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Geopolitical Perspectives

Views from Brunswick for 2025

January 2025

Foreword

Every new year brings with it changes to global geopolitical dynamics. This year, the landscape is particularly hard to read, following a year when nearly half the world's population went to the polls. Many of those elections either outright rejected or weakened incumbent governments, suggesting that in 2025 the global business environment will be reshaped by a slew of new leaders with fresh policy plans and marked shifts in geopolitical and economic strategies.

Recognizing the rebalancing in global power underway alongside the changes in policy expected from various corners of the globe, our aim here is to provide you with a synopsis of expert opinions about what to look out for in 2025. We have compiled views on the opportunities and challenges affecting businesses around the world from leading voices within our firm. These perspectives, we hope, will provide you with a foundation for planning your own year ahead strategies. We hope to be a part of that journey with you.

Kate Fall	*Alex Kazan*	*Sam Vinograd*
Catherine Fall.		

The Rundown: Key Takeaways for the Year Ahead

Ken Weinstein

Senior Advisor

If 2024 was the year for elections around the globe, 2025 will be the year of unheralded domestic political turmoil, as governments contend with a second Trump term, especially in countries where the existing political establishment is already weakened. The biggest risk for clients will be the inability to comprehend the implications of dramatic political change internally and internationally. An obsession with avoiding US tariffs risks absorbing too much bandwidth for CEOs who should think bolder about the stakes for their companies.

Adm. Mike Rogers

Senior Advisor

There are four big geopolitical questions that will significantly shape 2025: Does China revive its sluggish economy? How does Trump 2.0 play out – domestically, internationally, and economically? Do the conflicts that were so significant in 2024 continue, expand, or reach some level of resolution, and what new ones will emerge in 2025? Does the US-China dynamic continue its broad arc of confrontation or can that arc be diffused to some extent?

Michaela Browning

Partner and CEO, Asia Pacific

The APAC region sits at the centre of much of the geopolitical competition that will define 2025. Regional stability, cooperation and resilience will be impacted not only by US-China tensions, but elections and challenges to political leadership more generally among key players. With China's economic performance likely to influence the whole APAC region and a new Trump Administration threatening tariffs that could shave up to 2% off Chinese growth, Beijing is already positioning to 'play offence as defence' as the year begins.

Alex Kazan

Partner and Geopolitical Co-Lead

2025 may see less active military conflict in the Middle East, with an Israeli-Hezbollah ceasefire currently holding and Israel having accomplished many of its military objectives in Gaza. Trump will also focus on ending the Russia-Ukraine war via diplomacy. But neither of these potential developments suggests a durable peace, and other potential areas of military conflict may emerge this year.

THEME 1:

The new US Administration, its “America First” approach, and protectionist economic policies will put stress on political and economic stability in countries with already weakened leadership.

Trump’s election will have far-reaching effects, not only in the US, but around the world. Many elections have already resulted in new leaders and administrations, all of which will also need to adapt to new leadership in the US.

Domestic political turmoil and unpopular and/or unstable governments will be further weakened by the new Trump Administration

Ken Weinstein

Senior Advisor

If 2024 was the year for elections around the globe, 2025 will be the year of unheralded domestic political turmoil, as governments contend with a second Trump term, especially in countries where the existing political establishment is already weakened. Even before his inauguration, Trump has indirectly intensified political turmoil in Germany and Canada, as well as in France, South Korea, and Japan to a lesser degree. Going forward, this turmoil will place significant pressure on already unstable governments, driven in part by Trump’s return to power and broader geopolitical shifts. We can expect that unpopular allied governments unable to cope with Trump’s demands for greater parity in tariff rates and defence spending will continue to falter. In this context, there is a need and opportunity for CEOs in weak-governed countries, such as South Korea, to step up as credible voices in international forums and media, highlighting the role of business leaders in navigating these turbulent times.

Michaela Browning

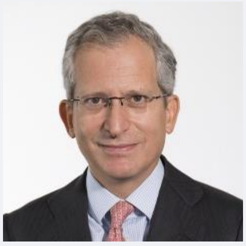
Partner and CEO, Asia Pacific

Regional stability, cooperation, and resilience in the APAC region will not only be impacted by US-China tensions, but also by domestic political challenges across key nations. South Korea faces leadership uncertainty with President Yoon’s impeachment, Japan navigates Prime Minister Ishiba’s minority government, and Australia prepares for a likely March 2025 federal election and the prospect of a minority government. Against this backdrop, Indonesia’s Prabowo has the ambition to play a larger regional role but must manage a complex, newly formed cabinet.

Baroness Kate Fall

Partner and Senior Advisor

The UK starts the year lacking both political and economic momentum despite the recent victory of its new labour government. Critics cite Chancellor Rachel Reeves' first budget as insufficient for spurring growth, burdening businesses with higher taxes and increased red tape. Externally, a politically fragile EU, coupled with US tariff pressures and demands for greater defense spending, adds to the challenges. Britain may face a critical decision between aligning with Trump's America or the EU depending on how geo-economics evolve.



