NEW REPORT IDENTIFIES HARD LANDING FOR CHINA, COLLAPSE IN ASSET PRICES, GAPS IN GLOBAL GOVERNANCE AND CLIMATE CHANGE AS KEY RISKS AHEAD

- The World Economic Forum’s new *Global Risks 2009* highlights a set of economic risks on the rise as a result of the financial crisis
- *Global Risks 2009* builds on work of recent reports and warns of the danger of policies which do not address the root causes of the crisis
- Full report, graphics, video interview with Sheana Tambourgi, editor of the report and director and head of the Global Risk Network at the World Economic Forum, and more at: [http://www.weforum.org/globalrisks](http://www.weforum.org/globalrisks)


*Global Risks 2009* identifies deteriorating fiscal positions, a hard landing in China, a collapse in asset prices, gaps in global governance and issues relating to natural resources and climate as the pivotal risks facing the world this year.

Sheana Tambourgi, Director and Head of the Global Risk Network at the World Economic Forum, said: “*Global Risks 2009* builds on the work of previous years and highlights the need for concerted action to mitigate risks that now more than ever are global in their nature and in their impact, as illustrated by the financial crisis. But the same is true for other risk areas; global risks require a multistakeholder response and cannot be appropriately tackled in isolation.”

Published in cooperation with Citigroup, MMC (Marsh & McLennan Companies), Swiss Re, the Wharton School Risk Center and Zurich Financial Services, the report is based on a qualitative assessment of global risks, workshops and input from business leaders and experts consulted throughout 2008. This is the latest in a series of annual publications of the World Economic Forum and its partners in the financial services industry. Last year’s report accurately warned of an imminent systemic crisis in the financial sector as well as volatility in the energy market and food shortages.

The 2009 report predicts that massive government spending to support financial institutions is threatening the already precarious fiscal positions in countries such as the US, United Kingdom, France, Italy, Spain and Australia. It is dangerous to address immediate concerns without remedying the root causes of the problem, or sowing the seeds of new ones whose impact will not be immediate but may be strongly felt at a later date. The US, for example, is currently running a deficit equivalent of 4.6% of its GDP.

Coupled with this, should China suffer a slowdown in growth to 6% or below this year, the effect would significantly damage the weakening global economy.

While global equity values have seen a rapid fall of more than 50% on average, the report signals that there could be more pain to come. The vicious circle between declining asset values, write-downs, pressure on the capital position of financial institutions and continued deleveraging continues to revolve. Selling equities on a massive scale means that markets are flooded with more assets than they can absorb, triggering further price falls which need to be marked to market, and in turn requiring further capital charges.

John Drzik, CEO of Oliver Wyman, an MMC operating company, said: “There are many lessons we can all learn from the present financial crisis. High among them is the need to embed better risk governance. As the report makes clear, there are several measures both government and corporate leaders can take to ensure they ask the right questions, understand their risk exposures more fully and improve ways of mitigating them.”

The financial crisis has exposed the lack of coordination among policy-makers, regulators and supervisors. The report acknowledges the need for better governance globally but warns against a knee-jerk over-reaction which would increase transaction and compliance costs and ultimately prove ineffective in the face of the next crisis.
Daniel M. Hofmann, Zurich Financial Service’s Group Chief Economist, said: “In 2008, financial and economic risks materialized considerably. However, the global economy is still not in the clear yet as it continues to be prone to substantial volatility. One of the biggest risks is that short-term crisis fighting may induce businesses and governments to lose the long-term perspective on risk.”

In addition to the immediate risks stemming from the financial crisis, the report also cautions against ignoring interconnected risks related to natural resources. As world leaders focus on water availability, the report shows that water is critical to generating energy, with 50% of the cost associated with water supply related to energy. It also warns of potential rising tensions between developed and developing countries with respect to climate change policy.

Swiss Re’s Chief Risk Officer Raj Singh said: "The poorest nations will suffer most from climate change because they lack the infrastructure and institutional framework to cope. Unfortunately, these are also the countries that are worst affected by weather-related disasters. The private sector can help them adapt to changing weather conditions with risk transfer solutions such as the weather insurance programme we are running in Malawi with the World Bank."

The report, however, concludes on a positive note stating that 2009 could prove to be an opportune moment to strengthen global governance and build the political will to restore global financial stability, and focus on the longer term challenges of managing scarce resources and climate change.

As summarized by Howard Kunreuther, Co-Director of the Wharton Risk Management and Decision Processes Center and Co-Chair of the Forum’s Global Agenda Council on Mitigation of Natural Disasters: “If business leaders and decision-makers can overcome the behavioural biases towards immediate, short-term solutions and switch to longer term thinking, then they will have made significant progress in adopting an attitude suited to the mitigation of increasingly complex and interlinked global risks.”

Notes to Editors

Watch the press launch of the report live at 10.00 CET (09.00 GMT) on 13 January. Put your questions to the panellists of the press event on Mogulus (www.mogulus.com/worldeconomicforum)

For more information please contact:

- Mani Pillai, Zurich Financial Services, Head of Group Media, United Kingdom at + 44 20 7648 3933 or mani.pillai@uk.zurich.com
- Tim Dickenson, Swiss Re, Head of Communications, United Kingdom at + 44 20 7933 3445 or Tim_Dickenson@swissre.com
- Jason Groves, Head of Media Relations, Europe, Marsh at + 44 20 7357 1455 or jason.groves@marsh.com

For more information about the World Economic Forum Annual Meeting 2009, please visit the Forum’s website: http://www.weforum.org/annualmeeting

Press Kit for the Annual Meeting: http://www.weforum.org/presskit

Press Releases: http://www.weforum.org/pressreleases

Programme of the Annual Meeting: http://www.weforum.org/annualmeeting/programme

High-resolution photos of the Annual Meeting, free of charge: http://www.swiss-image.ch/Y249M7AC/INDEX.htm

See the best pictures from the Annual Meeting on Flickr www.weforum.org/photos

Become a fan of the Forum on Facebook www.weforum.org/facebook

Join the Forum’s Facebook group www.weforum.org/facebookgroup

Befriend the Forum on MySpace www.myspace.com/worldeconomicforum

Design the programme of the Open Forum on our Wiki www.forumblog.org/openforum

Follow the Forum on Twitter http://twitter.com/davos

Watch the plenary sessions live on the Forum’s website at www.weforum.org/videos

Put your questions to the panellists of the press conferences on Mogulus (www.mogulus.com/worldeconomicforum) and Qik (http://qik.com/worldeconomicforum). Watch the pre-Davos press conference on 21 January at 11.00 CET.

For updates on the activities of the World Economic Forum, subscribe to: RSS feed

The World Economic Forum is an independent international organization committed to improving the state of the world by engaging leaders in partnerships to shape global, regional and industry agendas.

Incorporated as a foundation in 1971, and based in Geneva, Switzerland, the World Economic Forum is impartial and not-for-profit; it is tied to no political, partisan or national interests (http://www.weforum.org).