**EU - Gulf Cooperation Council (GCC) Dialogue on Economic Diversification**

# EU – GCC Dialogue on Economic Diversification Gulf Cooperation Council (GCC) countries

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### Global Risks in the short-term and long-term. National risks in the EU27 and the GCC.

**Briefing on *World Economic Forum Global Risks Report 2023 and analysis of EU27 and GCC risks landscape***

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# Global Risks in the short-term and long-term. National risks in the EU27 and the GCC.

## Briefing on *World Economic Forum Global Risks Report 2023 and analysis of EU27 and GCC risks*

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## Disclaimer

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# 1 Introduction

This paper provides the findings of the WEF Global Risk Report 2023 that identifies the most severe perceived risks to economies and societies over the next two years and over the next 10 years. The risks are categorized as economic, environmental, geopolitical, societal and technological. The WEF report provides the ranking of risks at global and national level.

In addition, the paper includes an analysis of the risks identified and their frequency as well as a comparison of the risks severity as perceived by EU27 MS and GCC members.

This is a time of unparalleled disruption and complexity. Risks—such as climate change, inequality and geopolitical tensions—transcend borders and sectors. However, the collective will to address these challenges is threatened by the sheer scale of the task.

The Global Risks Perception Survey (GRPS) has underpinned the *Global Risks Report* for nearly two decades and is the World Economic Forum's premier source of original global risks data. This GRPS has brought together leading insights on the evolving global risks landscape from over 1,200 experts across academia, business, government, the international community and civil society.

"Global risk" is defined as the possibility of the occurrence of an event or condition which, if it occurs, would negatively impact a significant proportion of global GDP, population or natural resources.

The 2023 edition of the report considers geopolitical tensions and the confluence of socioeconomic risks and identifies the most severe perceived risks over the next two years and the next 10 years. The world's collective focus is being channeled into the "survival" of today's crises: cost of living, social and political polarization, food and energy supplies, tepid growth and geopolitical confrontation, amongst others.

The 2023 edition of the *Global Risks Report* highlights the multiple areas where the world is at a critical inflection point. It is a call to action, to collectively prepare for the next crisis the world may face and, in doing so, shape a pathway to a more stable, resilient world.

This paper is structured as follows. Section 2 provides an overview of the Global Risk Perception Survey methodology. Section 3 presents the risks rankings at global level for short-term (2 years) and long-term (10 years) as identified by governments and business. In addition, it offers scenarios of a potential polycrisis to 2030. Section 4 provides the author's analysis of the national risks as identified by EU27 MS and GCC members. Section 5 provides a number of actions that could contribute to increasing preparedness.

# 2 Methodology

## 2.1 Global Risks Perception Survey

The Global Risks Perception Survey GRPS 2022-2023 included the following components:

- **Outlook:** the respondents were invited to predict global volatility to provide context to the evolution of the global risks landscape.
- **Severity:** the respondents assessed the perceived likely impact of global risks over a one-, two- and 10-year horizon, to illustrate the potential development of individual global risks over time.
- **Consequences:** the respondents were asked to consider potential impacts of a risk arising, to highlight relationships between global risks and the potential for compounding crises.
- **Risk preparedness and governance:** the respondents assessed the current effectiveness of the management of global risks and reflect on which stakeholders are best placed to effectively manage them, to elicit opportunities for global action and collaboration.
- **Qualitative questions on risks** sourced expert knowledge to identify new and emerging risks.

The survey assesses 32 global risks, categorized as economic, environmental, geopolitical, societal and technological. The complete list of risks is presented in Table 1.

Table 1. Assessed Global Risks

| Risk category | Risk | Definition |
|---|---|---|
| Economic (6 risks) | **Asset bubble bursts** | Prices for housing, investment funds, shares and other assets become increasingly disconnected from the real economy, leading to a severe drop in demand and prices. Includes, but is not limited to: cryptocurrencies, energy prices, housing prices, and stock markets. |
| | **Collapse of a systemically important industry or supply chain** | Collapse of a systemically important global industry or supply chain with an impact on the global economy, financial markets or society leading to an abrupt shock to the supply and demand of systemically important goods and services at a global scale. Includes, but is not limited to: energy, food and fast-moving consumer goods. |
| | **Debt crises** | Corporate or public finances struggle to service debt accumulation, resulting in mass bankruptcies or insolvencies, liquidity crises or defaults and sovereign debt crises. |

| Risk category | Risk | Definition |
|---|---|---|
| | **Failure to stabilize price trajectories** | Inability to control the general price level of goods and services, including commodities. Inclusive of an unmanageable increase (inflation) or decrease (deflation) of prices. |
| | **Proliferation of illicit economic activity** | Global proliferation of illicit economic activities and potential violence that undermine economic advancement and growth due to organized crime or the illicit activities of businesses. Includes, but is not limited to: illicit financial flows (e.g. tax evasion); and illicit trade and trafficking (e.g. counterfeiting, human trafficking, wildlife trade). |
| | **Prolonged economic downturn** | Near-zero or slow global growth lasting for many years leading to periods of stagnation; or a global contraction (recession or depression). |
| **Environmental (6 risks)** | **Biodiversity loss and ecosystem collapse** | Severe consequences for the environment, humankind and economic activity due to destruction of natural capital stemming from a result of species extinction or reduction spanning both terrestrial and marine ecosystems. |
| | **Failure of climate-change adaption** | Failure of governments, businesses and individuals to enforce, enact or invest in effective climate-change measures to adapt to climate change, such as a lack of climate-resilient infrastructure. |
| | **Failure to mitigate climate change** | Failure of governments, businesses and individuals to enforce, enact or invest in effective climate-change mitigation measures, such as the decarbonization of economic activity. |
| | **Large-scale environmental damage incidents** | Loss of human life, financial loss and/or damage to ecosystems as a result of human activity and/or failure to co-exist with animal ecosystems. Inclusive of deregulation of industrial accidents, oil spills and radioactive contamination. |
| | **Natural disasters and extreme weather events** | Loss of human life, damage to ecosystems, destruction of property and/or financial loss at a global scale due to extreme weather events. Inclusive of land-based (e.g. earthquakes, volcanos wildfires), water-based (e.g. floods), atmospheric (e.g. heat-waves), and extra-terrestrial based (e.g. comet strikes and geomagnetic storms). |

