APCO

Geopolitical Radar

The Global Operating Environment for Business

Q1 2025

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Contents

Welcome to the APCO Geopolitical Radar (AGR), an overview of geopolitical risks posed to corporations operating globally.

AGR reflects our understanding of the regional risks facing businesses and how these risks come together at a global level. It is intended as a baseline from which to develop strategies that navigate and mitigate these risks. This report looks at emerging issues for Q1 2025 and was published in January 2025.

Our regional insights represent the best thinking of APCO corporate advisory practitioners. With more than 1,200 people across more than 30 global locations, our analysis draws on decades of experience and insights serving corporations that operate globally.

Headline Risks

Acute ⊙ | Transitory ⊙⟶ | Enduring •⟶

United States & Canada

- Trump administration will shift U.S. foreign policy priorities •⟶
- Canadian government shakeup comes at critical juncture in U.S. relations ⊙
- New U.S. administration will move quickly on tariffs, tax reform, and deregulation ⊙⟶
- Aggressive immigration enforcement may disrupt labor market •⟶

Latin America

- Accelerating migration flows put pressure on regional economies ⊙
- Leaders anticipate and respond to Trump's tariff threats ⊙
- Urgent climate coordination lacking amid regional fracturing on environmental issues •⟶
- Transnational crime escalates security risks in Latin America •⟶

Sub-Saharan Africa

- Economic reforms in Nigeria target long-term growth •⟶
- Somaliland's new president navigates international recognition bid ⊙⟶
- South Africa's G20 presidency offers leadership opportunity on key issues ⊙⟶

Western & Central Europe

- Key policies take shape during the new European Commission's first 100 days ⊙⟶
- Domestic political instability continues in France and Germany ⊙⟶
- EU braces for policy uncertainty ahead of second Trump administration •⟶

Russia & Eastern Europe

- Trump's Ukraine position increases uncertainty over outcome of the war ⊙⟶
- Halt to Russian gas transit in Ukraine highlights fissures across the EU •⟶
- Tensions in Central Asia and Caucasus threaten Russian regional influence ⊙⟶

Middle East & North Africa

- Syrian rebel victory has altered regional power dynamics ⊙⟶
- Iran-Israel tensions endure despite ceasefire agreements ⊙⟶
- New trade corridors are reshaping regional influence and infrastructure •⟶

China

- Another trade war looms for U.S. and China •⟶
- Weak consumer sentiment risks deflation or low growth ⊙⟶
- Domestic competition is intensifying amid currency devaluation to bolster export growth •⟶

South Asia

- Elevated inflation and geopolitical balancing act pose economic risks in India ⊙⟶
- India is seeking to balance U.S.-China geopolitical rivalry ⊙⟶
- Pakistan's economic stabilization is progressing under IMF plan, but challenges remain •⟶
- Political instability threatens Bangladesh's economic and social fabric ⊙⟶

Asia Pacific

- U.S. tariff escalation creates regional supply chain disruptions •⟶
- Political instability grips South Korea following Presidential impeachment ⊙⟶
- South China Sea tensions endure between the Philippines and China •⟶
- New governments in APAC face domestic pressure and geopolitical complexity ⊙

Spotlight: The Five Paradigms of Trade

Trade, long considered a normative good leading to economic growth and social development, is becoming an inverted fulcrum of geopolitical and economic competition between nations. U.S. President Trump's proposal for steep and indiscriminate tariffs has informed an evolving debate on globalization, supply chains and the idea of free trade as the foundation of the modern global economic order.

Global trade and globalization is not coming to an end. Global trade was set to hit $33 trillion in 2024, up by $1 trillion from 2023. But trade is increasingly linked with geopolitics, which has profound implications for global supply chains and the businesses and individuals that rely on them. The conversation has shifted from "trade is good" to **"What kind of trade is good for *me*?"**

The world is entering a new era where there is no longer a broad consensus to defend the global trading system. APCO's analysis of policies, commentary and conversation across major trading nations suggests there are **five paradigms of trade** that national governments are increasingly using to secure their niche interests amid rising uncertainty. These paradigms include:

FIVE PARADIGMS OF TRADE

Tariffs	**Agreements, Alliances & Corridors**	**Industrial Policy**	**Market Access & Coercion (Non-Tariff Barriers)**	**National Security**

TARIFFS:

Targeted tariffs are being normalized and mainstreamed as a legitimate tool to protect industries, retaliate against trade imbalances, or gain leverage in negotiations.

Watch points:

- **United States:** More than anyone, Donald Trump has invoked tariffs as a tactic to address a widening range of geopolitical issues, including as a response to a military confrontation in Taiwan and dissuading BRICS members from ditching the dollar.
- **EV Wars:** Tariffs are now unabashedly used in many countries against Chinese-made EVs. Canada and the U.S. imposed 100% tariffs to close the door on Chinese EVs. The EU's more surgical approach imposed tariffs of up to 45%.

Forecast: Tariffs are no longer just about protection – they are a negotiating tool in global power plays. The biggest questions are: how much of Trump's threatened tariffs will come to pass? How will retaliation by bilateral partners manifest? And **will there be push back on tariffs from global consumers in 2025**, even as the political cost of tariffs may not be immediately felt?

Spotlight: The Five Paradigms of Trade (cont.)

AGREEMENTS, ALLIANCES & CORRIDORS:

Bilateral and regional agreements – often surgically constructed around specific categories of goods and services – are being favored as a workaround in the face of a weakened World Trade Organization (WTO). Bi-lateral trade deals, and other practical corridors, or simply including trade into bilateral negotiations, provides flexibility to countries looking to quickly secure markets and economic stability.

Watch points:

- **UK-India:** After a hiatus, India and the UK are back to negotiating a Free Trade Agreement (FTA) in 2025. The FTA initiative touches a wide range of issues including visa, rule of origin, IP protection and social security. This would be India's first comprehensive trade deal with a European country.
- **China and Singapore:** An update of the China-Singapore FTA took effect on December 31, 2024. There is now a shorter "negative list" of restricted industries in China and new provisions that prohibit nationality-based discrimination.
- **India-Middle East-Europe Economic Corridor (IMEC):** The IMEC proposes better economic integration between Asia, the Persian Gulf, and Europe. It will span India, UAE, Saudi Arabia, Israel and Greece. One of the main focuses of the corridor will be digital infrastructure. IMEC is positioning itself to become a significant alternative corridor to China's Belt and Road Initiative (BRI).
- **BRICS+:** Recent discussions have focused on creating trade corridors and infrastructure investment projects to reduce reliance on Western-dominated institutions and supply chains. This expansion, combined with a push for financial systems outside the U.S. dollar, highlight the political demand for more South-South partnerships and cooperation.
- **EU and Canada:** In December 2024, Ottawa and Brussels agreed to continue efforts to implement CETA, despite legislative setbacks throughout last year. The EU is now conducting an in-depth evaluation of CETA's benefits to inform further discussions.

