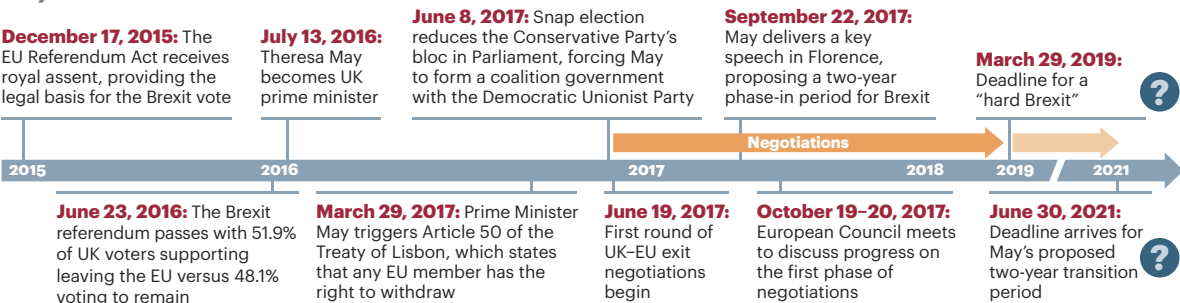
Difficult negotiations will raise the risk of a hard Brexit in early 2019.

Brexit negotiations in 2017 were marked by false starts, massive complexities, and growing tensions. Talks are at a virtual standstill after five grueling rounds of negotiations. Questions surrounding the future of European Union (EU) citizens’ rights, the role of European courts, the management of the UK-Ireland border, and the “exit bill” all remain unanswered as the year winds down. While the United Kingdom has been eager to discuss the future of its relationship with the EU, the EU27 has held fast to a strict approach of barring discussions about these matters until the terms of the divorce are settled. British Prime Minister Theresa May’s September announcement that the United Kingdom will seek a formal two-year transition period after Brexit and is willing to pay the EU at least €20 billion through 2021 has not (yet) yielded substantive results. Internal challenges have also emerged on both sides of the negotiating table. Resistance toward May has grown within her own party, particularly following the disappointing outcome for Conservatives in the June election, and tensions between northern and southern EU members have continued to simmer under the surface.

In 2018, Brexit negotiators will make some progress but not enough to preclude a possible “hard Brexit” in March 2019 with the expiration deadline for Article 50, extending the uncertainty that businesses and individuals face. The “exit bill” outlining how much the United Kingdom owes the EU will finally be resolved by early in the year. The EU27 will also begin internal discussions about the future of its relationship with the United Kingdom. But getting to this point will take a political toll, and growing speculation that May could be replaced well before the next election must be called in 2022 will hinder her ability to negotiate effectively. Furthermore, the formality and transparency of the EU approach to negotiations will continue to limit the room for backdoor negotiations, making the sustained deadlock harder to break. Financial market and foreign exchange volatility will grow throughout the year as investors hang on rumors and statements from the successive rounds of negotiation, and Brexit will continue to weigh on UK economic performance. More businesses with operations in the United Kingdom will prepare for the possibility of a “very hard Brexit” by hedging their operations financially and geographically, including moving their supply chains out of the United Kingdom. And as 2018 draws to a close, it will remain unclear if both sides will kick the can down the road by extending negotiation deadlines or if a “no deal” hard Brexit will come to pass in 2019 (see figure 2).

Figure 2  
The United Kingdom’s planned EU exit is a lengthy process

Key dates in the Brexit timeline



Sources: UK Parliament, Financial Times; A.T. Kearney analysis



### Prediction #3

## Facial recognition technology will become omnipresent.

Facial recognition software is already used more than most people realize. Early forms of the technology have been in existence since as far back as the 1960s, and there has been a notable uptick in its application in the past year. For example, it is now used to verify ride-hailing app drivers' identities in China and the Middle East. And scientists at the National Human Genome Research Institute, part of the US National Institutes of Health, have used facial recognition software to diagnose a rare genetic disease in minority populations. Some churches in the United States have used 3D facial recognition software to track membership and solicit donations from regular attendees. And, as if scripted from the pages of the 1956 sci-fi novella *The Minority Report*, facial recognition is now used in some brick-and-mortar stores and urban billboards to personalize marketing and pricing to passersby. Perhaps more disconcerting, researchers at Stanford University recently published a study in which they argue that the technology can be used for physiognomic purposes, including determining an individual's sexual orientation. And finally, the September launch of the iPhone X, which includes a facial recognition feature to unlock the home screen, has catapulted facial recognition technology into the global zeitgeist in a big way.



