

**The Global Risk Map and Implications for Israel**

**Tomer Fadlon, Shmuel Even, Carmit Padan, and Meir Elran**

**The coronavirus crisis has raised public awareness of natural hazards and pushed them to the top of the global risk list. The World Economic Forum in Davos (January 2021) determined that infectious diseases are the highest risk in terms of their impact on the world in the coming year. In the medium term, even after the pandemic is over, the socioeconomic consequences of the coronavirus crisis will remain a leading risk. The forum also highlighted other natural risks, including extreme climate change and man-made environmental damage. In the socioeconomic field, the Davos forum calls for a transition from a distinctly neo-liberal approach, which advocates the free market principles, to an approach that promotes government intervention, as a platform for post-coronavirus economic and social recovery. In contrast, the military security risks received limited attention at the Davos Forum. Consequently, Israel is advised to give higher priority to natural hazards (pandemics, climate change, earthquakes) and their social, economic, and health implications – both because of their relevance to Israel and because it is essential for Israel to be an important actor in relevant decision making in the international arena.**

Each January, the World Economic Forum in Davos (WEF) presents a comprehensive overview of the global risk map for the coming year and ranks risks according to expert forecasts. The report is compiled in collaboration with the insurance and risk management giant Marsh & McLennan, and with 700 experts and decision makers from the private and public sectors around the world. The report presents the ranking of risks according to their levels of impact (damage) and the likelihood of their occurrence over different time periods. These two components give an idea of the extent of the damage of the risks. This ranking is intended to enable heads of state, decision makers, and managers in various fields to plan policy frameworks in light of the level of risks in the global environment.

**Global risks according to the WEF, 2021**

Level of Risk	By likelihood	By impact
1	Extreme weather	Infectious diseases
2	Climate action failure	Climate action failure
3	Human environmental damage	Weapons of mass destruction
4	Infectious diseases	Biodiversity loss
5	Biodiversity loss	Natural resource crises
6	Digital power concentration	Human environmental damage
7	Digital inequality	Livelihood crises
8	Interstate relations fracture	Extreme weather
9	Cybersecurity failure	Debt crises
10	Livelihood crises	IT infrastructure breakdown

Every year, the conference has a specific theme. In 2021, the theme was "The Great Reset," in other words, resetting the global economy in light of the effects of the COVID-19 crisis, which was defined as the main threat to the global system for the coming years. The discussions were designed to help public and private sector leaders in developed countries formulate solutions to the current crisis and plan for a better future. Klaus Schwab, the founder and chairman of the WEF, declared the "reset" as the economic policy the world should adopt with regard to the inevitable encounter with expected dangers and their implications for the socio-economic agenda. According to Schwab, "in the post-COVID era we must move on from neoliberalism." This is a message that is significantly different from the messages voiced by the forum in the past, which advocated capitalism free from restrictions and little government intervention. The coronavirus crisis has created a reality in which government intervention is necessary both to combat the pandemic and its aftermath, and to rejuvenate the economy and society. In addition, in this new framework, corporations are expected to change, show greater social responsibility, cooperate with governments in their field, and in the process, give minorities a voice and influence in decision making processes.

Infectious diseases and their consequences have always appeared as a prominent risk factor in the report. Last year this risk was rated in tenth place, after risks associated with the climate crisis. Following the coronavirus crisis, it naturally jumped to first place – both in the risk category according to the degree of its lateral impact and in the list of immediate risks for the next two years. Following this were the predictable risks, including extreme climate events, digital inequality, and cyber security failures. Wars and terrorism are not among the ten more likely risks, although ranked eighth is the risk of inter-state crises (potentially slipping into violence).

The report emphasizes that environmental issues are the highest risk to humanity's future, and in doing so notes the social and economic consequences of the coronavirus pandemic, which threaten to produce social instability as a result of widening inequality,

digital disparities, erosion in social cohesion, political fragmentation, and geopolitical tensions. All of these will limit the effectiveness of responses to global risks and thus threaten to undermine the resilience of countries. At the same time, the increasing weight of natural risks in the global ranking may create an opportunity for international cooperation, led by the Biden administration, especially in the field of climate change. The report also addresses the expansionary fiscal and monetary policies pursued by governments to address the consequences of the pandemic, which could pose widespread economic risks over the next few years. These are expected to be characterized by asset bubbles (excessive increases in real estate prices, stocks, and other assets, independent of the real economy), price instability, and extensive debt crises that will swell due to government deficits, which were intended to cover pandemic-related damage.

