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Global Risks Report 2023: Challenges and Tasks in the Poly-Crisis Era

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Abstract

On January 11, the World Economic Forum (WEF) published its “Global Risks Report 2023,” with future outlooks for complex challenges and issues confronting the global society. The report identified a list of 32 global risks facing humanity, categorized into short-term, for the next two years, and long-term, for over the next ten years. WEF also warns of an emerging “poly-crisis” era in which various interrelated global risks will simultaneously interact to threaten humanity. Against such a backdrop, WEF expresses concern about the diminishing time for global society to take appropriate action and measures in response to poly-critical situations. The report also highlights the necessity of priority agendas to establish global governance and enhance cooperation among multiple stakeholders.

Regarding South Korea, the outlook and implications of Global Risks Report 2023 can be summarized as follows: In the short term, South Korea should actively hedge against economic risk factors such as inflation. WEF prospects ranked “rapid and/or sustained inflation” as the top threat in a number of G20 countries, including Brazil, South Korea, and Mexico. Noteworthy is that WEF pointed out South Korea, Switzerland, Singapore, Chile, and Türkiye as representative countries with serious concerns for future “severe commodity price shocks or volatility” and “severe commodity supply crises” over the next two years.

In the long term, WEF underscores the need for each country to establish a knowledge and information infrastructure for risk identification and foresight to enhance future response capabilities. The South Korean government should set up a risk monitoring system to secure response capabilities against uncertain future risks. In addition, the government needs to enhance systemic diversity to tackle the dilemma of a poly-crisis by maintaining a diverse and balanced perspective for risk foresight efforts. Trial and error in the governance adjustment process could also be utilized as intellectual assets. Thus, rather than simply viewing global risk challenges as threats and crises, South Korea should approach such challenges as opportunities for breakthroughs and social progress.

Keywords

Poly-crisis, global risk, WEF, World Economic Forum

Global Risks Report 2023: Challenges and Tasks in the Poly-Crisis Era

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For the past 17 years, the World Economic Forum (WEF) has reported its global risk outlook, including societal, technological, economic, environmental and geopolitical threats confronting humanity. On January 11, WEF published the revised “Global Risks Report 2023,” which covers complex and challenging issues at the global level. A total of 32 global risks were ranked and categorized into two-year and ten-year time frames: namely, short-term risks, which are the most severe perceived risks over the next two years, and long-term risks, which may have the most severe impacts over the next ten years. In particular, the report forecasts that global insecurity will increase with the confluence of global risks, such as soaring inflation rates and the prolonged conflict between Russia and Ukraine. In addition, “failure of climate-change adaptation,” “geoeconomic confrontation,” and “large-scale natural disasters,” that is, severe global risks are predicted to simultaneously interact with each other to open a “poly-crisis” era threatening humanity. Global

Risks Report 2023 expressed concerns about the diminishing time for appropriate actions in response to poly-crises and enumerated a list of priority agendas to enhance cooperation among stakeholders and facilitate the establishment of global governance. Furthermore, the report made macroscopic recommendations for state governments to strengthen their future response capabilities.

Short-term global risks (over the next two years)

Short-term risks are threats already unfolding and experienced by many, while long-term risks are potential dangers that have newly emerged or accelerated their influence. First, from a short-term perspective, the aftershocks of the Russia-Ukraine war have reignited the negative impacts of the waning COVID-19 pandemic. Energy shortage and food insecurity have reemerged as global issues with enforced trade restrictions and barriers. Economic recession, rising debts, cost-of-living crises, and societal polarization are causing pain in various countries. Shortages in natural resources combined with geopolitical insecurity and economic downturn also threaten the global economy. In addition, the delay of practical efforts to mitigate climate change and destructive geoeconomic confrontations heading towards a zero-sum game have become real short-term risks. The impacts of cost-of-living crises due to inflation are most likely to disproportionately affect the vulnerable populations who cannot bear the rising costs for the next two years. As witnessed with the floods in Pakistan and the catastrophic earthquakes in Türkiye, natural disasters and extreme weather conditions are high-ranked, short-term global risks mentioned in every annual WEF report.