The awareness and use of facial recognition technology will grow dramatically in 2018, building on the significant progress that has already been made. In the next year, the technology will spread rapidly, affecting many aspects of our daily lives. Few of us will even be aware that we are being “recognized” by facial recognition technology. This will raise privacy and security concerns, which will lead governments and civil liberty advocates to clash over the extent to which facial recognition can be used for surveillance and national security purposes. This debate may be brought more squarely in front of policymakers and the general public in the event of a terrorist attack—or the threat of one—for which facial recognition technology could be invaluable for finding suspects. Meanwhile, many businesses and consumers will be drawn to the technology because of its power and simplicity of use and the potential to capitalize on untapped markets. As a result, the producers of OLED panels, an essential component of facial recognition devices, will enjoy increasing demand for their product while also coming under pressure to reduce the high cost of these panels.

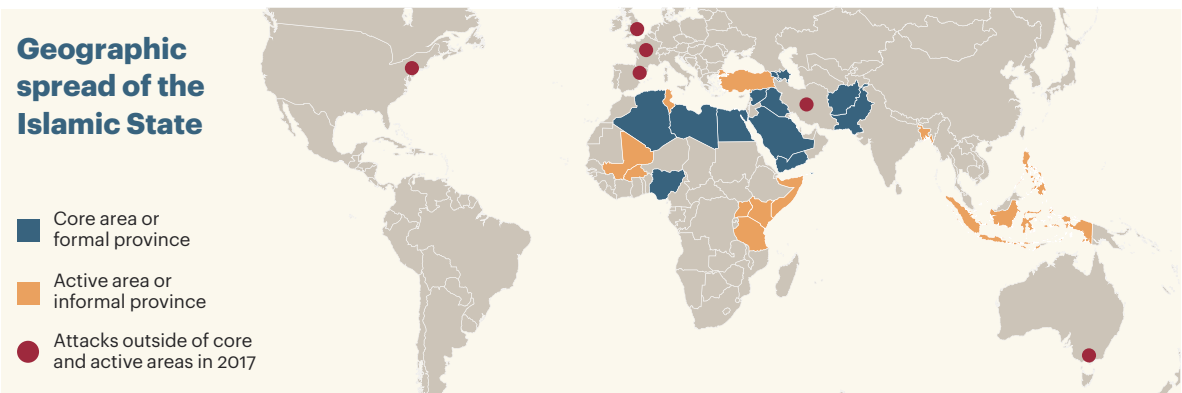
**Prediction #4**

**The threat from the Islamic State will metastasize in Southeast Asia, Africa, and beyond.**

The self-proclaimed Islamic State has lost more than 90 percent of the territory that it held in Iraq and Syria since the height of its power in late 2014. In the past year, coalition forces have pushed the Islamic State out of several strategically important strongholds, including Raqqa, Deir al-Zour, and Deraa in Syria and Mosul and Hawija in Iraq. The Islamic State’s recent loss of territory has also meant a loss of revenue, as it no longer controls lucrative oil-producing regions or cities with millions of residents who can be taxed. Since 2015, however, the Islamic State has also been expanding its operations to geographies beyond the Middle East. It has set up *wilayats*, or provinces, in Libya, Egypt, Nigeria, and Afghanistan and claimed others in Saudi Arabia, Algeria, and the Caucasus region (see figure 3). In addition, extremist groups in Somalia, Kenya, the Philippines, Indonesia, Bangladesh, and elsewhere have pledged allegiance to or have become otherwise affiliated with the Islamic State.