The report predicts that as a result of the coronavirus crisis, four out of five risks in the medium term of 3-5 years will be economic in nature. In the long run, 10 years, the risk with the widest consequences (but not among the most likely risks) is the proliferation of weapons of mass destruction, after the environmental risks, including natural resource crises, loss of biodiversity, and failure to address the climate crisis. In all three time-ranges presented in the report (near, intermediate, and long term), it is precisely the security issues, which bear much weight in the Israeli discourse, that receive very limited attention from the forum. Global economic, environmental, and health issues are at the forefront.

### **Implications and Recommendations for Israel**

While global attention is channeled most directly to natural risks and their consequences, including pandemics, global warming, the refugee problem, food security – issues that are also at the top of the Biden administration's agenda – at the top of the Israeli agenda are usually conventional security issues, with the pandemic being a notable exception. The question is to what extent Israel will adopt the priorities arising from the global forecast, which the Biden administration also takes very seriously. Until now, the Israeli focus in these areas has been minimal and limited to rhetoric.

Climate change is an essential issue for Israel, due to the many risks involved (desertification processes, flammability, floods, damage to ecological diversity, migration, and change in population distribution). At the same time, it enables Israel to integrate into the global agenda in civilian areas. In the field of dealing with climate change and other civic issues, Israel can occupy a place at the top of the world in terms of research and development and advanced industry capabilities, as it does in the cyber realm.

Israel has a high and multidimensional dependence on countries around the world. For example, Israel's exports constitute 29 percent of GDP (2019 data), so GDP growth and employment growth are largely conditioned by demand from abroad. Connecting to the world allows Israel, inter alia, to learn ahead of time about trends in the coronavirus pandemic, frequent changes in viruses, methods of defense against them, and methods of helping the affected population. It also allows Israel to enjoy vaccines developed and marketed by foreign companies. Thanks to its intelligent situation analysis and swift response, Israel is a leader in providing coronavirus vaccines to the population. However, Israel could be severely harmed economically and socially if the pandemic continues to spread around the world, even if it is curbed in Israel.

The coronavirus crisis amplifies the digitization process that carries with it opportunities alongside risks. In terms of risks, there has been a sharp increase in the dependence of countries, including Israel, on digital infrastructure, which will continue to grow even after the coronavirus crisis. Such dependence also intensifies the risks inherent in the cyber realm – risks from criminal elements and from enemies such as Iran, as well as malfunctions in vital infrastructure systems. Israel is now considered a cyber power, but the rapid changes in this area require constant and accelerated progress, such as expanding the capabilities of the economy (see, for example, a cyber hack on the insurance company Shirbit on December 1, 2020). Since cyber is a global realm, it is expected that increased efforts will be made in the world to regulate related international activity. Israel must increase cooperation with foreign countries to improve its defensive capabilities in this area.

Increasing inequality (including digital inequality) and the alarming erosion in social cohesion are also perceived as an increasing risk to state stability, which has intensified in the wake of the pandemic. The crisis has hit mainly developed countries, the middle class, and underprivileged groups, while the upper deciles have suffered far less (and in some cases even prospered). This phenomenon deepens the gaps and social inequality and creates risks to internal and inter-state stability. The deterioration in stability may be reflected in calls for the creation of a new socioeconomic order in different countries, even in the face of violence. Israel ranks high in socioeconomic disparities among developed countries, and suffers from a prolonged political paralysis that exacerbates the division within it and presents it not only with an economic and social challenge but also with a governance challenge, which undermines the management of the coronavirus crisis.

Israel is not sufficiently prepared for acute environmental risks. This is particularly noticeable in the very limited preparedness of civilian systems for earthquakes and climate change, which can cause severe, extensive damage. The very low priority given

to the preparedness required for natural dangers is manifested in the absence of a significant inclusive government mechanism dealing with mass disasters, as well as the lack of a series of responsibilities and authority between the various systems (civilian and military). The National Emergency Management Authority, established in 2007 following the Second Lebanon War, has dealt mainly with security risks on the civilian front, and its involvement in the coronavirus crisis is marginal. Therefore, one of the lessons of the coronavirus crisis for Israel is the need for an integrative government system, which would promote Israel's ability to deal with disasters of all kinds, according to an "all risks" approach, whereby the source of the disaster is less important than the preparation and response to its consequences and the systemic treatment of the victims of the disaster in various circles.

Focused attention on orderly preparation in the face of risks from nature that spawn wide circles of socioeconomic damage requires in Israel not only new and creative thinking, but also systemic organization and considerable investment – along with the investments that will be required for economic and social recovery after the crisis has subsided. This will have significant budgetary implications, which require careful consideration of national priorities, in the face of foreseeable civilian and security risks.