Tony Gardner

Senior Advisor

Continued fragmentation in the EU is a risk in 2025, with neither France nor Germany capable of exercising leadership as the year commences and no other country able to fill in. While German elections in February may offer some hope, Trump's inauguration will likely exacerbate existing fragmentation in Europe as some will want to draw closer to him. Continued economic weakness in most of Europe, with a few possible exceptions, including Italy and Spain, is also to be expected. High costs in Europe will continue to weigh on businesses: energy, labor, tax, aging population, lack of innovation and lack of scalable opportunities will continue to lead companies to prioritize capex spend in the US and/or other markets. Against this backdrop, the US, using tariffs and the dollar as leverage, could seek to divide Europe with UK and pro-Trump governments on the one hand, and core EU on the other.

Sir Jonathan Faull

Partner, Chair of European Public Affairs

On a more positive note – political stability may return to Germany and France, offering a chance for renewed efforts to restore economic growth across Europe.

Adm. Mike Rogers

Senior Advisor

Trump is NOT an isolationist, and we will see America very engaged in the world around it. But he starts from a very different perspective. He won't do something because it is the way we have always done it internationally or because of existing relationships or alliances, and he won't automatically default to the idea that a coalition of nations is the best starting point for dealing with issues. Rather, he always starts by asking if the other parties that are or should be involved in the issue are carrying their weight or are they counting on the financial outlays of the US to obviate their own need to make such expenditures. It will not be an easy year to be a US ally but with the right approach, the US can be supportive. Trump will be supportive of business in general, particularly if it is an issue with a foreign market in which he believes the economic policy of other nations are unfairly targeting US companies. And he will likely target those nations with significant trade imbalances with the US - many of whom are among the US's closest friends (think beyond China to Canada, Mexico, Japan, South Korea, Germany, Taiwan). The US-EU dynamic will also be worth watching, as we will watch two very different models coming into significant friction at times.

With more populist governments now in power, companies will face more regulatory and political scrutiny for their DEI and ESG policies

Don Baer

Senior Partner

As of December 31, we are officially one quarter of the way through the 21st century, and the forces shaping the global economic, social, political and business landscapes are coming into sharper focus. With many elections behind us and more populist governments in power, 2025 is the year when the force of populism's reign will come home to roost for business – specifically manifesting itself in anti-DEI and ESG (particularly the "S" - social) rage / campaigns. These forces are increasingly emboldened to pressure companies, fueled by a shared alignment with like-minded new governments. The profound cynicism that once characterized populist rhetoric has mutated into public rage, creating an environment in which businesses face mounting legal, reputational, and political scrutiny and pressures. For established enterprises of all kinds, 2025 will be a pivotal year, as they navigate the intensifying focus on them in a landscape where ideological battles over societal issues are no longer confined to the political sphere.

THEME 2:

Policy u-turns from new governments and their economic agendas will require agile communications and business strategies.

Governments around the world are shifting their approach to foreign affairs and economic engagement in response to what will be a significantly more isolationist America as Trump takes office again. These shifts will have interconnected and complex effects on global events.

Sam Vinograd

Partner, Geopolitical Lead, US

Global leaders are undertaking and/or planning to make significant economic changes in the context of a more "America First" and protectionist US administration - requiring thoughtful and agile communications and business strategies. To really effectively look ahead, we are thinking about not just what Trump will do but also how other leaders will be positioned vis a vis the US and how they will balance against or with him.

Don Baer

Senior Partner

Another force that will shape geopolitics and business in 2025 is America's intrusive isolationism. Expect the US to retreat from multilateral partnerships and international agreements in the name of "America First," while continuing to exert outsized influence on global events through unilateral and often disruptive actions. For example, the imposition of new tariffs on US imports from certain countries to support domestic manufacturing could upend global supply chains, forcing businesses to re-evaluate sourcing strategies and trade routes. Similarly, a reduction in US military aid to allies, coupled with demands for greater burden-sharing, will increase defence spending from other nations and risks destabilizing key regions, with ripple effects for companies operating in those areas. This approach not only reshapes US relations with the world but also drives other nations to respond with retaliatory measures or new alliances, adding further complexity to the global landscape. For multinational corporations, navigating this trend requires careful attention not just to US policy shifts but to the broader, reactive dynamics they set in motion across markets worldwide.

Lanhee Chen

Partner, Co-Lead of US Public Affairs, Policy and Regulatory

The incoming Trump Administration will bring with it a series of tensions, the most dramatic of which is that between an "America First" foreign policy that has espoused isolationist themes and a more traditional, muscular "peace through strength" approach originally espoused by President Reagan over four decades ago. Many of President-elect Trump's incoming national security appointees have claimed their adherence to "America First" but in their background and previous approach have hewed toward the traditional, Reagan-esque philosophy. How this tension plays out, on issues from the war in Ukraine to the ongoing US-China conflict and potential economic debates on issues like tariffs and export controls, will be worth watching. So too will conflicts that may emerge between the incoming Administration and Congress — which, while controlled by Republicans loyal to Trump, will need to expeditiously confirm a number of the President-elect's nominees, some of whom are considered controversial, while also navigating exigent issues like tax reform legislation, immigration reform and raising the nation's borrowing limit.