The Islamic State’s substantial territorial losses in Iraq and Syria in 2017 will accelerate the metastasizing of its bases of operation in 2018. Three geographies stand out. The first is North Africa, especially Libya. The Islamic State will continue to capitalize on longstanding political instability in the country to capture oil-producing territory that will bolster its revenue streams. Libya will also serve as the new base from which the Islamic State deploys terrorists into Europe. The second geography in which the Islamic State’s influence will grow is sub-Saharan Africa, where several affiliated groups are already active—including in Nigeria and Kenya, two of the region’s leading economies. And the third key geography is Southeast Asia, which has a history of both conservative Islamism and militant groups. The Islamic State is already active in the Mindanao region of the Philippines, and it carried out at least one attack in Indonesia in 2017. More than 1,000 Southeast Asians have joined the Islamic State in the Middle East. As these fighters are sent home in greater numbers, such attacks are likely to grow in intensity and frequency. This trend is globally significant given that Southeast Asia is a key manufacturing center in the global value chain and an important international shipping route. Although the Islamic State has suffered defeats in its traditional stronghold, the group will remain an active and destabilizing force in the global operating environment in 2018.

Figure 3  
**Militants affiliated with the Islamic State are metastasizing**



Sources: Combating Terrorism Center, Global Terrorism Database, RAND; A.T. Kearney analysis

## Prediction #5

### Domestic politics in Germany and France will cut short the “Merkron” honeymoon phase.

Countries collectively accounting for more than 60 percent of the EU’s GDP held national elections in 2017, and the outcomes of those contests are shaping the future of the EU. Newly elected French President Emmanuel Macron has injected fresh dynamism into policymaking at both the national and supranational levels, approving dramatic reforms of labor regulations in France and laying out a sweeping vision for a more integrated EU. Macron and his German counterpart, Chancellor Angela Merkel, have also begun to reinvigorate the historically important partnership between their two countries. In true tabloid style, their budding relationship has been dubbed “Merkron.” And, as European Commission President Jean-Claude Juncker highlighted in his annual State of the European Union in September, the conclusion of the German elections was expected to kick off a rare window of opportunity for EU officials to focus on policymaking rather than politicking. Merkel suffered an electoral setback in September, however, which has clouded the outlook. It forced her to attempt to form a complicated coalition while also facing the rightwing Alternative for Germany (AfD) party in parliamentary opposition.



In early 2018, the “Merkron” relationship will enjoy a honeymoon phase. The EU will also continue to rise in importance on the global stage as the United States persists in turning inward and European economic activity strengthens, amplifying investor focus on “Merkron” summitry. But despite continued economic recovery, the honeymoon will be cut short. Both Merkel and Macron will be impeded from making substantial progress on EU reforms because of domestic political dynamics. Merkel will be particularly constrained. She may have to rule via minority government. Alternatively, a potential coalition partner—the Free Democratic Party—has a somewhat Eurosceptic outlook, and its leaders have openly criticized some of Macron’s proposals to boost EU integration. Furthermore, Merkel’s ability to push through unpopular policies will be diminished since her political power took a hit after the September 2017 elections and will continue to wane. Macron will have more success advocating for EU reforms, but he will face domestic challenges of his own. While his approval rating has stabilized recently after plummeting during his first few months in office, it will remain somewhat low throughout 2018 thanks to his continued efforts to liberalize labor regulations and the resulting union protests. Macron’s bold visions for a more integrated, innovative EU will therefore fail to be fully realized in 2018.



