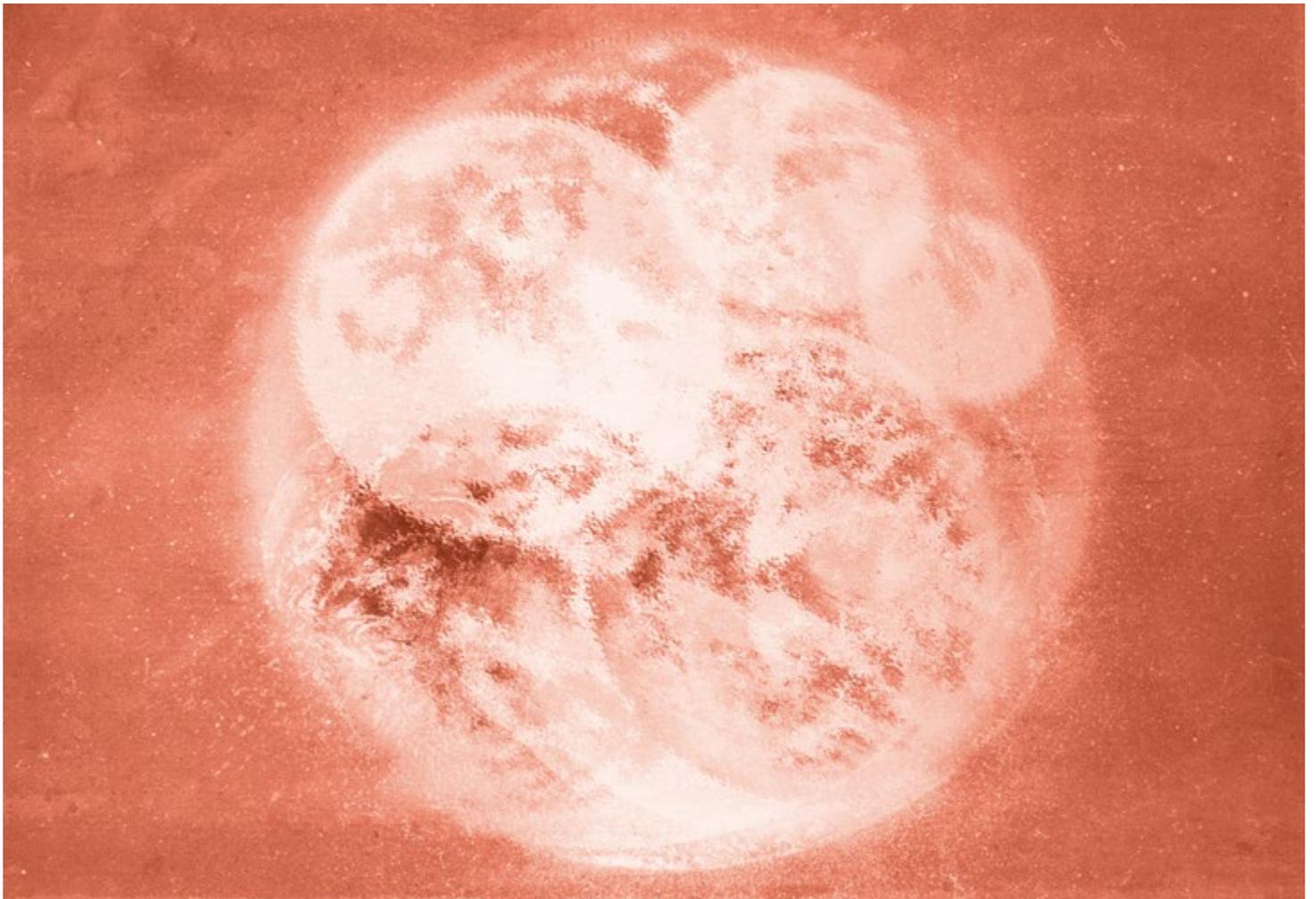


Insight Report

Regional Risks for Doing Business 2019

In partnership with Marsh & McLennan Companies and Zurich Insurance Group



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Regional Risks for Doing Business 2019

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Preface



Mirek Dušek
Deputy Head for Regional and
Geopolitical Affairs
Member of the Executive Committee

A handwritten signature in black ink, appearing to be 'M. Dušek'.



Emilio Granados Franco
Head of Global Risks and the
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A handwritten signature in black ink, appearing to be 'E. Granados Franco'.

The world in 2019 is both more intertwined and more complex than ever before. While interconnections have brought some measure of stability in past decades, through dependable trading relationships, for example, tightly wound systems are becoming more vulnerable. Across every realm – cyber, environmental, economic, geopolitical, societal – we are seeing fraying threads in the fabric that cloaks society. Our global risks work serves to signal which threads, when pulled, could lead to an unravelling of entire systems.

This complex and interconnected global system affects developments at the regional level as well as the global. For this reason, in 2018 the World Economic Forum piloted its first *Regional Risks for Doing Business* report, offering a business perspective on the impact of global risks and illustrating how they are experienced differently in each region. In today's fraught geopolitical context, we also recognize the increasing importance of regional coordination and hope this report will help shape each region's agenda vis-à-vis the global risks landscape.

Our *Regional Risks for Doing Business* report is part of an expanded risks workstream anchored by the *Global Risks Report*, which we publish each year ahead of the Forum's Annual Meeting. We have also begun exploring regional risks landscapes in more depth through analyses meant to serve as springboards for discussion among stakeholders at the Forum's regional summits. Soon we will also begin working on analysing global risks in specific industries.

The rationale behind this expanded risks workstream is to help our stakeholders explore the nuance in global risks as they are felt across economies, regions and industries, and navigate leadership at a time of unparalleled complexity. Our goal in breaking down and analysing global risks across these realms is to increase awareness, promote long-term thinking and encourage collaboration among stakeholders. We hope that this year's *Regional Risks for Doing Business* report will help move the needle for regions aiming to play an increasingly pivotal role in the years ahead.



A trader works on the floor of the New York Stock Exchange (NYSE). REUTERS/Eduardo Munoz

Introduction

Top ten business risks of highest concern globally

- | | |
|---|---|
| <ol style="list-style-type: none"> 1. Fiscal crises <hr/> 2. Cyberattacks <hr/> 3. Unemployment or underemployment <hr/> 4. Energy price shock <hr/> 5. Failure of national governance <hr/> | <ol style="list-style-type: none"> 6. Profound social instability <hr/> 7. Data fraud or theft <hr/> 8. Interstate conflict <hr/> 9. Failure of critical infrastructure <hr/> 10. Asset bubble <hr/> |
|---|---|

With heightened economic uncertainty and increasingly decentralized threats, regional understanding of risks – as well as the opportunity for cooperation – is critical.

An opportunity for regions

The signals of a global economic recession in the short term are strong, and the impact that such a shock would have on current government policies is worrying the global business community. It is also a major cause for concern that stakeholders worldwide might not be able to come together, if coordination has not begun already, to craft a global response to such a risk. As the global financial crisis of 2008–2009 demonstrated, global cooperation is our most effective tool to address systemic challenges, but it is

not the only one. Regional agency can also lead to important actions. To that end, mapping the risks landscape from a regional perspective is fundamental for stakeholders to hedge against the probability of lack of global cohesion. This is the context in which we publish the second edition of our *Regional Risks for Doing Business* report.

Economic weakness and social distress

The world economy has been treading a flatter growth path since the structural shock of 2008–2009.

However, the symptoms of a fragile economy have become more manifest this year. In the second quarter of 2019, all seven of the world’s largest economies, which account for 60% of global production, grew at slower rates compared to the same quarter of 2018. Total debt levels have also increased substantially to a record-high 225% of global GDP, albeit with considerable variations between countries.¹

Lower growth and higher debt increase the likelihood of “fiscal crises”, the risk that respondents

The world's seven largest economies

Sources:
* World Bank
† OECD ‡ IMF

| | Share of global GDP 2018 * | Annual GDP growth † | | Government debt to GDP ‡ | |
|----------------|----------------------------|---------------------|---------|--------------------------|--------|
| | | Q2-2018 | Q2-2019 | 2007 | 2017 |
| United States | 23.9% | 3.2% | 2.3% | 64.8% | 105.2% |
| China | 15.9% | 6.7% | 6.2% | 29.0% | 47.0% |
| Japan | 5.8% | 1.4% | 0.8% | 175.4% | 237.6% |
| Germany | 4.7% | 2.1% | 0.4% | 63.7% | 63.9% |
| United Kingdom | 3.3% | 1.4% | 1.2% | 41.7% | 87.5% |
| France | 3.2% | 1.9% | 1.4% | 64.5% | 96.8% |
| India | 3.2% | 7.9% | 5.1% | 74.0% | 71.2% |

to our *Executive Opinion Survey* identified as their top concern when doing business. “Fiscal crises” ranked sixth in the adjusted 2018 results (see Methodology), which illustrates chief executive officers’ increasing worry regarding weaker public finances in their regions. It is also the only risk that placed in the top ten in every region, ranking highest in the Middle East and North Africa (second) and lowest in South Asia (ninth). At the domestic level, “fiscal crises” appeared as a top ten risk in 97 of the 133 economies (see Results at a glance).

When governments are under increasing pressure from scarce revenues and unmanageable indebtedness, spending cuts or higher taxes typically follow to preserve macroeconomic stability. Either of these measures is felt first and primarily by the most vulnerable groups of the population: citizens that depend on the provision of public goods and services; households whose income is especially sensitive to price fluctuations; and workers whose jobs could be threatened by a weak labour market. A global public finance crisis is deeply related to four of the other top 10 risks about which chief executive officers are most worried: “unemployment or underemployment”, “energy price shock”, “failure of national governance” and “profound social instability”.

Global unemployment decreased to just below 5% in 2018, its lowest

level in 10 years.² Nevertheless, a global recession at a time of narrow fiscal margins and rapid technological change would make it much more difficult for both business and governments to continue to create new and well-paid job opportunities. A potential consequence of such a scenario, “unemployment or underemployment”, ranked first by the greatest number of economies (30 out of 133) and third globally this year. It was also the top risk in sub-Saharan Africa, the world’s youngest region.

“Energy price shock” is another risk that deeply concerns the private sector, although one that can materialize in the responses for different reasons. In the Middle East and North Africa, this risk ranked first and “fiscal crises” second. Oil and gas remain primary sources of public revenue in this region, so a sharp fall in energy prices could require governments to make delicate spending adjustments, and more so when energy prices are heavily subsidized. Alternatively, a shock in which energy prices spike rather than plummet would mean increased production costs for businesses and heftier burdens for households: 65% of the world’s electricity is still produced from oil, gas and coal.³ A third cause for concern, demonstrated by recent attacks on critical oil infrastructure in the region, is that “energy price shocks” are not only linked to market forces, but also to geopolitical tensions

that endanger the supply of this basic commodity. Businesses are likely experiencing heightened uncertainty around energy markets because of this risk. The timing of the survey, however – January to April – coincided with an increase in international oil prices from \$45 to \$66 per barrel.⁴

An economic slowdown would likely exacerbate deeply felt social dissatisfaction. This risk also concerns business executives, who identified “failure of national governance” and “profound social instability” as the fifth and sixth global risks for doing business. If public finance crises force a shrinkage of the welfare state, even more social disruption could be created. “Failure of national governance” was the number one risk in Latin America and the Caribbean, while “profound social instability” topped the list in Eurasia. Yet, as we analyse these two regions, economics is not the only reason why political and social risks rank so high. In Latin America and the Caribbean, for example, the risk of governance failure is also motivated by anxiety around corruption and physical insecurity. In Eurasia, geopolitical tensions and electoral disputes are driving a sense of social instability.