Patti Solis Doyle

Partner, Co-Lead of US Public Affairs, Policy and Regulatory

The benefit of Republicans controlling the White House, the Senate, and the House of Representatives - albeit by a very narrow margin - and Conservatives having a majority on the Supreme Court means that President-elect Trump's promises – including cutting taxes and deregulation will be easier to achieve as reality. Additionally, President-elect Trump, having served once before, knows what he is doing in terms of both legislating and using the powers of the Executive branch. Knowing where the obstacles are and how to navigate them, and filling the federal government with loyalists, means that businesses can assume Trump will be well-positioned to execute his vision and his priorities for America.

The risk, however, for clients in the US, and especially globally, is the unpredictability of President-elect Trump's approach to governing – and the global reactions that would follow. While there was some expectation that in a Trump 2.0 term, the president would govern with less chaos than in his first term, we have already seen glimpses of the tumult. In the final hours before the House was to pass an agreed upon spending bill by both Republicans and Democrats, President-elect Trump voiced his opposition of the bill creating uncertainty on whether the government would stay open over the holidays. The President-elect waging his political battles and policy fights on domestic and global issues over social media creates even more uncertainty over domestic policy outcomes and global reactions.

Finally, many US based clients have bases of operation in blue states (states where the state legislature and the office of the governor are controlled by Democrats) such as California and New York. These are the states that will try to put controls on of some of Trump's policy agenda creating a fraught political environment for business.

Greater supply chain scrutiny in Southeast Asia, the Western Hemisphere and Europe is expected

Sam Vinograd

Partner, Geopolitical Lead, US

As part of his strategy, we should expect Trump to pressure countries in the Western Hemisphere and Europe to stop buying goods and services from China.

Michaela Browning

Partner and CEO, Asia Pacific

Supply chain relocation will also be a major theme for the region, as Biden increases the designation of Chinese companies in his final moves and the incoming Trump Administration looks to limit China's exports. Southeast Asia has so far benefitted from China+1 strategies from both the US and China, but Washington plans to zero-in on rules of origin and manufacturing. 'Super+1s' like Vietnam will come under more scrutiny for this, and businesses will need to weigh the business opportunities and reputational and compliance challenges if they are called out.

Alex Kazan

Partner and Geopolitical Co-Lead

For many multinationals, investment in Mexico has been a big part of the answer to de-risking China exposure in supply chains, but that strategy will face more challenges in 2025 from possible US tariffs, USMCA renegotiation, and a Trump Administration eager to link immigration and narcotics to economic and trade policy.

A more divided, more fragmented Europe will be further and adversely impacted by the incoming President and new trade flows

Tony Gardner
Senior Advisor

By far the biggest issue will be how a divided Europe will respond to Trump's tariff plans. If by retaliation, how? Prior retaliations in first term didn't achieve much and arguably were counterproductive, hurting Europe more. Will Europe follow the same tariffs toward China as the US? This is doubtful as the EU needs to follow WTO rules and is more exposed to Chinese trade.

Tariffs on China will shape new trade flows as China seeks to avoid them. As barriers to US sales rise, Chinese companies may seek to increase sales to Europe. The primary issue is the extent of displaced Chinese exports away from US to Europe, even with the tariffs. Many analyses show that Chinese manufacturers can make better profits selling into Europe even after the tariffs than they can selling into the Chinese domestic market due to overcapacity issues. As such, there probably will be a significant displacement effect at an incredibly fragile time, where many industries are barely scraping by. This displacement will have enormous consequences, potentially promoting deindustrialization and populist parties, as people drift to the right as these people search for answers, often extreme answers to their questions.

Sir Jonathan Faull
Partner, Chair of European Public Affairs

US/UK/EU tensions are among the biggest risks for this year and relatedly - protectionism and reactions. The UK will continue to be caught in the middle. European or not? This question remains to be answered. Europe will undoubtedly be under pressure from the US and will probably have to manage the aftermath of the Russian war in Ukraine. While it is hoped that France and Germany may be in a position, in the future, to restore economic growth to Europe's economy more broadly, trade tensions, currency movements, inflation and subsequent interest rate movements will exacerbate policy debates and could cause a negative spiral.

Moreover, one should expect more overtly protectionist competition/ antitrust and for courts potentially not following. Uncertainty could undermine the M&A boom some are predicting. Generally, though, more continuity than change is expected in this field.