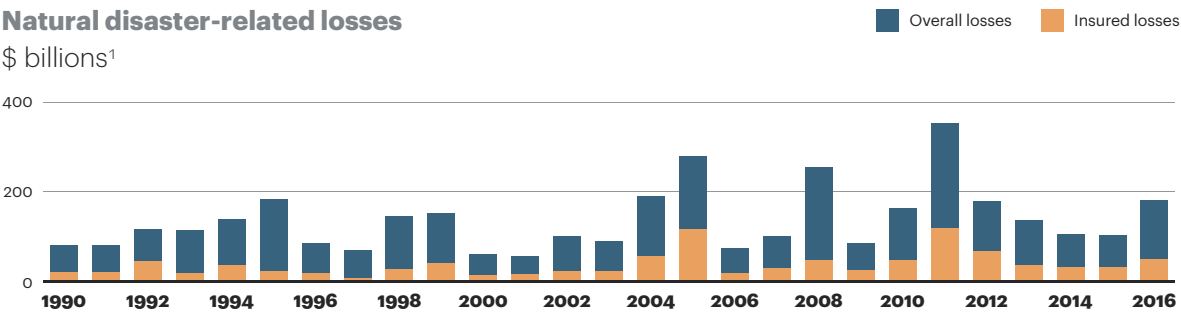
## Prediction #6

# Catastrophic natural disasters will put even more pressure on global insurance markets.

In 2017, 10 Atlantic storms in a row reached hurricane strength. Such a string of hurricanes has occurred only four times on record—most recently in 1893. Several other natural disasters also caused substantial damage in the past year. Earthquakes in Central America left hundreds dead. The Mexico earthquake alone will cost up to \$2 billion in insured damages—and much more in uninsured damages. Peru suffered its worst flooding in decades, and severe monsoons across South Asia killed thousands and displaced millions more. Meanwhile, wildfires blazed across many parts of Southern Europe, and the death toll from wildfires in California was the highest since 1933. Unfortunately, these natural disasters were not anomalous. The rate of natural disasters worldwide has more than quadrupled since 1970 to around 400 per year. The World Bank estimates that each year, natural disasters cost about \$327 billion in asset losses. The insurance industry, which plays an important role in disaster recoveries, has been hit particularly hard, with almost two dozen insurance companies announcing significant losses from recent disasters. As a result, there are rising concerns within the industry that climate change is increasing the incidence of weather-related insurance events at a rate that they cannot absorb (see figure 4).

These “once-in-1,000-year-events” will likely continue in 2018. So too will associated insurance claims. Some of the world’s largest insurance and reinsurance companies have survived losses over the past few years because they had sufficient capital reserves, but not all will be able to keep pace in 2018. According to a recent Swiss Re Report, “prices for commercial insurance continue to be under significant pressure, with a majority of segments operating at unsustainable rate levels.” As a result, policyholder premiums (subscription required) and the rates of reinsurance will go up in 2018. It is likely that disputes will also arise between policyholders and insurance companies over which natural disaster-related claims are eligible for insurance payouts, leading to potential calls for government pressure on insurance companies. Less than a third of natural disaster-related economic losses are insured, however, so the industry will also seek to expand its market in 2018. Much of this effort will be conducted through the Insurance Development Forum, a public–private partnership between the United Nations, World Bank, and the insurance industry to build resilience to natural disasters in emerging and frontier markets by extending the use of insurance. This effort will be particularly appealing to insurance companies in 2018 as a means to hedge against losses from expensive payouts in highly insured markets.

Figure 4  
**The cost of natural disasters is volatile, but escalating**



<sup>1</sup> 2016 values

Sources: Munich RE NatCatSERVICE; A.T. Kearney analysis

## Prediction #7

# New regulations will emerge as scrutiny of the US Internet giants' power and autonomy reaches a fever pitch.

Silicon Valley's Internet giants enjoy a combined market capitalization larger than the economy of Canada—with seemingly unrelenting growth. The rising allegations of impropriety on platforms such as Facebook and Twitter by Russia during the 2016 US presidential election have ignited a global dialogue about the influence and power that social media and other Internet companies exercise. The debate, though, is not only about swaying voters with “fake news” in an election. The unregulated reach of these social media platforms has also allowed terrorist groups such as the Islamic State to coalesce, while hate speech and child pornography have proliferated. Lawmakers, therefore, have begun to take action. In the United States, Senate Democrats are crafting legislation that would require Internet companies to disclose the names of individuals and organizations that spend more than \$10,000 on election-related ads. In France, President Emmanuel Macron has called for tougher EU taxes on the Internet giants. And the European Commission is asking Internet companies to step up the removal of illegal online content in a bid to crack down on terrorist recruitment, hate speech, and child pornography.