| Risk category | Risk | Definition |
|---|---|---|
| | **Natural resource crises** | Severe commodity and natural resource supply shortages at a global scale as a result of human overexploitation and/or mismanagement of critical natural resources. Includes, but is not limited to: chemicals, food, minerals and water. |
| **Geopolitical (6 risks)** | **Geoeconomic confrontation** | Deployment of economic levers by global or regional powers to decouple economic interactions between nations, restricting goods, knowledge, services or technology with the intent of gaining geopolitical advantage and consolidate spheres of influence. Includes, but is not limited to: currency measures, investment controls, sanctions, state aid and subsidies, and trade controls on energy, minerals and technology. |
| | **Ineffectiveness of multilateral institutions and international cooperation** | Ineffectiveness of international cooperation mechanisms due to a weakening of global multilateral institutions or marked geopolitical fragmentation. Includes, but is not limited to processes that underpin coordination on: finance, the environment, humanitarian aid, health pandemics and trade. |
| | **Interstate conflict** | Belligerent bilateral or multilateral conflict between states manifesting as cyber attacks, proxy wars or hot war. |
| | **State collapse or severe instability** | Collapse of a state with geopolitical significance due to the erosion of institutions and rule of law, internal civil unrest and military coups, or the effects of severe regional or global instability. |
| | **Terrorist attacks** | Large-scale or persistent small-scale terrorist attacks carried out by non-state actors with ideological, political or religious goals, resulting in loss of life, severe injury or material damage caused by biological, chemical, nuclear or radiological weapons or other means. |
| | **Use of weapons of mass destruction** | Deployment of biological, chemical, cyber, nuclear, radiological or autonomous AI weapons, resulting in loss of life, destruction and/or international crises. |
| **Societal (9 risks)** | **Chronic diseases and health conditions** | Widescale increase in chronic physical health conditions. Includes, but is not limited to, conditions linked to excessive consumption habits and economic activity that releases harmful pollutants in the air, water or food through agricultural, industrial and household practices. |

| Risk category | Risk | Definition |
|---|---|---|
| | **Collapse or lack of public infrastructure and services** | Non-existence, or widespread bankruptcy of social security systems and erosion of social security benefits, alongside inequitable or insufficient public infrastructure and services. Includes but is not limited to lack of disability and family benefits, as well as affordable and adequate housing, public education, child and elder care, healthcare, transportation systems and urban development. |
| | **Cost-of-living crisis** | Significant inability among broad sections of populations to maintain their current lifestyle due to increases in the cost of essential goods which are not matched with a rise in real household income. |
| | **Employment crises** | Structural deterioration of work prospects or standards of work. Includes, but is not limited to: erosion of workers' rights; stagnating wages; rising unemployment and underemployment; displacement due to automation; stagnant social mobility; and geographical or industry mismatches between labour supply and demand. |
| | **Erosion of social cohesion and societal polarization** | Loss of social capital and fracturing of communities leading to declining social stability, individual and collective well-being and economic productivity. Includes, but is not limited to: persistent and potentially violent civil unrest; and actual or perceived inequalities in opportunities across age, income bracket, ethnicity and race, educational background, demographic characteristics, and political affiliation. |
| | **Infectious diseases** | Massive and rapid spread of viruses, parasites, fungi or bacteria that cause an uncontrolled contagion of infectious diseases, resulting in an epidemic or pandemic with loss of life and economic disruption. Includes, but is not limited to: zootic diseases, accidental or intentional releases of natural or man-made pathogens, the resurgence of pre-existing diseases due to lower levels of immunity, and the rise of antimicrobial resistance. |
| | **Large-scale involuntary migration** | Large-scale involuntary migration and displacement across or within borders, stemming from: persistent discrimination and persecution, lack of economic advancement opportunities, natural or human-made disasters, and internal or interstate conflict. |

| Risk category | Risk | Definition |
|---|---|---|
| | **Misinformation and disinformation** | Persistent false information (deliberate or otherwise) widely spread through media networks, shifting public opinion in a significant way towards distrust in facts and authority. Includes, but is not limited to, dissemination by: states, public figures, media organizations and networks of individuals. |
| | **Severe mental health deterioration** | Widescale spread of mental health disorders or rising inequality globally across multiple demographics, which negatively impacts well being, social cohesion and productivity. Includes, but is not limited to: anxiety, dementia, depression, loneliness and stress. |
| **Technological (5 risks)** | **Adverse outcomes of frontier technologies** | Intended or unintended negative consequences of technological advances on individuals, businesses, ecosystems and/or economies. Includes, but is not limited to: AI, brain-computer interfaces, biotechnology, geo-engineering, quantum computing and the metaverse. |
| | **Breakdown of critical information infrastructure** | Deterioration, overload or shutdown of critical physical and digital infrastructure or services leading to the breakdown of internet, cellular devices, public utilities or satellites. Stemming from, but not limited to, cyberattacks, intentional or unintentional physical damage, or solar storms. |
| | **Digital inequality and lack of access to digital services** | Fractured or unequal access to digital networks and technologies stemming from underinvestment, low digital skills, insufficient purchasing power, or government restrictions on technologies. |
| | **Digital power concentration** | Concentration of critical digital assets, capabilities or knowledge among a small number of individuals, businesses or states that can control access to digital technologies and demand discretionary pricing. Stemming from, but not limited to, the failure of anti-trust regulation, inadequate investment in the innovation ecosystem, or state control over key technologies. |
| | **Widespread cybercrime and cyber insecurity** | Increasingly sophisticated cyberespionage or cybercrimes. Includes, but is not limited to: loss of privacy, data fraud or theft, and cyber espionage. |

Source: Author's table based on WEF Global Risk Report 2023 data

## 2.2 National Risk Perceptions

To complement GRPS data on global risks, the report also draws on the World Economic Forum's Executive Opinion Survey (EOS) to identify risks that pose the most severe threat to each country over the next two years, as identified by over 12,000 business leaders in 121 economies. When considered in context with the GRPS, this data provides insight into local concerns and priorities and points to potential "hot spots" and regional manifestations of global risks.

Table 2 presents the list of 35 risks that were incorporated into the World Economic Forum's Executive Opinion Survey (EOS). The risks are comparable to those in the Global Risks Perception Survey but are applied at a more granular level to reflect the possible short-term and country-level manifestations of global risks. The risks are categorized as economic, environmental, geopolitical, societal and technological.

Table 2. Assessed National Risks

| Risk category | Risk |
|---|---|
| **Economic (7 risks)** | Asset bubble burst |
| | Collapse of a systemically important industry |
| | Debt crises |
| | Proliferation of illicit economic activity |
| | Prolonged economic stagnation |
| | Rapid and/or sustained inflation |
| | Severe commodity price shocks or volatility |
| **Environmental (7 risks)** | Blue (marine/freshwater) biodiversity loss and ecosystem collapse |
| | Failure of climate-change adaption |
| | Failure of climate-change mitigation |
| | Terrestrial biodiversity loss and ecosystem collapse |
| | Human-made environmental damage |
| | Natural disasters and extreme weather events |
| | Severe commodity supply crises (incl. energy, food, water) |
| **Geopolitical (6 risks)** | Geoeconomic confrontations (incl. sanctions, trade wars, investment screening) |
| | Geopolitical contestation of strategic resources (incl. technology, energy, minerals) |
| | Interstate conflict |
| | State collapse |
| | Terrorist attacks |
| | Weapons of mass destruction |
| **Societal (10 risks)** | Collapse or lack of social services and public infrastructure |
| | Cost-of-living crisis |
| | Employment and livelihood crises |
| | Erosion of social cohesion and well-being |
| | Infectious diseases |

| Risk category | Risk |
|---|---|
| | Large-scale involuntary migration |
| | Misinformation |
| | Pollution-driven harms to human health |
| | Severe mental health deterioration |
| | Widespread youth disillusionment |
| **Technological (5 risks)** | Automation and displacement of jobs |
| | Breakdown of critical information infrastructure through cyber attacks |
| | Digital power concentration and monopolies |
| | Failure of cybersecurity measures (incl. loss of privacy, data fraud or theft, cyber espionage) |
| | Lack of widespread digital services and digital inequality |

Source: Author's table based on WEF Global Risk Report 2023 data

Finally, the report integrates the views of leading experts to generate foresight and to support analysis of the survey data. The *Global Risks Report* harnesses contributions from over 40 colleagues across the World Economic Forum's platforms. Qualitative insights were also collected from over 50 experts from across academia, business, government, the international community and civil society through community meetings, private interviews and thematic workshops conducted from July to November 2022. These include the Global Risks Advisory Board and the Chief Risks Officers Community.

