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Global Risks 2007 report highlights new ways to address global risks

London, 10 January 2007 – The Global Risks 2007 report released today highlights a growing disconnect between the power of global risks to cause major systemic disruption, and our ability to mitigate them. The annual Global Risks report – published by the World Economic Forum in cooperation with Citigroup, Marsh & McLennan Companies, Swiss Re and the Wharton School Risk Center – suggests that many of the 23 core global risks explored in the report have worsened over the last 12 months, despite growing awareness of their potential impacts. In addition to specific risk mitigation measures, institutional innovations may be needed to create effective responses to a complex risk landscape.

The report suggests two such innovations – the appointment of Country Risk Officers and the creation of flexible “coalitions of the willing” around specific global risk issues, providing crucial momentum to mitigation efforts. The first would provide a focal point in government for mitigating global risks across departments, learning from private-sector approaches and escaping a “silo-based” approach. The second would allow mitigation strategies to emerge from dynamic interplay between governments and business, achieving a balance between inclusiveness and decisiveness.

In addition, the report recommends a number of key needs for addressing specific global risks, including:

• Linking energy security with considerations on climate change
• Urgently beginning work on a successor to the Kyoto agreement with three central principles:
  – Involvement of the United States and major developing countries (particularly China and India);
  – Differential responsibilities for future emissions’ reduction dependent upon past emissions and stage of economic development; and,
  – Common overall responsibility for climate change
• Renewing terrorism insurance schemes scheduled to sunset in 2007 in some form; improve framework for public-private arrangements in other countries, and
• In order to prepare for a pandemic, governments should increase research into the identification of critical choke-points in the supply/value chain where skill sets are rare, interdependencies are greatest and the risk of triggering systemic failure is highest.

Jacques Aigrain, Chief Executive Officer of Swiss Re said, “Risks are often still viewed and dealt with in isolation. However, in today’s world global risks are tightly interwoven. To address our contemporary risk landscape, governments and enterprises need to take a holistic approach to overcome silo-thinking and acting. We need to prioritise risks effectively, improve preparedness and strengthen public-private partnerships to mitigate risks and to finance economic losses. Finally, we propose to coordinate global risk mitigation efforts by creating the function of Country Risk Officers at governmental level who regularly meet on an international level.”

Mike Cherkasky, President and Chief Executive Officer of Marsh & McLennan Companies (MMC), said: “While risk mitigation is set to be a key theme at this year’s meeting in Davos there is continued evidence of a disconnect between risk and mitigation. The focus of government and corporations must not only be on reacting to events but on utilizing effective enterprise risk management to set priorities, increase business focus, allocate resources and maximize efficiency. Catastrophic natural disasters in
recent years have demonstrated that our ability to confront emerging risks depends more on the choices we make before a disruption than the actions we take during a crisis. Only a systematic planning approach will ensure that countries and companies are prepared for the risk environment we presently face."

The topics identified in the report will be at the core of the agenda for the annual meeting of the World Economic Forum taking place later this month in Davos, Switzerland.

Global Risks 2007 was compiled by the Global Risk Network of the World Economic Forum, drawing insights from leading domain experts engaged throughout 2006 and from partnership with Citigroup, Marsh & McLennan Companies (MMC), Swiss Re and the Wharton School Risk Center. In 2007, the Global Risk Network will build on this report in extending its global work.

Thierry Malleret, Director, Head of Global Challenges Team of the World Economic Forum, said: “This report makes clear that there exists a fundamental disconnect between risk and mitigation. While opinion suggests that levels of risk are rising in almost all of the 23 risks on which the Global Risk Network has been focused over the last year, the mechanisms in place to manage and mitigate these risks are inadequate; world leaders must act now. While the global economy has been expanding faster than at any time in history, it remains vulnerable.”

Notes to editors

The entire report can be downloaded at www.weforum.org/globalrisks
Pictures of the authors of the report can be downloaded at www.pbase.com/forumweb/risks

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