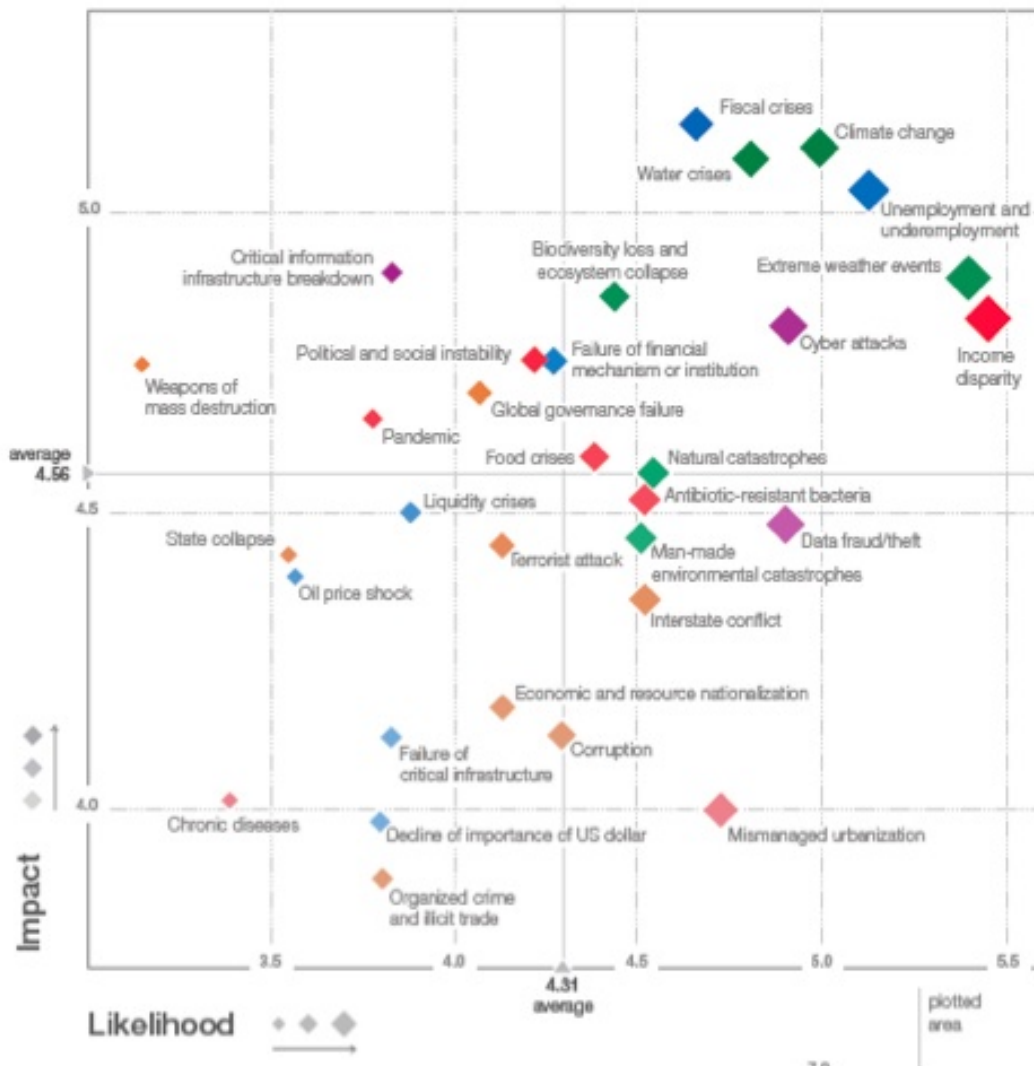


Davos leaders spot the risks that have already arrived

by Andrew Hill

Global business and political leaders like to talk about the long term, but persistently focus on what's in front of their faces. That is one conclusion you can draw from the World Economic Forum's Global Risks 2014 report, for nearly 10 years the doomy trailer to the main feature next week in Davos.

The pressing preoccupations of business, government, academic, non-governmental leaders – the “risks” that combine “high impact and high likelihood” – are: extreme weather events, failure of climate change mitigation and adaptation, water crises, severe income disparity, high unemployment, and fiscal crises in key economies. But if I were a bookmaker, I would have long since closed the betting on whether these events will occur – because almost all of them already have.



Well-spotted: the biggest and most likely "risks" are in the top right (source: WEF)

This is a problem that the WEF itself acknowledges in its review of how the report has developed since 2006, when it was first produced. The methodology has changed since and is constantly being refined – this year, for instance, leaders were asked about 31 possible risks, compared with a baggy collection of 50 in 2013.

Jennifer Blanke, WEF chief economist, points out that the report was never intended to be a crystal ball, and

that it did start to pick up on financial tensions ahead of the crisis (still the biggest global disaster that the Davos great and good are regularly accused of having failed to anticipate). But it remains a constant challenge, according to the report's authors, "to distinguish between a risk and a trend or a vulnerability":

Technically a risk is a thing that has not happened yet, whereas a trend or a vulnerability is already under way. Some global risks in this year's report, such as severe income disparity, may be more accurately viewed as a trend or a vulnerability. In many cases, the distinction is far from clear – for example, opinions may differ on whether major loss of biodiversity is an event that could yet happen or a process that is already happening.

It is a distinction leaders would do well to bear in mind as they prepare their trek into the Alps next week.