

Press Release

World Economic Forum' Global Risks Report 2023: Tensions Peak between Urgent Cost of Living Crisis and Sustainable Climate Action

Pakistan faces digital vulnerability and cybersecurity, rapid inflation, debt crisis, possible state collapse, interstate conflict and terrorism as top risks for the next 24 months.

Geneva, Switzerland/Islamabad, Pakistan 11 January 2023 – For the past 17 years the World Economic Forum's *Global Risks Report* has warned about deeply interconnected global risks. Conflict and geo-economic tensions have triggered a series of deeply interconnected global risks, according to the World Economic Forum's *Global Risks Report 2023*. These include energy and food supply crunches, which are likely to persist for the next two years, and strong increases in the cost of living and debt servicing. At the same time, these crises risk undermining efforts to tackle longer-term risks, notably those related to climate change, biodiversity, and investment in human capital.

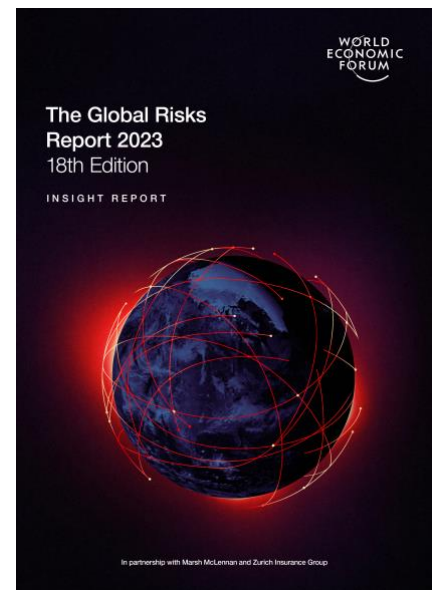
On Pakistan, the Global Risk Report identifies that a combination of extreme weather events and constrained supply could lead the current cost-of-living crisis into a catastrophic scenario of hunger and distress for millions. This can also turn the energy crisis towards a humanitarian crisis. Energy shortages – because of supplier shut-offs or natural, accidental, or intentional damage to pipelines and energy grids – could cause widespread blackouts and fatalities if combined with seasonal extreme weather.

The Global Risk Report 2023 identified the top ten risks that pose the biggest threats to Pakistan in the next two years have been identified as: 1) Digital power concentration and monopolies, 2) Failure of cybersecurity measures (including loss of privacy, data fraud or theft, cyber espionage), 3) Rapid and/or sustained inflation, 4) Debt crises, 5) State collapse, 6) Lack of widespread digital services and digital inequality, 7) Interstate conflict, 8) Terrestrial biodiversity loss and ecosystem collapse, 9) Terrorist attacks, 10) Employment and livelihood crisis.

Amir Jahangir, Chief Executive Officer Mishal Pakistan, the Partners Institute for New Economy and Societies Platforms of the World Economic Forum said, "the Global Risk Report 2023 identifies that for Pakistan, both the affordability and availability of basic necessities can stoke social and political instability". He further said, "Last year, the increase in fuel prices alone led to protests in an estimated 92 countries, some of which resulted in political upheaval and fatalities, alongside strikes and industrial shutdowns". He said, "the impact of insecurity will continue to be felt in Pakistan and may also exacerbate instability due to simultaneous food and debt crises. Resulting into emergence of a possible more technocracy-based decision-making leadership framework.

The Report identifies that the cost-of-living crisis is the biggest short-term risk while failure of climate mitigation and climate adaptation are largest long-term concerns. The geopolitical rivalries and inward-looking stances will heighten economic constraints and further exacerbate both short- and long-term risks.

The World Economic Forum in the Global Risk Report says that estimates suggest, over 800,000 hectares of farmland has been wiped out by 2022 floods in Pakistan – this has resulted in increasing commodity prices significantly in a country that is already grappling with record 27% inflation. Water stress is also widespread in Pakistan, this particularly impacts women and girls responsible for water collection, with knock-on impacts for health and education outcomes. More widespread scarcity, combined with paralysis of international cooperation mechanisms, has necessitated a degree of water nationalism, resulting in prolonged disputes between neighbouring states and countries. In the face of spreading humanitarian crises and state instability, water infrastructure could continue to be used both as a weapon and target, mirroring past water conflicts and terrorism in India, Pakistan, and Afghanistan.



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On the international front, at present, the global pandemic and war in Europe have brought energy, inflation, food, and security crises back to the fore. These create follow-on risks that will dominate the next two years: the risk of recession; growing debt distress; a continued cost of living crisis; polarized societies enabled by disinformation and misinformation; a hiatus on rapid climate action; and zero-sum geo-economic warfare.

“The short-term risk landscape is dominated by energy, food, debt, and disasters. Those that are already the most vulnerable are suffering – and in the face of multiple crises, those who qualify as vulnerable are rapidly expanding, in rich and poor countries alike. In this already toxic mix of known and rising global risks, a new shock event, from a new military conflict to a new virus, could become unmanageable. Climate and human development therefore must be at the core of concerns of global leaders to boost resilience against future shocks,” said Saadia Zahidi, Managing Director, World Economic Forum.

The report is produced in partnership with Marsh McLennan and Zurich Insurance Group, draws on the views of over 1,200 global risk experts, policymakers, and industry leaders. Across three timeframes, it paints a picture of the global risks landscape that is both new and eerily familiar, as the world faces many pre-existing risks that previously appeared to be receding.

Unless the world starts to cooperate more effectively on climate mitigation and climate adaptation, over the next 10 years this will lead to continued global warming and ecological breakdown. Failure to mitigate and adapt to climate change, natural disasters, biodiversity loss and environmental degradation represent five of the top 10 risks – with biodiversity loss seen as one of the most rapidly deteriorating global risks over the next decade. In parallel, crises-driven leadership and geopolitical rivalries risk creating societal distress at an unprecedented level, as investments in health, education and economic development disappear, further eroding social cohesion. The Report also sheds light on the rising rivalries risk not only growing geo-economic weaponization but also remilitarization, especially through new technologies and rogue actors.

The coming years will present tough trade-offs for governments facing competing concerns for society, the environment and security. Already, short-term geo-economic risks are putting net-zero commitments to the test and have exposed a gap between what is scientifically necessary and politically palatable. Dramatically accelerated collective action on the climate crisis is needed to limit the consequences of a warming world. Meanwhile, security considerations and increasing military expenditure may leave less fiscal headroom to cushion the impacts of an elongated cost of living crisis. Without a change in trajectory, vulnerable countries could reach a perpetual state of crisis where they are unable to invest in future growth, human development, and green technologies.

The report calls on leaders to act collectively and decisively, balancing short- and long-term views. In addition to urgent and coordinated climate action, the report recommends joint efforts between countries as well as public-private cooperation to strengthen financial stability, technology governance, economic development and investment in research, science, education, and health.

The Global Risks Report is a pillar of the Forum’s Global Risks Initiative which works to promote greater common understanding of short-, mid- and long-term global risks to enable learning on risk preparedness and resilience. This year’s report also examines how present and future risks can interact with each other to form a “polycrisis” – a cluster of related global risks with compounding impacts and unpredictable consequences. The report explores “Resource Rivalry”, a potential cluster of interrelated environmental, geopolitical, and socioeconomic risks relating to the supply of and demand for natural resources including food, water, and energy.

Global Risks Report 2023

Top 10 Risks

“Please estimate the likely impact (severity) of the following risks over a 2-year and 10-year period”



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

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