This scrutiny will reach a fever pitch globally in 2018, resulting in new regulation. Legislative proposals will target Internet companies in three areas: their ability to influence public opinion through advertisements, their business model of commoditizing user data, and their monopolistic power. As investigations into allegations of “fake news” posted online during the 2016 US presidential election run their course—and new instances around the world, including more sophisticated “fake news” videos—lawmakers will be keen to pull back on the free rein that these companies have so far enjoyed. In the United States, Section 230 of the Communications Decency Act, which was crafted in 1996 to exempt Internet firms from liability for nearly all kinds of illegal content or actions perpetrated by their users, is likely to come in the crosshairs. And the European Commission will accelerate the levying of fines on Silicon Valley firms, potentially even surpassing the record \$2.7 billion antitrust penalty imposed on Google in June. The EU's Commissioner for Competition Margrethe Vestager will be especially active in enforcing Europe's tougher culture of oversight before the end of her term in 2019.

## Prediction #8

# Rapidly rising demand for electric vehicles will spark a spike in global sales.

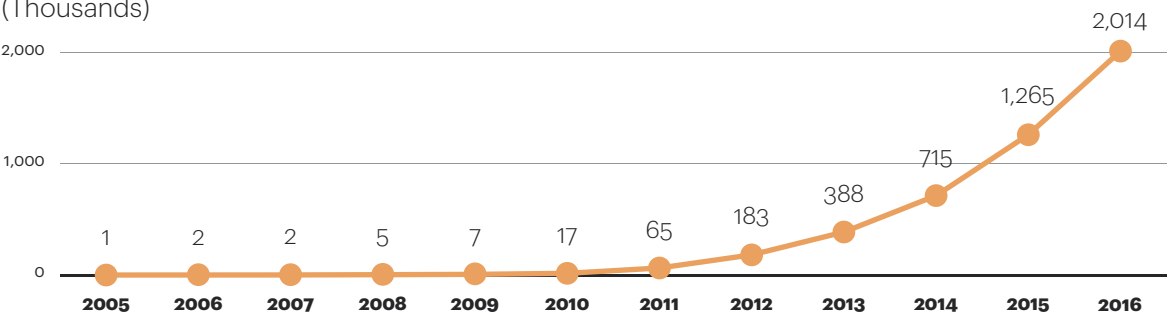
According to the International Energy Agency (IEA), the number of electric vehicles (EV) soared to 2 million globally in 2016. Five years earlier, the corresponding level was next to nothing (see figure 5). The IEA has also pointed out that the world will need 600 million EVs by 2040 to achieve the global warming reduction targets set out under the Paris Agreement. Governments around the world are taking notice. In China, the world's largest car market, the Ministry of Industry and Information Technology mandated that at least one in every 10 cars produced by each automaker be either EV or hybrid EV by 2019. India plans to sell only EVs by the end of the next decade, and California's zero-emission vehicle (ZEV) policy requires that a set share of automakers' total sales (currently 14 percent) be ZEVs. Dozens of other national and subnational governments have made similar announcements. As a result of the confluence of this heightened attention to climate change, the marketing cachet of innovative automakers such as Tesla, and large markets such as China mandating EV adoption, the EV market has begun to grow rapidly.

In 2018, global demand for EVs will reach its highest level yet. Sales will rise by close to 50 percent year over year to more than 1.5 million EVs. Regulations and incentives such as production subsidies have helped drive much of the growth in EV sales and development in recent years. But consumer demand is now driving more of the growth, fueling more intense market competition. With that competition, automakers will find a renewed spirit of innovation to engineer lower-cost batteries and add more EV models to their lineup. It is expected that 50 new EV models will come to market between 2017 and 2022. For example, Honda is due to enter the vast Chinese market in 2018. And Audi will build the e-tron quattro luxury SUV in 2018, and other luxury carmakers—particularly those based in Europe—will follow suit in subsequent years. In addition, Uber will formalize its pilot incentive program for its drivers to upgrade to EV. This change will further expose the massive global consumer base of ride-sharing services to EVs, increasing consumers' likelihood of purchasing an EV in the future. In some markets, the necessary EV charging station infrastructure may slow adoption somewhat, but investments in such stations will grow throughout the year—most notably in Europe as an alliance of four major automakers begins investing in a planned 400-strong charging station network. And although cobalt supply shortages for batteries pose a risk to EV production, they will not materially constrain the market in 2018.