Forecast: In 2025 bilateral deals will continue to proliferate as countries sidestep multilateral trade institutions. **Bilateral and regional agreements will be the cornerstone of economic diplomacy in this current environment**. These deals will increasingly include provisions not addressed in traditional trade agreements, encompassing areas such as technology transfer, defense cooperation, and regulatory alignment.

INDUSTRIAL POLICY:

While increasing economic activity between nations has been seen as critical to reducing conflict, this approach is being supplanted as resilience and security become central elements of trade lexicon. Accompanying trade considerations are efforts to protect domestic industries, localize supply chains, invest in critical sectors and beef up domestic export industries and champions. This includes reshoring industries seen as strategic and incentivizing domestic production to reduce dependence on perceived rivals.

Watch points:

- **China's Dual Circulation Strategy:** China's "dual circulation" policy prioritizes self-reliance by enhancing domestic consumption while maintaining global export competitiveness. The strategy calls for significant investments in strategic sectors such as semiconductor manufacturing and renewable energy to counter U.S. export restrictions on advanced technology.
- **European Chips Act:** The EU is channeling €43 billion into semiconductor production with the goal of producing 20% of the world's semiconductors by 2030. This policy aims to safeguard Europe's access to critical technologies amid intensifying U.S-China competition.
- **U.S. CHIPS Act and Inflation Reduction Act (IRA):** While questions remain about their ability to endure the new Trump administration, the CHIPS Act allocates $52 billion to boost domestic semiconductor manufacturing, and the IRA offers $369 billion in incentives for clean energy production.
- **"Make in India" Initiative:** India's industrial policy focuses on building domestic capacity in strategic sectors like electronics, defense and pharmaceuticals. The initiative includes financial incentives for local manufacturers coupled with import restrictions to boost domestic production.

Forecast: In 2025, industrial policy will continue to dominate economic and trade agendas. Expect further **investments in advanced manufacturing, clean energy and defense-related industries**. These policies may be bolstered and/or supported by accompanying trade policies. The challenge will be balancing national priorities with global trade commitments.

Spotlight: The Five Paradigms of Trade (cont.)

MARKET ACCESS AND COERCION (NTBs):

Market access barriers such as environmental regulations, quotas, import standards, and other non-tariff barriers are being used to protect domestic industries, enhance economic sovereignty, and gain leverage in trade negotiations. These measures are often positioned as tools for achieving regulatory goals but they also serve as strategic tools to impact market access and trade flows. Not only are governments creating market access barriers, they are also using economic coercion tools to bolster domestic industries, protect incumbents and reduce reliance on trading partners.

Watch points:

- **EU Carbon Border Adjustment Mechanism (CBAM):** The EU's CBAM imposes fees on imports from countries with lower environmental standards. While pushing trading partners toward stricter environmental policies, it has the added benefit of protecting European industries, in what some have characterized as a form of "neo-colonialism." The risk is in escalating trade disputes with developing nations.
- **India Import Standards:** India has recently tightened import requirements for electronics, agricultural goods and steel by raising environmental criteria. These measures aim to boost domestic production while reducing dependency on imports.
- **Uyghur Forced Labor Prevention Act (UFLPA):** The U.S. bans imports linked to forced, so far targeting industries such as cotton, tomatoes and solar panels.
- **Mexico Agricultural Import Rules:** Mexico has introduced stringent labeling and compliance requirements for food imports to protect its domestic agricultural sector. This has impacted U.S. producers.
- **Competition and Antitrust Reviews:** Governments, particularly the U.S. and in the EU, are intensifying antitrust action to prevent control over strategic sectors by perceived adversaries. This includes reviews of large mergers and acquisitions with national security implications.
- **Currency Manipulation and Devaluation:** Some countries have faced accusations of currency devaluation to bolster exports and counter sanctions-related economic pressures. Currency shifts remain a contentious issue in trade negotiations.

Forecast: In 2025, barriers on market access will continue to be prominent in global trade policy, particularly as countries use them to further domestic priorities in **sectors like agriculture, technology, and green energy**. While many will be framed as regulatory policies, market access and coercion will increasingly serve protectionist and anti-trade outcomes.

NATIONAL SECURITY:

National security concerns are reshaping global trade as governments roll out policies to protect critical industries, counter the economic influence of perceived adversaries and secure sensitive technologies. Trade tools such as export restrictions, sanctions and investment screenings are increasingly used as instruments of geopolitical strategy.

Watch points:

- **Export Restrictions:** The U.S. continues to expand its semiconductor export restrictions to limit China's access to advanced chips. In response, China has imposed its own export controls on critical minerals, vital to produce many high-tech goods.
- **Sanctions and De-Banking:** Sanctions against companies linked to Russia, Iran and North Korea have included de-banking measures. These include cutting access to international financial systems like SWIFT. These actions are causing ripple effects on global trade and finance.
- **Investment Screening Mechanisms:** The U.S. Committee on Foreign Investment in the United States (CFIUS) and outbound investment reviews monitor and restrict capital flows. The EU and Japan are adopting similar mechanisms.
- **Data Localization Requirements:** Countries including China, India and Russia – among others – have data localization laws requiring that data collected within their borders be stored domestically. These regulations are framed as security measures and often act as barriers to international business operations and cross-border data-driven trade.

Forecast: In 2025, national security-driven trade policies will intensify, with **export controls, sanctions, and investment screenings** becoming more targeted and widespread. These measures will likely lead to further fragmentation of global trade and supply chains. The U.S.-China tech rivalry will remain the focal point, with new restrictions on both sides expected to escalate tensions.

KEY TAKEAWAY FOR COMPANIES

In 2025, global trade will be shaped by five key paradigms: tariffs, agreements, alliances & corridors, industrial policy, market access & coercion and national security. As nations prioritize resilience and economic sovereignty, businesses must adapt by navigating localized regulations, diversifying supply chains and anticipating geopolitical shifts. Success will hinge on the ability to align with evolving trade frameworks.

