



APCO

Geopolitical Radar

The Global Operating
Environment for Business

Q3 2024



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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 trends for Q3 2024 and was published in June 2024.

The 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.

The final part of AGR features our Geopolitical Risk Index, which illustrates the attention global media gives each risk and the degree to which Fortune 100 companies are already acting or are likely to take action.

Headline Risks

Acute Transitory Enduring

○ ○→ ●→

United States & Canada

Biden and Trump seek to one-up each other on tariffs.	○
Divergence between voter sentiment and economic data persists.	○→
Escalating campaign rhetoric has raised the costs of corporate political engagement.	○
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Asia Pacific

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Indonesia's president-elect Prabowo Subianto's transition team takes shape.	○

Global Challenges

BALANCING BARRIERS TO TRADE AND THE CLEAN ENERGY TRANSITION

In May, the Biden administration announced its intent to apply a 100% tariff on imports of Chinese electric vehicles to the U.S. Within months, the EU antidumping investigation of Chinese electric vehicles is expected to result in a recommendation for a similar (albeit not as drastic) tariff increase on Chinese EVs entering the EU. Both the U.S. and EU are acting in the name of protecting their domestic markets and auto industries from the threat of Chinese overcapacity or “dumping.” But in the absence of broader coordination with other countries, and work with China to address the root-causes of overcapacity, the application of tariffs will push the issue elsewhere in the global market.

However, consumers in non-U.S. and non-EU markets are already seeing benefits. In Mexico and elsewhere in Latin America and Southeast Asia, imports of Chinese EVs at accessible prices are popular with consumers and are proving to be a boon to the energy transition, particularly as the price of oil has increased. Looking ahead to 2025, these dynamics will be a key challenge as the U.S. and Mexico embark on the strategic review of the U.S.-Mexico-Canada (USMCA) trade agreement.

INCUMBENTS FACE ELECTORAL AND ECONOMIC HEADWINDS

Elections in May and June indicate that incumbent leaders face an uphill battle. In India, Prime Minister Modi’s BJP party failed to win a majority of seats in the Indian Parliament and will need to form a coalition to govern. In the UK, Prime Minister Rishi Sunak called an election on July 4, but his party as of mid-June is trailing an average of 20 points in polls. In France, President Macron’s decision to call a snap election after setbacks in the EU parliamentary elections reflects a high-wire gamble against surging support for the right-wing National Rally. Finally, looking ahead to November, an incumbent and a former president will run against each other in the U.S., with neither holding a position of strength.

APCO’s Geopolitical Risk Index finds that conversation about increasing government debt in major voting economies (particularly the U.S. and UK) will reach unprecedented levels this year. Increased borrowing and potential tax hikes on companies may be a remedy, but incumbents in both countries will be hesitant to run on such an agenda. Whether tax increases, spending cuts, or additional government borrowing, all potential remedies would offer different types of pain for businesses, their employees and consumers.

Spotlight: Election Halftime Report

Landmark elections in the first half of 2024 will have significant impacts on businesses over the coming months and years.

Mexico

Claudia Sheinbaum, representing the Sigamos Haciendo Historia coalition with the ruling party Movimiento Regeneración Nacional (MORENA), secured a historic victory in Mexico's June 2 elections, becoming the country's first female president. She won 60% of the votes and received the highest vote count ever for a Presidential candidate in Mexico. Sheinbaum's win—interpreted as a vote of confidence in President Andres Manuel López Obrador's policy continuity—was accompanied by a surprising surge in support for MORENA. MORENA now controls 24 of the country's 32 states and has a clear majority in Congress and the Senate which has given rise to concerns of the potential lack of checks and balances. MORENA's likely supermajority could facilitate the passage of López Obrador's proposed 18 constitutional amendments, some of which are perceived as undermining democratic institutions and centralizing power.