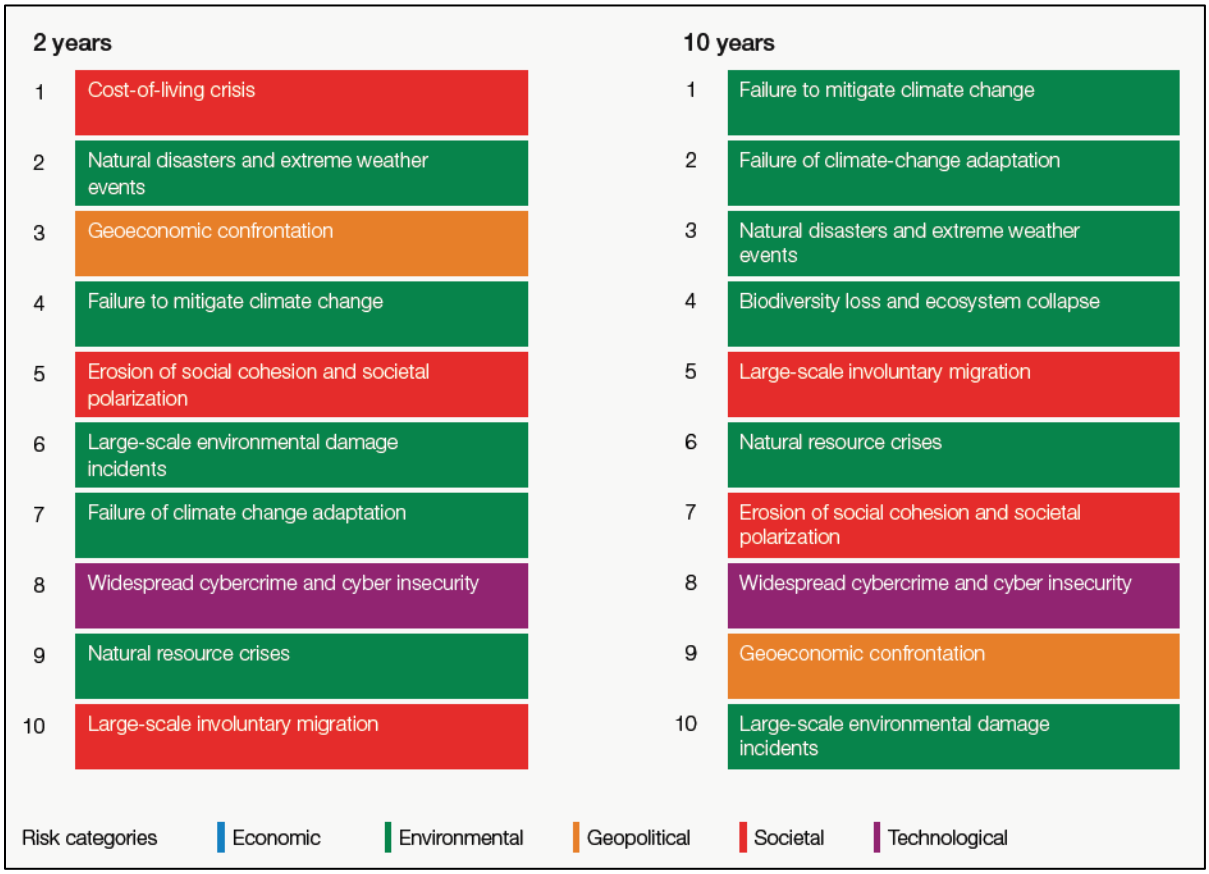
# 3 Key findings and future crises

## 3.1 Global risks ranked by severity over the short and long term

Respondents to the GRPS see the path to 2025 dominated by social and environmental risks, driven by underlying geopolitical and economic trends (Figure 1).

The longer-term global risks landscape for the next decade is also dominated by deteriorating environmental risks (Figure 1). More specifically, climate- and nature-related risks lead the top 10 risks, by severity. Failure to mitigate climate change and Failure of climate-change adaptation top the rankings as the most severe risks on a global scale, followed by Natural disasters and extreme weather events and Biodiversity loss and ecosystem collapse.

Figure 1. Top 10 Short- and Long-term risks




Source: World Economic Forum Global Risks Perception Survey 2022-2023

**Cost of living dominates global risks in the next two years while climate action failure dominates the next decade**

The next decade will be characterized by environmental and societal crises, driven by underlying geopolitical and economic trends. "Cost-of-living crisis" is ranked as the most severe global risk over the next two years, peaking in the short term. Economic impacts are often cushioned by expansive fiscal policy and government programmes in countries that can afford them.

Advanced economies continue to roll out measures, many of which have been broad-brush in approach – ranging from caps on electricity bills, fuel rebates and subsidized public transport tickets for consumers, to export controls on food, tax relief, enhanced state aid and support for affected companies. The resulting pressure on fiscal balances may exacerbate debt sustainability concerns, leaving emerging and developing countries with far less fiscal room to protect their populations in the future.

"Biodiversity loss and ecosystem collapse" is viewed as one of the fastest deteriorating global risks over the next decade, and all six environmental risks feature in the top 10 risks over the next 10 years. Nine risks are featured in the top 10 rankings over both the short and the long term, including "Geoeconomic confrontation" and "Erosion of social cohesion and societal polarisation", alongside two new entrants to the top rankings: "Widespread cybercrime and cyber insecurity" and "Large-scale involuntary migration".

**As an economic era ends, the next will bring more risks of stagnation, divergence and distress**

The economic aftereffects of COVID-19 and the war in Ukraine have ushered in skyrocketing inflation, a rapid normalization of monetary policies and started a low-growth, low-investment era.

Today, governments and central banks – led by developed markets, notably the United States of America, Eurozone and the United Kingdom of Great Britain – are walking a tightrope between managing inflation without triggering a deep or prolonged recession and protecting citizens from a cost-of-living crisis while servicing historically high debt loads.

Governments and central banks could face stubborn inflationary pressures over the next two years, not least given the potential for a prolonged war in Ukraine, continued bottlenecks from a lingering pandemic, and economic warfare spurring supply chain decoupling. Global economic fragmentation, geopolitical tensions and rockier restructuring could contribute to widespread debt distress in the next 10 years**.**

The end of the low interest rate era will have significant ramifications for governments, businesses and individuals. The knock-on effects will be felt most acutely by the most vulnerable parts of society and already-fragile states, contributing to rising poverty, hunger, violent protests, political instability and even state collapse. Economic pressures will also erode gains made by middle-income households, spurring discontent, political polarization and calls for enhanced social protections in countries across the world.