Cyberattacks evolve and diversify

We track five risk categories throughout our *Executive Opinion*

Survey and Global Risks Perception Survey: economic, environmental, geopolitical, societal and technological. Technological risks is the only category ranked in the five most pressing concerns by both sets of respondents. “Cyberattacks” and “data fraud or theft” are the second and seventh global risks most likely to increase within the next 10 years in the eyes of the world’s private sector, and were perceived as the fourth and fifth biggest risks by the broader multistakeholder network surveyed for the *Global Risks Report 2019*. The fact that cyberthreats worry the business community as much as they do academia, civil society, governments and other thought leaders shows just how disruptive this risk is to all aspects of life.

As economies and societies continue to digitize, cyberattacks are both more lucrative for attackers and more dangerous for victims. According to this year’s *Annual Cost of Cybercrime Study*, conducted by the Ponemon Institute in conjunction with Accenture, cybercrimes cost companies on average 12% more between 2017 and 2018.⁵ At the same time, Symantec warns in its

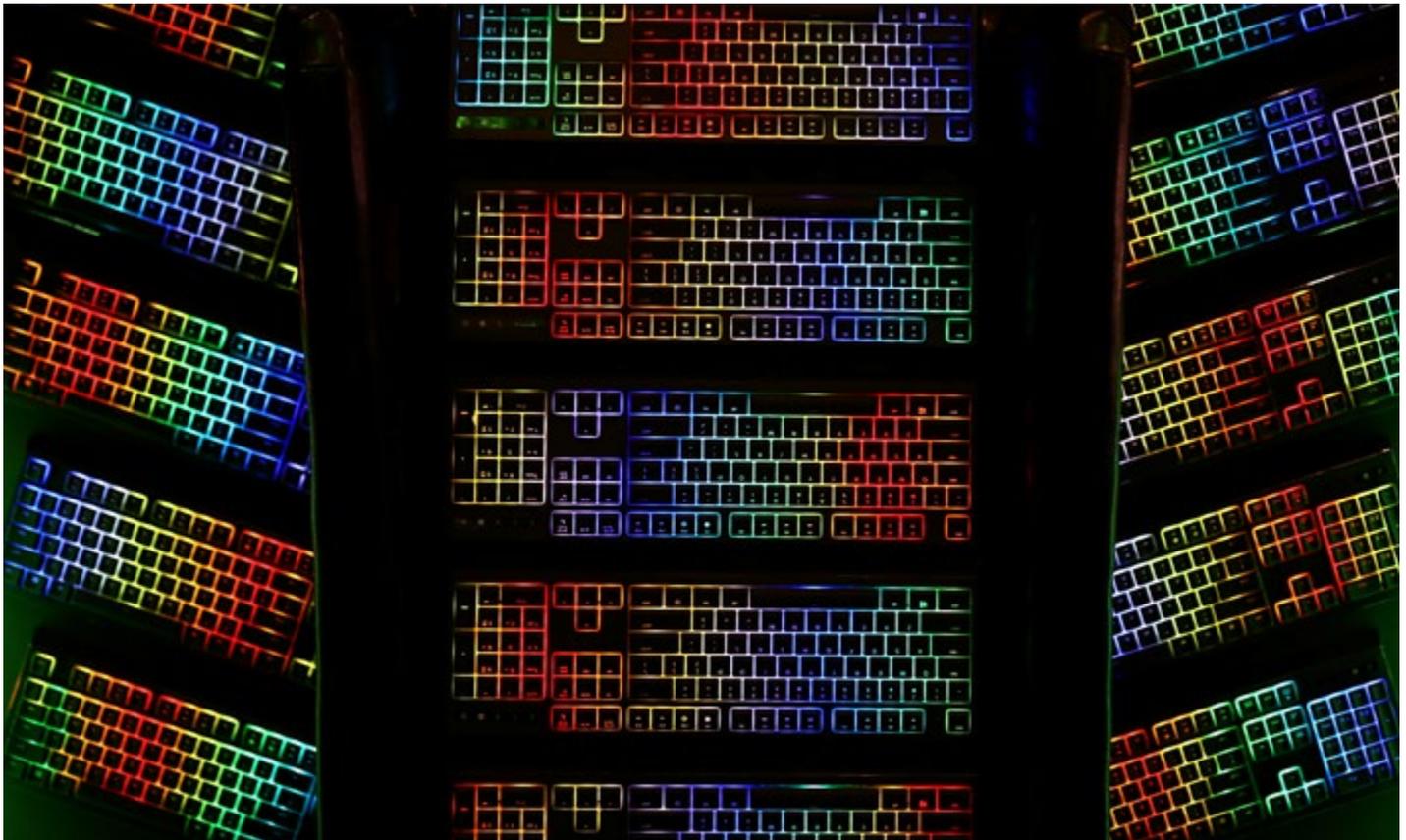
Internet Security Threat Report how new forms of cyberthreats are emerging – such as *formjacking*, a malicious code that steals purchase forms from e-commerce websites – as companies and people continue to remain exposed to more ubiquitous forms of ransomware and cryptojacking.^{6,7} Detecting, defending against and deterring new cybercrimes are as important as managing known threats.

“Cyberattacks” are the most pressing risk for chief executive officers in Europe and North America, and in six of the 10 largest economies: the United States, Germany, the United Kingdom, France, Italy and Canada. These regions have been the subject of multiple and notable incidents over the past year. The LockerGoga ransomware was used to attack prominent industrial and manufacturing companies in France, Norway and the United States; digitized public services were breached in multiple cities in the United States, including Atlanta and Baltimore; and the European Central Bank shut down an external website after it detected a possible compromise of personal data.

Environmental challenges for business

As opposed to the *Global Risks Report*, which gathers survey responses from the Forum’s global multistakeholder network (see Methodology), this report is based on responses to our *Executive Opinion Survey*, which polls the private-sector community. Thus, it reflects both a country-level and a business perspective on global risks that varies from region to region. In the case of environmental risks, “extreme weather events”, “failure of climate-change adaptation” and “natural catastrophes” were ranked in the top ten risks for business leaders in East Asia and the Pacific and North America, but not in other regions. By contrast, these risks have dominated the rankings of *Global Risks Perception* for the past several years.

Notwithstanding these different perspectives, the *Regional Risks for Doing Business* report complements our broader risks work in allowing our many stakeholders to identify common concerns, detect potential blind spots and promote coordinated risk mitigation.



A series of illuminated keyboards at an electronics fair in Berlin, Germany. REUTERS/Hannibal Hanschke

Regional profiles



East Asia and the Pacific

Top ten risks in East Asia and the Pacific

1. Natural catastrophes
2. Cyberattacks
3. Interstate conflict
4. Fiscal crises
5. Extreme weather events
6. Asset bubble
7. Data fraud or theft
8. Energy price shock
9. Unemployment or underemployment
10. Failure of national governance



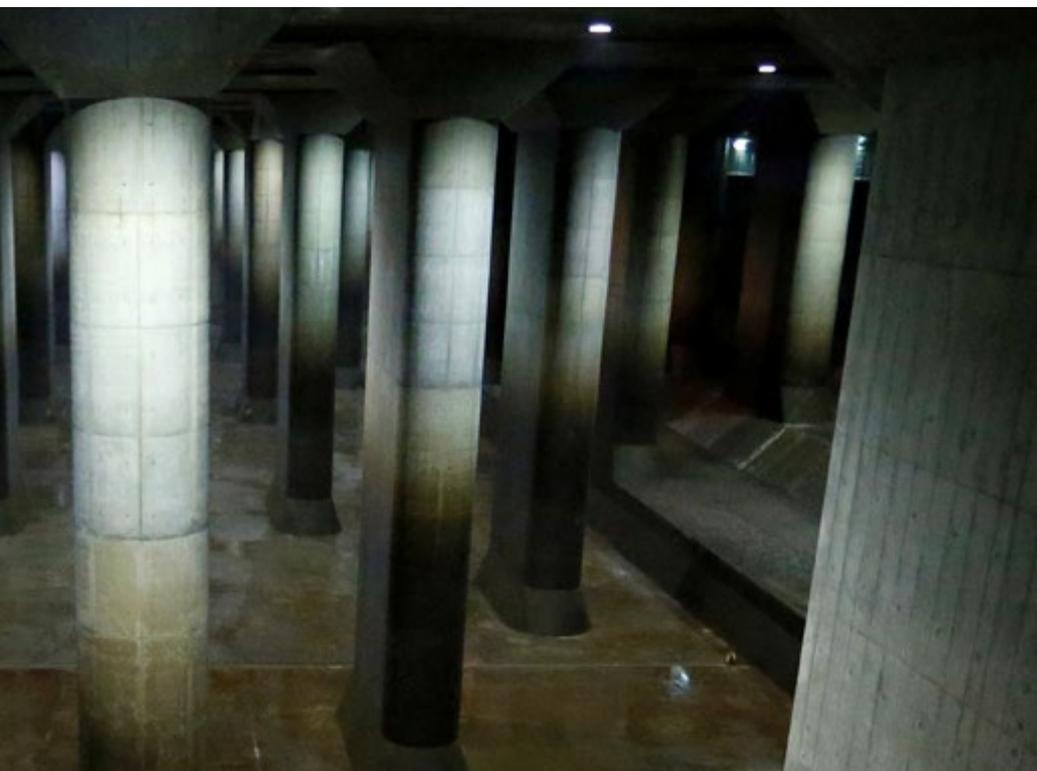
Marked by recent events, businesses in East Asia and the Pacific face risks on four different fronts: environmental, technological, geopolitical and economic.

Environmental risks are the leading concerns for doing business across East Asia and the Pacific, with “natural catastrophes” ranking first and “extreme weather events” ranking fifth. The concerns about “natural catastrophes” were heavily driven by responses from Japan and New Zealand, where they ranked first, while in Indonesia and the Philippines they ranked third. The devastating earthquake and tsunami that struck Indonesia in September 2018, and the flash floods that hit Japan earlier that year, are just two cases of increasingly frequent natural disasters in Asia and the Pacific that stress the need for strengthening resilience against future catastrophes.⁸

According to the Centre for Research on Epidemiology of Disasters, the broader Asia Pacific Region witnessed 50% of all the natural disasters in the world during 2018. The disasters in the region claimed over 80% of the total deaths, affected over 50 million people, and totalled \$56.8 billion in costs. Asia Pacific not only suffers the most from natural disasters and extreme weather events in terms of loss of life, but its large and highly vulnerable population make the region especially susceptible to economic losses. Industrialization and unplanned urbanization have also led to environmental degradation, which weakens the region’s natural defences against disasters. If unchecked,

natural catastrophes run the risk of further eroding East Asia and the Pacific’s economic competitiveness.