With such an overwhelming win, businesses will need to fully adapt to work with MORENA. The last six years outlined the party's ways of working and its priority projects, including strengthening and developing infrastructure, manufacturing, and Mexico's integration into global value chains through its unique position for nearshoring. Market analysts anticipate that Sheinbaum's victory will also guarantee continuity of the current economic and fiscal policies and enhance foreign direct investment, eliciting positive responses from the stock market, particularly in infrastructure, banking, and consumer stocks driven by optimism for additional economic reforms.

**Ongoing proceedings in electoral bodies and courts may affect the final outcome of the election.*

India

In an unexpected turn of events, India's general election delivered a major setback to Prime Minister Narendra Modi and his Bharatiya Janata Party (BJP). Widely expected to cruise to a landslide victory, Modi's BJP instead suffered significant losses in the crucial "Hindi-Heartland" states, forcing the party to rely on coalition partners to retain power. While a third Modi term should ensure policy continuity and continued investments in infrastructure and manufacturing, the BJP's weakened position may deter the government from pursuing controversial economic reforms opposed by its allies.

For businesses, the short-term outlook is one of potential policy slowdown as Modi navigates his diminished mandate. However, this uncertainty should dissipate over time as the new government finds its footing. Ultimately, while the election results were a surprise, they are unlikely to derail India's economic trajectory dramatically, though the pace of reform may slow in the face of increased political constraints.

Spotlight: Election Halftime Report

European Parliament

Elections across 27 EU Member States saw the center-right and center-left blocs maintain their support, showing they will continue to dominate the next European Parliament if the centrist majority can hold together. However, the election also cemented the much-predicted rise of nationalist/right-wing and populist parties, often at the expense of liberal and green parties. Populist parties fared especially well in Germany, which saw the far-right AfD outperform Chancellor Olaf Scholz's Social Democratic Party, and in France, where the best showing for the National Rally resulted in the calling of snap national legislative elections. These parties, in particular Italy's Brothers of Italy led by Prime Minister Giorgia Meloni, are now considering what their role should be in the new legislature and how they may choose to drive policymaking.

The new rightward shift in the European Parliament means that finding stable and consistent support on policy files may be difficult. This creates uncertainty in contentious policy areas, beginning with ongoing political negotiations for the next Commission President and other senior roles in the coming weeks, and, indeed, the selection of the next cohort of EU Commissioners over the summer. As a result, ambitions of the EU's Green Deal and consumer protections may be further hindered in favor of issues such as EU competitiveness and migration. While a more pro-business majority will likely dominate, geopolitical tensions may encourage lawmakers to increasingly turn towards protectionist trade measures.



Asia Pacific



HEADLINE RISKS

Increased cross-strait tension follow Lai Ching-te's inauguration as President in Taiwan

- In his inaugural address, President Lai stressed the need for Taiwan to engage international partners and form a "democracy community." He also stressed the importance of a secure and stable Taiwan Strait, and that China should face the reality of the existence of democratic Taiwan.
- Days later, China conducted large-scale military exercises, stating the drills were a response to Taiwan's "separatist acts of 'Taiwan independence.'" China may also apply more non-military pressure on Taiwan, including economic sanctions and diplomatic isolation.

IMPACT TO BUSINESSES

- In the immediate term, businesses operating in the region may face increased government pressure to comply with Beijing's expanding scope of political correctness on all things related to Taiwan.



RISK HORIZON

Northeast Asia takes stabilizing steps to reduce frictions in trilateral relations

- In May, South Korean President Yoon Suk Yeol, Japanese Prime Minister Fumio Kishida and Chinese Premier Li Qiang attended the 9th China-Japan-South Korea Trilateral Summit in Seoul.
- The leaders agreed to resume annual summits, restart negotiations on a trilateral free trade agreement, and strengthen cooperation around trade, supply chains, technology, and environmental issues.
- The summit indicated openness on all sides to improving ties but yielded less progress on more intractable political issues including North Korea, China's military activities in the East and South China Seas, and Japan's discharge of Fukushima nuclear wastewater.

- Trade negotiations may focus on an "RCEP Plus" trade arrangement, as all three countries are already members of the regional trade grouping. Immediate impacts of the summit will be revitalized cross-border tourism.
- The renewed dialogue gives a green light to further dialogue and provides a framework for increased economic cooperation and regional stability.



