

Global Risks 2015

Introduction

For the past decade, the Global Risks report – now in its 10th edition – has been calling attention to global risks and providing tools to support decision-makers in their efforts to mitigate or prevent global risks or strengthen resilience against them.

Since its inception, the report has raised awareness that the world is increasingly interconnected and that global risks cannot be seen in isolation. On the contrary, they can have far-reaching cascading effects as demonstrated by the financial crisis in 2008 and its socio-economic consequences. The year 2014 alone witnessed several such risks with potentially broad implications in the years to come if history serves as a benchmark: the frozen relationship between Russia and the West – unfathomable to most just one year ago – seems to be transporting the world back to a time when geopolitics took primacy. The conflict in Syria and the spread of the Islamic State in the region have set off unprecedented migration flows into neighbouring countries and Europe, which could impact social cohesion if poorly managed. Revelations about data fraud and leaks and cyber espionage have critically undermined global trust, running the risk of complicating the search for solutions to other global governance challenges as well. Successfully addressing these complex and interconnected issues necessitates greater multistakeholder cooperation to increase the capacity to foresee, manage and mitigate global risks and to strengthen society's preparedness and resilience to them. The report takes the first step towards establishing comprehensive collaboration by fostering a shared understanding of the issues at hand.

10 Years of Risk Awareness Building

Over the past decade, the *Global Risks* report has seen both its readership and its impact increase significantly. The report has become a useful tool for many governments and businesses to assess their exposure to global risks (see Box 1). It has also successfully raised awareness on key risks, such as the threat of increasing resistance to antibiotics, which was featured in 2013, or important IT-related risks, which are now at the forefront of business concerns.

After 10 years, the World Economic Forum is now also in a position to revisit the first *Global Risks* report, an endeavour that illustrates both the difficulty and the necessity of attempting to think 10 years ahead. The economic risk given most attention in 2007 was the possibility of an asset price bubble, which set off a major financial crisis in the same year. The subsequent years were primarily defined by potential risks related to the stability of financial systems in many countries and the threat of sovereign default, resulting in an economic meltdown the world is still recovering from. The interconnected nature of the global economy today and the scale of the global financial crisis show the need to look beyond the obvious for risk interconnections.

Importantly, this 10th edition also reflects a decade of learning and methodological improvements. Fundamentally, the report's approach remains the same – to identify global risks and their interactions, and to assess them on two dimensions: their perceived likelihood and impact. However, over the years, a number of refinements have been made to the methodology, reflecting the lessons learned from 10 years' experience in this field. This year's edition features an updated methodology based on input from the members of the newly established Advisory Board (the list of members appears in the [Acknowledgements](#) section at the end of this report).

The uncertainty associated with risks, their interconnected nature and often the

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absence of data make it difficult to accurately quantify a range of risks – for example social unrest, cyber attacks or oil price shocks. A survey is therefore a suitable tool to get a sense of the order of magnitude of the impact and likelihood of risks. The qualitative, perceptions-based approach embodied in the Global Risks Perception Survey has been the base of the World Economic Forum's work in this area since 2011, capturing the views of decision-makers from the Forum's multistakeholder constituencies on the perceived impact and probability of risks and the interconnections between them. Perceptions allow us to better understand decision-makers' priorities, which in turn influence their decisions.

Over the years, the reports have put increasing emphasis on the interconnected nature of global risks and the potential spillover effects of systemic risks, putting this aspect of risks on the agenda. The resulting complexities underscore the difficulties stakeholders face when addressing risks and are reflected in this edition's introduction of trends as drivers of risks. As a result, there is increased emphasis on going beyond the analysis of global risks to include suggestions on what stakeholder alliances can do about them. The focus on solutions in this edition is the strongest yet, with a new section on practices and a stronger focus in the survey on preparedness and progress.

Box 1: How has the Global Risks report been used?

A range of stakeholders were asked how they used the Global Risks report series over the last 10 years. The most common answers were to:

- develop scenarios;
- prepare crisis exercises;
- assess vulnerabilities and their potential for cascade effects;
- inform “sense making” exercises in crisis situations;
- train top decision-makers;
- model risks external to the direct business environment.

The Structure of this Report

Part 1 of this report explores the results of the Global Risks Perception Survey 2014. It explains the distinction between risks and trends, visualizes the likelihood of interconnections between risks, and analyses the difference in risk perceptions over different time horizons.

Part 2 deep-dives into three topics that emerged strongly from the interconnections between risks and trends: the interplay between geopolitics and economics, rapid urbanization in developing countries, and emerging technologies.

Part 3 discusses risk management and risk resilience: it presents survey respondents' views on which risks have most successfully been addressed over the past 10 years, and shares practices from the public and private sectors that offer ways forward to address global risks. The full methodology for the survey is shared in **Appendix B**. The complete set of data can be explored online at: www.weforum.org/risks.


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