Chief executive officers in the region identified “cyberattacks” as the second most pressing risk for business. All of the countries in the region, except for Cambodia, Laos and Viet Nam, rated “cyberattacks” as one of their top risks. In Singapore, this was the top threat to business, with nearly 80% of the respondents ranking it first. The effect of the 2018 cyberattack on its largest health group, which leaked the personal data of nearly 1.5 million people, including the prime minister, is still influencing the way Singaporean businesspeople



A tunnel constructed to protect against floodwaters in Tokyo, Japan. REUTERS/Toru Hanai

assess risk. Beyond Singapore, as highlighted by Cisco in its *2018 Asia Pacific Security Capabilities Benchmark Study*, companies in the rest of the region are not immune to cyberattacks.⁹ Asia Pacific companies are the target of at least 10,000 cyberthreats every day.¹⁰ Australia is the most attacked nation in the region, with 7% of its companies facing more than 500,000 attacks every day.¹¹ In Australia, because of the high investment costs for developing cyber-resilient infrastructure, the financial impact on business of responding to such threats is also the most expensive in the region.

Nearly 30% of the respondents chose “interstate conflict” and “fiscal crises” as the next two biggest risks to doing business in East Asia and the Pacific. The risk of “interstate conflict” could refer to a number of potential issues, such as the tensions in the South China Sea, the situation in Hong Kong or the evolving relationship between the

US and China. However, in our survey, the result is mostly driven by responses from Japan and the Republic of Korea, which suffer from the constant tensions surrounding North Korea. Japan recently upgraded its estimate of North Korea’s nuclear capability and the country’s defence minister also highlighted that North Korea’s nuclear and ballistic missile programmes pose a “serious and imminent threat” to its security, a sentiment that is echoed by the Japanese business community. On top of this enduring conflict, the recent escalation in the trade dispute between Japan and the Republic of Korea is not only raising economic worries in these countries, it is also affecting their ability to respond cooperatively to threats from North Korea, particularly in areas such as information sharing.

In addition to geopolitical concerns, Japan is also driving the high ranking of “fiscal crises” in the region, which is not surprising given the long-lasting indebtedness accrued by the country.

As highlighted by the World Bank in its *East Asia and Pacific Development Update*, economic growth in the region is expected to decelerate to 6.0% in 2020 from 6.3% in 2018.¹² Furthermore, as a region heavily reliant on exports, it is highly exposed to an escalation of the trade war between China and the US, and in the broader economic risk context, to a resulting currency war between the two superpowers. As noted by the World Bank, throughout 2018, the region drew on its international reserves to manage exchange-rate volatility. Furthermore, several of the region’s currencies are highly sensitive to US monetary policy and thus vulnerable to any further appreciation of the US dollar. Considering the region’s historical vulnerability to large capital outflows, businesses in East Asia and the Pacific are wary of any prolonged market pessimism. This perceived bearish behaviour in the region’s markets could also explain why businesspeople in the region ranked “asset bubbles” as the sixth most troublesome risk this year.

The highest-ranked risk in Australia was “energy price shock”, compared to a region-wide ranking that placed it eighth. Australia is the only net energy exporter in the region. However, energy prices in Australia have remained volatile as a result of the country opening its domestic natural gas markets to international trade, network distribution issues and the closure of coal-based energy sources. Indeed, energy policy was at the forefront of the national debate during the recently concluded national election (which coincided with the timing of this survey), slowing down progress in this regard. Following 2017’s *Independent Review into the Future Security of the National Electricity Market*, the government has embarked on a set of energy reforms to help lower domestic energy prices, but Australian businesses remain sensitive to the possibility of further price shocks.

Eurasia

Top ten risks in Eurasia

1. Profound social instability
2. Interstate conflict
3. Energy price shock
4. Fiscal crises
5. Unmanageable inflation
6. Failure of financial mechanism or institution
7. Data fraud or theft
8. Unemployment or underemployment
9. State collapse or crisis
10. Illicit trade



Societal risks are the top concern for businesses in the region, followed closely by economic risks.

The Eurasia region is characterized by economic slowdown, strong reliance on gas and oil exports and complex political situations. It is against this background that “profound social instability” tops the region’s list, ranking number one in Ukraine and in the top three in five other countries. Two countries in the region recently held presidential elections (Ukraine, Kazakhstan), one is going through a peaceful revolution that started in early 2018 (Armenia), and in one (Moldova), political instability followed recent elections. The latter two countries also rank “failure of national governance” high. At the same time, political demonstrations have taken place in Nur-Sultan, Moscow, Bishkek and Baku in recent months, showing a certain degree of social tension.

Furthermore, continued geopolitical tensions and unresolved territorial disputes in the region persist as a source of risk, with two ongoing armed confrontations resulting in deaths in 2019 (in Ukraine and the disputed Nagorno-Karabagh region). It is therefore no surprise that “interstate conflict” ranks as the second biggest risk for doing business in the region. It is number one in two countries (Russia and Armenia), third in one (Ukraine), and in the top ten in seven of the eight countries surveyed. The recent developments in the Ukraine conflict — a two-sided prisoners exchange¹³ — have sparked hope for continued improvement of the situation, whereas, on the other side, recent local elections in the Nagorno-Karabagh region could lead to increased tensions.¹⁴

Economic concerns also dominate the rankings, with “energy price shock”, “fiscal crises”, “unmanageable inflation” and “failure of financial mechanism or institution” making up the third through sixth most important concerns. As Russia, the largest economy in the region, is forecast to have a real GDP growth of only 1.2% in 2019, compared to 2.3% the previous year,¹⁵ all other countries in the region, whose trade with Russia is key for economic health, see a similar economic slowdown projected for 2019. Six out of the eight surveyed countries are projected to have their GDP growth rate drop compared to 2018 (the only two with a projected increase are Azerbaijan and Kyrgyzstan).¹⁶

Ranked third, “energy price shock”, is the top economic risk in the region.



A voter holds a ballot during a presidential election in Kiev, Ukraine. REUTERS/Valentyn Ogirenko

It was top of the list in Tajikistan, number two in Ukraine and number three in Russia. Several of the region's economies are largely dependent on stable energy prices, as some countries' exports are more than 90% energy-related commodities,¹⁷ or energy-intense extraction goods, such as copper or gold. Despite slightly rising oil prices since the beginning of the year, they are predicted to fall,¹⁸ and natural gas prices have been at historically low levels throughout 2019.¹⁹ At the same time, non-regional geopolitical tensions in the Gulf region have sent oil prices on a rollercoaster in 2018–2019. These circumstances, on which the countries of the region have limited influence, make them vulnerable to unexpected shocks.

Considering this economic slowdown, coupled with the region's vulnerability to global energy markets and rising discontent among the general populace – including concerns about a stagnating middle class²⁰ – it is not

surprising that respondents ranked “fiscal crises” fourth overall across the region. It was ranked high in Central Asia, Ukraine and Russia.

As a fiscal crisis can be triggered by various causes (slower growth, unbalanced public finances or commodity price shocks), respondents ranked “unmanageable inflation” as the fifth risk for doing business. This ranking is somewhat surprising as inflation is expected to slow in some countries, such as Ukraine, Armenia, Kyrgyzstan and Kazakhstan, but there is still uncertainty over whether central bank targets will be met. At the same time, the end of 2018 brought higher-than-expected inflation in many economies, which preceded significant currency depreciations across the region during the first quarter of 2019. End-of-year inflation in Russia for 2018 topped 5%²¹ – in part due to a two-percentage-point increase in Value Added Tax (VAT) – while the rouble depreciated by a little over 20% against

the US dollar during 2018.²² Eurasia's exchange rate markets are strongly linked to the Russian rouble, meaning that external financial shocks over which national monetary authorities have little control tend to spread quickly across the region.

In ranking “failure of financial mechanism or institutions” as number six, business leaders in Eurasia appear to be expressing concern regarding the strength of institutions and their ability to respond appropriately amid economic uncertainty and financial volatility. Russia, for instance, has seen a drop of citizen trust in national institutions in 2019 and ranks below other G20 countries.²³

Europe

Top ten risks in Europe

1. Cyberattacks
2. Asset bubble
3. Interstate conflict
4. Energy price shock
5. Fiscal crises
6. Data fraud or theft
7. Failure of national governance
8. Unemployment or underemployment
9. Large-scale involuntary migration
10. Profound social instability



A screen displays an eye at an electronics fair in Berlin, Germany. REUTERS/Hannibal Hanschke

Cyber risks remain the biggest risk identified for doing business across Europe, with economic and political risks increasing.

Concerns about “cyberattacks” are top among business leaders in the four largest European Union (EU) economies: Germany, France, Italy and the United Kingdom; and rank first in another six countries across the continent. In late 2018 and throughout 2019, European countries have experienced cyberattacks and data-theft attacks on state agencies and large businesses: Germany saw attacks on email accounts of members of parliament, the military and several embassies in November 2018, while in the lead-up to the European elections in May, various types of malicious activities were encountered. Similar attacks took place prior to the Finnish elections in April, and on public institutions in Croatia and the Czech Republic in April and August, respectively. Moreover, cyber incidents targeting the European business sector

have increased since 2018: 61% of businesses reported cyber incidents compared to 45% in the previous year.²⁴ It is worth recognizing that, to mitigate these threats, companies and authorities are responding with designated cyber-training centres. On a regulatory level, the EU adopted the EU Law Enforcement Emergency Response Protocol in March 2019 and implemented a new sanctions framework in May 2019 in order to deploy improved tools to deter perpetrators.

Economic issues remain a big concern for European business executives, with “asset bubble” ranking second regionally, first in Cyprus, Estonia, Lithuania, Portugal and Sweden, and second in nine other European economies, including France, Germany and Spain. The risk has moved up

from number four in 2018 to number two in 2019 in three of the four largest European economies (Germany, France, Spain). After years of persistently low interest rates, the European business sector could be worried that the housing market will react negatively if interest rates were to start rising again. At the same time, housing prices have continued to increase in certain countries, such as in Portugal and Ireland, where they have risen by over 10% compared to last year.²⁵

Despite no military hostilities in Europe,²⁶ “interstate conflict” has moved up to the third highest risk for doing business across the continent. It ranked first in Poland and in the top three in seven other countries: France, Hungary, Lithuania, Luxembourg, Slovenia, Switzerland and Turkey. Continued



geopolitical tensions between the EU/United States and Russia due to the unresolved situation in Ukraine, including extensions of corresponding EU sanctions against Russia until at least February 2020, make it difficult for Russia's neighbouring regions to ignore the possibility of an interstate conflict. Countries with strong global financial sectors, such as Switzerland and Luxembourg, depend on stable economic international markets; heightened geopolitical uncertainty creates higher risks for investors.