China will double down on investments in tech-dominance and will seek to position itself as a leader of the Global South

Michaela Browning

Partner and CEO, Asia Pacific

With China's economic performance likely to influence the whole APAC region and a new Trump Administration threatening tariffs that could shave off up to 2% off Chinese growth, Beijing is already positioning to 'play offence as defence.'

China has introduced measures to create leverage with the US (critical minerals, opening or reopening regulatory scrutiny, such as with NVIDIA) and these are just the beginning. The Biden Administration's parting moves have included adding more Chinese companies to the designation lists, and while the incoming Trump Administration will likely take a case-by-case view, it may well double down on many of these, especially where China is building supply chain advantage in critical technologies with dual use application (e.g. in autonomous vehicles and batteries/green tech). It is not clear whether or what commercial 'deal' would be in either US or China's interests, as the objective of each is to build their own resilience and capability, and ultimately export more and import less from each other.

While China will come under economic pressure from the US, investments in key areas will continue. Beijing's focus on tech investment, particularly in semiconductors, building its own tech stack, AI, quantum computing, and green tech leadership will grow, and it will likely increase its dominance in global shipbuilding amid surging demand and ability to compete with South Korea.

China will also continue to try to position itself as a champion of international trade rules that have underpinned global growth and prosperity, seeking again to message this (as it did successfully in 2008) and in its drive for leadership of the global south. It's recent 10+1 was successful in attracting more participation and registering these messages around the time of the US election. But this time around its messages are unlikely to resonate as strongly among those in the West or OECD given more widespread international reporting of economic coercion and state-backed cyberattacks.

Andy Browne

Partner, China Hub Lead

Economic pressure from Trump virtually obliges Xi to double-down on tech self-sufficiency. From a tactical perspective, Xi will be wary of making concessions to Trump, concerned that he will simply pocket them and ask for more.

Trump's tariffs and other economic threats will elicit a tit-for-tat response from China, which may start an escalation spiral hard to control. Under the risk scenario, US investors in China could become victims, suffering bureaucratic harassment, state-supported consumer boycotts, and anti-trust probes.

The Trump Administration will create new uncertainties in the Asia-Pacific that China will seek to exploit. An "America First" Trump administration, hostile to trade deals, will encourage China to lead more multilateral trade arrangements and position itself as the leader of the Global South.

Under increasing pressure from the economic downturn and to reduce the risk of isolation, Chinese authorities may double down on efforts to attract foreign investment and tourists, and to improve bilateral relationships

Ning Zhu

Senior Advisor

The biggest opportunity for global clients in China in 2025 is that, under increasing pressure from the economic downturn, Chinese authorities will try more measures to attract foreign investment and tourists. Businesses should expect that China will look to build upon its various existing measures from last year – including relaxing or abandoning visa requirements, listening more to the foreign business community, improving the local business environment, and facilitating capital repatriation from previous FDI. To meaningfully woo foreign investment, it is conceivable that the government may try more to engage with foreign businesses.

The Chinese economy is likely to continue its slowdown well into most of 2025. With increasing skepticism with the reliability of the official growth statistics, more and more businesses may struggle to find a useful base for making business forecasts.

Businesses should also understand that China is hesitant on rolling out a more aggressive monetary and fiscal stimulus, due to both international uncertainties such as the Federal Reserve's rate cut plan and Trump's tariff policy. Such a delay in the rollout of stimulus policy, however, runs the risk of further deterioration in consumer and investor confidence. The Two Sessions this March will be critical to watch, as they will help inform meaningful, forward-looking assessments of China’s economy.

Finally, China is expected to make a strong effort to improve its bilateral relationships, both to avoid the risk of being isolated in the global arena and to improve its domestic economy. While such an approach may be effective in the short term, such policies may not be as effective as some anticipate in bringing more Western businesses back into the game. China is also likely to unveil more policies to engage with the rest of the world, but how such policies will be perceived in the west remains a big question mark.

Despite the challenges facing global businesses, an abundance of potentially attractive choices exists for multinational companies looking to diversify from a slowing Chinese economy and mitigate growing US-China geopolitical risk

Andy Browne

Partner, China Hub Lead

For clients looking to diversify from a slowing Chinese economy and mitigate growing US-China geopolitical risk, globalization trends offer an abundance of attractive choices. New nodes of growth, linked by a web of emerging investment corridors, are rising in the Gulf, Southeast Asia and South Asia. Chinese entrepreneurs are active players in this new investment world as they escape economic malaise and ideological hostility at home.

Michaela Browning

Partner and CEO, Asia Pacific

In Southeast Asia, countries are trying to balance relationships between the US and China. Rising US investment in Southeast Asia, and China's softening economy and its reduced offshore investments are changing the balance to some extent. This, combined with Southeast Asia's bid to attract investment into digital infrastructure and enable regional digital transformation, will mean more incentives from Southeast Asia and competition for investment deals.

Pascal Lamy

Chair Europe, Senior Advisor, Brussels

A lot will depend on President-elect Trump's more or less aggressive manipulation of trade obstacles of various kinds, the reactions of trade partners, and on prospects for the US and Chinese economy. Companies should pay close attention to Trump's actions in Q1, and work to model several scenario plans to manage Q2-onwards.