Figure 5  
**The number of electric vehicles is surging**

### Global stock of electric vehicles<sup>1</sup>

(Thousands)



<sup>1</sup> Battery electric vehicles and plug-in hybrid electric vehicles

Sources: International Energy Agency Global EV Outlook 2017; A.T. Kearney analysis

Prediction #9

Chinese foreign investment will accelerate but will face growing resistance.

Outbound foreign direct investment by Chinese corporations—both state-owned and private—has been growing rapidly in recent years in what some have called an “overseas acquisition bonanza” of film studios, real estate, hotels, and sports clubs. But in 2017, some of the country’s more active investors, such as Anbang Insurance Group, Fosun International Ltd., Dalian Wanda Group, and HNA Group, came under pressure from Beijing to scale back their foreign activities. In August, the government issued new guidelines on overseas investments, whereby outbound investments were grouped into three categories (see figure 6). Beijing supports overseas investments in the “encouraged” category related to the construction of projects in the One Belt One Road Initiative, those that align with the country’s strategic interests, and those that boost technological advances. At the same time, however, many governments around the world have become wary of the influx of Chinese investment in areas of strategic interest locally, including overlapping areas such as technology and critical infrastructure. The European Commission, for instance, has advanced a proposal for stricter review of foreign takeovers of EU-based companies on national security grounds.

In 2018, this tension between Chinese investors and the governments of their targets will come to a head. Chinese companies will continue to pursue foreign acquisitions targets to bolster their technological acumen and provide growth opportunities. But governments around the world—particularly those in developed markets with more attractive technology company targets—will find themselves in direct conflict with the new Chinese outbound investment guidelines as they seek to guard key domestic industries. A lack of reciprocity in accessing the Chinese market will also be cited by many of these governments as a reason to block Chinese investment. France, Germany, and Italy, for example, will make efforts to protect some of Europe’s most valuable high-tech sectors, such as robotics in Germany, by putting more pressure on the European Commission to strengthen the new investment screening program passed in September 2017, which they have criticized as too weak. In the United States, the Committee on Foreign Investment in the United States (CFIUS) will take a tougher stance against Chinese investments that are deemed to threaten national security, particularly those in advanced technology, AI, robotics, and augmented reality. As a consequence, the number of “blocked” outward Chinese investment deals will grow in 2018.

Figure 6  
Beijing’s guidelines restrict many outbound investments

Overview of new foreign investment guidelines

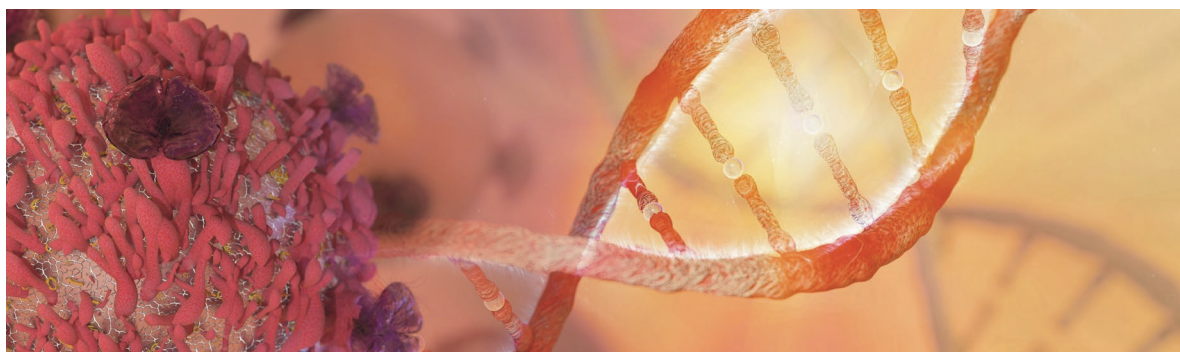
Encouraged 	Restricted 	Prohibited 
<p><b>The following investments are supported:</b></p> <ul style="list-style-type: none"><li>• One Belt One Road Initiative infrastructure</li><li>• High-tech and advanced manufacturing</li><li>• Energy and natural resources</li><li>• Agriculture, forestry, husbandry, and fishing</li></ul>	<p><b>Investments inconsistent with Chinese development, culture, and foreign policy will be reviewed and may be limited, in areas such as:</b></p> <ul style="list-style-type: none"><li>• Countries at war or without diplomatic relations with China</li><li>• Real estate, hotels, movie theaters, entertainment industry, and sport clubs</li><li>• Equity investment funds</li></ul>	<p><b>Investments are not permitted if they impair Chinese national security or interests, including in:</b></p> <ul style="list-style-type: none"><li>• Unauthorized military and technology products</li><li>• Gambling, pornography, or other banned industries</li><li>• Violation of international treaties</li></ul>