Long-term global risks (over the next ten years)

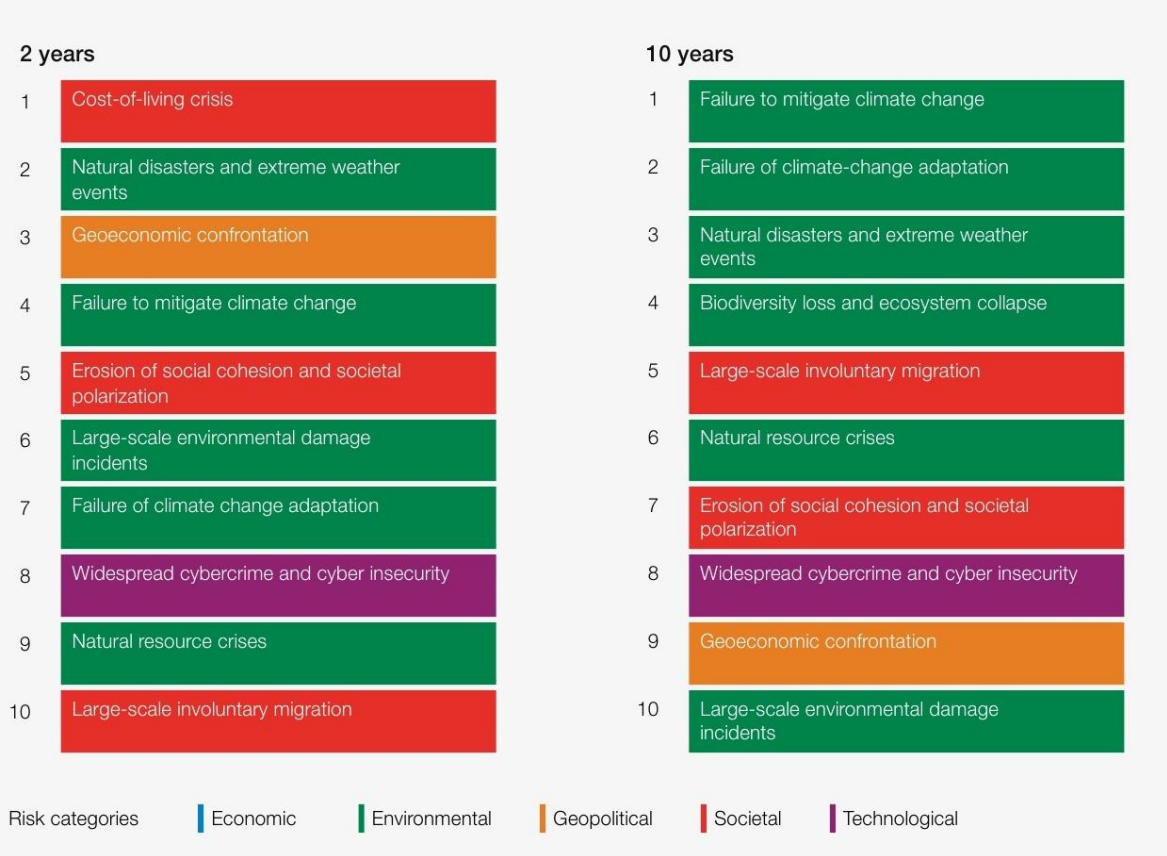
Meanwhile, risks associated with climate change, such as global warming, ecosystem collapse, and biodiversity loss, were mentioned as representative long-term global risks facing humanity for the next ten years. Noteworthy is that six out of the ten long-term risks were environmental risks. Natural resource crises triggered by climate change requires a shift in local and global policies and investment strategies. Inadequate responses to threats of basic necessities such as food security may likely exacerbate environmental and resource problems, evolving into complex social and political crises.

Regarding social issues, the report warned that the erosion of social cohesion and societal polarization could develop into prolonged risks. WEF also forecasted the side effects and crises that could result from the sharp decline in health and educational investments. The report pointed out that the absence of global leadership and the exacerbated U.S.-China rivalry have resulted in unprecedented socioeconomic consequences and fall-outs, which may bring about social unrest and instability.