Tariq Al Buhosi

Partner, Head of Office, Riyadh

Rupert Young

Senior Partner, Head of Brunswick Gulf, Dubai

GCC economies offer unparalleled investment opportunities, particularly in renewables, infrastructure, and AI, driven by bold policy agendas.

As uncertainty in parts of the Middle East wages on, real investment opportunity exists. The GCC is likely to remain one of the most exciting global markets in 2025 with GDP estimated to be 4.6% for Kingdom of Saudi Arabia (KSA) and 5.1% for the United Arab Emirates (UAE), compared to 1.8% for Advanced Economies (IMF, October 2024 forecasts). The two largest GCC economies – KSA and the UAE – continue to execute on their very bold growth plans to diversify their economies, stimulate new sectors, create jobs for their young populations and drive FDI.

Hydrocarbons receipts should ensure that the spending on infrastructure continues at pace especially in KSA and the UAE, although the sheer size of some projects (e.g., NEOM), are reportedly being reviewed or scaled back. The massive infrastructure drive and societal change means there are very significant opportunities for international companies to participate across all sectors and in the supply chain. This is particularly the case for nascent sectors in Saudi Arabia, such as culture, arts, sports, and entertainment.

THEME 3:

US policy shifts on immigration and defence spending will force action from US allies.

The incoming Trump Administration's "America First" view extends to two areas of foreign policy which will drive policy shifts around the world in response, namely immigration and defence spending.

US domestic policy will infuse broader foreign policy negotiations and outcomes – including in the area of immigration

Sam Vinograd

Partner, Geopolitical Lead, US

Domestic immigration policy in the US is certain to infuse broader foreign policy negotiations as Trump tries to convince countries to take back their nationals in the US illegally. Trump will be focused on ensuring apprehensions at the US Southwest Border stay low and on interior enforcement – namely mass deportations. There is also a split within his base about what to do with legal pathways to come to the US, including H-1B work visas and student visas.

Ken Weinstein

Senior Advisor

Unpopular allied governments unable to cope with Trump's demands for greater parity in tariff rates and defence spending will continue to falter. Latin American governments, in particular, will face aggressive pressure to accept migrant convicts expelled from the US.

Expect greater defence spending in Asia and Europe, and some pushback on how it's done

Michaela Browning

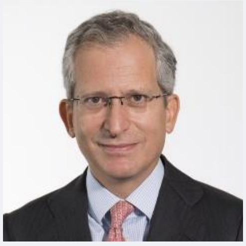
Partner and CEO, Asia Pacific

Faced with the prospect of a potentially more inward-looking US, and direct pressure from the US to invest more, and significant build up by China and North Korean engagement with Russia, US regional allies (i.e. Japan and South Korea) will increase investment in defence and allies will cooperate more on major defence investments and capability building – including Japan and Korea vying for opportunities to build frigates in places like Australia and Indonesia.

Sir Jonathan Faull

Partner, Chair of European Public Affairs

Increases in defense spending in Europe could be justified to angry electorates by buying European kit – this will, however, annoy the US and NATO.



Tony Gardner

Senior Advisor

The future of Ukraine will weigh heavily in 2025. Rubber will hit the road when EU countries and the UK will have to decide whether to continue transfers of weapons and cash (perhaps without US participation) and meaningful security guarantees as part of a negotiated settlement, including a boots-on-ground peacekeeping force (almost certainly without US participation). The issuance of a $50 billion USD G-7 loan to Ukraine, however, should help tie Kyiv over for a significant part of 2025.

Adm. Mike Rogers

Senior Advisor

Defence spending has been broadly on a global upswing for the past decade and that trend will continue in 2025. Given the increased level of conflict around the globe over the past five years, increased defence spending is broadening beyond those traditionally inclined to do so, such as the US, Russia, China and India. The political appetite for defence spending has increased even in Japan and Germany, indicating a wider trend across the world. There is also an impulse to build out defence platforms and capabilities by investing in defence industrial capacity.

Japan, Taiwan and Australia will all see solid increases in defence budgets and the Japanese are also significantly increasing the level of military aid they will provide to other nations. Given the ongoing conflicts in the Middle East, look for nations there to also increase their defence spending. Pressure will also grow within the NATO alliance members to increase defence spending beyond its decade-long goal of 2% of GDP. In the US, while President Trump is keen to ensure its military is not entangled in wars, he also is committed to ensuring it is the most powerful military in the world, suggesting defence expenditures will continue to increase in the US. China will likewise follow a similar course.

THEME 4:

National AI Competition will carry through to corporates through increased investment in data centers; firms that can tell the best stories about the social and economic benefits of AI will prevail.

2025 will witness intensified AI competition between countries and increased investment in AI and infrastructure. Firms that successfully shape the narrative around AI's role in enabling social good will find themselves well-positioned to thrive in this context.