Asia Pacific

Acute · Transitory · Enduring

HEADLINE RISKS		IMPACT TO BUSINESSES	RISK HORIZON
U.S. tariff escalation creates regional supply chain disruptions	• ASEAN members are concerned about U.S. tariffs—both direct tariffs and the ripple effect on the region of U.S. tariffs on China. The region was arguably the biggest winner of the first round of U.S. tariffs on China, but a new round of U.S. tariffs targeting Southeast Asian countries—most notably Vietnam—may challenge the region's attractiveness as a manufacturing center for the U.S. market. • Some countries in Southeast Asia are worried that further U.S. tariffs on China could lead to a flood of Chinese products entering their markets and are considering implementing their own protective tariffs. These measures further complicate an already strained supply chain and investment environment.	• Tariffs—whether real or threatened—create new costs and uncertainties for businesses. This will disrupt supply chains and disincentivize capital investment by the export manufacturing businesses that are vital to regional economic growth.	
Political instability grips South Korea following Presidential impeachment	• South Korea is in a state of political uncertainty following the impeachment and arrest of President Yoon Suk Yeol after his short-lived attempt to impose martial law. The impeachment proceedings are now with the Constitutional Court. • The ordeal has already shifted focus away from the ruling People Power Party's (PPP) critical policy and economic priorities. The Korean won continues to lose value and foreign investors have offloaded more than $10 billion in Korean treasury bonds. Left-leaning opposition leader Lee Jae-myung is emerging as a frontrunner for the presidency after narrowly losing to Yoon in the 2022 election.	• The prolonged uncertainty around South Korea's leadership has impacted confidence in the economy. In this climate, companies are hesitant to make plans for the year ahead. Business decision-making will be stalled until a clear solution to the crisis emerges.	
South China Sea tensions endure between the Philippines and China	• Manila's recent passage of the Philippine Maritime Zones Act and the Archipelagic Sea Lanes Act has strengthened the country's territorial legal claims. However, these bills have also provoked sharp responses from Beijing, as China continues to promote its own maritime sovereignty claims. • Scarborough and Sabina Shoals have been the sites of recent territorial flashpoints between China and the Philippines in the South China Sea. There have been frequent incidents involving the Chinese Coast Guard and Philippine vessels, part of Chinese efforts to assert its claims without engaging in military conflict.	• Rising tensions in the South China Sea continue to threaten key shipping routes and corresponding global and regional supply chains.	
New governments in APAC face domestic pressure and geopolitical complexity	• In **Japan**, Prime Minister Shigeru Ishiba is struggling with a weak coalition after the October 2024 election left his party reliant on the National Democratic Party (NDP) to move legislation. This will undermine his ability to act decisively. • In **Indonesia**, President Prabowo Subianto is under pressure to meet the dual challenge of maintaining foreign investor confidence while fulfilling campaign promises to bolster national industries. • In **Thailand**, Prime Minister Paetongtarn Shinawatra is navigating entrenched military influence and constitutional constraints while needing to deliver on ambitious economic and social campaign promises.	• As new governments in APAC hit their stride or struggle to survive, they may introduce unexpected regulatory changes necessitating consistent advocacy and engagement. In Indonesia, for instance, Prabowo has recently established a new "downstreaming" task force that integrates business licensing to compel companies to establish higher-value operations within the country.	

China

Acute | Transitory | Enduring

HEADLINE RISKS		IMPACT TO BUSINESSES	RISK HORIZON
Another trade war looms for U.S. and China	• Exporters from China will likely face additional U.S. tariffs under incoming President Trump. In tandem, new EU trade restrictions aimed at sensitive technologies aim to limit China's access to critical components and emerging technologies. • China is expected to retaliate by imposing tariffs on U.S. and EU goods, restricting exports of critical minerals and components, and leveraging new trade mechanisms such as its anti-foreign sanctions laws and regulation of dual-use items.	• Western tariffs and trade restrictions are likely to create supply chain uncertainties, increase production costs, and create downstream supply chain challenges. • China may utilize its toolkit of non-tariff retaliatory measures to target foreign companies, including the unreliable entity list, the anti-espionage law, anti-dumping investigations, and others.	
Weak consumer sentiment risks deflation or low growth	• Consumer sentiment in China remains depressed due to economic uncertainties, the real estate crisis, and disruptive regulatory actions, leading consumers to increase precautionary savings and decrease spending. • China's core inflation recently hit its lowest level in over three years, and factory gate prices have been in deflation since late 2022. • Chinese consumers are increasingly seeking deals and value while reducing spending on luxury items. Aspirational consumers are cutting back, though high-end luxury markets remain resilient.	• Retailers are beginning to offer steeper sales year-round, potentially decreasing the commercial significance of shopping festivals like Singles Day. The trend could lead to a more competitive pricing environment, exacerbating deflationary pressures. • Businesses should focus on delivering value, enhancing customer loyalty, and leveraging data to better respond to consumer needs.	
Domestic competition is intensifying amid currency devaluation to bolster export growth	• Competition in the China market is intensifying as consumers tighten their purse strings and supply increasingly outstrips demand, particularly in key sectors like electric vehicles and photovoltaics. • These market dynamics create strong incentives for Chinese companies to expand overseas, particularly into emerging markets in the Global South. • The Chinese government has also moved to devalue the RMB to support export growth.	• Devaluation of the RMB will affect currency exchange rates and pricing strategies. This could also influence other countries to respond with their own currency adjustments or trade measures to protect their markets. • Additionally, shifts in interest rates driven by China's economic policies could impact global financial markets and investment decisions.	

South Asia

Acute | Transitory | Enduring

HEADLINE RISKS		IMPACT TO BUSINESSES	RISK HORIZON
Elevated inflation and geopolitical balancing act pose economic risks in India	• India's economy remains resilient amid global conflicts and regional economic slowdowns, with the BJP-led coalition government focusing on infrastructure spending and policy continuity. However, elevated inflation in recent months threatens consumer spending and real economic growth, with the Reserve Bank of India expected to maintain a tight monetary policy. • Recent talks with China regarding the border dispute signal a potential thawing of tensions, creating opportunities for increased Chinese investment and a return to normalized business relations.	• Inflation trendlines and monetary policy will influence consumer demand. Additionally, the potential for increased Chinese investments and expanded market access may contribute to downward pressure on inflation.	
India is seeking to balance U.S.-China geopolitical rivalry	• Trump's reelection presents opportunities for deepening U.S.-India relations, with India potentially benefiting from heightened strains between the U.S. and China. • But India may also face risks from trade tensions, tariffs, and tightening visa restrictions in the U.S. and across Western nations. India will look to balance its geopolitical interests while attracting supply chain investment to boost domestic manufacturing and employment.	• Tariffs and supply chain shifts will create opportunities for some businesses. However, the Trump administration may also target India with tariffs, and key sectors such as automobiles, textiles, and pharmaceuticals could face significant challenges.	
Pakistan's economic stabilization is progressing under IMF plan, but challenges remain	• Pakistan's economy has partially stabilized under the IMF plan, with higher growth and lower inflation. However, high debt, modest reserves, and increased poverty remain key issues. • The government's priority over the next few months will be to adhere to IMF requirements, including cutting expenditures, boosting tax collection, and reducing inefficient subsidies. • The fate of Prime Minister Imran Khan, still a highly popular figure, remains unclear, which continue to lead to widespread demonstrations, protests, and strikes that undermine the stability of the coalition government. • Relations with benefactor China are strained due to attacks on Chinese workers by Baluchistani separatists, while ties with India remain frozen with no prospect of substantive engagement in the short to medium term.	• Despite economic stabilization, political uncertainties and security threats mean companies should remain viligant. The challenging business environment will likely persist, driven by economic realities, regional dynamics, and domestic political developments.	
Political instability threatens Bangladesh's economic and social fabric	• The interim government, led by Muhammad Yunus, is struggling to stabilize Bangladesh after the removal of Sheikh Hasina. Political tensions are high as protests are ongoing and the election timeline is uncertain. • Bangladesh's GDP growth is projected to decelerate to 4.0% in 2025, with declining foreign exchange reserves and significant banking sector liquidity challenges. Moody's has downgraded Bangladesh's sovereign rating to "junk" status, reflecting significant political and economic risks. • Concerns persist about minority protection, especially for Hindu communities, while extremist Islamist groups pose potential for further social destabilization.	• Heightened political uncertainty, potential policy disruptions, and economic volatility create significant operational risks. Foreign investors face increased compliance challenges, potential regulatory changes, and an unpredictable business environment with constrained economic growth and banking sector instability.	