Indonesia's president-elect Prabowo Subianto's transition team takes shape

- President-elect Prabowo Subianto announced his transition team, which is composed of long-time associates and members of his family. The team will be led by Sufmi Dasco Ahmad, a high-ranking member of the Gerindra Party, and Ahmad Muzani, the party's secretary general. Prabowo's nephew will be the party treasurer.
- The small transition team indicates that Prabowo will rely on a group of close associates and allies rather than a larger team of technocrats.

- Businesses should monitor the Transition Team's activities and engage early with key stakeholders for their industries, which will mitigate risk stemming from potential abrupt policy changes.



HEADLINE RISKS

Revised state secrets law creates uncertainty for foreign businesses in China

- China's newly revised State Secrets law came into effect on May 1, 2024. The law includes restrictions around "work secrets" that bans sharing information that would not technically fall under the definition of state secrets but could nonetheless impact national security.
- This provision has been criticized for being overly broad and subject to arbitrary enforcement. It could also be used to target foreign companies for political reasons.

IMPACT TO BUSINESSES

- The new work secrets provision of the State Secrets Law has created serious risk and uncertainty around normal business operations, particularly around corporate due diligence.
- Companies should monitor how the law is implemented and what norms emerge to ensure compliance.



RISK HORIZON

Stronger-than-expected economic performance creates high hopes for third plenum

- China's stronger-than-expected economic performance in the first quarter of 2024 has brought many international financial institutions' full-year economic growth projections in line with the government's goal of five percent growth.
- The Third Plenum meeting of the Central Committee in July will be an opportunity for Beijing to leverage economic growth to reform China's ailing real estate sector, focus on job opportunities for college graduates, and implement industrial initiatives to bolster production of strategic technologies like solar cells, AI, and EVs.

- Recent reforms to the Chinese real estate market, such as the elimination of interest rate floors and the reduction of minimum down payment requirements, could help restore consumer confidence and spur the drawing down of bank savings to fuel consumer spending. This may help China's middle-class, who have been particularly cautious consumers amid broad economic uncertainty.



Chinese overcapacity and western reaction heightens economic tensions

- Tensions continue to grow over China's industrial overcapacity, which governments in the U.S. and EU see as a threat to their domestic green energy industries like electric vehicles (EVs) and solar cells.
- The U.S. recently imposed steep tariffs on a range of Chinese imports, including EVs, batteries and critical minerals, while the EU is pursuing a subsidy probe into Chinese EV imports that could result in the imposition of tariffs.

- New measures to curb Chinese imports in the West are likely to invite retaliatory measures from China. These could include reciprocal tariffs targeting politically sensitive sectors (e.g., agriculture), and increased tariffs on consumer goods.
- China's response will be tempered to manage the impact on foreign investor confidence and protect its fragile economic recovery.



