

RIGHTS AND WRONGS AT THE DAVOS FORUM

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The Davos Economic Forum, which meets this month, shows some inconsistency between the conferences and debates, and its report on global risks. Their annual report is an important part of this meeting, which is possibly the most relevant of the "globalized elite" that has met annually in this Swiss city since 1971. This year's report determines the most important risks in the coming two and also ten years. In the short-term, five are environmental risks (natural disasters due to extreme weather events; failure to mitigate climate change; large-scale incidents generated by it; failure to adapt to climate change; and crisis over the supply of natural resources); three are social (inflation; social erosion due to polarization; and large-scale immigration due to forced causes); one is geopolitical (geoeconomic confrontation) and the other scientific-technological (threat of cybercrime and cyber insecurity). Paradoxically, there are no economic risks, although they are the reason for the existence of the Forum. The study was carried out based on personal surveys of economists from international organizations, banks, consultants and government officials in this discipline. Despite the war in Ukraine and its implications, the only geopolitical risk that was included is the geoeconomic confrontation, third as a priority in the short term and ninth in the long term. The words "war", "militarization", "geopolitical tensions" or "nuclear escalation" are never mentioned among the top ten risks. Neither the war in Ukraine, nor the rivalry between the United States and China for global hegemony are considered a risk for the next two to ten years.

The concept of "polycrisis" is the new notion in this report. Inflation appears in a priority place in the short term, but paradoxically it is considered a social risk, not an economic one. The only scientific-technological risk that is mentioned (in eighth place in priority, both in the short and long term) is cyber-threats, but it is not linked to geopolitical interests or its use in warfare. The risk of nuclear escalation in the next two years by Russia in the Ukraine conflict is not mentioned either. The questionnaire that was used to carry out this study included 32 risks -among which were the 10 above- and on them the concept of polycrisis is articulated, linking those of the economic area with the social,

geopolitical, scientific-technological and environmental risks. The pandemic triggered the issuance and subsequent inflation and the war with Ukraine, the reduction in the export of cereals, the increase in the price of food and the rise in the cost of energy. Actually "polycrisis" is not a new concept, but rather an attempt to reformulate the systemic interaction that often occurred in history. But while the risk report is clearly neutral, imprecise and debatable, the presentations dealt with specific issues of reality. The wife of Ukrainian President Volodimir Zelenskyy, Olena Zelenska, spoke about the "dramaticity" of the war in Ukraine; the head of the European Commission, Ursula von der Leyden, did so on the same subject, but from the economic and military point of view of Brussels' support for Kyiv, while the Chinese vice-premier, Liu He, did so on the need to face "deglobalization" with a greater commercial opening, warning about the risks of a new cold war in the economic and commercial field. This topic was clearly disconnected from the risk report.

As an example, it is worth mentioning the analogous report of the year 2007, released in the prelude to the economic crisis unleashed by the US real estate market. Then, the study was financed by the Davos Economic Forum, Citi Corp, the Swiss Re insurer and was carried out by the Center for Risk Studies at Wharton University (United States). It evaluated risks by their probability of occurrence. a) The four that were given a 10-20% chance of occurring were: a shock in oil prices, China's "hard landing" (both were attributed a cost between \$250 million and \$1 trillion dollars); a collapse of critical information infrastructure; and fourth, the development of chronic diseases in developed countries, which would cost between 50 and 250 trillion dollars. b) With an occurrence level of between 5 and 10%, it predicted a global collapse of the asset markets, in which the real estate sector of the United States would be relevant, with a cost of more than a trillion dollars; crises unleashed by "failed states", such as the case of Iraq then, which were assigned a cost of approximately 50 trillion dollars; and actions of international terrorism and failures in the proliferation of weapons of mass destruction, the cost of which would be between 10 and 50 trillion dollars in both cases. c) With a probability of occurrence of between 1 and 5%, a wave of globalization reversal was mentioned, the cost of which would be greater than a trillion dollars; an avian pandemic spreading around the world, which could cost another trillion dollars or so; a strong fall in the price of the dollar that would cost close to 250 trillion dollars; and a crisis derived from climate change, such as a great tsunami that

would spread throughout the world. This is a precise analysis that shows, 16 years later, the success in predicting the pandemic in two of the twelve risks, while half of those twelve had partial concretions in the following years.

But where this edition of the Davos Forum showed a strategic success was during its presentations and debates, where it was assumed that China and Russia are different and do not constitute the same threat. With the war in Ukraine, the West accentuated its view that the two largest military powers outside the West have the same authoritarian political system, questioning them together. The Davos Forum presentations have not fallen into this category. That is why the presentation by the Chinese vice-premier, Liu He, who urged to open trade and avoid falling into a new “cold war” with its consequent effect of deglobalization, was central. As mentioned above, he shared the opening of the Forum with Zelensky's wife and the President of the European Commission. Both at the last G7 Summit and at the NATO Heads of Government Summit, Russia was characterized as a “threat” and China as a “challenge”. Following that, Nancy Pelosi's visit to Taiwan escalated military tension with China. This created an increased risk of military conflict that spilled over into Japan and South Korea. In economic terms, it was argued that microchips played a role in the conflict, given the importance of both Beijing and Taipei in their manufacture. This led the United States to adopt protectionist measures in the search for "self-sufficiency" in the production of these inputs. This is an example that would fit the concept of “polycrisis”. For her part, the head of the International Monetary Fund, Kristalina Georgieva, made her contribution for the short term, mentioning the combination of war in Ukraine, inflation and rising interest rates, as the most threatening scenario in the short-term.

In conclusion: the Davos Economic Forum shows a divergence between its report on global risks and the debates and discussions that took place at the venue. The report raises the concept of "polycrisis" as a feature of this global situation, but it deals with the consequences that conflicts have historically had in different fields, especially wars. The report presented in Davos 16 years ago showed a more precise methodology, determining risks, their probability of occurrence and their eventual economic cost, which demonstrated a significant level of success. Lastly, where the Forum was right was in seeing China as an option to avoid deglobalization, avoiding characterizing it as a systematic ally of Russia.