**Geopolitical fragmentation will drive geoeconomic warfare and heighten the risk of multi-domain conflicts**

Economic warfare is becoming the norm, with increasing clashes between global powers and state intervention in markets over the next two years. Economic policies will be used defensively, to build self-sufficiency and sovereignty from rival powers, but also will increasingly be deployed offensively to constrain the rise of others.

Intensive geoeconomic weaponization will highlight security vulnerabilities posed by trade, financial and technological interdependence between globally integrated economies, risking an escalating cycle of distrust and decoupling. The longer-term global risks landscape could be defined by multi-domain conflicts and asymmetric warfare, with the targeted deployment of new-tech weaponry on a potentially more destructive scale than seen in recent decades.

In the face of vulnerabilities highlighted by the pandemic and then war, economic policy, particularly in advanced economies, is increasingly directed towards geopolitical goals. Countries are seeking to build "self-sufficiency", underpinned by state aid, and achieve "sovereignty" from rival powers, through onshoring and "friend-shoring" global supply chains. Defensive measures to boost local production and minimize foreign interference in critical industries include subsidies, tighter investment screening, data localization policies, visa bans and exclusion of companies from key markets.

While initially driven by tensions between the United States of America and China, many policies are extra-territorial in nature or have been similarly adopted by other markets, with spillover effects across a broad range of industries. For example, Switzerland is considering the introduction of a general cross-sectoral foreign direct investment screening regime for the first time. Expanded state aid to support self-sufficiency in "strategically important products", including climate mitigation and adaptation, has also heightened competition within global blocs. The EU has already raised concerns about the USA's Inflation Reduction Act, which includes significant tax credits and subsidies for local green technologies.

**Technology will exacerbate inequalities while risks from cybersecurity will remain a constant concern**

The technology sector will be among the central targets of stronger industrial policies and enhanced state intervention. Spurred by state aid and military expenditure, as well as private investment, research and development into emerging technologies will continue at pace over the next decade, yielding advancements in AI, quantum computing and biotechnology, among other technologies. For countries that can afford it, these technologies will provide partial solutions to a range of emerging crises, from addressing new health threats and a crunch in healthcare capacity, to scaling food security and climate mitigation. For those that cannot, inequality and divergence will grow. In all economies, these technologies also bring risks, from widening misinformation and disinformation to unmanageably rapid churn in both blue- and white-collar jobs.

The rapid development and deployment of new technologies, which often comes with limited protocols governing their use, poses its own set of risks. The ever-increasing intertwining of technologies with the critical functioning of societies is exposing populations to direct domestic threats, including those that seek to shatter societal functioning. Alongside a rise in cybercrime, attempts to disrupt critical technology-enabled resources and services will become more common, with attacks anticipated against agriculture and water, financial systems, public security, transport, energy and domestic, space-based and undersea communication infrastructure.

Sophisticated analysis of larger data sets will enable the misuse of personal information through legitimate legal mechanisms, weakening individual digital sovereignty and the right to privacy, even in well-regulated, democratic regimes.

**Climate mitigation and climate adaptation efforts are set up for a risky trade-off, while nature collapses**

The lack of deep, concerted progress on climate action targets has exposed the divergence between what is scientifically necessary to achieve net zero and what is politically feasible. Growing demands on public- and private-sector resources from other crises will reduce the speed and scale of mitigation efforts over the next two years, alongside insufficient progress towards the adaptation support required for those communities and countries increasingly affected by the impacts of climate change.

As current crises divert resources from risks arising over the medium to longer term, the burdens on natural ecosystems will grow given their still undervalued role in the global economy and overall planetary health. Without significant policy change or investment, the interplay between climate change impacts, biodiversity loss, food security and natural resource consumption will accelerate ecosystem collapse, threaten food supplies and livelihoods in climate-vulnerable economies, amplify the impacts of natural disasters, and limit further progress on climate mitigation.

**Food, fuel and cost crises exacerbate societal vulnerability while declining investments in human development erode future resilience**

Economic impacts have been cushioned by countries that can afford it, but many lower-income countries are facing multiple crises: debt, climate change and food security. Continued supply-side pressures risk turning the current cost-of-living crisis into a wider humanitarian crisis within the next two years in many import-dependent markets.

Associated social unrest and political instability will not be contained to emerging markets, as economic pressures continue to hollow out the middle-income bracket. Mounting citizen frustration at losses in human development and declining social mobility, together with a widening gap in values and equality, are posing an existential challenge to political systems around the world.

Over the next 10 years, fewer countries will have the fiscal headroom to invest in future growth, green technologies, education, care and health systems. The slow decay of public infrastructure and services in both developing and advanced markets may be relatively subtle, but accumulating impacts will be highly corrosive to the strength of human capital and development – a critical mitigant to other global risks faced.

**As volatility in multiple domains grows in parallel, the risk of polycrises accelerates**

Concurrent shocks, deeply interconnected risks and eroding resilience are giving rise to the risk of polycrises – where disparate crises interact such that the overall impact far exceeds the sum of each part. Eroding geopolitical cooperation will have ripple effects across the global risks landscape over the medium term, including contributing to a potential polycrisis of interrelated environmental, geopolitical and socioeconomic risks relating to the supply of and demand for natural resources.

## 3.2 Severity by stakeholder over the short-term (2 years) and long-term (10 years)

Both governments and businesses participating in the survey assessed the "Cost of living crisis" and the "Natural disasters and extreme weather events" as the top two risks over the short-term. However, there were some notable differences between the responses of government and business respondents regarding the other risks included in the top 10. "Debt crises", "Failure to stabilize price trajectories", "Failure to mitigate climate change" and "Failure of climate change adaptation" featuring more prominently for governments, and "Widespread cybercrime and cyber insecurity" and "Large-scale environmental damage incidents" perceived as more severe by businesses (Figure 2).

Figure 2. Top 10 Short-term risks by stakeholder

| Short-term risks | | |
|---|---|---|
| | **Government** | **Business** |
| 1 | Cost of living crisis | Cost of living crisis |
| 2 | Natural disasters and extreme weather events | Natural disasters and extreme weather events |
| 3 | Failure to mitigate climate change | Geoeconomic confrontation |
| 4 | Geoeconomic confrontation | Widespread cybercrime and cyber insecurity |
| 5 | Failure of climate-change adaption | Large-scale environmental damage incidents |
| 6 | Debt crisis | Erosion of social cohesion and societal polarization |
| 7 | Erosion of social cohesion and societal polarization | Failure to mitigate climate change |
| 8 | Failure to stabilize price trajectories | Natural resource crises |
| 9 | Widespread cybercrime and cyber insecurity | Debt crisis |
| 10 | Prolonged economic downturn | Failure of climate-change adaption |

Over the long-term, both government and businesses rate the same top 6 risks, assigning the same severity (Figure 3).

Some notable differences include Widespread cybercrime and cyber insecurity, perceived as a higher risk by businesses (7$^{th}$) while for governments is ranked 10$^{th}$. Geoeconomic confrontation is rated higher by governments (7$^{th}$), while businesses perceive it as 9$^{th}$.

