



# GLOBAL TENSIONS AMPLIFY TECH RISKS

WEAPONIZED AI, DIGITAL ESPIONAGE, AND  
OTHER TECHNOLOGIES POSE NEW RISKS  
FOR GLOBAL PROSPERITY

John Drzik

Technology will continue to play a vital role in promoting global prosperity. New advances are poised to increase economic productivity, provide radical healthcare solutions, and combat climate change, among other benefits.

But the pace of innovation in areas such as artificial intelligence (AI), the internet of things (IoT), and biotechnology is also creating new risks – ones that will be amplified in a world where geopolitical tensions, nationalism, and social instability are on the rise. Businesses need to consider the threats stemming from technological change through the lens of the shifting global risk landscape. (See Exhibit 1.)

## NEW TECHNOLOGY, NEW RISK

A recent wave of high-profile cyberattacks – with objectives ranging from disrupting critical infrastructure, to influencing the United States presidential election – has heightened attention around the need for stronger security and governance measures in the public domain. Technological advances have also facilitated a significant uplift in industrial espionage, which could grow further in an era of state-sponsored use of cyber technology. Meanwhile, the future weaponization of AI and robotics by rogue states or terrorists and the scope for hacking global satellite systems are also firmly on the radar of security specialists.

As businesses embrace innovation, they also take on new risks. Not only are companies buying and employing technology that creates new exposure, their IT systems are becoming increasingly connected to those of other companies in their value chain, such as suppliers, customers, and utilities. Additionally, more IoT devices are being deployed to improve productivity or increase safety. This expanding interconnectedness, often facilitated by devices with limited security, creates additional points of vulnerability to

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cyberattack and makes assessing the risk permutations that much more difficult.

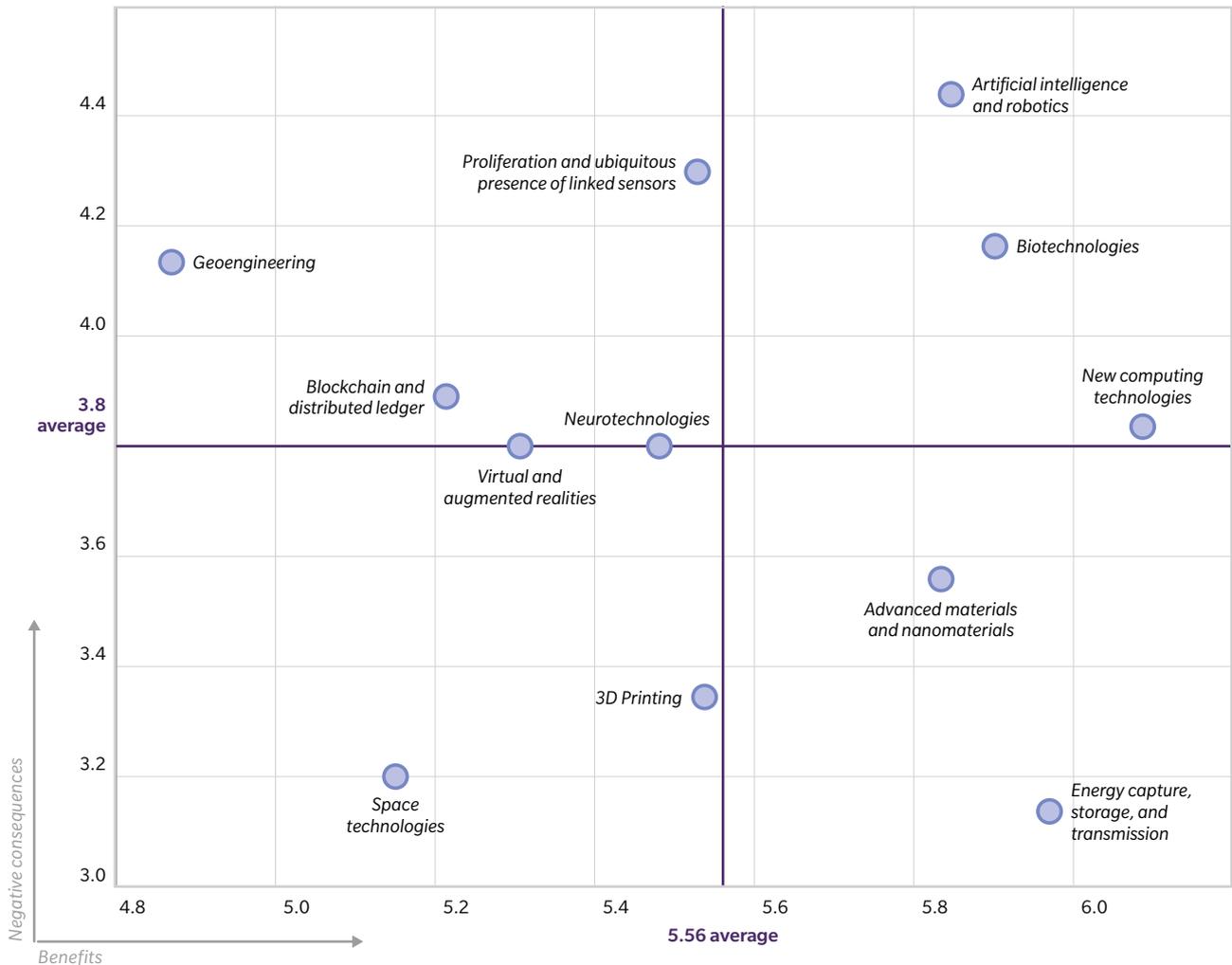
Other innovations in the technology landscape, such as the migration of data and software to the cloud and the use of AI and robotics in commercial applications, are also shifting the nature of cyber risk. At the same time, companies implementing innovations may be assuming, through legacy contracts, new liabilities where legal precedent is embryonic at best, along with vulnerabilities they will find challenging to mitigate or transfer onto insurance markets.