The top mover in the region compared to 2018 is “energy price shock”, which rose eight places to become the fourth major risk, ranking first in Serbia and in the top five in another 12 economies (including France and Spain). Even though prices in the region increased slightly, and in some cases fell in 2018,²⁷ business executives in the Balkans seem very concerned about rising energy prices, as they are predicted to increase

by up to 40% in 2019.²⁸ Moreover, relatively stable low oil prices and the prospect of sharp increases due to heightened geopolitical tensions and unpredictable events, such as the recent attacks on Saudi Arabia's oil industry, have sparked economic fears over higher energy prices. Additionally, the transitional costs from the region's number-one energy source, coal, to greener energies threatens to add further burdens on energy prices.

Europe continues to recover from the 2008–2009 financial crisis, but the region is, at the same time, facing decreasing growth forecasts compared to 2018.²⁹ It is therefore not surprising that “fiscal crises” ranks fifth in the region. It is the top business concern in five countries (Denmark, Greece, Ireland, Slovenia and Turkey) and in the top five in 11 others, mostly Eastern and Southern European economies. Arguably, positive signs, such as record-low bond rates or lower EU-wide unemployment rates than before the 2008–2009 financial crises, do not conceal the uncertainty about how Brexit, the European Central Bank's economic stimuli, a further reduction of record-low interest rates and a new round of quantitative easing could affect businesses in Europe.

Other top-ranked risks include “failure of national governance”, which ranked among the top two predominantly in Central and Eastern Europe and the Baltics, and third in Greece, Portugal and the United Kingdom. Some of these countries have seen significant internal political struggles in recent months (Romania, Slovakia), continued unstable governments in office (Bosnia and Herzegovina), or uncertainty with regards to the outcome of upcoming elections (Croatia). As for the United Kingdom, this risk was also in the top three in 2018, which could be explained by the growing uncertainty surrounding the Brexit process.

European business leaders ranked “unemployment or underemployment” as the eighth business risk in the region – mostly influenced by responses from Spain and Turkey, where unemployment remains higher than the average for the region. In Spain, unemployment was the top risk for 60% of respondents in the country. Even though the Spanish unemployment rate is at its lowest level since 2008, it is still higher than before the 2008–2009 financial crisis (8.2% in 2007 vs. 15.3% in 2018). As for Turkey, one of the most populated countries in the region, this risk ranked number five, which could reflect the fact that its unemployment rate has increased for the past six years in a row.³⁰ Eleven other countries warned of unemployment as a top ten risk, highlighting the fact that many in the European business community are sceptical about the strength of the region's labour market.

Lastly, this year, “large-scale involuntary migration” entered the list of the top ten business risks, especially in countries along the so-called Balkan route and those with large shares of migrant populations (including Germany and Switzerland). While involuntary immigration into the European Union has decreased in recent years, businesspeople from the region could be concerned that the European economy's capability to support future migration flows might be challenged as it faces a less optimistic outlook.

Latin America and the Caribbean

Top ten risks in Latin America and the Caribbean

1. Failure of national governance
2. Profound social instability
3. Unemployment or underemployment
4. Fiscal crises
5. Failure of critical infrastructure
6. State collapse or crisis
7. Illicit trade
8. Energy price shock
9. Data fraud or theft
10. Large-scale involuntary migration



Institutional fragility and societal discontent continue to worry the business community across Latin America, as do interrelated economic concerns.

Business leaders in Latin America and the Caribbean cited “failure of national governance” as the most serious risk to doing business for the second year in a row. The ranking is largely explained by the survey responses collected in Brazil and Mexico, the two largest economies in the region, in which this risk ranks number one. In Argentina, Bolivia, Panama and Paraguay, the risk ranked second. “Profound social instability” also continues to hold the second position in 2019, reflecting persistent social tensions in the region. It ranked number one in Bolivia, El Salvador and Haiti, and was the second highest risk in another two countries, Guatemala and Peru. In Venezuela, where it ranked third, a higher percentage respondents were concerned about this risk than in any other country in the region.

A common denominator for the region is a sense of societal mistrust and discontent as public institutions struggle to convey transparency and integrity, improve the delivery of critical social services, combat poverty and inequality, and guarantee citizen security. Strikingly, 43 of the 50 most dangerous cities in the world are found in Latin America; Brazil, Mexico and Venezuela alone are home to 35 of them.³¹ In the most recent Transparency International rankings, eight countries in the region scored in the bottom 50 of countries ranked (180 total).³² And while relative progress has been made in reducing inequality and expanding the middle class, Latin America still remains one of the most unequal regions in the world.³³ The public have responded with protests and by voting into office politicians

across a wide political spectrum who promise to tackle deeply felt popular concerns, including corruption, public insecurity and poverty.

Economic issues – often driving or resulting from societal discontent and poor governance – continue to concern businesses in the region, with “unemployment and underemployment” and “fiscal crises” ranking third and fourth, respectively. These risks are flagged against the background of below-average growth rates, revised-down forecasts and exposure to global trade tensions.³⁴ While unemployment in the region has decreased in the past year, in the context of slow growth and high levels of economic informality, the improvement is only “modest”, according to the International Labour



A group of protesters wave their hands in El Tigre, Venezuela. REUTERS/Carlos Jasso

Organization.³⁵ Concerns about fiscal crises also affect several economies, including Barbados, Brazil, Costa Rica, Ecuador and Uruguay, with business leaders in each of these countries ranking this risk as number one or two. “Unmanageable inflation” was the number one risk in Argentina and Venezuela, where hyperinflation has long been a handicap. Nonetheless, there have been promising economic developments in the region, most notably the trade agreements signed between Canada, Mexico and the United States, and between Mercosur and the European Union, which are each moving on to respective domestic ratifications.

The business and competitiveness environment in Latin America is also highly linked to the region’s infrastructure, which could explain why “failure of critical infrastructure” moved up this year to the number five risk for the region. The 2019 *Latin American Economic Outlook* noted

the region’s deficiencies in public investment, research and development (R&D), and social expenditures. For example, as of 2014, Latin America had invested only 2.8% of its GDP in infrastructure on average each year, compared to 7.7% in East Asia and the Pacific, 6.9% in the Middle East and North Africa, 5.0% in South Asia and 4.0% in Central Asia. Closing the infrastructure gap in the region will require approximately 5.2% of GDP.³⁶ Moreover, the quality of the infrastructure investment “compares unfavourably” to countries in other regions with much smaller GDPs.³⁷

Venezuela’s ongoing economic, political and humanitarian crisis is also a critical challenge not just for the country but also for the region as a whole. The risks prioritized by survey respondents in Venezuela, largely replicating the 2018 results, reflect the unmitigated emergency the country faces: “unmanageable inflation”, “state collapse or crisis” and “profound social

instability”. And while “large-scale involuntary migration” has slid in the rankings for Venezuela’s neighbours, the estimated 4 million refugees who have fled to Brazil, Chile, Colombia, Ecuador and Peru add pressure to those economies’ already strained labour markets.³⁸

Nicaragua is not included in this year’s survey. However, the country’s worsening political crisis and violence may be influencing the responses in surrounding countries. For example, “large-scale involuntary migration” was a top ten risk in Costa Rica, El Salvador and Panama (although respondents in the subregion may also be reflecting risks stemming from migration from Central America to Mexico and the United States). And “state collapse or crisis” jumped from 10 to six in the adjusted regional rankings from 2018 to 2019, likely as a consequence of national governance failure and societal unrest across the region.

While environment-related risks, such as “extreme weather events” and “natural catastrophes”, appear in the top risks for some countries, their absence from the top regional risks to business is noticeable. For example, biodiversity loss did not appear in the top five risks for any individual economy in the region. Deforestation activity in the Amazon has become a matter of rising public concern, both regionally and internationally. If left unattended, this could become a leading risk for doing business in the region, as destruction of the rainforest could exacerbate climate, health, food security, trade and reputational risks for business. The Leticia Pact signed by the Amazon basin countries in September 2019 signals subregional leadership and could pave the way to newly coordinated action to protect the rainforest. The UNFCCC Conference of the Parties (COP) held in Chile in December 2019 will also be an important marker for keeping environmental issues at the forefront for the region.

Middle East and North Africa

Top ten risks in Middle East and North Africa

1. Energy price shock
2. Fiscal crises
3. Unemployment or underemployment
4. Unmanageable inflation
5. Asset bubble
6. Interstate conflict
7. Water crises
8. Cyberattacks
9. Profound social instability
10. Illicit trade



Fiscal concerns dominate the region, but divergencies in inflationary and deflationary pressures within countries point to a complex economic picture in the Middle East.

Economic and financial challenges are the leading risks for doing business in countries in the Middle East and North Africa: Executives ranked “energy price shock”, “fiscal crises”, “unemployment or underemployment”, “unmanageable inflation” and “asset bubble” as the top five risks. No other region had economic issues encompass their top five risks. Indeed, the beginning of 2019 was a challenging period for national economies and the medium-term risk outlook continues to show that the region is exposed to both internal systemic challenges and geopolitical headwinds.³⁹

For the second year in a row, concern over energy prices ranked

as the leading risk. Despite plans in many Gulf countries to diversify their economies, hydrocarbon and government activities (which are heavily funded by oil revenues) remain the major components of gross domestic product (GDP).⁴⁰ The end of 2018 and beginning of 2019 saw immense volatility in this sector,⁴¹ with the price of crude oil dropping by approximately 40% in the fourth quarter and then rising sharply in early 2019.⁴² This volatility posed challenges for a number of Gulf Cooperation Council (GCC) countries, particularly Bahrain (which ranked the issue number one) and Oman (which ranked the issue in second place).⁴³ Dropping prices in hydrocarbons led to deflation in the region’s three

largest economies: Saudi Arabia, the United Arab Emirates and Qatar.⁴⁴ Looking ahead, continued global trade tensions are putting downward pressure on oil prices, with the IMF forecasting that prices would remain lower for the next several years.⁴⁵ At the same time, Egypt and Jordan also ranked the issue high (one and three, respectively) as both countries subsidize the price of fuel for their populations and are affected by large swings in the market.

