News Release

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World Economic Forum Global Risks Report warns of long shadow of the financial crisis

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The World Economic Forum today released Global Risks 2010, its annual report on the most significant and underlying global risks facing the global economy this year and beyond. The report argues that the events of the past year have revealed a fundamental need to change thinking on global risks and how they are managed. With unprecedented levels of interconnectedness between all areas of risk, the report stresses that the need to combat governance gaps globally is greater than ever. It argues that this can only be addressed by an overhaul of current values and behaviours by decision-makers to improve coordination and supervision.

Robert Greenhill, Managing Director and Chief Business Officer at the World Economic Forum, said Global Risks 2010 underlines the challenges ahead: " The findings of the report confirm that we must face up to the challenges created by these unprecedented levels of interconnectedness between risks. The financial crisis and the ensuing recession have created a more vulnerable environment where unaddressed risks may become tomorrow ' s crises. "

The Global Risks report is published yearly ahead of the World Economic Forum Annual Meeting in Davos-Klosters, Switzerland, and is produced in partnership with Citigroup, Marsh & McLennan Companies (MMC), Swiss Re, the Wharton School Risk Center and Zurich Financial Services. The result of year-long consultations with experts from business, academia and policy-making, Global Risks 2010 marks the fifth edition of the report, coinciding with the 40th anniversary of the Forum.

Global Risks 2010 highlights the impact of the fiscal crisis and the social and political implications of high unemployment rates in several major economies as key concerns. Notably, the current models for health, education and unemployment protection have been put under severe strain by the fiscal crisis, notwithstanding the longer-term implications of increasing life expectancy.

Daniel M Hofmann, group chief economist of Zurich Financial Services said, " The events of the last year have shown that there are underlying risks within the global economy that need to be addressed. In reaction to the financial crisis, many countries have put themselves at risk of overextending their fiscal positions and being burdened with extremely high levels of debt. This could put upward pressure on real interest rates, rein back growth and lead to protracted high levels of unemployment. "

More widely, the report points to the impact of the global recession on longstanding under-investment in infrastructure, especially in energy and agriculture, and the rising costs of treating chronic disease. These " creeping " risks have not appeared overnight, but the recession has limited the ability of decision-makers to combat them effectively.

This is particularly true for energy with respect to the pressing global need to invest in infrastructure. John Drzik, CEO of Oliver Wyman, an MMC operating company, said, " The recent drop in oil prices has been good for consumers, but has also contributed to a significant cut in much-needed investment in energy infrastructure and renewable energy projects. This comes at a time when governments – as well as business and consumers – are looking for long-term security of an energy supply that is both sustainably-sourced and reasonably priced. The fragile global economy will make itself more susceptible to oil price-related shocks if this underinvestment continues. "

A massive US$ 35 trillion of infrastructure investment is required over the next 20 years, according to the World Bank. " This is particularly acute for agriculture and food security, " said Swiss Re ' s Chief Risk Officer Raj Singh. " We need a vast increase in food production to feed the growing world population, and a billion people are already

undernourished. Billions of dollars need to be spent on water provision, energy supply, transport and climate change adaptation measures. Governments must work together with the private sector to make it happen. Insurers can provide risk management tools that create greater financial stability for farmers and the agriculture industry. ”

The report also highlights risks where the levels of awareness and preparedness are currently very low; these include transnational crime and corruption, cyber-vulnerability and biodiversity loss.

Global Risks 2010 notes that the response to the impact of the financial crisis and ensuing downturn has been a greater willingness to cooperate on common strategies and develop more effective global governance to address global risks. However, Sheana Tambourgi, editor of the report and Director and Head of the Global Risk Network at the World Economic Forum, warned, “ The next few months will put the willingness among global decision-makers to cooperate on addressing global risks to the test. Simply reverting to ‘ business as usual ’ could have serious implications in the long term in several risk areas. ”

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