Figure 3. Top 10 Long-term risks by stakeholder

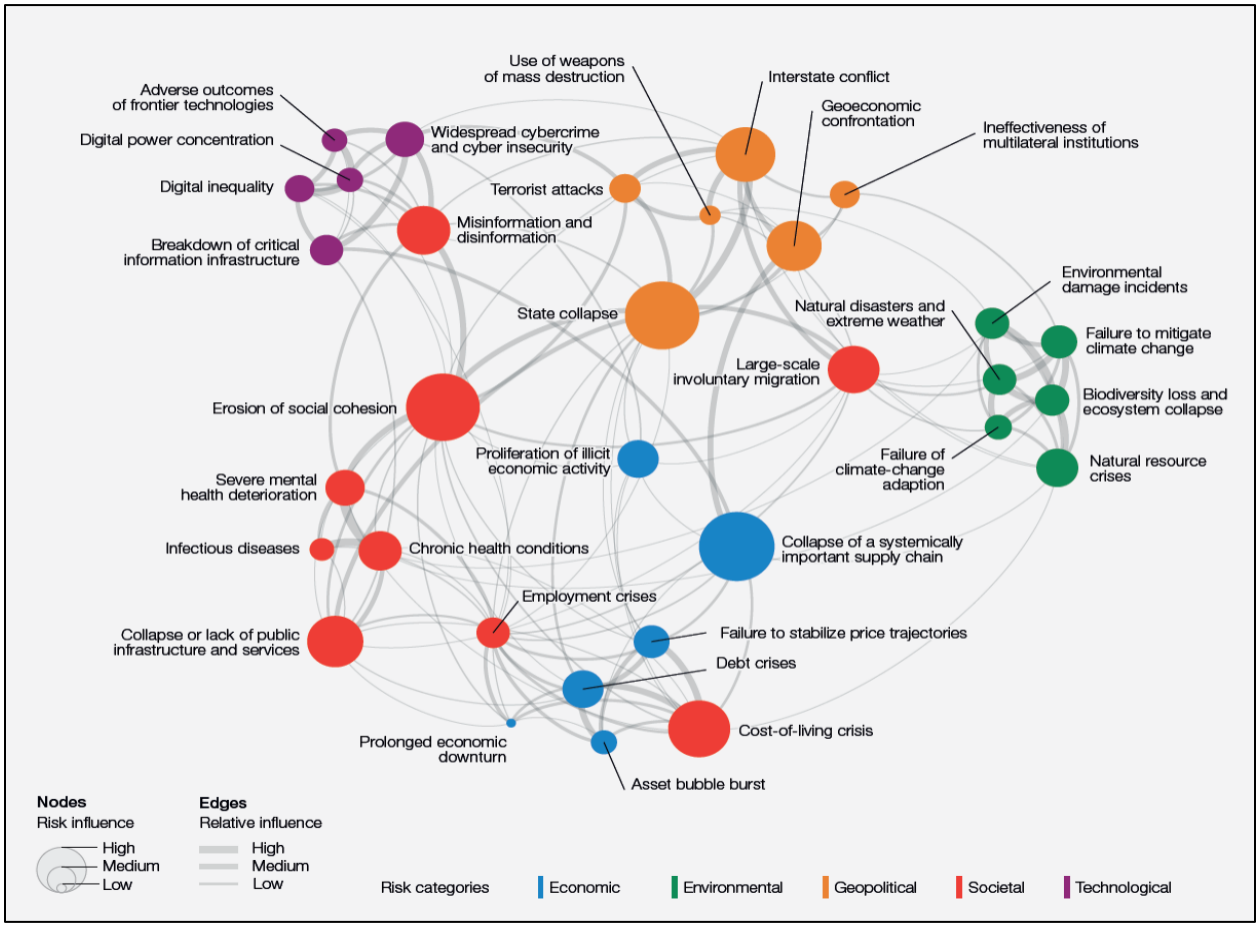
| Long term risks | | |
|---|---|---|
| | **Government** | **Business** |
| 1 | Failure to mitigate climate change | Failure to mitigate climate change |
| 2 | Failure of climate-change adaption | Failure of climate-change adaption |
| 3 | Natural disasters and extreme weather events | Natural disasters and extreme weather events |

| | Long term risks | |
|---|---|---|
| 4 | Natural resource crises | Natural resource crises |
| 5 | Biodiversity loss and ecosystem collapse | Biodiversity loss and ecosystem collapse |
| 6 | Large-scale involuntary migration | Large-scale involuntary migration |
| 7 | Geoeconomic confrontation | Widespread cybercrime and cyber insecurity |
| 8 | Misinformation and disinformation | Erosion of social cohesion and societal polarization |
| 9 | Erosion of social cohesion and societal polarization | Geoeconomic confrontation |
| 10 | Widespread cybercrime and cyber insecurity | Large-scale environmental damage incidents |

Source: World Economic Forum Global Risks Perception Survey 2022-2023

Figure 4 shows the interconnections of the 32 global risks assessed in the survey, as well as the level of influence each risks can pose on other risks.

Figure 4. Global risks landscape: an interconnections map




Source: World Economic Forum Global Risks Perception Survey 2022-2023

## 3.3 Resource rivalries and a potential polycrisis to 2030

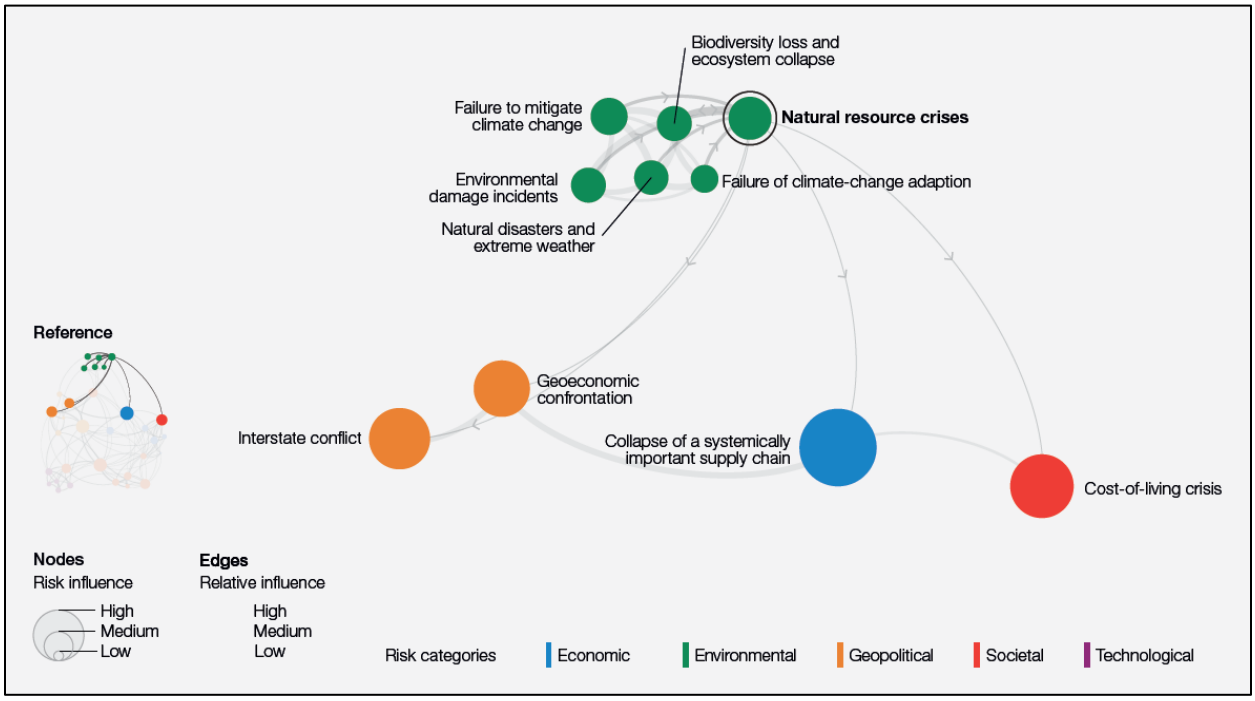
The WEF Global Risk Report presents four scenarios of how emerging risks identified in the survey will interact and evolve by 2030. The report explores Resource Rivalries - a potential cluster of interrelated environmental, geopolitical and socioeconomic risks relating to the supply of and demand for natural resources. to provide a structured approach to identifying potential futures for the polycrisis that may be triggered, providing a framework for better preparedness and risk mitigation efforts today.