HEADLINE RISKS	IMPACT TO BUSINESSES	RISK HORIZON
Modi's narrow election victory might lead to slowdown in economic reforms <ul style="list-style-type: none"> Before the election, Prime Minister Narendra Modi's National Democratic Alliance (NDA) had seemed likely to win a majority of seats in the Lower House of Parliament. However, the opposition INDIA alliance, led by Rahul Gandhi, made unexpected gains, denying Modi's BJP a stand-alone majority and forcing the Prime Minister to rely on coalition partners to retain power. While Modi is likely to continue economic policies of privatization, infrastructure investment, and Production Linked Incentives (PLIs), being dependent on coalition partners might discourage his government from attempting major, controversial measures such as labor reforms. 	<ul style="list-style-type: none"> The BJP victory will likely provide policy continuity and stability, benefiting businesses, especially those in sectors targeted for incentives such as semiconductors and renewable energy. However, the lack of an outright majority for the BJP might slow down the party's economic reform agenda and cause short-term policymaking deceleration. 	●→
Pakistan pursues crucial IMF bailout amid economic crisis and terror threats <ul style="list-style-type: none"> Pakistan is negotiating a critical IMF stabilization program as it faces severe economic challenges, low forex reserves, and persistent terror attacks. In exchange for loans, the IMF will likely demand difficult reforms such as increased privatization, reduced subsidies, widening the tax net, pension reforms, limiting rupee interventions, and restructuring state enterprises. 	<ul style="list-style-type: none"> Until IMF talks conclude, businesses should exercise caution around investment decisions. The reforms demanded by the IMF could significantly impact the operating environment, including higher costs, due to medium-term increase in electricity and gas prices, as well as a possible increase in interest rates. However, they may also open new opportunities if reforms restore economic stability. 	○→
Bangladesh's Hasina government faces political pushback and economic headwinds <ul style="list-style-type: none"> After a disputed election boycotted by the opposition, and rumblings of civil unrest, Prime Minister Sheikh Hasina's Awami League government faces criticism from the West over human rights issues, raising the possibility of international sanctions. The government is currently seeking a soft loan of U.S. \$5 billion from China amid ongoing economic crisis, dwindling foreign reserves, slowing GDP growth, and high inflation. The upcoming budget in June 2024 is likely to emphasize renewable energy and energy security. 	<ul style="list-style-type: none"> Political instability, potential sanctions, and trade restrictions due to human rights issues could disrupt market access. Shifting alignments between the U.S., India, and China may impact the business landscape. 	●→
Sri Lanka's economic recovery hinges on complex debt restructuring <ul style="list-style-type: none"> Sri Lanka remains focused on debt restructuring negotiations with multiple creditors, which are crucial for economic recovery and access to IMF relief. But the government recently rejected a proposal by international bondholders to restructure \$12 billion in debt, leading to prolonged uncertainty around IMF relief. The government is attempting to balance relations with India, China, and the U.S. as it seeks diplomatic and economic support to reach a favorable debt restructuring deal. Sectors like tourism show potential for recovery while others remain pressured. 	<ul style="list-style-type: none"> The trajectory of debt restructuring and economic reforms will inform risk to business in the medium-term. There may be growth opportunities in tourism and related sectors such as housing, transport, and food and beverage, but the overall operating environment will remain challenging in the near-term. 	●→

Middle East & North Africa



HEADLINE RISKS	IMPACT TO BUSINESSES	RISK HORIZON
Risk of regional escalation remains in ongoing Israel-Hamas war <ul style="list-style-type: none"> Israel's military operation in Gaza has drawn widespread international criticism for humanitarian and civilian casualties while harming already delicate bilateral ties with neighbors, including Egypt. Months of sustained fighting has displaced nearly one million Palestinians. U.S.-led efforts aim to reach an agreement to release Israeli hostages and end the war, implementing a "day after" political arrangement in Gaza, along with similar diplomatic efforts to de-escalate low-intensity fighting in southern Lebanon. 	<ul style="list-style-type: none"> Businesses should anticipate heightened risk of escalation with Lebanon as a diplomatic solution continues to prove elusive. A wider conflagration could see sustained power outages, disruption of international flights and commerce and damage to critical infrastructure in both countries. 	
Red Sea threats raise freight rates, spark internet connectivity concerns <ul style="list-style-type: none"> Yemen's Houthis continue to target commercial shipping in the Red Sea, along with expanded attacks in the Indian Ocean and credible threats in the Eastern Mediterranean. Their actions have disrupted important global maritime trade routes, leading to increased shipping costs and transport uncertainty. The Houthis have also threatened Red Sea internet cables, raising fears of disruption to regional data flows. A U.S.-led coalition continues to attack Houthi targets to reduce the threats to maritime trade and telecommunication cables. 	<ul style="list-style-type: none"> Maritime shipping disruptions increase freight rates and delay deliveries due to longer alternative shipping routes and higher insurance costs. This is leading to significant supply chain disruptions, affecting the availability of essential goods, increasing operational expenses for businesses and contributing to inflation. 	
Iran faces domestic instability, regional geopolitical uncertainty after president's death <ul style="list-style-type: none"> Iranian President Raisi's untimely death, coinciding with widespread social discontent and lukewarm economic growth, underscores domestic challenges facing the government ahead of an early presidential election. The renewed focus on aging Supreme Leader Khamenei's health is contributing to questions of leadership succession. 	<ul style="list-style-type: none"> Iranian instability poses potential challenges to global energy markets, while adversarial actions involving Iran and regional partners could alter trade routes and investment patterns. 	
UAE-KSA technology competition extending to AI <ul style="list-style-type: none"> The United Arab Emirates (UAE) and the Kingdom of Saudi Arabia (KSA) continue to see growing competition for FDI across key sectors and vital industries as they seek to encourage multinationals to contribute to local economic visions and regional hub models, such as KSA's Regional Headquarters requirements. KSA and UAE have ramped up a mutual focus on AI competition, with both countries looking to develop world-first regulation, leverage sovereign wealth fund capabilities, and build home-grown state-owned firms — including the UAE's G42, which received a \$1.5bn Microsoft investment in Q2. 	<ul style="list-style-type: none"> Companies will continue to see growing opportunities to align AI products and emerging technologies with Gulf states' agendas and incentive programs but may need to balance interests and design engagements to avoid scrutiny from competing countries. 	