“Fiscal crises” ranked as the second leading risk in the region and the number one risk in Algeria, where the economy and political environment face significant turmoil. Hydrocarbons in Algeria account for 30% of gross



An employee counts bills in a foreign exchange office in Cairo, Egypt. REUTERS/Mohamed Abd El Ghany

domestic product and 95% of export earnings – falling commodity prices have strained the government's ability to provide services and have slashed the country's currency reserves in half.⁴⁶ Elsewhere in the region, public debt has been increasing over the past decade.⁴⁷ Among oil-importing countries, debt has gone from 64% to 85% of GDP since 2008. Among oil-exporting countries, debt has gone from 13% of GDP to 33% of GDP.⁴⁸

For the second year in a row, the risk of unemployment or underemployment ranked in the top three (last year it ranked second). This year, it ranked as the number one issue in Lebanon, Morocco and Oman. In 2020, Arab states are expected to have among the highest average unemployment rates in the world at 7.3%, according to the International Labour Organization.⁴⁹ Youth unemployment is already among the highest in the world:

47% in Oman, 45% in Libya, 35% in Tunisia, 35% in Egypt and 33% in Jordan.⁵⁰ In the coming five years, the situation will grow more challenging as an estimated 27 million young people will enter the labour market.⁵¹

Despite the fact that much of the GCC is experiencing deflation or minimal inflation, "unmanageable inflation" was ranked as the fourth highest risk for business in the region. The reason for this divergence appears to be that the region has three distinct inflationary pictures: While most Gulf countries are experiencing the aforementioned fall in oil and consumer prices, across parts of North Africa, inflation is a significant concern, and in Iran, the issue is paramount. In Tunisia (where the issue ranked number two), inflation reached 7.8% in June 2018 – the highest since 1990 – with prices having jumped by as much as 30% over the past five years.⁵² In Egypt (where the issue ranked fifth), while

inflation dropped to below 9% in the middle of 2019 – lower than expected – the issue is still one of concern after prices jumped 23.3% in 2017.⁵³ In Iran, inflation passed 40% this year – the highest rate in 23 years.⁵⁴

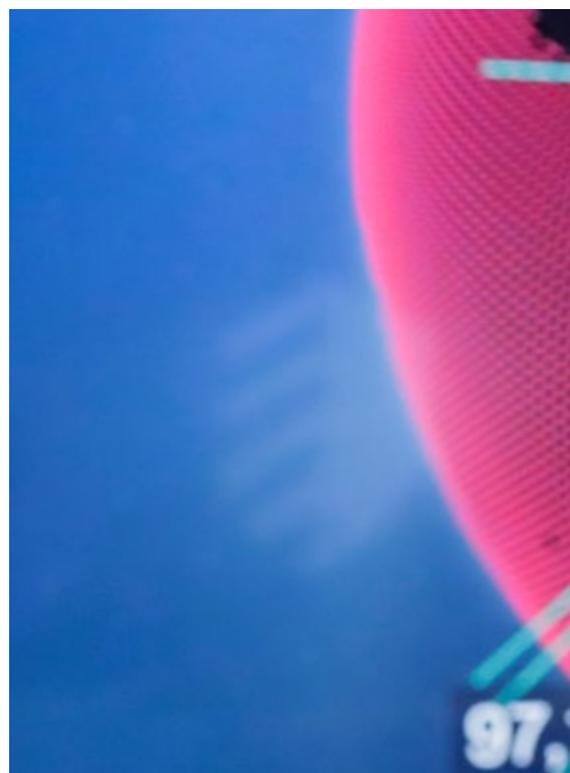
The number five risk, "asset bubble", ranked as the leading risk for Qatar and number three for the UAE. This ranking moved up seven spots from last year and may reflect falling property values across Gulf economies due to oversupply, regional tensions and the volatility of the oil market. In Dubai, property prices for the first half of 2019 dropped by approximately 12% compared to 2017, leading the government to put in place policies to curb development.⁵⁵ Elsewhere, in Israel (where the issue is ranked fifth), the picture is the reverse, with housing prices rising: In the first six months of 2019, housing prices rose 2.5% to their highest level since the peak of August–September 2017.⁵⁶

The region's security environment continues to be a concern in some countries, particularly for business leaders in Israel, Iran and Yemen, where "interstate conflict" ranked among the top three risks. This ranking likely reflects the fact that Syria and Yemen suffer from ongoing conflicts, and Iran faces escalating tensions with the United States. It should be noted that the Executive Opinion Survey was closed before the September 14 attacks in Saudi Arabia.

North America

Top ten risks in North America

1. Cyberattacks
2. Data fraud or theft
3. Terrorist attacks
4. Critical information infrastructure breakdown
5. Failure of critical infrastructure
6. Fiscal crises
7. Failure of national governance
8. Failure of climate-change adaptation
9. Extreme weather events
10. Natural catastrophes



As cyberthreats proliferate and more individuals experience personal data breaches, these risks remain the top concerns of business leaders in North America.

For business executives in both Canada and the United States, “cyberattacks” are once again – by a large margin – the number one risk to doing business. This is a top risk in Europe and East Asia and the Pacific as well, where it now ranks first and second, respectively. The persistence of this risk at the top of mind for business leaders in these regions highlights the growing sophistication and proliferation of cyberattacks, and the corresponding exposure businesses are facing.

In the United States in 2019, ransomware attacks incapacitated municipalities across Texas and Florida as well as major cities, including Baltimore and Atlanta, exposing technological vulnerabilities in local governments. At the national level, politicians and high-level government

officials have warned that the US is still underprepared to confront major cyberattacks,⁵⁷ and the government plans to launch a programme to protect voter-registration databases ahead of the 2020 presidential election.⁵⁸ In Canada, 76% of businesses have reported an uptick in cybersecurity breaches in the past year.⁵⁹ Canada’s national cybersecurity agency also predicted that it will be “very likely” that Canadian voters will encounter foreign cyber influence before and during the autumn 2019 federal election.⁶⁰

The closely related risk of “data fraud or theft”, ranked number two by business leaders in the region, may also be explained by the increase in cyberattacks on municipalities and businesses alike, as hackers have been

able to unlock and hold hostage large swathes of personal data held by these entities. In July, Capital One announced that the personal information of more than 100 million individuals, including Social Security numbers and accounts, was compromised in a massive data breach. Far from being the only target, as of August 2019, there had already been 3,494 successful intrusions against US financial institutions.⁶¹ While banks and other businesses are increasingly savvy in fighting cybercrime – in many cases enlisting the help of former government cyber-spies, soldiers and counter-intelligence officials – resilience is still a concern.

“Terrorist attacks” are again a top risk for business executives in the US. The ranking could reflect the increasing



A participant of a cyber-training exercise in New York, US. REUTERS/Brendan McDermid

incidences of state-sponsored cyberattacks as well as large-scale gun violence. In October 2018, a man opened fire on a synagogue in Pennsylvania, taking 11 lives; just a few weeks later, 13 more were killed in a California bar by a lone gunman. Most recently, in August, unrelated and consecutive mass shooting incidents in Texas and Ohio left a total of 32 fatalities.

“Critical information infrastructure breakdown” and “failure of critical infrastructure” round out the top five risks for doing business in North America. As noted in the 2019 *Global Risks Report*, in the United States, overall investment needs are relatively low compared to other economies, but the shortfall in spending is twice as large.⁶² The latest American Society of Civil Engineers (ACSE) report card rated the US “D+” on its infrastructure stock, only slightly better than “unfit for purpose”. Cyber-related threats are also likely to contribute to concerns about critical information infrastructure,

as these systems become increasingly connected to the internet of things (IoT).

Business executives in the US also ranked “fiscal crises” and “failure of national governance” highly. An August 2019 report by the Congressional Budget Office projects that public debt will rise from 79% of GDP this year to 95% in 2029, its highest since just after the Second World War.⁶³ Combined with an expected slowdown in economic growth, conditions are ripe for increased fiscal risks. “Failure of national governance”, moving up six places in the rankings, is particularly striking this year, with national elections on the horizon in 2020 and a seemingly widening political divide both between and within the two national parties.

In Canada, business executives also ranked highly the twin pressures of “extreme weather events” and “failure of climate-change adaptation”. Extreme weather has plagued the region once again this year, as many Canadians

confronted “polar vortex” temperatures and one of the snowiest Januaries on record, while the coasts experienced unusually moderate weather. The country is also warming twice as fast as the rest of the world, with damaging impacts on physical infrastructure, coastal and northern communities, human health, ecosystems and fisheries. One recent study found that Canada could lose more than 13% of its GDP by 2100 due to climate change.⁶⁴ In the US, these two risks also broke into the top ten this year.

Despite business concerns about climate change mitigation and extreme weather, the Canadian economy is still heavily reliant on its carbon-based energy sector. In the midst of low oil prices⁶⁵ and foreign divestment from the sector, Canadian companies are nevertheless expanding production. Business leaders could perceive this trend as exposure to an “energy price shock” – another top five risk for the country.

South Asia

Top ten risks in South Asia

1. Water crises
2. Terrorist attacks
3. Manmade environmental catastrophes
4. Failure of urban planning
5. Energy price shock
6. Deflation
7. Unemployment or underemployment
8. State collapse or crisis
9. Fiscal crises
10. Asset bubble



Water risks and manmade environmental crises rank high across the region, with security concerns also prominent.

Executives in the region ranked “water crises” as the number one risk for doing business in countries in South Asia – the issue rose from fifth place the year before. At a country level, water crises ranked as the topmost risk in India, second in Pakistan and fourth in Sri Lanka.

The issue of water in South Asia has been described as “a problem of scarcity amid abundance” – despite major transboundary rivers, residents in many places must queue for limited supplies of drinking water.⁶⁶ The region is home to around a quarter of the global population but has less than 5% of the world’s renewable water resources. Low per-capita water availability and a high relative level of water use make South Asia one of the most water-scarce regions of the world.

Additionally, water storage is low by global standards, making it difficult to manage the floods and droughts that afflict the region and that are expected to increase with climate change.

India is one of 17 countries that face “extremely high” water stress, and the northern part of the country “faces severe groundwater depletion”.⁶⁷ This year, India has faced a drought in Chennai – the country’s sixth-largest city, which is home to over 10 million people. By 2020, more than 20 cities including New Delhi, will be at risk of running out of groundwater – a scenario that would affect approximately 100 million people.⁶⁸

Pakistan has the fourth highest rate of water usage in the world, yet at the same time the country is close to

being classified as “water-scarce”.⁶⁹ Part of the underlying challenge is that the country lacks proper infrastructure to deliver clean drinking water to its population. Furthermore, because most of Pakistan’s water comes from a single source – the Indus system – the country is at risk of disruptions from extreme weather events, which will only grow more pronounced as a result of climate change.⁷⁰

Water also presents geopolitical challenges in the region: While there are bilateral arrangements on the Indus (India and Pakistan) and Ganges (India and Bangladesh) rivers, water is a potential weapon in cross-border disputes, as countries have at times threatened cutting off flows because of outbreaks of violence in disputed territories.⁷¹ Additionally, China, from



A group of women walk on the banks of the Ganges river in Allahabad, India. REUTERS/Jitendra Prakash

where the headwaters of several major rivers sit, has been building hydroelectric dams that have caused political friction, particularly with India.⁷²

The issue of transnational tension can be seen in the ranking of “terrorist attacks” as the second leading risk in the region. In February 2019, a suicide bomber in Kashmir killed over 40 members of India’s security forces by driving a vehicle filled with explosives into a bus. The incident was the deadliest in 30 years and caused an escalation in tensions between India and Pakistan. Only two months later in Sri Lanka, on Easter Sunday, a series of coordinated attacks aimed at religious centres and hotels in three cities killed almost 300 people and injured hundreds more.