Middle East & North Africa

Acute | Transitory | Enduring

HEADLINE RISKS		IMPACT TO BUSINESSES	RISK HORIZON
Syrian rebel victory has altered regional power dynamics	• After the fall of the Assad regime, the situation on the ground remains in flux, with Syria now controlled by fragmented rebel factions that include the fundamentalist Hayat Tahrir al-Sham (HTS), the Turkish-backed Syrian National Army, Kurdish-led forces, and other opposition groups. • The country faces acute governance challenges and a high risk of continued instability. • De facto interim leader Ahmed al-Sharaa (Abu Mohammad al-Jolani) has displayed a more moderate image which downplays his fundamentalist past. In the month since assuming power, he has presented a reconciliation-based approach to secure international legitimacy and lift existing sanctions.	• Current uncertainty poses long-term challenges to operations and investment prospects in Syria and its neighbors. Renewed widespread conflict could harm regional infrastructure and supply chains. However, Turkey's potential role as a regional powerbroker may open opportunities for businesses aligning with Ankara's interests, especially in trade, energy, and reconstruction.	
Iran-Israel tensions endure despite ceasefire agreements	• Israel and Hamas reached a ceasefire agreement and hostage deal after a 15-month war. Meanwhile, Israel and Lebanon's agreement to the U.S.- and French-mediated ceasefire with Hezbollah has increased the likelihood of a longer-term ceasefire on Israel's northern border. • Despite these developments, Israel's strikes on Iranian military facilities and missile production sites in Syria, coupled with ongoing drone and ballistic missile attacks by the Houthis against Israel, continue to pose significant threats. Iran's recalibration of its regional strategy, potentially including an accelerated nuclear program, heightens the risk of further escalation. • President-elect Donald Trump welcomed the Gaza deal, though his administration is likely to continue strong support for Israel with minimal conditions related to humanitarian access in Gaza.	• The Israel-Hamas deal could stabilize business conditions, enabling a return to normal Red Sea shipping routes and regional air routes. The Lebanon ceasefire has improved short-term business sentiment, restoring some regional air routes and buoying stock markets. However, geopolitical risks persist as Israel maintains campaigns against Iranian proxies and continues negotiations for a comprehensive end to the war in Gaza. Businesses may benefit from reconstruction efforts, while airlines cautiously plan their return to affected markets.	
New trade corridors are reshaping regional influence and infrastructure	• The development of the India-Middle East-Europe Economic Corridor (IMEC) aims to reduce dependence on Red Sea trade routes and mitigate single points of failure. Iraq has secured a $27 billion deal with TotalEnergies and attracted $9.5 billion in Qatari investments to diversify its infrastructure. • M&A activity in the Middle East and North Africa region was led by Saudi Arabia and the UAE, with $24.5 billion in deals in the first three quarters of 2024. This increased deal flow reflects government efforts to boost regional economic influence while balancing external pressures.	• New trade corridors create opportunities for infrastructure, logistics, and supply chain investments. Companies with stakes in Gulf economies should prioritize resilience strategies to mitigate geopolitical risks in traditional shipping routes. Aligning with and investing in IMEC and other trade networks offers businesses early mover advantages as the regional trade landscape evolves.	

Sub-Saharan Africa

Acute | Transitory | Enduring

HEADLINE RISKS		IMPACT TO BUSINESSES	RISK HORIZON
Economic reforms in Nigeria target long-term growth	• Nigeria is implementing significant financial reforms to address macroeconomic imbalances and structural distortions. Ending the fuel subsidy regime and unifying the exchange rate are expected to deliver long-term benefits, including strengthening of critical social infrastructure. • Despite ongoing security challenges such as militant violence against civilians, these reforms are shaping investment opportunities and fostering economic stability in the region.	• Improvements in infrastructure and a more stable power supply could make Nigeria a more competitive and sustainable market for foreign investors. There are opportunities to invest in technology, broadband expansion, and data centers. Businesses seeking to take advantage of the improved economic environment must consider security, especially in certain regions.	
Somaliland's new president navigates international recognition bid	• Abdirahman Mohamed Abdullahi was elected president in November 2024, besting an incumbent to win an outright majority. Abdullahi's campaign prioritized improved governance and social cohesion, suggesting potential democratic and economic reforms. • Abdullahi's leadership will support Somaliland's quests for international recognition and economic reform. Turkish and East African mediators are navigating tensions between Ethiopia's push for a port and Somalia's sovereignty claim over Somaliland, with a recent Ethiopia-Somalia deal potentially undermining Somaliland's quest for recognition in the short term.	• Improved governance, internal stability, and a responsible stance on external security under Abdullahi could strengthen international governments' willingness to diplomatically recognize Somaliland, supporting new foreign investment. The resolution of Somaliland's outstanding disputes with neighbors could further catalyze the area's economic potential and reduce geopolitical risk for foreign investors.	
South Africa's G20 presidency offers leadership opportunity on key issues	• South Africa will hold the G20 presidency until November 2025. It is the first African nation to hold the high-profile role. With a theme of "Solidarity, Equality, Sustainability," South Africa's presidency aims to promote G20 action on debt relief for Global South countries, green finance, climate resilience, and critical minerals development. • South Africa, under its new coalition government, will leverage the presidency to advance national priorities like the Just Energy Transition and biodiversity conservation, while promoting regional integration and climate resilience across Africa. This includes projects such as reducing inequality, advancing food security, and promoting sustainable development. • Increased demands for government support may strain public finances.	• The G20 offers multinational businesses opportunities to become involved in core public-private partnership initiatives, particularly in sectors such as food and beverage, sustainability, and minerals and mining. Investments in sectors that target other African jurisdictions are likely to be incentivized within the G20 framework.	

