Policy brief

G20 ANNUAL GLOBAL RISK REPORT

SEPTEMBER 2021

REN Lin Institute of World Economics and Politics, Chinese Academy of Social Sciences
We recommend issuing an annual report on “Global Risk”, which would become a flagship product of G20 with support from T20. By ranking the top global risks in the report, G20 could help improve the efficiency of the distribution and use of resources, namely global public goods. The report could enhance G20’s enforcement power by setting up a precautionary mechanism in the form of a specific task force or panel discussion of a related international organisation, such as the WHO, WTO or UNIDO. G20 could delegate the task of report drafting to T20, since T20 could call for think-tankers from various research backgrounds across the globe to identify global risks and explore global solutions. The annual report on “Global Risk” could contribute to T20 reform, because this joint work on an annual basis could give more consistency to T20’s work and strengthen communication between think-tanks.
CHALLENGE

There are challenges in several dimensions. Firstly, the world is facing a rising governance deficit and a public goods deficit, yet it is very difficult to overcome such deficits. Therefore, it is of paramount necessity to improve the efficiency of the distribution and use of the limited resources in the most urgent areas of global governance. Secondly, G20 may lack sufficient enforcement power due to its low degree of institutionalisation. G20 has insufficient coordination with other formal multilateral platforms such as the WHO, IMF and World Bank. Thirdly, emerging global challenges call for more and more knowledge-based guidance provided by T20. T20 needs reforming too, and this annual product could give more consistency to T20’s work, while enhancing contact between think-tanks. Last but not least, with regard to the provision of global solutions, epistemic participation is absent. Dealing with global issues requires a joint effort by top experts, which could be organised by T20 through working on this annual assessment of global risks.
An annual report on “Global Risk” would become a flagship product of G20 with support from T20. Since G20 aims to serve as a vital coordinating mechanism of global governance and multilateral institutions, it should approach its goals with better knowledge preparation. Since the annual report on “Global Risk” would identify the possible predominant global risk in the coming year, it would help G20 coordinate with certain multilateral platforms, such as the WHO, IMF or World Bank to set up a precautionary mechanism for dealing with problems.

The annual report on “Global Risk” would serve the purpose of knowledge preparation and improving the efficiency of the distribution and use of resources, namely global public goods in our case. Global governance can be defined as the sum of the multilateral platforms, rules and regulations (such as G20) established by the international community with multi-power centres, which are mainly constituted by countries; or, in the absence of a world government, the process whereby international players make efforts to overcome the global issues (risks, problems and challenges) brought about by globalisation, through collective action, during which governance failure happens frequently due to the deficit of global public goods. Therefore, global governance needs to overcome the public goods deficit. Once the possible predominant risks are identified through an annual report on “Global Risk”, G20 could coordinate resource distribution with improved efficiency, thus helping pool our resources to meet the most urgent demands. This would also alleviate public goods deficits in priority areas, such as global public health governance, which saw the most urgent demand for global public goods in 2020. G20 calls for the allocation of more resources in this area.

The annual report on “Global Risk” could enhance G20’s enforcement power. It suggests coordination between G20 and certain vital international organisations by setting up specific task forces based on the possible predominant global risks identified. Since G20 aims to serve as a vital coordinating mechanism of global governance, working with multilateral platforms is the core action of its enforcement. After identifying the predominant global risk in the coming year, G20 could set up a precautionary mechanism in the form of specific task forces or panel discussions of related international organisations, such as the WHO, WTO or UNIDO. This would also empower G20 from a professional and enforcement point of view.

Concerning the manner of execution, G20 could delegate the task of report drafting to T20. Globalisation has led to the increased prominence of global issues. Global issues touch upon a large range of areas, such as climate change, instability of the global trade and financial system, destruction of resources and environment, the spread of infectious diseases, etc., all of which call for a comprehensive group of experts, not only from academia, but also from
industry, media and policy circles, due to the broad need for professional knowledge. T20 is the convener of think-tankers from many research backgrounds all over the world. It was born as the best epistemic community to identify global risks and seek global solutions. Besides T20, the report could absorb other findings or members from the epistemic community, or cooperate with other organisations. For example, during our task force’s discussion, Dr. Jerome C. Glenn suggested that they could create a “UN Office of Strategic Risk” to join the annual global risk assessment initiated by T20.

Last but not least, the annual report on “Global Risk” could contribute to T20 reform, since this annual product could give more consistency to T20’s work and enhance contact between think-tanks. Each year, the leading think-tanks of the T20 “presidency” could organise the related works, such as joint pre-research, establishing expert-scoring systems, surveys by questionnaires, or final reports. For example, during our task force meeting, each participant could suggest some global risks, and the leading think-tanks of the T20 “presidency” would collect the suggestions and develop a questionnaire, with a well-designed expert-scoring system. The questionnaire would be sent out to the T20 participants again for scoring and ranking. The proposed global risks would be evaluated by score, and the top 10 would be written into the global risk list. The global risk list could provide further explanation by means of yearly discussions in the presidency year. The final report could serve as an enduring product of T20 and also be submitted to the G20 summit. In order to distinguish it from other Global Risk reports, such as the Davos Forum Global Risk report, the G20 global risk report might focus on global issues caused by globalisation that require multilateral solutions. Therefore, the target audience of the report is not only G20 countries, but also the related professionals, international organisations and multilateral mechanisms/processes, such as the UNDP, IMF, WB, UNESCO, WHO, Paris Dialogue on Climate Change, etc.