Concerning technical risks, “widespread cybercrime and cyber insecurity” was ranked as the 8th most severe risk in both the short- and long-term lists. WEF predicts the expansion of cyber threats will continue with bold attacks backed by international hacking organizations. In addition, cyber insecurity in software supply chains can become direct or indirect risks to economic

security. Nine out of the top ten short-term risks, such as “gloeonomic confrontation,” “natural disasters and extreme weather events,” and “failure to mitigate climate change,” were also designated as long-term risks to humanity.

Table 1. Top 10 global risks ranked by severity over the short and long term



(Source: World Economic Forum, *Global Risks Report 2023*, (January 11, 2023): 6.)

On the other hand, the lingering impact of COVID-19, which started in late 2019 and continues until the present, was assessed as a decreasing risk and not included in the top ten list of severe global risks. The WEF report also included a survey of leading experts on the world’s future outlook, with most results predicting the continuous threat of short-term and long-term risks. Regarding the next two years (short-term), 82% of the respondents predicted

the world would be faced with greater crises or continuous instability, and 54% responded that the global society will continue to experience crises due to risks such as climate change even ten years later. In contrast, only 2% (short-term) and 9% (long-term) of respondents described the global outlook as renewed stability with a revival of global resilience.

Five agendas to solve the priority issue

Confronted with such global risks, WEF highlights five practical agendas requiring urgent action. The first agenda focuses on improving infrastructure to solve energy shortage and food insecurity issues. Energy transition and climate change are intrinsically interlinked as humanity has witnessed its grave impacts in the recent months. Additional measures that address the diversification of energy sources and the energy transition process to alleviate climate change impacts are necessary, along with sustained efforts for infrastructure enhancement.

The second agenda regards active response to economic issues, including inflation, low-growth, and high debt levels. While countries have tightened their monetary policies, the prolonged recession is incurring debt distress to most social classes undergoing a financial crisis. The global trade outlook is also gloomy. Protectionist measures in the wake of the COVID-19 pandemic have given rise to the need to shift free trade values and transform the role of the government in global trade. The WEF report asserts that leaders must act on a new economic vision to alleviate the risks of the current emergency and boost vitality, rebuild confidence in the

global financial system, and enhance all-out cooperation among stakeholders.

The third agenda stresses the vigorous application of advanced technologies to achieve the virtuous cycle of innovation led by the private sector and to strengthen social resilience. Industrial circles should make bold investments and undergo a rapid decision-making process for innovative technology in response to changes in the technological environment. Corporations seeking to develop new technologies should also boost collaborative efforts with competitors and innovators from various sectors encompassing the whole ecosystem. In addition to private sector practices, the government should provide macro-level support with institutional improvements.

The fourth agenda concerns the issue of alleviating social vulnerabilities by providing upgraded vocational training and social care services. For example, along with the exacerbated global economic crisis, various occupational clusters have experienced a decrease in real income. The global economic downturn due to COVID-19 and the Russia-Ukraine war has raised the unemployment rates in emerging economies which have brought about social unrest. Resulting in state instability, trade barrier enforcement, and involuntary migration, social turmoil can become a tinderbox for transnational conflicts. Therefore, it is necessary to make bold investments in education, vocational training, and healthcare for the vulnerable, and ultimately, a new approach to strengthening social cohesion and establishing a future-oriented economic system.

Lastly, the fifth agenda is managing geopolitical threats through

dialogue and cooperation. The emergence of economic security issues has shown that mutual dependency among nations have frequently become retaliation measures against competitors rather than a means for achieving common interests. Global issues that require transnational cooperation, such as the climate crisis, are now at the forefront of competition. Some representative examples include the U.S.-China confrontation, regional economic blocs, and discussions between developed and developing countries regarding the responsibility and compensation of global warming effects. The current game structure requires a paradigm shift with a new global system based on stakeholders that can encompass the dynamic features of the 21st century.