Russia & Eastern Europe

Acute | Transitory | Enduring

HEADLINE RISKS		IMPACT TO BUSINESSES	RISK HORIZON
Trump's Ukraine policy increases uncertainty over outcome of the war	• President Trump is eager to end the war in Ukraine expeditiously. • The appointment of retired U.S. General Keith Kellogg as Special Envoy to Ukraine is seen as controversial by some, given his previous comments distributing blame between Russia and Ukraine. However, Kellogg brings first-hand experience in wartime Ukraine and is seen as better than some alternatives. • Intensification of conflict indicates neither Ukraine nor Russia is currently prepared to offer the threshold concessions needed for a brokered peace.	• International businesses considering Ukrainian investment or planning reentry to the Russian market after the cessation of conflict should be mindful that U.S.-Russia tensions are not guaranteed to ebb under Trump. Battlefield outcomes and the terms of conflict resolution will be key for the future investment environment.	
Halt to Russian gas transit in Ukraine highlights fissures across the EU	• Ukraine has halted the transit of Russian natural gas to Europe as of January 1, 2025, after the expiration of a previous agreement. Both Kyiv and Moscow declined to negotiate a new deal, resulting in the cessation of this transit route. • Key recipients of Russian gas, such as Austria, have secured alternative suppliers, but the halt in transit will be a significant loss for Moldova and the Russian-backed separatist region Transdniestria. • Hungary, Slovakia, and several other countries that continue to receive Russian gas from southern routes maintain close ties with the Kremlin despite the war and were keen to continue to receive deliveries through the Ukrainian route.	• Higher energy prices across Europe will impact manufacturing and energy-intensive industries globally, increasing production costs and reducing competitiveness. Countries still heavily dependent on, and strong proponents of, Russian gas may face significant scrutiny by EU counterparts and subsequent economic strain, affecting global trade and investment patterns. Heightened geopolitical tensions between Ukraine and countries maintaining ties with Russia could lead to political instability, impacting global business confidence and investment.	
Tensions in Central Asia and Caucasus threaten Russian regional influence	• Russian influence is weakening, particularly in Kazakhstan where Astana has been distancing itself from Moscow and seeking closer ties with the West. • Georgia's tension with Russia is increasing, and the recent decision by the Georgian government to pause its efforts to join the European Union has sparked volatile protests in Tbilisi and ensuing Western sanctions. • Azerbaijani and Kazakh authorities have accused Russia of destroying an Azerbaijan Airlines passenger plane in Russian airspace, killing 38 of the 67 people on board on December 25, 2024.	• Kazakhstan's move toward closer ties with the West could open new avenues for Western investment and partnerships. However, businesses must navigate the complex political landscape and potential instability. In Georgia, the volatile situation marked by protests and government crackdowns poses risks for business operations and investments.	

Western & Central Europe

Acute | Transitory | Enduring

HEADLINE RISKS		IMPACT TO BUSINESSES	RISK HORIZON
Key policies take shape during the new European Commission's first 100 days	• The new European Commission has committed to present an ambitious policy agenda within its first 100 days, starting December 1, 2024, with initiatives such as the Clean Industrial Deal, White Paper on Defense, Food and Agriculture Vision, and AI Factories Initiative aiming to boost Europe's competitiveness, reindustrialization, and strategic autonomy. • An Omnibus Simplification Package is expected to amend, consolidate, and simplify recently passed sustainability reporting and due diligence rules. Meanwhile, a "pre-enlargement policy review" may play a role in shaping the future direction of EU integration.	• Businesses broadly welcome regulatory simplification and support for reindustrialization, but there is a risk of new legal uncertainties arising from changes to existing regulations. The question of how to implement strategic autonomy provisions remains hotly debated in sectors such as defense and could limit non-EU business involvement.	
Domestic political instability continues in France and Germany	• Political upheavals in France and Germany continue to cause uncertainty in these markets and at the European level. The nomination of a new government in France has not succeeded in broadening the coalition base, which still depends on far-right support. In Germany, the center-right Christian Democratic Union (CDU) appears on course to return to government in snap elections in February, but the far-right Alternative for Germany (AfD) is forecast to significantly eat into the vote share going to the centrist parties. As a result, the formation of a stable government coalition may be even more difficult after February's election. • In France, the continued political crisis raises risks of a social flare-up, while budgetary discussions remain fraught with difficulty and raise prospects of new tax measures, fiscal instability, and the potential for another government collapse.	• The German election raises significant uncertainties for the business environment, with Friedrich Merz of the CDU promising tax cuts while the SPD's Olaf Scholz has called for "massive" investment, particularly in defense.	
EU braces for policy uncertainty ahead of second Trump administration.	• There is a high likelihood that the U.S. will erode transatlantic collaboration under incoming President Trump, with possible trade offensives on the EU and uncertain support for NATO. Statements and social media posts by Trump's close associate Elon Musk on European politics, such as endorsing Germany's far-right Alternative for Germany (AfD), have already served to raise tensions. • Meanwhile, the EU's own agendas for competitiveness and strategic autonomy may face significant challenges as unpredictable developments in U.S.-China competition engender rapid changes in the global competitive and security environment.	• Businesses may face increased tariffs and trade barriers, complications to transatlantic operations and supply chains, and reputational risks to their cross-border operations. Strategic planning must account for potential economic, regulatory, political, and reputational impacts arising from the new geopolitical environment.	