Sources: The People’s Republic of China State Council, Squire Patton Boggs, Covington & Burling; A.T. Kearney analysis

## Prediction #10

# Breakthroughs in cancer treatments will accelerate at an unprecedented rate.

There were a number of exciting developments in cancer treatments in 2017. Important advancements in genetic sequencing, AI, and wearable technology enabled the rapid rise of precision medicine as a tool for oncology research. Newly developed gene-editing technologies such as CRISPR-Cas9, for example, were tested to treat patients with lung cancer. Researchers also made progress in using AI to detect genetic variations and disease markers more accurately as well as to identify the most effective treatments by sorting through clinical trial information from around the world. In the revolutionary field of immunotherapy, scientists have also gained great momentum. Researchers at the US National Cancer Institute have had a string of recent successes in immunotherapy, securing funding and collaboration from 11 medical companies and approval for two gene-based immunotherapies by the US Food and Drug Administration (FDA) to treat forms of non-Hodgkin's lymphoma and leukemia. In May, the FDA also approved the first “pan-cancer” medicine, Keytruda, which targets patients’ biomarkers, or cellular pathways, instead of the specific location of a tumor in the body.



Even more pioneering oncological breakthroughs and clinical applications will emerge in 2018 as multiple technologies and innovations in development reach higher levels of maturation. Many divergent streams of R&D will accelerate and potentially interact in unexpected and groundbreaking ways, extending healthy life expectancy for millions of cancer patients around the world. Researchers will build substantially on progress that has been made in targeting metastatic cancer by genetically modifying white blood cells before putting them back into a patient. Clinical research on the two gene therapies approved by the FDA in 2017 will continue for application on other types of blood cancer. Funding is also likely to be granted for clinical trials to produce cell therapies for “solid tumors,” which currently account for 90 percent of all cancer deaths. And cheaper gene sequencing technology that has enabled researchers to comprehensively sequence diseases such as metastatic cancers will facilitate the identification of targets for new and existing pharmacological treatments. Moreover, scientists’ understanding of AI’s applicability in cancer research will grow significantly, leading to greater efficiencies and discoveries during trials. Although North America will remain the largest market for immunotherapy, Asia Pacific will experience rapid growth in this field as large economies such as China and India accelerate research activities and attract more research investment because of their low costs relative to North America and Europe. In 2018, the global fight against cancer may finally reach a tipping point.



**Despite the mounting volatility and complexity in the external environment, there is a compelling case for the ongoing need to scan for future developments—and to measure the performance of predictions over time.**



# Assessing the Validity of Year-Ahead Predictions 2017

Assessing the validity of predictions made in the past is far harder—and less common—than simply making predictions. Below, we attempt to do just that for the 10 events and trends we identified in *Year-Ahead Predictions 2017*. Some unfolded more or less as we predicted; others were partially borne out by events. And one was dead wrong.

## Prediction #1

### The first crippling cyberattack will be launched on critical infrastructure in a major economy.



The scale of cyberattacks certainly grew in the past year, and several major economies were affected by the ransomware strains Petya and WannaCry, both of which brought many government and business activities to a screeching halt. Hackers also infiltrated more industrial networks. Major economies, however, were able to avert crippling attacks on critical infrastructure in 2017.

## Prediction #2

### Brexit and Trump’s election will inspire more wins at the ballot box for European populists.



Nationalist sentiments continued to fuel populist momentum in Europe. As we predicted, Marine Le Pen made it to the final round of the French presidential elections, and the right-wing Alternative for Germany party gained vote share, entering the Bundestag for the first time. In addition, the Netherlands’ Party for Freedom won the second-highest number of parliamentary seats, and Austria elected a Eurosceptic chancellor. None of these parties won elections outright, but their growing influence has been widely felt.