In recent years the demand-supply gap for natural resources – food, water, energy - has been growing and it is escalating, due to a number of factors, including continued population growth, anticipated to reach 8.5 billion by 2030 and socioeconomic advancement, with a push to achieve the UN Sustainable Development Goals (SDGs) by the target date of 2030.

The continued expansion into secure, renewable energy and related infrastructure will also drive exponential demand for finite critical metals and minerals.

GRPS respondents identified strong relationships and two-way linkages between "Natural resource crises" and the other risks identified in previous chapters (Figure 5), pointing to the potential polycrisis that may evolve over the medium term.

Figure 5. Natural resource polycrisis




Source: World Economic Forum Global Risks Perception Survey 2022-2023

In the 2030 timeframe, two critical factors will determine the trajectory of the ability to match supply and demand for these resources as well as the scale of the associated polycrisis: 1) the degree of global cooperation that allows the flow of resources across national borders, and 2) the impact of climate change on the supply of natural resources and speed of the low-carbon transition.

Together, these two axes lead to four hypothetical futures for 2030:

1. **Resource collaboration** – the danger of natural scarcity: effective climate action measures and flexible supply chains enabled by global cooperation largely absorb the impacts of climate change on food production. However, shortages in water and metals and minerals cannot be avoided. Persistently high commodity prices slow climate mitigation – despite ambitions – and add to inflationary pressures in broader value chains, while water stress leads to a growing, but comparatively contained, health and humanitarian crisis in developing nations.

2. **Resource constraints** – the danger of divergent distress: current crises draw focus and slow climate action, exposing the most vulnerable countries to hunger and energy shocks, even as countries cooperate to partially address constraints. In the absence of intervention, the water and mineral shortages experienced in the Resource collaboration scenario act as a multiplier to broader risks. A multi-resource, humanitarian crisis emerges in developing markets as food and water resources are impacted by the physical consequences of climate change, alongside global disruptions to trade, political stability and economic growth.

3. **Resource competition** – the danger of resource autarkies: distrust drives a push for self-sufficiency in high-income countries, limiting the need for rivalry over food and water to a degree, but widening divides between countries. State intervention is centred on the resource most exposed to a concentration in supply – critical metals and minerals – leading to shortages, price wars and the transformation of business models across industries. Resource power shifts, driving the formation of new blocs as well as wedges in existing alliances between mineral-rich and -poor countries, while the potential for accidental or intentional conflict escalates.

4. **Resource control** – the danger of resource wars: alongside the weaponization of metals and minerals explored in Resource competition, geopolitical dynamics exacerbate climate-induced shortages in food and water. This results in a truly global, multi-resource crisis, with widespread socioeconomic impacts that exceed those faced in other futures in both scope and scale, including famine and water scarcity refugees. Geoeconomic warfare is widespread, but more aggressive clashes between states become one of the few means to ensure supply of basic necessities for populations.

# 4 Risk ranking at national level in the EU27 and the GCC

At national level, respondents to the World Economic Forum's Executive Opinion Survey (EOS) selected the top five risks out of 35 risks assessed.

This section provides an analysis of EU27 risks and GCC risks as perceived by each member. The section offers an analysis of the risks identified and their frequency as well as a comparison of the risks severity as perceived by EU27 MS and GCC members.

## 4.1 EU27

Table 3 provides a list of all the risks identified by the EU27 Member States in the top five for their economy and the number of Member States who selected the risk as being in the top five. The survey included 35 risks to assess. The EU27 MS found 22 of those relevant.

Table 3. Risks rated by the EU27 MS in the top five and the frequency for each risk

| Counter | Risk | Number of EU27 MS countries who ranked the risk in the top 5 |
|---|---|---|
| 1 | Rapid and/or sustained inflation | 26 |
| 2 | Severe commodity price shocks | 17 |
| 3 | Cost-of-living crisis | 16 |
| 4 | Geoeconomic confrontation | 16 |
| 5 | Interstate conflict | 12 |
| 6 | Debt crises | 9 |
| 7 | Severe commodity supply crises | 8 |
| 8 | Failure of climate-change adaptation | 6 |
| 9 | Geopolitical contestation of resources | 6 |
| 10 | Asset bubble burst | 3 |
| 11 | Breakdown of critical infrastructure | 3 |
| 12 | Employment and livelihood crises | 3 |
| 13 | Proliferation of illicit economic activity | 2 |
| 14 | Prolonged economic stagnation | 2 |
| 15 | Collapse of a systemically important industry | 1 |
| 16 | Digital inequality | 1 |
| 17 | Erosion of social cohesion | 1 |
| 18 | Human-made environmental damage | 1 |
| 19 | Infectious diseases | 1 |
| 20 | Natural disasters and extreme weather events | 1 |
| 21 | State collapse | 1 |
| 22 | Terrorist attacks | 1 |

Source: Author's table and calculations based on WEF Global Risk Report 2023 data

"Rapid and/or sustained inflation" is perceived as a high risk and ranked in the top five by 26 EU27 Member States.

Other risks ranked in the top 5 and relevant to a high number of EU27 Member States include "Severe commodity price shocks", "Cost-of-living crisis", "Geoeconomic confrontation" and "Interstate conflict" (Table 3).

"Geopolitical contestation of resources" is perceived as a high risk by Austria, Czechia, Germany, Netherlands, Slovenia, Spain.

Countries that ranked "Severe commodity supply crises" among the top five risks include Cyprus, Czechia, Estonia, Germany, Lithuania, Luxembourg, Slovakia and Slovenia.

The top five risks as identified by each of the EU27 MS (with the exception of Croatia) are presented in Table 4.