Latin America

Acute	Transitory	Enduring

HEADLINE RISKS		IMPACT TO BUSINESSES	RISK HORIZON
Accelerating migration flows put pressure on regional economies	• The fluctuating migratory flows under the new Trump administration will affect the economies of transit and border countries such as Mexico, Panama, and Colombia and origin countries such as Venezuela, Haiti, and Honduras. Migration is destabilizing the workforce and jeopardizing remittances, which can constitute up to 5% of regional GDP. • Migration will influence U.S. relations with countries like Venezuela and Mexico. Venezuela will likely face hardline actions from Trump in response to migration and recent controversial electoral outcomes. In Mexico, migration issues will influence the review and negotiations of USMCA, with President Trump leveraging the review process and tariffs to push U.S. migration positions.	• The mass movement of people will continue to exacerbate economic and social uncertainty in the region, significantly impacting investment and growth. This might lead to regional diplomatic tensions that can disrupt business operations. Businesses should also monitor for abrupt policy shifts as governments respond to the rapidly evolving situation.	
Leaders anticipate and respond to Trump's tariff threats	• Leaders are trying to anticipate Trump's approach to tariffs in Latin America, especially given the close trading relations most countries have with the U.S. and China. Some Latin American governments, such as Peru and Brazil, are likely to welcome growing engagement from other regions like Asia or Europe as they prepare for trade disputes with Washington and seek to diversify export markets. At the same time, others will keep an open line with the U.S., including Mexico which has already intensified its efforts to attract investment from Taiwan.	• A potential U.S.-China trade war could boost Latin American exports to China, especially for agricultural and mining powerhouses like Brazil and Bolivia, and redirect companies to consider the region as a supply chain alternative. However, export-led sectors like mining and manufacturing which serve the U.S., could also face setbacks due to policy shifts.	
Urgent climate coordination lacking amid regional fracturing on environmental issues	• Political polarization in the region will present some challenges as Brazil transitions from the recent G20 to the BRICS and COP30 climate negotiations in 2025. • Brazil's President Lula da Silva must navigate populist leaders, like Argentina's Milei, who have consistently backed off from climate commitments, and those seeking partnerships with other developing nations. This urgency is heightened by recent prolonged power outages and other climate-related disruption.	• As climate events are increasingly impacting business operations. Governments and the public sector are looking to the private sector for partnership to address many of these issues, including investments in resilient infrastructure.	
Transnational crime escalates security risks in Latin America	• Formerly localized security issues are escalating to a transnational scale, with cartels from Mexico extending their reach into the Andean region. The lack of coordination and information exchange among regional governments enables these organizations to proliferate. • Security remains a top concern for voters, as witnessed in recent local Chilean elections, and is anticipated to be a key topic in the upcoming presidential elections in Ecuador. Ecuador's President Noboa, running for re-election, has proposed reopening foreign military bases in the country which could mark a pivotal moment in regional security dynamics if it moves forward.	• Business operations face increased risks due to the security crisis. Despite governments taking the issue more seriously, the lack of regional coordination exacerbates threats to sectors and their supply chains and necessitates strategic planning from businesses to ensure personnel and asset safety.	

United States & Canada

Acute | Transitory | Enduring

HEADLINE RISKS		IMPACT TO BUSINESSES	RISK HORIZON
Trump administration will shift U.S. foreign policy priorities	• The second Trump administration will reinstitute the "America first" ethos to foreign policy, which during his first term left U.S. allies and partners unsure how to deal with a U.S. that was uninterested in preserving relationships that uphold the established global economic, security, and multilateral order. • Some ambassadorial nominees (Elise Stefanik for the UN and Mike Huckabee for Israel) have strong views on their respective domains, and their selection portends a more assertive and less conciliatory U.S. posture on the world stage. • However, President Trump's foreign policy positions and priorities fluctuate substantially and suddenly, making U.S. foreign policy unpredictable.	• U.S. foreign policy under President Trump will diverge from the trajectory set by the Biden administration in key areas, especially on Latin America and Ukraine. More broadly, the forceful rhetoric of President Trump and his team could affect American companies abroad if governments choose to retaliate through tariff and non-tariff barriers as well as novel pressure tactics.	
Canadian government shakeup comes at critical juncture in U.S. relations	• Prime Minister Trudeau's resignation as Prime Minister and the suspension of Parliament until March 24, while a Liberal Party leadership election occurs, may leave Ottawa less agile to respond to sudden U.S. policy changes on trade and migration, even though Trudeau will stay on until a new leader is determined. • The Conservative Party is likely to win the next general election regardless of who succeeds Trudeau. Conservative leader Pierre Poilievre is more ideologically aligned with Trump, while personal relationships exist between Conservative politicians and U.S. Vice President JD Vance.	• The Liberal Party leadership election will defer new parliamentary action until late March. Meanwhile, a Conservative Party victory in elections could lead to policy changes including tax code simplification, tax incentives for infrastructure, energy development, a push for housing construction, and the end of carbon pricing, among other changes. Fossil fuel energy could be an area of U.S.-Canada collaboration under Poilievre-Trump.	
New U.S. administration will move quickly on tariffs, tax reform, and deregulation	• The Trump administration has threatened 60% tariffs on Chinese imports and 10-20% tariffs on other imports. Although surrogates have downplayed the likelihood of universal tariffs, trading partners will retaliate and aggressively negotiate with the new U.S. administration, potentially unlocking new concessions and deals. Mexico, Canada, and China are likely to be among the first to face tariffs. • The administration and the Republican-controlled Congress are expected to quickly act on extending the 2017 tax cuts, reducing the corporate tax rate from 21% to 15%, reducing environmental and other regulations, and perhaps ending IRA and CHIPS Act reshoring incentives.	• Businesses and industries will attempt to replicate the tariff exemptions that were negotiated during Trump's first administration. Companies with reshoring plans may press for the continuation of IRA tax incentives and grants alongside a reduced corporate tax rate. Deregulation will aim to encourage fresh investment and corporate deal-making.	
Aggressive immigration enforcement may disrupt labor market	• The administration is likely to quickly follow through on campaign promises to deport undocumented immigrants. The administration will begin by targeting those guilty of violent crimes, but deportations may extend beyond this group. • Mass deportations may reduce the availability of labor and may have a chilling effect on legal immigration for manual and seasonal work. • Regarding legal immigration, fights over H1-B visas for high-skilled workers could also cause shortages in tech and other reliant sectors.	• Labor shortages could strain operations for some companies in labor-intensive sectors such as agriculture, construction and hospitality and those reliant on skilled workers, such as tech. However, upward pressure on wages is not guaranteed, especially in an environment where companies also face rising input costs due to tariffs.	

Multilateral Institutions & Forums

Acute Transitory Enduring

HEADLINE RISKS		IMPACT TO BUSINESSES	RISK HORIZON
Shifting U.S. sustainability priorities prompt calls to re-adopt global climate efforts	• 2025 is a pivotal year for planning to meet sustainability agendas within the multilateral environment. But the shifts in U.S. leadership will have a significant impact on how the international community addresses these issues and undermines the fragile cohesion among nations to take to action. • One of President Trump's first actions in office is expected to be to pull out of the Paris Agreement. The new administration will also redirect funds from climate initiatives. While there are ongoing efforts being led by other countries, these rollbacks will leave the climate agenda very vulnerable as COP30 climate negotiations in Brazil approach.	• Businesses may face less scrutiny from some governments and investors, while civil society and other national and subnational governments will sustain pressure on corporates to decarbonize and contribute to agreed climate targets.	
UN negotiations in 2025 are set to transform tech and global digital economy regulations	• The UN will finalize multiple major negotiations in 2025, including mandates to create two new global AI bodies and changes to the UN's global internet policy. Member states will also start negotiations on global data governance. A permanent cybersecurity body is also expected. • During these negotiations, many UN member states are advocating for less of a role for non-government and private sector voices. This would potentially disrupt the multistakeholder model that has been essential to fostering an innovation-friendly digital economy for decades and frustrate industry leaders who have traditionally managed these processes independently.	• Without robust private sector engagement in these negotiations the result is likely to be greater legal and regulatory risk in many national markets across the digital economy. Businesses should seek to engage in these developments to try to shape favorable policies and mitigate potential risks.	
Tighter UN budget is creating opportunity for influence of other nations	• The UN is expected to operate on a more restricted budget due to decreased funding from major contributors, like the U.S., and ongoing funding deficits. This financial strain will lead to reduced operational capacity and effectiveness. • Meanwhile, other countries like China may increase their political influence within the UN by stepping in to fill the funding gap.	• Increased influence of countries will lead to changes in international priorities and standards, potentially disadvantaging businesses from countries with reduced influence. With certain issues being deprioritized, the private sector will need to take a more proactive role. This includes raising relevant issues themselves or finding new ways to address these issues outside of multilateral organizations.	