Sub-Saharan Africa



HEADLINE RISKS	IMPACT TO BUSINESSES	RISK HORIZON
South Africa's ANC loses majority and faces coalition challenge following election <ul style="list-style-type: none"> The African National Congress (ANC) in South Africa lost its parliamentary majority for the first time since 1994 due to declining support amid corruption and economic issues. The Democratic Alliance (DA) has gained support, and former President Jacob Zuma's MK party and the EFF are also contenders for influence as the new government takes shape. The ANC needs to form a coalition to govern, but significant policy differences exist with potential partners. 	<ul style="list-style-type: none"> South Africa's business community is unsettled by the election result which will threaten government partnerships and planned economic reforms. The ANC must choose between aligning with populist parties and risking investor confidence or forming a coalition with the business-friendly DA. 	
DR Congo army thwarts attempted coup against President Tshisekedi <ul style="list-style-type: none"> The Democratic Republic of the Congo's army quashed a coup attempt against President Felix Tshisekedi, revealing a security gap as attackers infiltrated the capital, highlighting election-related disputes since December. Ongoing challenges include the M23 rebellion supported by Rwanda, unresolved by Tshisekedi, who faced criticism for delayed Prime Minister nomination and proposed constitutional changes fueling instability before the coup attempt. 	<ul style="list-style-type: none"> The attempted coup could increase political uncertainty in Africa's fourth most populous country. Meanwhile, President Tshisekedi continues to struggle to form a new government after his re-election in December. Continued political instability may pose a risk to businesses operating in the region. 	
Somalia requests end to United Nations political mission <ul style="list-style-type: none"> Somalia is asking the UN to terminate its political mission, the United Nations Assistance Mission in Somalia (UNSOM), when its mandate ends in October. This may be due to its high annual cost, the Somali government's accusations of interference and conflicting objectives with President Hassan Sheikh Mohamud's centralization efforts. Somalia's request follows intensified attacks by the terrorist group al-Shabab and the concurrent UNSOM policy and technical support. Somali President Hassan Sheikh Mohamud says the country will engage with the UN on transitioning from a political mission to a UN Country Team (UNCT), with a focus on development issues. This coincides with the African Union mission's planned withdrawal in December. 	<ul style="list-style-type: none"> The UNCT transition risks isolating Somalia from traditional security partners, and reinforces business risk in the country, as well as weakening stability more broadly in the Horn of Africa region. 	
Burkina Faso's military regime extends the transition by five additional years <ul style="list-style-type: none"> Burkina Faso's military regime approved a new charter that pushes back the timeline for transition to democracy an additional five years, with the possibility of organizing elections earlier depending on the country's security situation. Since the September 2022 putsch, the military regime has re-evaluated strategic partnerships, pivoting away from France towards Russia, Iran, Turkey, and other military governments in neighboring Niger and Mali. Nonetheless, Burkina Faso and its neighbors have failed to contain al-Qaeda-affiliated terrorist groups, which are responsible for bloodshed across wide swathes of the country. 	<ul style="list-style-type: none"> The new charter authorized the creation of a new governing body, the Korag, with the Head of State to determine its structure and operations, employing any and all means to implement the country's strategic vision. 	