Table 4. EU27 Member States – Top 5 identified risks

| EU27 MS | Risk rank | Risk |
|---|---|---|
| **Austria** | 1 | Rapid and/or sustained inflation |
| | 2 | Severe commodity price shocks |
| | 3 | Breakdown of critical infrastructure |
| | 4 | Geoeconomic confrontation |
| | 5 | Geopolitical contestation of resources |
| **Belgium** | 1 | Cost-of-living crisis |
| | 2 | Rapid and/or sustained inflation |
| | 3 | Failure of climate-change adaptation |
| | 4 | Debt crises |
| | 5 | Geoeconomic confrontation |
| **Bulgaria** | 1 | Rapid and/or sustained inflation |
| | 2 | Proliferation of illicit economic activity |
| | 3 | Cost-of-living crisis |
| | 4 | Interstate conflict |
| | 5 | State collapse |
| **Cyprus** | 1 | Rapid and/or sustained inflation |
| | 2 | Cost-of-living crisis |
| | 3 | Failure of climate-change adaptation |
| | 3 | Geoeconomic confrontation |
| | 5 | Severe commodity supply crises |
| **Czechia** | 1 | Rapid and/or sustained inflation |
| | 2 | Severe commodity supply crises |
| | 3 | Severe commodity price shocks |

| EU27 MS | Risk rank | Risk |
|---|---|---|
| | 4 | Geopolitical contestation of resources |
| | 5 | Interstate conflict |
| **Denmark** | 1 | Breakdown of critical infrastructure |
| | 2 | Rapid and/or sustained inflation |
| | 3 | Severe commodity price shocks |
| | 4 | Geoeconomic confrontation |
| | 5 | Asset bubble burst |
| **Estonia** | 1 | Severe commodity price shocks |
| | 2 | Geoeconomic confrontation |
| | 3 | Interstate conflict |
| | 5 | Severe commodity supply crises |
| | 5 | Rapid and/or sustained inflation |
| | 5 | Cost-of-living crisis |
| **Finland** | 1 | Geoeconomic confrontation |
| | 2 | Prolonged economic stagnation |
| | 3 | Severe commodity price shocks |
| | 4 | Interstate conflict |
| | 4 | Rapid and/or sustained inflation |
| **France** | 1 | Debt crises |
| | 2 | Severe commodity price shocks |
| | 3 | Rapid and/or sustained inflation |
| | 3 | Cost-of-living crisis |
| | 3 | Erosion of social cohesion |
| **Germany** | 1 | Rapid and/or sustained inflation |
| | 2 | Severe commodity price shocks |
| | 3 | Interstate conflict |
| | 4 | Severe commodity supply crises |
| | 4 | Geopolitical contestation of resources |
| **Greece** | 1 | Cost-of-living crisis |
| | 2 | Severe commodity price shocks |
| | 2 | Rapid and/or sustained inflation |
| | 4 | Debt crises |
| | 5 | Interstate conflict |
| | 5 | Geoeconomic confrontation |
| **Hungary** | 1 | Rapid and/or sustained inflation |
| | 2 | Infectious diseases |
| | 3 | Geoeconomic confrontation |
| | 4 | Cost-of-living crisis |
| | 5 | Natural disasters and extreme weather events |
| | 5 | Severe commodity price shocks |
| **Ireland** | 1 | Rapid and/or sustained inflation |
| | 2 | Cost-of-living crisis |

| EU27 MS | Risk rank | Risk |
|---|---|---|
| | 3 | Geoeconomic confrontation |
| | 4 | Severe commodity price shocks |
| | 5 | Failure of climate-change adaptation |
| **Italy** | 1 | Debt crises |
| | 2 | Interstate conflict |
| | 2 | Rapid and/or sustained inflation |
| | 4 | Failure of climate-change adaptation |
| | 5 | Asset bubble burst |
| **Latvia** | 1 | Rapid and/or sustained inflation |
| | 2 | Interstate conflict |
| | 3 | Cost-of-living crisis |
| | 4 | Employment and livelihood crises |
| | 5 | Debt crises |
| **Lithuania** | 1 | Severe commodity price shocks |
| | 2 | Interstate conflict |
| | 3 | Rapid and/or sustained inflation |
| | 4 | Geoeconomic confrontation |
| | 5 | Severe commodity supply crises |
| **Luxembourg** | 1 | Rapid and/or sustained inflation |
| | 2 | Cost-of-living crisis |
| | 3 | Severe commodity price shocks |
| | 4 | Severe commodity supply crises |
| | 5 | Geoeconomic confrontation |
| **Malta** | 1 | Cost-of-living crisis |
| | 2 | Human-made environmental damage |
| | 3 | Rapid and/or sustained inflation |
| | 4 | Severe commodity price shocks |
| | 5 | Digital inequality |
| **Netherlands** | 1 | Failure of climate-change adaptation |
| | 2 | Rapid and/or sustained inflation |
| | 3 | Geoeconomic confrontation |
| | 3 | Geopolitical contestation of resources |
| | 5 | Cost-of-living crisis |
| **Poland** | 1 | Rapid and/or sustained inflation |
| | 2 | Breakdown of critical infrastructure |
| | 3 | Geoeconomic confrontation |
| | 4 | Employment and livelihood crises |
| | 5 | Interstate conflict |
| **Portugal** | 1 | Rapid and/or sustained inflation |
| | 2 | Cost-of-living crisis |
| | 3 | Debt crises |
| | 4 | Severe commodity price shocks |

| EU27 MS | Risk rank | Risk |
|---|---|---|
| | 5 | Prolonged economic stagnation |
| **Romania** | 1 | Rapid and/or sustained inflation |
| | 2 | Geoeconomic confrontation |
| | 3 | Interstate conflict |
| | 4 | Severe commodity price shocks |
| | 4 | Cost-of-living crisis |
| **Slovakia** | 1 | Rapid and/or sustained inflation |
| | 2 | Severe commodity price shocks |
| | 3 | Severe commodity supply crises |
| | 4 | Asset bubble burst |
| | 4 | Interstate conflict |
| **Slovenia** | 1 | Severe commodity price shocks |
| | 2 | Geoeconomic confrontation |
| | 3 | Rapid and/or sustained inflation |
| | 4 | Severe commodity supply crises |
| | 5 | Geopolitical contestation of resources |
| **Spain** | 1 | Rapid and/or sustained inflation |
| | 2 | Debt crises |
| | 3 | Cost-of-living crisis |
| | 4 | Employment and livelihood crises |
| | 5 | Geopolitical contestation of resources |
| | 5 | Proliferation of illicit economic activity |
| **Sweden** | 1 | Rapid and/or sustained inflation |
| | 2 | Cost-of-living crisis |
| | 3 | Debt crises |
| | 4 | Failure of climate-change adaptation |
| | 5 | Terrorist attacks |
| | 5 | Geoeconomic confrontation |
| | 5 | Collapse of a systemically important industry |

Source: Author's table based on WEF Global Risk Report 2023 data

*Note: Croatia did not participate.*

## 4.2 GCC

Table 5 provides a list of all the risks identified by the GCC countries in the top five for their economy and the number of countries who selected the risk as being in the top five. The survey included 35 risks to assess. The GCC members found 13 of those relevant.