“Manmade environmental catastrophes” ranked as the third risk, as the region is home to three of the world’s four most polluted countries, according to Greenpeace: Bangladesh, India

and Pakistan (Afghanistan is the fourth).⁷³ Fifteen of the world’s 20 most polluted cities are in India (where the issue ranked second), and Dhaka, Bangladesh (where it ranked eight), is also on the list.⁷⁴ Pollution poses health and economic risks to these countries: Each year, Bangladesh loses approximately \$6.5 billion and India \$5 billion due to pollution and environmental degradation.⁷⁵ If pollution levels were brought in line with World Health Organization guidelines, life expectancy in Bangladesh would increase by 1.3 years and in India by just above a year.⁷⁶

Pollution could also explain why “failure of urban planning” ranks as the fourth risk in the region. But the sense of risk around urban planning may include other factors. Urban populations, particularly in Bangladesh (where “failure of urban planning” ranked fifth) and India (where it ranked sixth), are growing rapidly. According to the UN, the populations of both Delhi and

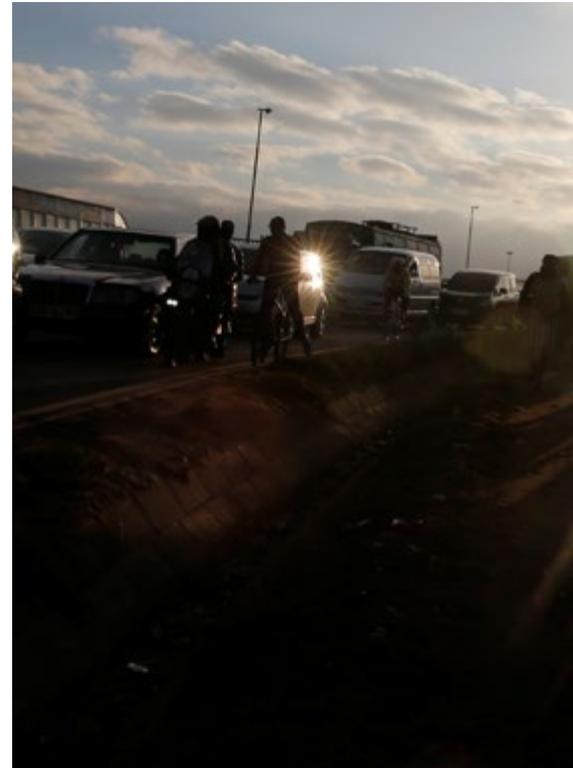
Dhaka will increase by more than 10 million inhabitants by 2030.⁷⁷ Yet the infrastructure of these cities is at risk of failing to keep up with this growth. The World Bank has said that Bangladesh suffers from some of the lowest local spending on urban infrastructure, with most cities offering “inadequate infrastructure and low levels of urban services”.⁷⁸ In Nepal, where the issue ranked third, Kathmandu is still addressing damage caused by the 2015 7.8-magnitude earthquake that killed approximately 9,000 people in and around the city.

The fifth risk, “energy price shock”, was ranked the leading risk on a country level in Pakistan and Bangladesh. The ranking reflects the fact that there is rising demand for energy in South Asia as populations and economies grow, yet the region is a net importer of crude oil. Furthermore, because the sector is highly subsidized, governments are subject to the repercussions of market fluctuations.

Sub-Saharan Africa

Top ten risks in sub-Saharan Africa

1. Unemployment or underemployment
2. Failure of national governance
3. Failure of critical infrastructure
4. Energy price shock
5. Fiscal crises
6. Profound social instability
7. Illicit trade
8. Water crises
9. Terrorist attacks
10. Failure of urban planning



Socioeconomic risks persist in the region, as growth moderates in many countries and political changes bring opportunity, but also potential risks.

Unlike other regions, the leading risks in 2019 in sub-Saharan Africa did not change from the prior year: “Unemployment or underemployment”, “failure of national governance”, “failure of critical infrastructure” and “energy price shock” all remain the top four risks. The only issue that emerged as a major concern for business in the region was “fiscal crises”, which ranks fifth this year. These findings reflect the fact that economic and governance concerns are felt deeply among executives and come at a time when sub-Saharan Africa faces opportunities, but also vulnerabilities, because of its growing population.

Since the 2008–2009 financial crisis, youth unemployment in sub-Saharan Africa has steadily

increased from 11.7% to 13.3% in 2018 – this is higher than the current global rate of 12.8%.⁷⁹ The state of youth employment may explain why “unemployment or underemployment” is not only the top risk to business in sub-Saharan Africa, but also why nearly 60% of respondents identified it as such, making it the highest-scoring risk for any region. Moreover, it tops the list in 21 out of the 33 countries surveyed in the region, including the four largest economies: Nigeria, South Africa, Angola and Kenya. The only country where the issue did not rank within the top ten was Lesotho, which has seen a constant decrease in unemployment rates over the past two decades.

A geopolitical risk was ranked the second highest by business executives

in the region: “failure of national governance” – and it is also worth noting that “profound social instability” was ranked sixth. All but three of the 33 countries in the *Executive Opinion Survey* – Lesotho, Rwanda and Tanzania – ranked “failure of national governance” in the ten most concerning risks, perhaps influenced by political turmoil in Sudan, ethnic conflicts in Ethiopia and separatism in Cameroon. In addition, corruption remains entrenched in day-to-day activities on the continent. According to Transparency International, 55% of Africans believe that corruption increased in the past year.⁸⁰ Moreover, public sentiment about these social concerns was noticeable across the region, which has seen more than 30 general elections in two years.⁸¹ Indeed, fighting corruption (and



A public transport workers' strike in Nairobi, Kenya. REUTERS/Thomas Mukoya

promoting growth) were common commitments made during the elections that took place in the first half of the year in the two largest economies of the region. In Nigeria, Muhammadu Buhari was re-elected as president in February, while Cyril Ramaphosa was elected President of South Africa in May 2019. These political developments offer leaders new opportunities to respond to the priorities of their citizens, but the region could face risk if policies fall short.

“Failure of critical infrastructure” ranks as the third risk for doing business in sub-Saharan Africa, mostly due to responses from Nigeria, where two out of every three business leaders selected this risk as one of their most pressing concerns. Underinvestment in infrastructure is a handicap for business in the region: According to the African Development Bank, the region’s “infrastructure needs – \$130 billion–\$170 billion a year – leave a financing gap of as much

as \$108 billion”.⁸² Despite notable economic and social progress, the region’s electrical infrastructure is in need of significant strengthening and expansion. According to the International Energy Agency, electricity is unavailable to approximately 600 million sub-Saharan Africans – this represents over half of the region’s population.⁸³ Infrastructure development is vital for the success of the African Continental Free Trade Agreement (AfCFTA), which just last May came into force for the 27 countries that have ratified it.

Respondents also identified “energy price shocks” and “fiscal crises” as top risks. “Energy price shocks” was ranked in the top ten for all countries in the region, except for Mozambique (11th) and Zimbabwe (14th). As the region that collects the second most rents in the world from oil in terms of GDP (after the Middle East and North Africa), sub-Saharan Africa’s economy is highly sensitive to energy-

market volatility. Indeed, the timing of the World Economic Forum’s *Executive Opinion Survey*, which collected responses from January to April, coincided with an oil price hike of 36%.⁸⁴ “Fiscal crises” is also a trending risk that has likely been influenced by the sporadic disruption in energy prices that is now in danger of becoming systemic. Over the past several years, sub-Saharan African governments have debated raising sovereign debt levels and increasing public deficits to the point where between a third and a half of sub-Saharan Africa’s economies are at risk of high debt distress.

Again this year, climate and health risks are not perceived as the most concerning risks to business in sub-Saharan Africa. Guinea is the only country where “spread of infectious diseases” ranked as a major risk, while “extreme weather events” and “natural catastrophes” topped the list only in Mauritius and Mozambique. Looking back at the devastation caused by Cyclone Idai (March 2019), for which costs were estimated at over \$2 billion dollars,⁸⁵ and at the 2,052 fatalities from Ebola so far (September 2019) in the Democratic Republic of the Congo,⁸⁶ the absence of these risks from the list continues to represent a potential blind spot that could considerably hinder the economic and social progress that the region has achieved.

Results at a glance

The table below presents the main risk-related findings from the *Executive Opinion Survey* for 141 economies. In each instance the table lists the top five risks for each economy – as cited by respondents in that economy – with “Risk 1” indicating the most frequently cited risk. Where there is a

tie, the tied risks are presented in the same cell, separated by a dotted line, and the next cell in the row contains an ellipsis (“...”). For example, in Armenia, two risks are tied for third place (“failure of national governance” and “profound social instability”) and there is therefore no risk in fourth place.

An asterisk beside the name of an economy indicates that the most recent available survey data is from 2018, and a double asterisk indicates that the most recent available survey data is from 2017.

| | Risk 1 | Risk 2 | Risk 3 | Risk 4 | Risk 5 |
|-------------------|---|---|--|---|---|
| Albania | Failure of financial mechanism or institution | Unmanageable inflation | Failure of regional and global governance | Fiscal crises | Critical information infrastructure breakdown |
| Algeria | Fiscal crises | Failure of national governance | Profound social instability | Energy price shock | State collapse or crisis |
| Angola | Unemployment or underemployment | Failure of national governance | Unmanageable inflation | Failure of financial mechanism or institution | Profound social instability |
| Argentina | Unmanageable inflation | Failure of national governance | Profound social instability | State collapse or crisis | Fiscal crises |
| Armenia | Interstate conflict | Large-scale involuntary migration | Failure of national governance Profound social instability | ... | Unemployment or underemployment |
| Australia | Energy price shock | Cyberattacks | Asset bubble | Failure of critical infrastructure | Fiscal crises |
| Austria | Cyberattacks | Data fraud or theft | Extreme weather events | Asset bubble | Failure of climate-change adaptation |
| Azerbaijan | Illicit trade | Failure of urban planning Food crises | ... | Profound social instability | Terrorist attacks |
| Bahrain | Energy price shock | Fiscal crises | Cyberattacks | Terrorist attacks | Asset bubble |
| Bangladesh | Energy price shock | Failure of national governance Unemployment or underemployment | ... | Failure of financial mechanism or institution | Failure of urban planning |
| Barbados | Fiscal crises | Extreme weather events Unemployment or underemployment | ... | Energy price shock | Natural catastrophes |
| Belgium* | Cyberattacks | Failure of urban planning Failure of regional and global governance Fiscal crises | ... | ... | Unemployment or underemployment |
| Benin | Unemployment or underemployment | Energy price shock | Cyberattacks | Illicit trade | Biodiversity loss and ecosystem collapse |