Don Baer

Senior Partner

2025 will be a pivotal year for determining whether companies and governments can make AI's promise real—whether its impact is more myth than reality, a bubble or a bounty. Those who clearly articulate and demonstrate how they are using AI to deliver concrete, specific, socially and economically valuable services responsibly are likely to achieve greater success.

It will be interesting to watch how differences in CEO views on AI's utility play out, with CEOs based in the West seeming to view AI primarily as a tool to enhance the efficiency of existing services, while Chinese leaders see it more as a catalyst for new product and service offerings. Put another way, will AI principally wind up as a driver of greater efficiency and productivity in existing product lines, or will it be the source of innovation that creates new areas for growth?

Ken Weinstein

Senior Advisor

With the creation of the National Energy Council, Trump has signaled an intense focus on Liquefied Natural Gas (LNG) and Small Modular Reactors (SMRs) to fuel the AI energy boom and secure the US's position in the AI competition with China.

Michaela Browning

Partner and CEO, Asia Pacific

The growing demand for AI and digital infrastructure—particularly data centers—will drive significant global investment, especially in APAC, including from China. This trend is likely to fold into broader US-China competition, given its critical role in technological advancement. This growing demand has already incentivized investors to target Southeast Asian countries like Malaysia and Thailand. Regulatory scrutiny around energy security and sustainability will also remain a key factor to monitor in the year ahead.

Andy Browne

Partner, China Hub Lead

Xi likely believes that winning the competition against the US for global tech supremacy is an achievable goal; scaling back investments in high-tech manufacturing in favor of consumer-led growth would, in Xi's mind, be tantamount to a unilateral disarmament in a zero-sum struggle to dominate the 21st century.

Tariq Al Buhosi

Partner, Head of Office, Riyadh

Rupert Young

Senior Partner, Head of Brunswick Gulf, Dubai

Building data centers and a governmental focus on AI present significant opportunities for companies in the region, with the UAE notably advancing efforts to enhance the quality of life through AI.

Pascal Lamy

Chair Europe, Senior Advisor, Brussels

New tech disruptions offer a positive opportunity but must be quickly converted into socioeconomic benefits to counter the rise of populism by creating compelling narratives.

THEME 5:

Domestic and geopolitical interests will boost US LNG to global markets, impede the global energy transition and further cement China as an investment destination of choice for clean energy.

The geopolitics of the energy transition is increasingly fraught with risks as global fragmentation, existing tariffs and future restrictions challenge the achievement of 2030 climate goals. Amid these challenges and the US's de-prioritization of climate progress, China has and will continue to emerge as a dominant player in shaping the global clean energy transition, underscoring International Energy Agency Fatih Birol's observation that "almost every energy story is essentially a China story."

Ken Weinstein

Senior Advisor

The LNG sector will be a critical space to watch in 2025. This year marks the starting point for a significant upswing in US LNG exports to the Indo-Pacific, driven by the construction of an LNG pipeline from the North Slope of Alaska to Cook Inlet, enabling secure shipments to Japan, the ROK, and Taiwan.

Sir Jonathan Faull

Partner, Chair of European Public Affairs

Europe is expected to increase its purchases of US gas, further reducing the trade deficit/surplus.

Tariq Al Buhosi

Partner, Head of Office, Riyadh

Rupert Young

Senior Partner, Head of Brunswick Gulf, Dubai

Saudi Arabia and the UAE play a pivotal role in the region's energy strategy and Qatar remains one of the world's largest LNG providers.

Michaela Browning

Partner and CEO, Asia Pacific

The energy transition presents significant opportunities for the APAC region. However, the regional energy transition faces persistent funding shortfalls, which could be exacerbated by cost-of-living pressures and slower economic growth, potentially fueling the prioritization of energy security and a "green backlash" in some quarters. However, China’s long-term commitment to climate technology, even as US policies potentially roll back emissions reductions, positions it as an important source of investment in green tech and energy infrastructure. Energy security will become a sharper focus, making stakeholders weigh energy affordability and reliability more strongly, and expect more focus on nuclear and gas options.

THEME 6:

Amid ongoing conflicts, the US's stance on Iran and China's posture toward Taiwan are the key areas to watch.

The incoming Administration in the US is likely more willing to use military power to protect its interests, especially vis-a-vis Iran, even as it doubles down on its "America First" approach. China's positioning toward Taiwan will be a driver of stability or instability in the Pacific and has the potential to unsettle global supply chains and financial markets.

Alex Kazan

Partner and Geopolitical Co-Lead, New York

2025 may see less active military conflict in the Middle East, with an Israeli-Hezbollah ceasefire currently holding and Israel having accomplished many of its military objectives in Gaza. The Trump Administration will also focus on ending the Russia-Ukraine war via diplomacy. But neither of these potential developments suggests a durable peace, and other potential areas of military conflict may emerge this year.