Russia & Eastern Europe



HEADLINE RISKS	IMPACT TO BUSINESSES	RISK HORIZON
Russian cabinet appointments highlight political and economic realities in the Kremlin <ul style="list-style-type: none"> President Putin's latest government reshuffle following his inauguration for a fifth presidential term prioritizes technocrats who have minimal independent political authority. Many new appointments, such as Defense Minister Andrei Belousov and First Deputy PM Denis Manturov, indicate that the Kremlin intends to increase state control over the economy and prioritize war-related industries at the expense of other sectors, building alternative supply chains to undermine sanctions and further threatening property rights of businesses already present in Russia. 	<ul style="list-style-type: none"> The Kremlin's disregard for sanctions and property rights will threaten business operations for companies that have remained in the market. At the same time, international financial sanctions prevent capital flight and, in a sense, force foreign businesses to stay invested in Russia. 	
The war in Ukraine enters new stage with critical implications for outcome <ul style="list-style-type: none"> As of June, Ukraine was fending off an intense Russian offensive focused on Ukrainian border regions Kharkiv and Donetsk, but Ukrainian officials say it could spread as more Russian troops have crossed into Ukraine recently than at any time since February 2022. The U.S. has agreed to Ukraine's use of American weaponry to strike inside Russia, and the U.S. and Ukraine are close to signing a bilateral security deal that would include long-term U.S. support. June's Summit on Peace in Ukraine in Switzerland and the 75th NATO Anniversary Summit in Washington in July give Ukraine, the U.S., and Western allies an unparalleled opportunity to galvanize further political and diplomatic support from hundreds of nations committed to attending. 	<ul style="list-style-type: none"> Business maneuverability and domestic economic stability in Ukraine will depend not only on military outcomes but future investment in Ukraine's physical and economic recovery. 	
Russian economic resiliency challenges global sanctions regimes <ul style="list-style-type: none"> Real incomes have risen faster than inflation in Russia since the invasion of Ukraine. Real incomes in Russia rose 5% over the past few months, and Russia's income tax revenues are 40% higher than in 2021. While sanctions continue to limit access to technology and investment, Russia's economic stability increasingly relies on imports from the UAE, China, and several Central Asian Republics such as Tajikistan. 	<ul style="list-style-type: none"> The scope of Western sanctions will correspond with the resiliency and expansion of Russia's business and diplomatic ties. New sanctions and aggressive enforcement will generate operational risks for companies, particularly those that do business in third countries that continue trade with Russia. 	
Political overtures and economic pressures threaten South Caucasus <ul style="list-style-type: none"> The South Caucasus states, which include Armenia, Georgia and Azerbaijan, need to balance their relationships with Russia and the West. Russia needs business partners and trade routes in the south to circumvent global sanctions and a land route to trade with Iran. Trade with Moscow remains unstable, but Russia's leverage over regional security and trade opens doors for authoritarian political overtures, such as Georgia's new "Foreign Agent" law based on Russian legislation, and protests in Armenia due to its loss of the Nagorno-Karabakh region. 	<ul style="list-style-type: none"> Business maneuverability in the South Caucasus rests on regional political dynamics associated with Russia's ability to conduct its invasion of Ukraine, and Russia's ability to navigate global sanctions restrictions depends on its long-standing trade relationships with the South Caucasus. 	