## DIGITAL RESTRICTIONS

Cross-border data flows are being slowed by a rise in government intervention. Some measures are aimed at consumer protection. For example, the European Union's General Data Protection Regulation (GDPR) is driven primarily by privacy concerns on personal data. (See "The Coming Consumer Data Wars" on page 14.) Other initiatives are aimed at state protection, driven by heightened security concerns. These measures enforce a range of protectionist policies, including prohibitive technical standards, censorship, surveillance, and data localization. China, for instance, has joined Russia in tightening the requirements placed on foreign companies to store information within national borders. Increasing regulation is complicating the space for business to work in and aggravating "splinternet" tendencies.

EXHIBIT 1: EMERGING TECHNOLOGIES

Businesses need to prepare for both the benefits and consequences of new technologies



Source: World Economic Forum, *Global Risks Report 2017*

These trends may present significant challenges for businesses. Compliance with new regulation could be costly, and failure to comply could result in significant sanctions. Restricted access to digital supply chains and markets will create complexities for firms with global operating models. In an era of heightened nationalism, this direction could threaten open global competition.

### CONSIDERING THE FUTURE WORKFORCE

Businesses will also need to address the intrinsic changes to the nature of work itself and the future of employment. There is a general consensus that technological advances will accelerate productivity across a wide spectrum of job categories, ranging from assemblers in factories, to finance clerks and

analysts, to care providers. This shift will likely take place faster in advanced economies, even if the implications for emerging-market countries may ultimately be more profound.

The fact that these changes are happening at a time of significant unemployment concerns and increased social instability among lower-income groups suggests that companies may experience mounting pressure to align business and employment strategies with what is deemed politically and publicly acceptable. At the same time, companies are facing a fierce war for skilled talent with the technological know-how and leadership experience to shape and deliver on digital strategies. With

discrepancies between the current supply and demand, companies will need to focus more extensively on retraining existing employees to build skills in critical growth areas.

Technology innovation is transforming the way businesses operate and compete. To capture the opportunities it presents, business leaders must better understand the depth and scope of the interrelated challenges ahead – and develop plans to address them.

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