Adm. Mike Rogers

Senior Advisor

The situation in Ukraine is likely to reach some form of stasis in 2025 given the significant shift in US support levels (weapons and money) that we are likely to see. That significantly increases the probability of a political settlement that will not make many people happy, but which will end the fighting (although the conflict itself might move into some long-term frozen status to be thawed out at some point in the future). Hot spots like the South China Sea will remain contentious in 2025 as no one is likely to significantly change their position. This is one area to watch the US closely in that its active support of the Philippines has been a core sustainer of Philippine resolve towards China. Were that support to change or become less active, the Philippines's approach to the issue may change too.

The area of the world to watch particularly closely with respect to conflict in 2025 will be the Middle East. The situation in Gaza is likely to transition to something different (a focus on rebuilding and creating a new political construct for the area vice a focus on continued fighting - although that is unlikely to end completely during the year). The same is likely to occur in Lebanon. Syria will remain fragmented while major external and internal nations and groups outside of Damascus itself look to the achievement of their own objectives and interests within the country (think Turkey, the US, Russia and the surrogates for the first two). This is also an area where you may see a significant drawdown of US military presence (now at about 2,000 troops in Eastern Syria). But particularly close attention should be directed to Iran and its most effective and greatest remaining surrogate, the Houthis, in Yemen. Iran is on its back foot as we enter 2025 with its regional strategy in tatters and its ability to effectively contest Israel very much called into question in 2024. Israel feels it is now in a position of strategic strength, which may lead it to argue with the US that Iran and the Houthis need to be dealt with very visibly, very directly and very strongly to take advantage of the current dynamics. The US and Israel do not want to see continued rockets from the Houthis (whether they be directed at international shipping in the Red Sea, US naval units in the area or against Israel itself) and they may opt to initially focus there. I sense a building exhaustion around many of these ongoing conflicts and a desire to see them transition to something else.

Expect the US to support more military action against Iran

Sam Vinograd

Partner, Geopolitical Lead, US

Managing conflict in the Middle East is top of Trump's agenda, and here is an area where he is likely to embrace a different approach, with likely impacts for global markets. Iran is a case in point. During his first term, Trump launched an unprecedented direct military strike inside Iran itself and withdrew the US from the Obama-era nuclear deal.

While he has signaled he may be open to new nuclear negotiations, Trump is likely to be more keen on using military power against the Iranian regime itself and will likely be less focused on urging the Israeli government to exercise military restraint in the region. These realities could push Iran to try to race for a bomb as they are historically close to being able to build one and the regime could see a nuclear weapon as their only real remaining leverage.

Ken Weinstein

Senior Advisor

2025 will be marked by a gradual restoration of the American deterrent. Iran, most importantly, will be under a maximum pressure campaign from the US again, with Hamas and Hezbollah already decapitated by Israel. A joint US-Israeli strike to eliminate the Iranian nuclear program is very possible, providing Iran doesn't weaponize by January 20th. Whether or not the regime collapses, its once vaunted network of proxies will be a shadow of its former self: Lebanon will join post-Assad Syria in excluding Hezbollah from its government. Either way, the diminution of the Houthi rebel threat will eliminate a major challenge to global shipping.

China's policy toward Taiwan is the major risk to monitor in the Asia-Pacific

Andy Browne

Partner, China Hub Lead

China's escalation of military coercion aimed at Taiwan is the top geopolitical risk in the Asia-Pacific in 2025. China will be worried that a Trump Administration, filled with China hawks, will embolden Taiwan President Lai Ching-te. Partial naval blockades or quarantines of the island, possibly in the guise of PLA military exercises, cannot be ruled out. On the other hand, Xi has no wish to risk war with the US at a time when he is confronting acute domestic economic challenges, as well as entrenched corruption within the top ranks of the PLA that threatens its war-fighting capabilities.

Ironically, investors in China should also brace for the opposite scenario: an unpredictable Trump could place Taiwan on the negotiating table as part of an attempted "grand bargain" with China, a move that would create panic in Taiwan and fear of abandonment among US allies in Asia-Pacific, particularly Japan and South Korea.

Adm. Mike Rogers

Senior Advisor

A diffusion of US-China tensions is unlikely in 2025 and if anything, we may see that confrontation somewhat intensify initially during the year (but likely not into direct conflict). Trump will want to start from a position of strength and a perception of toughness towards China and given their economic doldrums, he likely believes he has some measure of advantage as he starts his term, so he is likely to be aggressive early. But there may be opportunity here in the future as Trump's concerns around China are much more narrowly defined (largely around the trade imbalance, the ability of US companies to compete on a level playing field in the Chinese market, and the protection of US IP) than those of his predecessor, who cared strongly about those economic issues but also greatly prioritized progress with China on climate issues, narcotics, human rights, internal security practices, Taiwan, etc. That narrower focus may take some contentious issues somewhat off the table providing a window to reach some sort of economic agreement. In the meantime, both China and the US will pursue policies designed to withstand the strategy of the other towards it. The broader region and the EU will be closely watching how this play out while determining their own best path forward with respect to China.