Table 5. Risks rated by the GCC members in the top five and the frequency for each risk

| Counter | Risk | Number of GCC countries who ranked the risk in the top 5 |
|---|---|---|
| 1 | Cost-of-living crisis | 6 |
| 2 | Severe commodity price shocks | 6 |
| 3 | Rapid and/or sustained inflation | 5 |
| 4 | Failure of cybersecurity measures | 3 |
| 5 | Geopolitical contestation of resources | 3 |
| 6 | Debt crises | 2 |
| 7 | Geoeconomic confrontation | 2 |
| 8 | Interstate conflict | 2 |
| 9 | Natural disasters and extreme weather events | 2 |
| 10 | Breakdown of critical infrastructure | 1 |
| 11 | Human-made environmental damage | 1 |
| 12 | Proliferation of illicit economic activity | 1 |
| 13 | Prolonged economic stagnation | 1 |

Source: Author's table and calculations based on WEF Global Risk Report 2023 data

"Cost-of-living crisis" and "Severe commodity price shocks" have been rated by all GCC members in the top five risks (Table 5). "Rapid and/or sustained inflation" is also perceived as one of the top five risks by the GCC countries, with the exception of Oman.

The top five risks perceived by the respondents at national level, in each of the GCC countries are presented in Table 6.

Table 6. GCC countries - Top 5 identified risks

| | Bahrain | Kuwait | Oman | Qatar | Saudi Arabia | UAE |
|---|---|---|---|---|---|---|
| 1 | Cost-of-living crisis | ● Cost-of-living crisis<br>● Rapid and/or sustained inflation | Debt crises | Cost-of-living crisis | Cost-of-living crisis | Cost-of-living crisis |
| 2 | Debt crises | | Natural disasters and extreme weather events | ● Geoeconomic confrontation<br>● Natural disasters and extreme weather events | Interstate conflict | Rapid and/or sustained inflation |
| 3 | Severe commodity price shocks | Severe commodity price shocks | ● Cost-of-living crisis<br>● Severe commodity price shocks | | Rapid and/or sustained inflation | Severe commodity price shocks |

| | Bahrain | Kuwait | Oman | Qatar | Saudi Arabia | UAE |
|---|---|---|---|---|---|---|
| 4 | ● Prolonged economic stagnation<br>● Rapid and/or sustained inflation | ● Human-made environmental damage<br>● Interstate conflict | | ● Failure of cybersecurity measures<br>● Geopolitical contestation of resources<br>● Rapid and/or sustained inflation<br>● Severe commodity price shocks | ● Breakdown of critical infrastructure<br>● Failure of cybersecurity measures<br>● Severe commodity price shocks | Geopolitical contestation of resources |
| 5 | | | ● Geopolitical contestation of resources<br>● Proliferation of illicit economic activity | | | ● Failure of cybersecurity measures<br>● Geoeconomic confrontation |

Source: Author's table based on WEF Global Risk Report 2023 data

For 5 out of the 6, "Cost-of-living crisis" is the top risk, except for Oman where it is ranked as the 3rd highest risk. Oman ranks "Debt crises" as the top risk, which is also a perceived high risk by Bahrain, who ranked it as 2nd.

All GCC countries rated "Severe commodity price shocks" within the top five risks, ranked as 3rd or 4th.

With the exception of Oman, the risk of "Rapid and/or sustained inflation" ranks in the top four risks for the GCC countries.

Qatar, Saudi Arabia and the UAE ranked "Failure of cybersecurity measures" as a high risk. "Geopolitical contestation of resources" is ranked in the top five risks by Oman, Qatar and the UAE.

# 5 Actions to increase risk preparedness

More than four in five GRPS respondents anticipate consistent volatility over the next two years at a minimum, with multiple shocks accentuating divergent trajectories. However, respondents are generally more optimistic over the longer term. Just over one-half of respondents anticipate a negative outlook, and nearly one in five respondents predict limited volatility with relative – and potentially renewed – stability in the next 10 years.

Indeed, there is still a window to shape a more secure future through more effective preparedness. Addressing the erosion of trust in multilateral processes will enhance our collective ability to prevent and respond to emerging cross-border crises and strengthen the guardrails we have in place to address well-established risks. In addition, leveraging the interconnectivity between global risks can broaden the

impact of risk mitigation activities – shoring up resilience in one area can have a multiplier effect on overall preparedness for other related risks. As a deteriorating economic outlook brings tougher trade-offs for governments facing competing social, environmental and security concerns, investment in resilience must focus on solutions that address multiple risks, such as funding of adaptation measures that come with climate mitigation co-benefits, or investment in areas that strengthen human capital and development.

**Several cross-cutting principles can support preparedness across themes:** 1) strengthening risk identification and foresight, 2) recalibrating the present value of "future" risks, 3) investing in multi-domain risk preparedness and 4) strengthening preparedness and response cooperation.

**1. Strengthening risk identification and foresight**

Enhanced risk identification and foresight can be a key enabler for strategic decision-making, agenda-setting and resilience measures, allowing to prioritize areas that would benefit from data collection and monitoring, risk controls and resources, and redundancies. Both horizon scanning and scenario planning are useful tools that can examine and build on "weak signals" in qualitative and quantitative data sources to better anticipate emerging trends. The study of potential outcomes needs to be expanded to ensure that risk mitigation and preparedness addresses the full scope of possible impacts and complemented by risk monitoring. The interconnections between risks must be mapped, including dependencies between critical systems. Risks that are most influenced by or exposed to other risks will be the most challenging to mitigate, while those that exert an outsized influence on the outcome of the network can be prioritized as key points of intervention.

**2. Rethinking 'future' risks**

Cognitive biases channel public attention towards recent, "catastrophic" events. Business and political imperatives tend to prioritize risks with a direct, immediate and localized impact, such as food, fuel or other commodities' shortages or local environmental disasters. While this is necessary to manage crises, when such risks manifest, resources and attention are often diverted from addressing global risks, especially those that form the root causes of local catastrophes or those that may arise outside the time frames relevant to today's leaders. For better planning and preparedness, institutions must de-anchor risk prioritization from shorter-term incentives.

**3. Investing in multi-domain, cross-sector risk preparedness**

Preparedness needs to become more of a shared responsibility between sectors, with local and national governments, business and civil society each playing to their strengths, rather than traditional models of governments addressing market failures when they occur. Private-public partnerships can help close key gaps in innovation, financing, governance and implementation of preparedness measures for emerging and well-established risks, such as food and water insecurity, weakened education and healthcare

systems, and insufficient regulation of dual-use technologies, or addressing the looming insurance gap relating to cyberwarfare.

### 4. Re-building and strengthening global risk preparedness cooperation

Global risks are complex, and effective preparedness can require action at local, national, regional and global levels. International cooperation has reached levels that may have been unimaginable even a century ago. However, the recent overload of crises has turned the focus of nations inwards and the emerging outlook for international cooperation is deteriorating. Actions taken to shore up national resilience can be self-perpetuating. Greater collaboration across industries and between countries – in terms of coordinated funding, research and data sharing – is critical to help identify weak signals of emerging threats at both a national and global level.

# 6 References

World Economic Forum 2023. *The Global Risks Report 2023. 18th Edition. Insight Report.*

*https://www.weforum.org/publications/global-risks-report-2023/*