

The Challenge of Systemic Risk

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Not to mention the recent London bombings and September 11, we have witnessed in recent years a series of large-scale disasters of various kinds throughout the world such as the South Asian Tsunami, hurricane Andrew, the Kobe earthquake, hugely damaging windstorms, flooding, new diseases infecting both humans and animals, disruptions to critical infrastructures caused by computer viruses, a big accident caused by a simple technical mistake.

And yet, it is not just the nature of major risks that seems to be changing but also the context within which they appear and society's capacity to manage them. For example, weather conditions are becoming increasingly extreme. The population density in urban centers and concentrations of economic activity in certain regions are rising, rendering these areas more vulnerable. Globalization in all of its dimensions, ---economic, technological, cultural, environmental---, growing space and increasing interdependence and makes all the easier for technical failures and pollutants to spread. Equally important, the frontiers of scientific discovery and technological innovation are expanding at breathtaking speed, confronting society with unknown impacts, and therefore very difficult choices. If the past is any guide to the future, we have to be ready for these trends which will continue to take place.

The OECD comprising 30 member states started the project on Systemic Risk in the year 2000. The aim of the project is to identify the challenges of managing risks in the 21st century and to contribute to the countries' reflection on how best to address those challenges.

As milestones of those works, the OECD issued two comprehensive reports on the emerging systemic risk in 2003 and on the large scale disasters in 2004. In those studies, the OECD identified salient driving forces such as demography, environment, technology and socio-economic development behind the new risk landscape. And the list of the resulting challenges includes complexity, mobility, public-private partnership, scale, uncertainty, precaution, social amplification of risks and diversity of stakeholders.

These findings have led to a number of recommendations for actions. Since the systemic risk is the combination of a hazard, vulnerabilities, transmission mechanisms and responses, the bottom line is the need for a holistic approach to risk management. Therefore the launch of the Interuniversity Seminar 2005 by the World Health Risk Management Center will provide an excellent forum for the stakeholders on different expertise to search for the best practices and hence to empower the entire society to address the unprecedented challenge. The OECD is pleased to collaborate with the WHRMC and look forward to introducing the most recent results of the studies which are expected to come out in the coming months. (end)