

## Economic and Social Turmoil Risk Reversing the Gains of Globalization, Report Warns

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- Economic imbalances and social inequality risk reversing the gains of globalization
- A dystopian world, unsafe safeguards and the dark side of connectivity are this year ' s major risk cases
- Report analyses top 10 risks in [economic](#), [environmental](#), [geopolitical](#), [societal](#) and [technological](#) categories
- Key crisis management lessons from [Japan ' s](#) earthquake, tsunami and nuclear disasters are highlighted
- Read Global Risks 2012 report in full: <http://www.weforum.org/globalrisks2012>

London, United Kingdom, 11 January 2012 – The world ' s vulnerability to further economic shocks and social upheaval risk undermining the progress that globalization has brought, warns the World Economic Forum in its Global Risks 2012 report, the seventh edition, published today.

Chronic fiscal imbalances and severe income disparity are the risks seen as most prevalent over the next 10 years. These risks in tandem threaten global growth as they are drivers of nationalism, populism and protectionism at a time when the world remains vulnerable to systemic financial shocks, as well as possible food and water crises. These are the findings of a survey of 469 experts and industry leaders, indicating a shift of concern from environmental risks to socioeconomic risks compared to a year ago.

“ For the first time in generations, many people no longer believe that their children will grow up to enjoy a higher standard of living than theirs, ” said Lee Howell, the World Economic Forum Managing Director responsible for the report. “ This new malaise is particularly acute in the industrialized countries that historically have been a source of great confidence and bold ideas. ” Global Risks 2012 analyses three major risk cases of concern globally:

### 1. Seeds of Dystopia

Bulging populations of young people with few prospects, growing numbers of retirees depending on debt-saddled states (stoking fiscal imbalances) and the expanding gap between rich and poor are all fuelling resentment worldwide. Collectively, these trends risk undoing the progress that globalization has brought.

“ Individuals are increasingly being asked to bear risks previously assumed by governments and companies to obtain a secure retirement and access to quality healthcare. This report is a wake-up call to both the public and private sectors to come up with constructive ways to realign the expectations of an increasingly anxious global community, ” said John Drzik, Chief Executive Officer of Oliver Wyman Group (Marsh & McLennan Companies).

### 2. Unsafe Safeguards

Policies, norms and institutions from the 20th century may no longer protect us in a more complex and interdependent world. The weakness of existing safeguards is exposed by risks related to emerging technologies, financial interdependence, resource depletion and climate change, leaving society vulnerable.

“ We ' ve seen examples of over-regulation, like the response to the Icelandic volcanic eruptions, or under-regulation, such as the subprime or Eurozone crises. We need to get the balance right with regulations and, to that end, our

safeguards must be anticipatory rather than reactive. It ' s equally important that regulations be made more flexible to effectively respond to change, ” said David Cole, Chief Risk Officer at Swiss Re.

### 3.The Dark Side of Connectivity

Our daily lives are almost entirely dependent on connected online systems, making us susceptible to malicious individuals, institutions and nations that increasingly have the ability to unleash devastating cyberattacks remotely and anonymously.

“ The Arab Spring demonstrated the power of interconnected communications services to drive personal freedom, yet the same technology facilitated riots in London. Governments, societies and businesses need to better understand the interconnectivity of risk in today ' s technologies if we are truly to reap the benefits they offer, ” said Steve Wilson, Chief Risk Officer for General Insurance at Zurich.

Natural disasters also remind us of the devastating power of nature and the limits of technology, as witnessed by last year ' s Great East Japan Earthquake and subsequent crisis at the Fukushima nuclear plant. In a special chapter on [key lessons](#) to be gleaned from the disaster, the report stresses that organizations are far more resilient to major shocks if they have clear lines of communication and employees across the organization are empowered to take decisions.

The report describes 50 global risks and groups them into [economic](#), [environmental](#), [geopolitical](#), [societal](#) and [technological](#) categories. Within each category, the most significant systemic risk is singled out. The report also highlights “ X Factors ” – emerging concerns with still unknown consequences that warrant more research. These include a volcanic winter, cyber neotribalism and epigenetics.

Global Risks 2012 indicates that global governance is closely intertwined with all other global risks. The report argues for rethinking private and public responsibilities to foster greater trust. It provides the basis for a dialogue on the adverse impacts of myopic thinking and the importance of designing implementable and well-received, long-term strategies, ” said Howard Kunreuther, James G. Dinan Professor and Professor of Decision Sciences and Public Policy at the University of Pennsylvania ' s Wharton School.

The three risk cases, Japan and X Factors are the focus of special sessions at the World Economic Forum Annual Meeting 2012 in Davos-Klosters, Switzerland, taking place on 25-29 January.

Published in cooperation with Marsh & McLennan Companies, Swiss Re, The Wharton Center for Risk Management and Zurich, Global Risks 2012 is the flagship initiative of the World Economic Forum ' s Risk Response Network. The Risk Response Network provides private and public sector leadership with an independent platform to better map, monitor, manage and mitigate global risks.

#### Notes to Editors

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11 January 2012 or replayed at <http://livestream.com/worldeconomicforum>

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