| | Risk 1 | Risk 2 | Risk 3 | Risk 4 | Risk 5 |
|-------------------------------|------------------------------------|--|---|--|--|
| Bolivia | Profound social instability | Failure of national governance Illicit trade | ... | State collapse or crisis | Unemployment or underemployment |
| Bosnia and Herzegovina | Failure of national governance | Profound social instability | Unemployment or underemployment | Large-scale involuntary migration | Interstate conflict |
| Botswana | Unemployment or underemployment | Water crises | Data fraud or theft | Failure of critical infrastructure Failure of urban planning | ... |
| Brazil | Failure of national governance | Fiscal crises | Failure of critical infrastructure | Unemployment or underemployment | Profound social instability |
| Brunei Darussalam | Unemployment or underemployment | Energy price shock | Cyberattacks | Data fraud or theft | Misuse of technologies |
| Bulgaria | Extreme weather events | Terrorist attacks | Unmanageable inflation | Fiscal crises | Large-scale involuntary migration |
| Burkina Faso | Terrorist attacks | Profound social instability | Illicit trade | Energy price shock | Failure of national governance |
| Burundi | Unemployment or underemployment | Fiscal crises | Food crises | Unmanageable inflation | Deflation |
| Cambodia | Asset bubble | Failure of urban planning Profound social instability | ... | Failure of national governance | Data fraud or theft Failure of financial mechanism or institution Misuse of technologies |
| Cameroon | Unemployment or underemployment | Failure of national governance | Profound social instability | Energy price shock Failure of critical infrastructure | ... |
| Canada | Cyberattacks | Data fraud or theft | Extreme weather events | Energy price shock | Failure of regional and global governance |
| Cape Verde | Unemployment or underemployment | Illicit trade | Energy price shock | Water crises | Fiscal crises |
| Chad | Fiscal crises | Energy price shock | Terrorist attacks | Failure of critical infrastructure | Failure of national governance |
| Chile | Natural catastrophes | Cyberattacks | Data fraud or theft | Water crises | Failure of climate-change adaptation |
| China** | Natural catastrophes | Deflation | Data fraud or theft | Illicit trade | Cyberattacks |
| Colombia | Unemployment or underemployment | Illicit trade | Profound social instability | Fiscal crises | Large-scale involuntary migration |
| Congo DR | Failure of critical infrastructure | Failure of national governance Unemployment or underemployment | ... | Profound social instability | Unmanageable inflation |
| Costa Rica | Fiscal crises | Unemployment or underemployment | Failure of critical infrastructure | Energy price shock | Illicit trade |
| Côte d'Ivoire | Profound social instability | Unemployment or underemployment | Failure of national governance | Energy price shock | Cyberattacks |
| Croatia | Failure of national governance | Large-scale involuntary migration | Profound social instability | Unemployment or underemployment | Energy price shock Fiscal crises |
| Cyprus | Asset bubble | Fiscal crises | Failure of financial mechanism or institution | Interstate conflict | Failure of national governance |

| | Risk 1 | Risk 2 | Risk 3 | Risk 4 | Risk 5 |
|---------------------------|--|--|--|--|---|
| Czech Republic | Cyberattacks | Asset bubble | Fiscal crises | Unemployment or underemployment | Energy price shock |
| Denmark | Fiscal crises | Asset bubble Data fraud or theft | ... | Cyberattacks Interstate conflict | ... |
| Dominican Republic | Energy price shock Illicit trade | ... | Large-scale involuntary migration Natural catastrophes | ... | Fiscal crises Unemployment or underemployment |
| Ecuador | Unemployment or underemployment | Fiscal crises | State collapse or crisis | Failure of national governance | Illicit trade |
| Egypt | Energy price shock | Unemployment or underemployment | Misuse of technologies | Asset bubble | Unmanageable inflation |
| El Salvador | Profound social instability Unemployment or underemployment | ... | Fiscal crises | Water crises | Failure of national governance |
| Estonia | Asset bubble | Cyberattacks | Energy price shock | Failure of financial mechanism or institution | Failure of national governance |
| Eswatini | Unemployment or underemployment | Energy price shock | Fiscal crises | Failure of national governance | Food crises |
| Ethiopia | Food crises | Water crises | Fiscal crises | Deflation | Asset bubble |
| Finland | Cyberattacks | Failure of climate-change adaptation Large-scale involuntary migration Unemployment or underemployment | ... | ... | Fiscal crises |
| France | Cyberattacks | Asset bubble Interstate conflict | ... | Energy price shock | Profound social instability |
| Gabon | Energy price shock | Failure of critical infrastructure | Failure of national governance | Fiscal crises Unemployment or underemployment | ... |
| Gambia | Unemployment or underemployment | Failure of financial mechanism or institution | Failure of national governance | Failure of urban planning Food crises Unmanageable inflation | ... |
| Georgia* | Interstate conflict | Failure of national governance | Failure of regional and global governance Unemployment or underemployment | ... | Fiscal crises Energy price shock Unmanageable inflation |
| Germany | Cyberattacks | Asset bubble | Large-scale involuntary migration | Data fraud or theft Misuse of technologies Terrorist attacks | ... |
| Ghana | Unemployment or underemployment | Failure of critical infrastructure | Failure of national governance | Failure of financial mechanism or institution | Energy price shock |
| Greece | Fiscal crises | Failure of financial mechanism or institution | Failure of national governance | Large-scale involuntary migration | Profound social instability |

| | Risk 1 | Risk 2 | Risk 3 | Risk 4 | Risk 5 |
|----------------------|---|---|--|--|---|
| Guatemala | Failure of critical infrastructure | Illicit trade Profound social instability | ... | Failure of national governance Unemployment or underemployment | ... |
| Guinea | Unemployment or underemployment | Large-scale involuntary migration | Water crises | Spread of infectious diseases | Food crises Illicit trade |
| Haiti | Profound social instability | Unemployment or underemployment | Manmade environmental catastrophes | State collapse or crisis | Failure of critical infrastructure Failure of national governance Food crises |
| Honduras* | Profound social instability Unemployment or underemployment | ... | Energy price shock | Failure of national governance | State collapse or crisis |
| Hong Kong SAR | Asset bubble | Cyberattacks | Data fraud or theft | Failure of urban planning Interstate conflict | ... |
| Hungary | Profound social instability | Asset bubble | Energy price shock Interstate conflict | ... | Extreme weather events Failure of national governance |
| Iceland | Unmanageable inflation | Natural catastrophes | Asset bubble | Fiscal crises | Extreme weather events |
| India | Water crises | Manmade environmental catastrophes | Terrorist attacks | Deflation | State collapse or crisis |
| Indonesia | Data fraud or theft | Cyberattacks | Natural catastrophes | Energy price shock | Biodiversity loss and ecosystem collapse |
| Iran | Unmanageable inflation | Fiscal crises | Interstate conflict | Water crises | Asset bubble Unemployment or underemployment |
| Ireland | Failure of urban planning Fiscal crises | ... | Cyberattacks | Asset bubble | Failure of climate-change adaptation |
| Israel | Terrorist attacks | Cyberattacks | Interstate conflict | Weapons of mass destruction | Asset bubble Failure of urban planning |
| Italy | Cyberattacks | Critical information infrastructure breakdown | Manmade environmental catastrophes | Food crises | Data fraud or theft |
| Jamaica | Extreme weather events | Natural catastrophes | Cyberattacks | Energy price shock | Data fraud or theft |
| Japan | Natural catastrophes | Cyberattacks | Fiscal crises Interstate conflict | ... | Extreme weather events |
| Jordan | Fiscal crises | Unemployment or underemployment | Energy price shock | Deflation Water crises | ... |
| Kazakhstan | Unmanageable inflation | Fiscal crises | Profound social instability | Energy price shock | Failure of financial mechanism or institution |
| Kenya | Unemployment or underemployment | Terrorist attacks | Illicit trade | Data fraud or theft | Food crises |
| Korea, Rep. | Unemployment or underemployment | Extreme weather events | Manmade environmental catastrophes | Cyberattacks Interstate conflict | ... |

| | Risk 1 | Risk 2 | Risk 3 | Risk 4 | Risk 5 |
|--------------------|---|---|--|--|---|
| Kuwait | Energy price shock | Unemployment or underemployment | Failure of urban planning Fiscal crises | ... | Failure of national governance |
| Kyrgyzstan | Failure of national governance | Profound social instability | Unemployment or underemployment | Fiscal crises | Interstate conflict |
| Lao | Deflation | Energy price shock | Unmanageable inflation | Manmade environmental catastrophes | Fiscal crises |
| Latvia | Failure of national governance | Failure of financial mechanism or institution | Cyberattacks | Asset bubble | Energy price shock |
| Lebanon | Unemployment or underemployment | Failure of national governance | Fiscal crises | Failure of critical infrastructure State collapse or crisis | ... |
| Lesotho | Energy price shock Failure of financial mechanism or institution | ... | Failure of climate-change adaptation | Terrorist attacks | Weapons of mass destruction |
| Lithuania | Asset bubble | Failure of national governance | Interstate conflict | Energy price shock | Profound social instability |
| Luxembourg | Cyberattacks | Asset bubble | Interstate conflict | Data fraud or theft | Energy price shock Failure of critical infrastructure Large-scale involuntary migration |
| Madagascar | Energy price shock | Failure of national governance | Unemployment or underemployment | Illicit trade | Failure of critical infrastructure Profound social instability |
| Malawi | Unemployment or underemployment | Failure of national governance | Energy price shock | Failure of critical infrastructure | Failure of urban planning |
| Malaysia | Data fraud or theft | Unemployment or underemployment | Cyberattacks | Failure of national governance | Asset bubble |
| Mali | Energy price shock Fiscal crises | ... | Illicit trade Unemployment or underemployment | ... | Terrorist attacks |
| Malta | Failure of urban planning | Asset bubble | Failure of critical infrastructure | Failure of national governance | Large-scale involuntary migration |
| Mauritania* | Unemployment or underemployment | Failure of national governance | Deflation | Spread of infectious diseases | Fiscal crises |
| Mauritius | Energy price shock | Natural catastrophes | Extreme weather events | Asset bubble Failure of climate-change adaptation | ... |
| Mexico | Failure of national governance | Illicit trade | Profound social instability | Energy price shock | State collapse or crisis |
| Moldova | Large-scale involuntary migration | Profound social instability | Failure of national governance | State collapse or crisis | Interstate conflict |
| Mongolia | Fiscal crises State collapse or crisis | ... | Failure of urban planning | Unmanageable inflation | Failure of national governance |
| Montenegro | Failure of financial mechanism or institution | Fiscal crises Misuse of technologies | ... | Unemployment or underemployment | Energy price shock |