## Prediction #3

### A tripolar world will be cemented, as tensions between the United States, Russia, and China grow.



The Chinese-led One Belt One Road Initiative is encroaching on Russian and US strategic interests, and all three countries are vying for more access to the Arctic. US–Russia tensions are also high because of the latter’s alleged interference in the 2016 US election. And the United States has imposed sanctions on Russia and China for perceived weakness on North Korea. Russia and China, however, continued to strengthen economic ties and conduct joint military exercises in 2017.

Prediction #4

**“Islandization” will continue to fragment the global economy.**



Anti-globalization intensified somewhat in 2017. Under President Donald Trump, the United States has sought to limit immigration and pulled out of some international agreements. In addition, some leading emerging markets are increasing their localization requirements. And several EU countries are tightening reviews of foreign takeovers. Nonetheless, the EU and Japan reached political agreement on a free trade deal, and the Trans-Pacific Partnership 11 is moving forward—albeit slowly.

Prediction #5

**Frontier markets will recede into the frontier.**



Economic growth in developed markets strengthened to an estimated 2.2 percent, and most large emerging markets also enjoyed better economic performance in 2017—all of which made frontier markets lose some of their luster. Frontier markets also continue to face elevated debt service costs and liquidity risks, even as they still appeal to some investors seeking higher returns.

Prediction #6

**Global climate change policy coordination will limp along.**



Dozens of countries ratified the Paris Agreement in 2017. Yet, after a great deal of uncertainty, US President Donald Trump announced in June that the United States would withdraw from the Paris Agreement. In response, 82 US mayors pledged to uphold the accord. Furthermore, China stepped up as a leader on climate change, while India and the EU adopted a historic joint statement to recommit to the agreement.

Prediction #7

**The Zika pandemic will go global.**



Fortunately, no major outbreaks of Zika occurred this year. Minor cases continued to emerge sporadically, including throughout the Americas and in Southeast Asia, but the World Health Organization downgraded all remaining Category 1 countries to the less-severe Category 2 classification in August. As a vaccine has yet to be developed, and so many Zika cases are asymptomatic, it is conceivable that a new Zika crisis could emerge in coming years.

Prediction #8

**Virtual reality will proliferate at an unprecedented rate, and not just for gamers.**



Awareness of virtual reality (VR) as a technology nearly doubled in the United States between 2016 and 2017, according to research by The Nielsen Company. VR is being used more widely as a business tool—for example, to teach surgical steps in health sciences, review operations in the military, and create corporate office training modules. Platforms such as Facebook, however, are not yet ready for a full market launch, and global consumer adoption has been slower than anticipated.

Prediction #9

**Global oil prices will remain below \$60 per barrel.**



Global oil prices averaged just over \$51 per barrel in the first half of the year. Markets remained well-supplied and, despite a strengthening global economy, global consumption growth of fuels slowed in 2017. Nevertheless, after a turbulent August in which hurricanes and political turmoil in oil-producing states caused supply disruptions, oil prices began to rise. Some international benchmarks eventually rose above \$60 per barrel in the fourth quarter, pushing average global prices close to or just over that threshold as well.

Prediction #10

**The new space race will accelerate.**



NASA’s Cassini “Grand Finale” orbit, which finished on September 15, drew much fanfare. Gains in the space race have also been made elsewhere, although ambitions are outpacing capabilities in some instances. China’s Chang’e 5 probe suffered setbacks and was put on hold, the Google Lunar XPRIZE competition was extended to March 2018, and SpaceX’s Dragon 2 spacecraft is moving along but has also been delayed.

## Authors



**Paul Laudicina**, chairman emeritus of A.T. Kearney and chairman of the Global Business Policy Council, Washington, D.C.  
paul.laudicina@atkearney.com



**Erik Peterson**, partner and managing director of the Global Business Policy Council, Washington, D.C.  
erik.peterson@atkearney.com

The authors would like to thank Stephanie Hollinger, Courtney Rickert McCaffrey, Elena McGovern, and Terence Toland for their valuable contributions to this report.

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