**STEPS IN DEVELOPING THE “GLOBAL RISK REPORT”**

It is becoming increasingly necessary to give a multidimensional and systematic review of the global risk governance system. In the post-pandemic era, people need to focus on improving global governance, while dealing with possible long-term systemic risks.

To begin with, a fixed mechanism for producing the annual report should be developed. For the sake of consistency, each T20 could have one fixed group of experts (a small group) to observe and give recommendations to the annual T20 presidency institutes. The group could be very small, but would nonetheless help ensure the consistency and quality of the report, together with the annual T20 presidency institutes. The annual T20 presidency institutes would oversee report production each year, from distributing and collecting questionnaires, to analysing the data and producing the final report.

The first step in drafting the annual report would be to figure out what the potential global risks are. Based on a comparative study of risk reporting by other institutes and the observations of our global governance research team, we initially identified the basic global
risks. Here are some emerging global risks or challenges of globalisation, which we suggest should be integrated into the annual report on “Global Risk”. Further global risks could also be included later, after the epistemic community discussion within the framework of T20.

1. **Rapid Spread of Deadly Diseases:** deadly diseases such as AIDS or other infectious diseases can spread rapidly via the increasing population flow. In 2021, Covid-19 will not only continually to endanger lives, but also to harm political stability and the global economy. The pandemic could leave a massive debt crisis, widespread unemployment and homelessness.

2. **Climate Change & Environmental Degradation:** concerning environmental degradation, human over-exploitation of resources, waste production and other activities could cause regional or cross-regional environmental disasters.

3. **Weapons of mass destruction:** the term “weapons of mass destruction” (WMD) covers nuclear, chemical and biological weapons. To date, there are still not enough treaties or international laws to provide an authoritative definition or regulate all countries and other entities’ behaviours in this arena.

4. **Financial Instability and the Risk of Financial Crisis:** this refers to serious chaos in major financial fields, such as currency crisis, banking crisis and foreign debt crisis. In the globalised world, currency exchange rates are likely to fluctuate significantly, impacting the stability of national currencies, even leading to financial turbulence and crisis. In March 2020, US stocks experienced the largest one-day decline since October 1987, and a circuit breaker has been triggered due to the Covid-19 pandemic.

5. **Debt Risk Rises Sharply with the Global Economic Decline:** in the last 40 years, the amount of almost all local debt has increased. When the private sector’s lending capacity is taken away due to a crisis, the government needs to step up to fill the gap. According to an IMF report, a new debt risk has arisen from the COVID-19 pandemic.

6. **Digitalisation & Lack of Regulation:** digitalisation is one of the main trends of the future. A deficit of governance, however, has led to a lack of rules and regulations. A slowdown or halt to the flow of data across borders will disrupt business models that rely on free flows. Just as the data-driven 5G and artificial intelligence (AI) revolutions are gaining momentum, not only governments but also average citizens are concerned about who is accessing their private data.

7. **Growing Disparities between Rich and Poor:** the UN Development Program reports that 86% of the world's resources are consumed by the richest 20% of the world population. During the COVID-19 pandemic, the capability to produce and distribute resources, such as vaccines, has widened the gap between rich and poor, both domestically and internationally.
8. **Immigration Problems and Job Losses**: Immigration is a phenomenon of globalization, which not only includes large-scale involuntary migration caused by conflict, disaster, environmental and economic factors, but also legal immigration, which can cause problems as well. For example, nationalism rises because of the belief that immigrants “take domestic jobs away” and the fact that companies move production overseas to save on labour costs.

After collecting a basket of issues, the second step is to establish an expert-scoring system, in preparation for delivering a survey by questionnaire on behalf of T20. The expert-scoring system could be divided into columns, with headings such as “degree of urgency”, “degree of governance deficit” and “recommended international organisations to deal with the issues concerned”.

The third step is to distribute the questionnaire. The T20 presidency institutes would oversee the development of the expert-scoring system and the questionnaire. Afterwards, the annual T20 presidency institutes would distribute the questionnaires and collect them on completion.

The fourth step is statistical analysis and final reporting. After the collection of data from the questionnaires, the annual T20 presidency institutes analyse the statistics, including the perceived urgency of the risk, the prediction of future impact, the degree of governance deficit and the recommended international organisations for G20 to coordinate with.

