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# A review of global risks



At the annual World Economic Forum in Davos you see at least a few participants deliver a presentation on "The titles or the priority of such possibility". The titles or the priority of such possibility changes every year. Now, let's take a quick look at the medium-term risks of this year:

As I mentioned in my previous articles, many countries in the world have already exceeded the tolerance limit in borrowing. Economies with the highest GDP are also those with the highest debt stock. Debt crisis countries need fresh money to convert their debt or roll it over.

- Climate change
- Global capital cannot focus on emerging economies due to the satisfactory interest rates currently or soon to be offered by debt securities of countries such as the United States.
- High inflation
- Is it really wise to prefer a satisfactory and risk free interest rate offered by a developed country over a high yet risky interest rate offered by a developing country?

Who says developed countries will never s always experience a debt crisis? I say there's such possibility.

Bank failure problem in the United States still remains unsolved while the US government takes measures to prevent depositors from becoming the lender's problem as well" withdrawing large amounts of funds from banks.

What I'm trying to say is that when borrowing becomes unsustainable, any country would throw it off its back. Without knowing the difference between the size of deposits and printed money. Of course, this would mean a serious loss of credibility, but it is also a fact that Latin America has been able to continue to borrow from state to state. I think all these incidents have driven the government to educate its citizens more on financial literacy.

As for the debt securities of developed countries, I strongly suggest all investors to be on alert for an increasing risk of debt crisis towards 2030.

## Investors and vacationers should be careful, as the water level is expected to rise in the South Seas within ten years

Recently, I had the opportunity to chat with Professor Jeffrey Sachs. Visiting Istanbul at the invitation of the Turkish Exporters Assembly, Sachs from Columbia University has warned about the climate crisis: "Damaging natural incidents occur before major climatic events, but when symptoms exceed a certain limit, sudden and big catastrophes begin to take place".

This warning made me think of business people who invest in Venice and the islands of the world, especially the Maldives.

It is no longer possible that the water level will rise by meters in areas very close to the sea, including Manhattan; it is a certain fact. Investors and vacationers should be careful, as the water level is expected to rise in the South Seas within ten years.

## The status quo and terrorism that we have experienced in the last five decades may well reappear in the 21st century

Apparently, the Russia-Ukraine war will cause some movement on the Belarus-Poland border. It is also likely that unconventional warfare elements might infiltrate Europe through Poland.

I think that right- and left-wing terrorist attacks might hit central areas in Europe, just like happened in the 1970s.

I don't expect that a conventional war between NATO and Russia, but they might try to hurt each other through proxy wars.

The status quo and terrorism that we have experienced in the last five decades may well reappear in the 21st century.

## The way things are going, inflation may become even stickier than ever

Concerns about inflation continue to grow all around the world. The US and European Central Banks state that they will continue to raise interest rates, but they will be careful not to cause a recession while doing so.

Many countries try to rein in inflation by hiking rates at the expense of reducing their growth rate.

Countries that were late in increasing rates, on the other hand, joined this fight with different instruments.

Meanwhile, the gap between official inflation rate and the cost of living continues to widen in every country. Wages are rising, prices are rising. It's as if wages are playing catch-up with inflation.

The way things are going, inflation may become even stickier than ever. What

turn into a recession as interest rates and taxes continue to go up. I don't believe that these concerns will be adequately resolved, at least not for a couple of years.

But the June Report by the World Bank contains more positive expectations than the one issued at the beginning of the year.

Therefore, "low growth" rather than a recession looks like a more concrete possibility. In this context, even though I find the negative expectations regarding global trade rightfully reasonable, I would like to point out the fact that there has been a serious increase in world merchandise trade after the pandemic.

## If recession does not become a tangible risk, the risks associated with global trade will remain as low priority

Looking back, we could see that the world trade has grown annually by an average rate of 2.6% since 2015. The reason for this high average is the high trade volume growth in 2017 and 2021.

The worst performance in global trade was observed only in 2019 and 2020, which is normal since the COVID-19 pandemic turned everything upside down.

Although world trade is expected to grow around 1.7% this year, as I mentioned above, except for the years that elevated the average, the normal growth trend will be between 1.5% and 2.5%.

As a matter of fact, 2024 expectations currently are 3.2%, which is a rate above the normal level. If recession does not become a tangible risk, the risks associated with global trade will remain as low priority.

Nuclear threat or cyber-attacks that have been on the list in the past years are still a threat to humanity. But currently, the world's biggest problem is extreme heat and drought, floods and storms.

These events used to be called "shocks", now they are called "risks". The probability of recurrence has increased. Sadly, they have become a normal part of our lives. So, I am hesitant about calling them "risks".