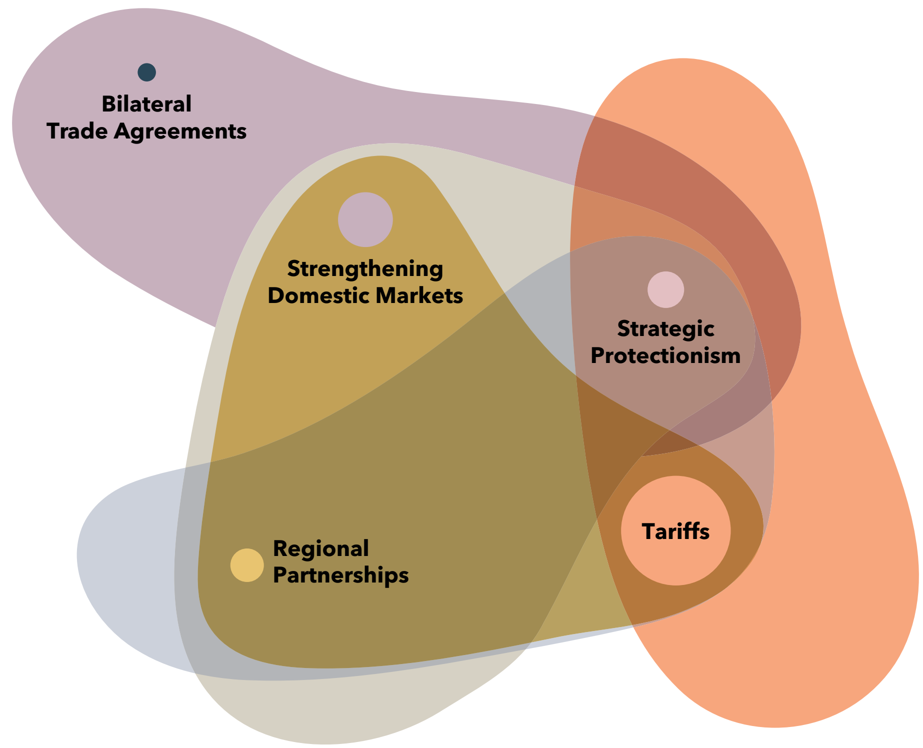
Trade Narratives are Splintering

Using advanced social listening technology, APCO collected, reviewed and analyzed media reporting, online conversations and analyst commentary relating to trade and supply chains across five major trading blocs: China, the EU, India, Mexico, and the U.S. We analyzed commentary that appeared in English and leading local languages in each jurisdiction.

TAKEAWAYS:

- Few voices are advocating for free trade as it stands. The prevailing sentiment is that the current global trade regime no longer serves its purpose and needs an overhaul. Public debate is moving on to exploring what's next.
- Trade debates remain siloed within distinct conversation ecosystems in each jurisdiction. Despite widespread interest in trade, there is minimal overlap across each region or nation.
- Geopolitical fragility is embedding trade into new paradigms. Across all markets, conversations are shifting from traditional trade narratives and revolving around five new paradigms, as described in these pages.

MEDIA TRENDS: GLOBAL OVERVIEW



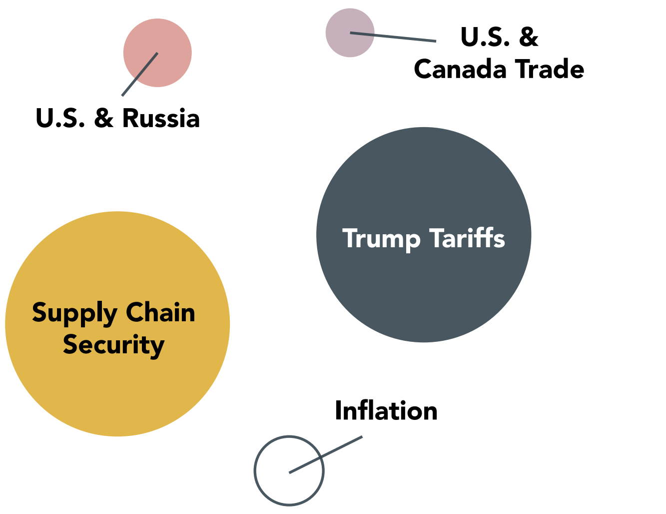
LEGEND

United States · EU · China · Mexico · India

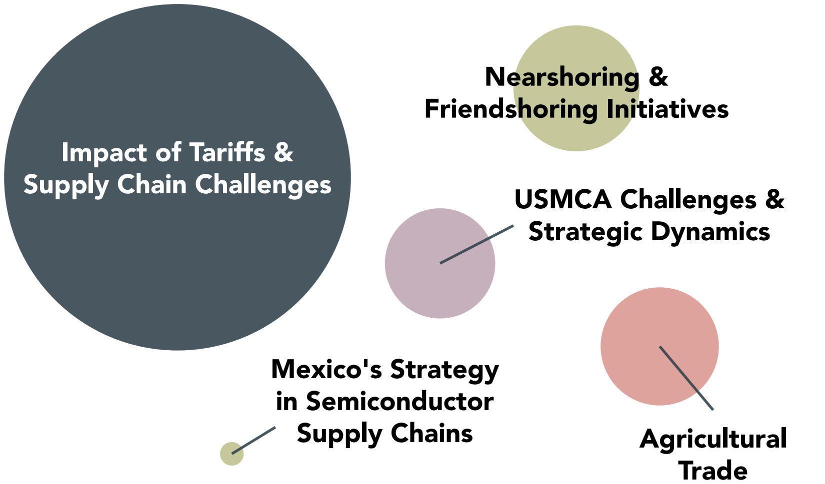
Trade Discussion by Market

- Tariffs
- Agreements
- Industrial Policy
- Market Access
- National Security

Top Trade Conversation Topics in the U.S.