In order to better identify the risks that the world may face in the future, we plan to conduct a visual analysis of the questionnaire’s data. The questionnaire mainly collects the risk perception of experts. The value of perception is rated from 1 to 5 points, where 1 is the lowest risk perception and 5 is the highest. Combined with the existing relevant data (such as data from the World Economic Forum on risk impact), the paper constructs a two-dimensional matrix of “perception-impact” to identify the possible impact of different types of risks on the future development of the world. The scores of the respondents in their respective fields are then summed up to calculate the arithmetic average.

\[
\text{risk emergency perception}_i = \frac{1}{N_i} \sum_{n=1}^{N_n} \text{risk impact}_{i,n}
\]

Next, we compare the distribution of global risks shown in the visual chart against the degree of governance deficit. If the perception of emergency and degree of impact are high, while the governance deficit is serious, this global risk should be prioritised on the list, which means that T20 should advise G20 to put more energy and effort into coordinating the relevant international organisations to push forward governance in the areas of concern.

In the report, except for these long-standing major risks, there might be some notable changes in the new edition in the coming year. For example, due to the increasing risk of infectious disease, some major risks in 2020 might drop to a lower degree of priority. The
T20 Italy or other T20 presidency think-tanks in the future could consider the consistent and shifting lists of global risks, since not only the global risks in the given year are important, but so too are any changes in tendency. On the basis of the changing ranking of major global risks, T20 could advise G20 to reallocate the limited resources in order to resolve global challenges more effectively.

1-1 Major Risk

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Infectious Diseases</td>
<td>WHO</td>
<td>tbc</td>
<td>tbc</td>
</tr>
<tr>
<td>2 Climate Change &amp; Environmental Degradation</td>
<td>Paris Progress</td>
<td>tbc</td>
<td>tbc</td>
</tr>
<tr>
<td>3 Weapons of Mass Destruction</td>
<td>NPT, CWC, BTWC</td>
<td>tbc</td>
<td>tbc</td>
</tr>
<tr>
<td>4 Financial Instability</td>
<td>IMF, WB</td>
<td>tbc</td>
<td>tbc</td>
</tr>
<tr>
<td>5 Debt Risk with Global Economic Decline</td>
<td>G20, WB</td>
<td>tbc</td>
<td>tbc</td>
</tr>
<tr>
<td>6 Digitalisation &amp; Lack of Regulation</td>
<td>G20</td>
<td>tbc</td>
<td>tbc</td>
</tr>
<tr>
<td>7 Growing Disparity</td>
<td>UN, WB, G20</td>
<td>tbc</td>
<td>tbc</td>
</tr>
<tr>
<td>8 Immigration Problems and Job Losses</td>
<td>IOM</td>
<td>tbc</td>
<td>tbc</td>
</tr>
</tbody>
</table>

Besides ordering the global risks according to the statistical calculations of the experts, the report could include some additional analysis. The priorities of global governance might shift due to the degree of emergency and governance deficit each year. Furthermore, certain global issues might have spillovers in other areas of concern. The global risk report should therefore include this kind of analysis. For example, after the outbreak of COVID-19, the emergency and priority of global issues might change, so we might have to provide an in-depth review of the major risks the world is facing in the post-pandemic era.

First, the impact of infectious diseases has increased rapidly, rising to a higher ranking. This reflects the global academic community’s deep awareness of the full impact of the pandemic. Second, it could have spillovers, since the short-term and medium-to-long-term impacts of the pandemic on the global economy cannot be ignored. Apart from possible economic stagnation and recession in the short-term, the pandemic may also lead to cer-
tain foreseeable threats, such as the bursting of asset bubbles, price instability, commodity price shocks and debt crises in the medium-to-long-term. Furthermore, it has also caused a major loss of jobs and working hours, leaving some groups of people facing livelihood crises, which is likely to harm low-income groups in the medium-to-long-term and therefore further exacerbate social inequality.

Above all, the final report includes a statistical analysis, the related impact analysis and a recommendation to the G20 concerning international organisation coordination and governance deficit removal. After finalising the report, the annual T20 presidency institutes will be responsible for launching the report at the T20 summit and presenting it to G20.
REFERENCES


Ren Lin, “How can the G20 make a good life after the crisis”, World knowledge, vol. 4, no. 24, 2014, pp. 46-47


Wu Zhicheng and Liu Peidong, “China’s perspective on promoting multilateralism and global governance”, World economy and politics, vol. 4, no. 9, 2020, pp.23-44

ABOUT THE AUTHORS

**REN Lin** Institute of World Economics and Politics (IWEP), Chinese Academy of Social Sciences (CASS), Beijing (China)

Senior Research Fellow and Director of the department of Global Governance, Institute of World Economics and Politics, Chinese Academy of Social Sciences. She teaches Global Governance, International Cooperation and Development for graduate programs of the University of Chinese Academy of Social Sciences and the Ministry of Commerce. Her research areas include International Political Economy, global governance, and European foreign policy.