Outlook for the impact of risks on South Korea

The implications of the Global Risks Report 2023 for South Korea are as follows: First, as a short-term goal, South Korea should actively hedge against economic risk factors such as inflation. WEF predicted that “rapid and/or sustained inflation” would pose the greatest threat to a number of G20 countries, including Brazil, South Korea, and Mexico. In particular, South Korea, along with Switzerland, Singapore, Chile, and Türkiye, were identified as countries expected to experience “severe commodity price shocks or volatility” and “severe commodity supply crises” over the next two years. WEF ranked the top five risks for South Korea and G20 countries as “rapid and/or sustained inflation,” followed by “proliferation of illicit economic activity,” “severe commodity supply crises and severe commodity price shocks,” “asset bubble burst,” and “debt crises.”

In the long run, South Korea is not immune from the political and security implications of global blocs, which may function as a risk factor adding to the uncertainty of its external environment. While closely binding alliances on security, investment, trade, innovation, and standardization issues, blocization will ultimately drag South Korea into the expanded economic and military spheres. Tighter security regulations may also negatively impact South Korea in this process. The WEF report identified South Korea and Japan as countries that may experience conflicts and geopolitical tensions due to the issue of potential nuclear acquisition. WEF seems to have considered the possibility of nuclear-sharing arrangements or potential acquisition in limited circumstances for both countries.

Practical Tasks and Implications for Strengthening National Foresight

Efforts to mitigate and manage the poly-crises mentioned in the WEF report give rise to the necessity for an enhanced international cooperation system rather than isolated efforts at the national level. The expansion, interaction, and geopolitical feedback of interconnected risks create critical security issues at the regional and global levels. Thus, it is crucial to acquire a thorough understanding of evolving threats, and during a crisis, the capacity to effectively mobilize and allocate talent and resources is essential. The institutional and normative will to promote the global society's participation and cooperation is also necessary. As shown in the rapid rescue operations of its disaster relief team to Türkiye, South Korea needs to strengthen its comprehensive foresight capabilities to carry out swift judgment and immediate action in complex crises.

In this context, it is necessary to establish a pan-governmental, future risk monitoring and assessment system. In particular, “X-event (extreme event)” research, such as worst-case scenario development of the “unknown unknowns” and black swan events, should be embraced with a self-reflecting attitude to improve deficiencies. Such research will enable the development of a risk assessment program that can provide a rigid and objective diagnosis of vulnerable sectors. In addition, such research and foresight can form a knowledge base for establishing and carrying out global initiatives and agendas as a global pivotal state. In the future, when various emerging security issues, such as climate change, health threats, and energy and food supply crises, arise in a complex manner, South Korea’s foresight capabilities will enable it to prioritize cooperative initiatives.

The following are some suggestions for the South Korean government to strengthen its crisis management system: First, the government needs a crisis management system focused on the complex aspects of emerging macro risks. In addition to local threats such as resource supply shortages or environmental disasters, the Yoon administration should expand its focus on analyzing interconnected risks and prioritizing risk resources. In other words, it is necessary to refrain from short-sighted and defensive “streamlining” and strive to promote the active role of stakeholders with enhanced cooperation. At the same time, public-private partnerships should be encouraged to ensure the continuous sharing of information regarding the ripple effects of risks.

Second, a “holistic” system-level approach is required to promote social resilience. Amid a trend of deeply interconnected risks, responses focused on specific sectors can only have limited effects. While securing technologies and establishing response manuals for specific risk issues are necessary, a flexible and extensive application plan with instrumental and procedural details is all the more important to strengthen social resilience.

Third, as it prepares for complex risk scenarios by enhancing systemic diversity, the South Korean government should also utilize trial and error in the governance adjustment process as knowledge assets. The experience of “small & fast failures” for the diagnosis, adaptation, and evolution of creative ideas will not only help to prevent future catastrophes but may also provide the opportunity to leap forward. Rather than simply viewing global risk challenges as threats and crises, South Korea should approach such challenges as opportunities for breakthroughs and social progress.

The views and opinions expressed in this report are those of the author(s) and do not necessarily reflect the official position of INSS.