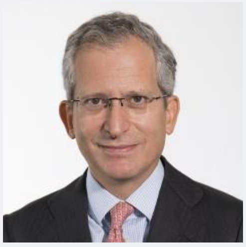
While military buildup will continue to intensify in the region, led by China's unprecedented investments and growing capability and active reach, economic disruption in an increasingly tense political context is the major risk for business to monitor in the Asia Pacific for 2025, and China and US policy toward Taiwan remains a critical focus

Michaela Browning

Partner and CEO, Asia Pacific

Clients should continue to closely monitor the significant defence and security build-up in this region. Activities around Japan, Korean peninsula, DPRK's prominently expanded international activity, Chinese activity around Taiwan and the South China Sea, state backed cyber-attacks, continue to increase in scale and sophistication. Grey zone activities by some, including the cutting of subsea cables will be significant globally, including in Asia.

The conflict in Ukraine will weigh heavily on Europe in the coming year



Tony Gardner

Senior Advisor

To watch: whether there is a negotiated end to the Ukraine war that doesn't impose dishonorable peace on Ukraine, and rubber will hit the road about whether EU countries and UK willing to make a credible commitment to peacekeeping force and continued transfers of weapons and cash to Ukraine.

Advice for Business

- **Pascal Lamy:** Risk & opportunity depends on sectors and on their exposure to global headwinds. Build risk adverse strategies and make sure your watchmen are on alert with two already trained teams: one for risks, one for unexpected opportunities. Clients should focus on international trade and globalization/value chains organization: this will depend a lot on Trump's more or less aggressive manipulation of trade obstacles of various kinds, on the reaction of trade partners, and on prospects for the US (and CN) economy so stand still with several scenarios in mind (Brunswick can help) until Q2.
- **Ken Weinstein:** The biggest risk for clients will be the inability to comprehend the implications of dramatic political change internally and internationally. An obsession about avoiding US tariffs risks absorbing too much bandwidth for CEOs who should think bolder about the stakes for their companies. To take advantage of opportunities that will arise, including from governments eager to promote domestic manufacturing and reduce unemployment, geopolitical and economic imagination are needed.
- **Don Baer:** Businesses need to recognize that all the geopolitical risks of 2025 are unfolding in an environment in which media is undergoing its own year of reckoning. Media will be more fractured, vulnerable, and undependable than ever. Newsrooms, often staffed with newer, less experienced journalists, will mean companies will have to play dual roles: Providing both content and context to reporters to ensure accurate coverage. At the same time, the demand for sensational content means companies must be more creative and take more risks to get their message out. Finally, with Trump's electoral success settling the debate amongst Democrats about the value associated with engaging with influencers such as Joe Rogan and outlets such as Fox News, companies must now embrace this new reality and strategically engage with different platforms and through a wider range of forums if they are to succeed.
- **Lanhee Chen:** There will always be fresh challenges posed by a leadership structure in the US that will be seemingly unpredictable. The biggest risk for businesses now is getting stuck in conflict or controversy with the incoming President and his MAGA network. Businesses that can preserve their core interests while also not running afoul of these new media influencers will come out ahead, which requires mapping a new set of stakeholders and new ways of interacting with both traditional and insurgent media.
- **Jonathan Faull:** Companies describing themselves as "champions" and of strategic importance can use this as a sword or shield as they look ahead, identify risks and opportunities and know how to manage relations with governments.
- **Ning Zhu:** While many foreign businesses understand that there is an overall slowdown in China's macro-economy, it is critical that they be aware of the source of the slowdown in their own business. In addition to slower growth in China's general economy, global companies must ensure their China strategy factors in shifting consumer preferences towards domestic brands and rapid improvements in Chinese competitors' capabilities (including in the auto sector).

  Chinese companies' rising ambitions in overseas expansion is another crucial area for businesses to watch. From greenfield investment and joint ventures, to franchising and sales channels, Chinese businesses are aggressively expanding into every corner of the world. This is partly to deflect pressure resulting from over-capacity and deflationary pressure in China's domestic market. Such change will have important public policy implications, such as investment, trade, and labor conditions, and business strategy complications. Despite short term fluctuations, this trend is very likely to stay with the world for quite some time. Multinational companies have to be particularly mindful of this trend as it does not simply impact their business in China, but possibly their entire global business altogether.

- **Adm. Mike Rogers:** The key to all of this will be for companies to maintain strong awareness of what is going on in the broader world around them in 2025 - what risks that portends for them, as well as what opportunities these dynamics are presenting. It takes conscious thought and active effort to do that. Underpinning all of this will be the continued challenges around the accelerated development and employment of advanced technologies like AI, quantum and a host of others, as well as the challenges of how organizations deal with misinformation/disinformation that we will see increasingly directed towards companies and not just governments or political entities.