Top Trade Conversation Topics in Mexico



The U.S. trade discussion is centered on tariffs, with growing emphasis on supply chain security and broader national security concerns.

CONVERSATION TRENDS:

- AI presents opportunities to streamline manufacturing processes and supply chains
- Possible tariffs created uncertainty for USMCA members
- U.S. policy on Russia sanctions in question

The Mexican media is discussing the future of regional trade and domestic investments to strengthen Mexico's position.

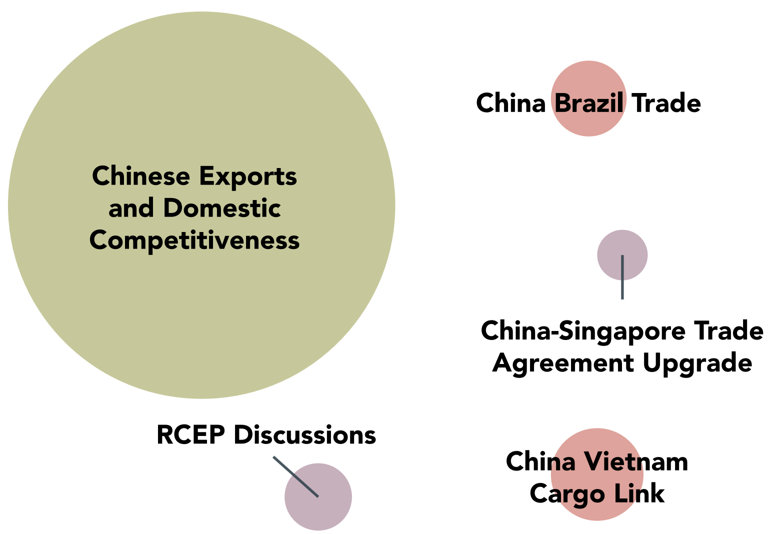
CONVERSATION TRENDS:

- Threatened US tariffs may create tensions between USMCA members
- Mexico secured $20B in investments to promote itself as nearshoring destination
- Canada levied accusations against Mexico circumventing USMCA regulations

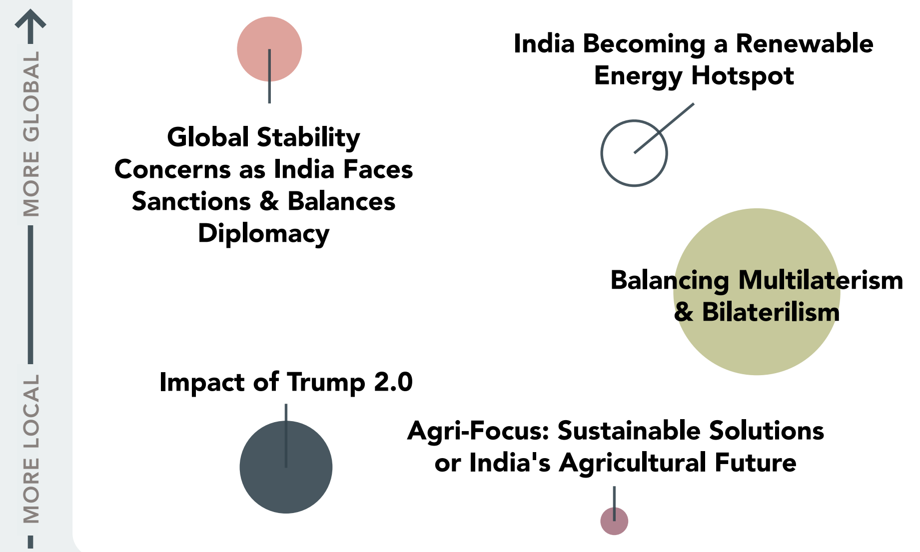
Trade Discussion by Market

- Tariffs
- Agreements
- Industrial Policy
- Market Access
- National Security

Top Trade Conversation Topics in China



Top Trade Conversation Topics in India



Chinese state media focused on China's volume in trade, and China's position in regional trade.

CONVERSATION TRENDS:

- China’s trade volume increased, with headwinds on the horizon
- China aimed to advance regional trade agreements
- Chinese leadership looks to multilateral economic institutions to shore up global standing

Media conversation in India focused on India's economic position, and the geopolitical calculus as it weighs relations with other global powers.

CONVERSATION TRENDS:

- India strengthened multilateral relationships and participation in global forums
- Slowdown of equity market shaped an uncertain future
- India increased foreign investment in renewable energy supply chains

Trade Discussion by Market

Tariffs
Agreements
Industrial Policy
Market Access
National Security

Top Trade Conversation Topics in the European Union

EU media focused on the position of the EU in global trade conversations, including sectoral tariffs and the future of the Russia-Ukraine war.

CONVERSATION TRENDS:

- EU-Mercosur agreement draws mixed reactions
- EU imposes tariffs on Chinese electric vehicles
- Changes upcoming for EU-Ukraine policy

Upcoming Global Events Q1 2025

JANUARY

January 20
U.S. Presidential Inauguration

January 20-24
World Economic Forum (WEF) Annual Meeting – Davos

January 26
Belarus Presidential Election

FEBRUARY

February 5
UN Economic and Social Council's (ECOSOC) Partnership Forum

February 9* (First Round)
Ecuador General Election

**Potential Second Round on April 13*

February 10-11
Artificial Intelligence (AI) Action Summit

February 14-16
Munich Security Conference (MSC)

February 23
Germany Federal Election

February 25-28
Asia-Pacific Forum on Sustainable Development

MARCH

March 2
Tajikistan Assembly of Representatives Election

March 4
China Annual "Two Sessions" meetings

March 5-7
World Sustainable Development Summit

March 9
Canadian Liberal Party leader election

March 10-21
69th Session of the Commission of the Status of Women (CSW69) / Beijing+30

March 12-13
Sustainable Energy for All Global Forum

March 28
Tajikistan Upper House Legislative Election

About APCO

APCO is a global advisory and advocacy firm that helps clients navigate a complex world and create lasting impact. We partner with organizations to help them catalyze progress, act with agility and build reputations, relationships and solutions that enable success. APCO is an independent and majority women-owned business and has helped clients to grow, sustain and protect their interests for 40 years. Clients typically come to APCO with complex and unconventional problems that cut across jurisdictions and do not neatly match the competencies of traditional law firms, lobbyists, PR agencies, management consultancies or other legacy professional services firms.

About Geo-Commerce

APCO's Geo-Commerce team advises clients whose interests intersect geopolitics, commerce and diverse stakeholder interests. The global team works across APCO's 30+ offices, combining cross-market insights and connectivity with knowledge of local networks and executional capabilities.

Let's Talk:

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