| | Risk 1 | Risk 2 | Risk 3 | Risk 4 | Risk 5 |
|------------------------|---|---|--|--|--|
| Morocco | Energy price shock Unemployment or underemployment | ... | Illicit trade | Profound social instability | Asset bubble Fiscal crises |
| Mozambique | Failure of national governance | Unemployment or underemployment | Extreme weather events Natural catastrophes | ... | Failure of critical infrastructure |
| Namibia | Unemployment or underemployment | Water crises | Fiscal crises | Failure of national governance | Failure of urban planning |
| Nepal | Failure of national governance | Unemployment or underemployment | Failure of urban planning | Failure of financial mechanism or institution Unmanageable inflation | ... |
| Netherlands | Cyberattacks | Asset bubble Data fraud or theft | ... | Failure of climate-change adaptation | Terrorist attacks Unemployment or underemployment |
| New Zealand | Natural catastrophes | Cyberattacks | Failure of critical infrastructure | Failure of urban planning | Extreme weather events |
| Nicaragua* | Energy price shock | Failure of national governance | Natural catastrophes State collapse or crisis | ... | Profound social instability |
| Nigeria | Unemployment or underemployment | Failure of critical infrastructure | Failure of national governance | Energy price shock | Terrorist attacks |
| North Macedonia | Large-scale involuntary migration | Failure of national governance | Failure of urban planning | Illicit trade | Profound social instability |
| Norway* | Extreme weather events | Data fraud or theft | Large-scale involuntary migration | Critical information infrastructure breakdown Cyberattacks Energy price shock Failure of financial mechanism or institution | ... |
| Oman | Unemployment or underemployment | Energy price shock | Fiscal crises | Cyberattacks | Asset bubble |
| Pakistan | Energy price shock | Water crises | Unemployment or underemployment | Terrorist attacks | Data fraud or theft Fiscal crises |
| Panama | Water crises | Failure of national governance Unemployment or underemployment | ... | Large-scale involuntary migration | Energy price shock |
| Paraguay | Illicit trade | Failure of national governance | Unemployment or underemployment | Failure of critical infrastructure | Failure of urban planning |
| Peru | Illicit trade | Profound social instability | State collapse or crisis | Failure of national governance | Natural catastrophes |
| Philippines | Failure of national governance | Failure of critical infrastructure | Natural catastrophes | Water crises | Failure of urban planning |
| Poland | Interstate conflict | Energy price shock | Fiscal crises | Cyberattacks | Failure of national governance |
| Portugal | Asset bubble | Failure of financial mechanism or institution | Failure of national governance | Cyberattacks Fiscal crises | ... |
| Qatar | Asset bubble Cyberattacks | ... | Energy price shock | Terrorist attacks | Water crises |

| | Risk 1 | Risk 2 | Risk 3 | Risk 4 | Risk 5 |
|---------------------------|--|--|---|--|---|
| Romania | Failure of national governance | Fiscal crises | Failure of critical infrastructure | Unmanageable inflation | Large-scale involuntary migration |
| Russian Federation | Interstate conflict | Profound social instability | Energy price shock | Fiscal crises | Unmanageable inflation |
| Rwanda | Unemployment or underemployment | Cyberattacks Energy price shock | ... | Interstate conflict | Failure of regional and global governance |
| Saudi Arabia* | Energy price shock | Cyberattacks | Terrorist attacks | Unemployment or underemployment | Failure of urban planning |
| Senegal | Unemployment or underemployment | Illicit trade | Energy price shock | Failure of national governance | Cyberattacks Data fraud or theft |
| Serbia | Energy price shock | Failure of national governance | Unemployment or underemployment | Interstate conflict | Profound social instability |
| Seychelles | Deflation Unemployment or underemployment | ... | Energy price shock | Misuse of technologies | Failure of financial mechanism or institution Unmanageable inflation |
| Singapore | Cyberattacks | Asset bubble Terrorist attacks | ... | Data fraud or theft | Energy price shock Water crises |
| Slovakia | Profound social instability | Failure of national governance | Asset bubble | Cyberattacks Unemployment or underemployment | ... |
| Slovenia | Fiscal crises | Failure of regional and global governance Interstate conflict | ... | State collapse or crisis | Asset bubble |
| South Africa | Unemployment or underemployment | Failure of national governance | Failure of critical infrastructure | Profound social instability | Energy price shock |
| Spain | Unemployment or underemployment | Asset bubble | Energy price shock Failure of regional and global governance | ... | Profound social instability State collapse or crisis |
| Sri Lanka | Food crises | Misuse of technologies | Cyberattacks | Natural catastrophes Water crises | ... |
| Sweden | Asset bubble | Cyberattacks | Energy price shock | Failure of climate-change adaptation Failure of financial mechanism or institution Unemployment or underemployment | ... |
| Switzerland | Cyberattacks | Interstate conflict | Asset bubble | Data fraud or theft Large-scale involuntary migration | ... |
| Taiwan, China | Interstate conflict | Energy price shock | Asset bubble | Cyberattacks | Failure of regional and global governance |
| Tajikistan | Energy price shock | Unemployment or underemployment | Natural catastrophes | Large-scale involuntary migration | Fiscal crises Unmanageable inflation |

| | Risk 1 | Risk 2 | Risk 3 | Risk 4 | Risk 5 |
|-----------------------------|---|------------------------------------|------------------------------------|--|---|
| Tanzania | Unemployment or underemployment | Misuse of technologies | Failure of urban planning | Data fraud or theft | Cyberattacks Deflation Failure of financial mechanism or institution Fiscal crises Unmanageable inflation |
| Thailand | Asset bubble | Failure of national governance | Cyberattacks | Manmade environmental catastrophes | Profound social instability |
| Trinidad and Tobago | Energy price shock | Illicit trade | Failure of national governance | Unemployment or underemployment | Failure of critical infrastructure |
| Tunisia | Illicit trade | Unmanageable inflation | Energy price shock | Profound social instability | Fiscal crises |
| Turkey | Fiscal crises | Interstate conflict | Unmanageable inflation | Failure of national governance | Unemployment or underemployment |
| Uganda | Unemployment or underemployment | Failure of critical infrastructure | Energy price shock | Unmanageable inflation | Failure of urban planning Interstate conflict |
| Ukraine | Profound social instability | Energy price shock | Interstate conflict | Failure of critical infrastructure Fiscal crises Unemployment or underemployment | ... |
| United Arab Emirates | Cyberattacks | Energy price shock | Asset bubble | Data fraud or theft | Misuse of technologies |
| United Kingdom | Cyberattacks | Data fraud or theft | Failure of national governance | Terrorist attacks | Misuse of technologies |
| United States | Cyberattacks | Data fraud or theft | Terrorist attacks | Critical information infrastructure breakdown | Failure of critical infrastructure |
| Uruguay | Fiscal crises | Unemployment or underemployment | Failure of critical infrastructure | Failure of national governance | Energy price shock |
| Venezuela | Unmanageable inflation | State collapse or crisis | Profound social instability | Large-scale involuntary migration | Failure of critical infrastructure Water crises |
| Viet Nam | Asset bubble Failure of urban planning | ... | Unemployment or underemployment | Fiscal crises | Failure of national governance Illicit trade Unmanageable inflation |
| Yemen | Interstate conflict | State collapse or crisis | Fiscal crises | Food crises | Failure of critical infrastructure |
| Zambia | Unemployment or underemployment | Failure of national governance | Fiscal crises | Energy price shock | Data fraud or theft |
| Zimbabwe | Fiscal crises | Unemployment or underemployment | Unmanageable inflation | Failure of critical infrastructure | Failure of national governance |

Methodology

The findings presented in this report are based on data from the World Economic Forum's *Executive Opinion Survey*. This is the survey that feeds into the Forum's annual *Global Competitiveness Report*. Each year, it canvasses the views of business leaders from around the world on the state of the business environment where they are based. The *Executive Opinion Survey* was conducted in 2019 between January and April, and the survey's risk-related question received 12,879 responses. The respondents were presented with our core list of 30 global risks (see table below) and asked to select "the five global risks that you believe to be of most concern for doing business in your country within the next ten years".

To obtain the regional rankings, we weighed economy-level responses by GDP and population. First, we calculated the share of each economy's GDP and population with respect to their region's aggregates. When obtaining these aggregates, we considered only those economies for which 2019 survey data was available. Then, we calculated the ratio between these GDP and population shares and the share of each economy's sample size relative to its corresponding regional sample size. We averaged these ratios to obtain a single weight per economy. Finally, the regional rankings are a simple count of the number of total weighed responses for each risk from the economies comprising each region. The global

rankings are a simple average of these regional rankings.

In order to maintain cross-year comparability, we recalibrated the rankings from the 2018 edition of the *Regional Risks for Doing Business* based on the new methodology. For this reason, the global and regional rankings published in 2018 might differ from the references made to such rankings throughout this year's edition of the report.

The eight regions we analysed are comprised as follows:*

- **East Asia and the Pacific:** Australia; Brunei Darussalam; Cambodia; China; Hong Kong SAR; Indonesia; Japan; Republic of Korea; Lao PDR; Malaysia; Mongolia; New Zealand; Philippines; Singapore; Taiwan, China; Thailand; Viet Nam.
- **Eurasia:** Armenia; Azerbaijan; Georgia; Kazakhstan; Kyrgyzstan; Moldova; Russian Federation; Tajikistan; Ukraine.
- **Europe:** Albania; Austria; Belgium; Bosnia and Herzegovina; Bulgaria; Croatia; Cyprus; Czech Republic; Denmark; Estonia; Finland; France; Germany; Greece; Hungary; Iceland; Ireland; Italy; Latvia; Lithuania; Luxembourg; Malta; Montenegro; Netherlands; North Macedonia; Norway; Poland; Portugal; Romania;
- Serbia; Slovakia; Slovenia; Spain; Sweden; Switzerland; Turkey; United Kingdom.
- **Latin America and the Caribbean:** Argentina; Barbados; Bolivia; Brazil; Chile; Colombia; Costa Rica; Dominican Republic; Ecuador; El Salvador; Guatemala; Haiti; Honduras; Jamaica; Mexico; Nicaragua; Panama; Paraguay; Peru; Trinidad and Tobago; Uruguay; Venezuela.
- **Middle East and North Africa:** Algeria; Bahrain; Egypt; Iran; Israel; Jordan; Kuwait; Lebanon; Morocco; Oman; Qatar; Saudi Arabia; Tunisia; United Arab Emirates; Yemen.
- **North America:** Canada; United States.
- **South Asia:** Bangladesh; India; Nepal; Pakistan; Sri Lanka.
- **Sub-Saharan Africa:** Angola; Benin; Botswana; Burkina Faso; Burundi; Cameroon; Cape Verde; Chad; Congo, DR; Côte d'Ivoire; Eswatini; Ethiopia; Gabon; Gambia, The; Ghana; Guinea; Kenya; Lesotho; Madagascar; Malawi; Mali; Mauritania; Mauritius; Mozambique; Namibia; Nigeria; Rwanda; Senegal; Seychelles; South Africa; Tanzania; Uganda; Zambia; Zimbabwe.

*Informed by the results of quantitative tests and additional qualitative analysis, data was omitted for some countries. This was the case for China, Georgia, Honduras, Mauritania, Nicaragua and Saudi Arabia. In addition, this year the *Executive Opinion Survey* was not conducted in Belgium and Norway.

The following table contains the 30 global risks that respondents were asked to choose from:

| | | | | |
|---|---|---|------------------------------------|---------------------------------|
| Asset bubble | Energy price shock | Failure of regional and global governance | Large-scale involuntary migration | State collapse or crisis |
| Biodiversity loss and ecosystem collapse | Extreme weather events | Failure of urban planning | Manmade environmental catastrophes | Terrorist attacks |
| Critical information infrastructure breakdown | Failure of climate-change adaptation | Fiscal crises | Misuse of technologies | Unemployment or underemployment |
| Cyberattacks | Failure of critical infrastructure | Food crises | Natural catastrophes | Unmanageable inflation |
| Data fraud or theft | Failure of financial mechanism or institution | Illicit trade | Profound social instability | Water crises |
| Deflation | Failure of national governance | Interstate conflict | Spread of infectious diseases | Weapons of mass destruction |

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