Western Europe



HEADLINE RISKS

Elections across Western Europe recast policy priorities and stakeholder power dynamics

- The outcome of the European Parliamentary elections delivered a more right-leaning European Parliament, with anti-establishment and populist parties strengthened at the expense of centrist and green groups. The impact of the results is most acute in France, where French President Emmanuel Macron has called snap legislative elections to head off the far-right National Rally after its best-ever showing in European elections.
- Center-right priorities are likely to drive the legislative agenda of the next European Commission as Commission President Ursula von der Leyen is on track for a second term. However, EU institutions will be held up by potentially months-long negotiations over the makeup of the 27-member College of Commissioners.
- A snap election in the United Kingdom also resulted in the abrupt dissolution of Parliament. Labour Party leader Keir Starmer, who is predicted to become the next Prime Minister, will likely inherit a significant in-tray of economic challenges immediately upon taking office, amplified by a relatively inexperienced Parliament following the mass exodus of 132 MPs standing down at this election.

EU-China trade tensions expose fault lines among EU Member States

- The next Commission will inherit several industrial probes launched since October 2023 against unfair Chinese trade practices across a wide range of strategic sectors, including EVs, medical devices and clean technologies.
- While Brussels is preparing to flex its new trade muscles towards China, EU member states such as Hungary, which holds the Presidency of the EU Council from July, have set out their own policies to enhance a strategic partnership with Beijing. Major member states such as Germany, France, and Italy have also struck a softer tone with China relative to the European Commission.

Conflict in Ukraine and the Middle East tests European unity

- The rise of far-right and far-left political parties in the European Parliamentary elections will challenge the EU's resolve over the continued cost of supporting Ukraine, especially as debates over the cost of European security heats up ahead of the U.S. presidential election.
- As Israel and Hamas weigh a potential ceasefire, cultural and political divisions over the war are likely to continue across Europe ahead of the UK General Election and following the recognition of Palestine by EU member states Ireland, Spain, and Slovenia, as well as Norway.

IMPACT TO BUSINESSES

- Businesses should expect short-term disruptions in stakeholder engagement as a result of new leaders taking office in the EU and the UK and be prepared for policy shifts to impact their medium and long-term engagement planning.



- The findings of the EU's anti-subsidy investigation on Chinese EVs, expected imminently, could mark a significant escalation in EU-China trade tensions and cause disruption for both Chinese and European companies in the sector. European businesses may experience scrutiny of their Chinese operations if tariffs result from the investigation.



- With EU governments shifting spending to defense and security, businesses in related sectors are likely to see increased demand.
- Continued political divisions and social unrest due to the war in the Middle East may increase scrutiny on the positions and operations of private sector organizations, investors and leaders who have a public profile.



Latin America



HEADLINE RISKS

Extreme weather events disrupt flow of resources in the region

- Rising temperatures and the El Niño effect have accelerated and intensified extreme weather events in Latin America, contributing to the rise in diseases, increase of water shortages, and unpredictable temperature patterns.
- Disruption of supply chains and agriculture production is occurring, as seen from Panama's and Mexico's droughts and Brazil's floods. The economic implications of disruptions to agriculture production will be more acute, particularly as Latin America's role in providing commodities becomes increasingly critical amidst global economic and political conflicts.

Tougher enforcement of migration policies to impact flow of goods

- Migration flows are expected to surge this summer due to extreme weather and political upheaval, prompting a stricter regional approach to enforcement. Leaders like Panama's President Mulino and the Dominican Republic's President Abinader are intensifying border security, while Mexico is tightening visa restrictions with allies such as Peru.
- Despite intentions to increase regional collaboration, countries are focused on appeasing domestic constituents and regional stakeholders, leading to more regional barriers and a regression on free transit policies.

Escalating diplomatic tensions requires differentiated approach to regional investment

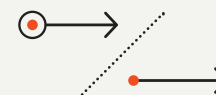
- Latin America's leaders, with unique approaches to similar region-wide challenges, are escalating regional and international tensions to build their legacies and fulfill campaign promises. Recent examples include Mexico and Ecuador's dispute at the International Criminal Court (ICC) over asylum rights, and Venezuela and Guyana's contention over the oil-rich Essequibo region.
- As upcoming elections bring further leadership changes, there may be shifts in diplomatic relations as national leaders adjust to changing regional power dynamics.

IMPACT TO BUSINESSES

- Countries in Latin America and the Caribbean are among the first to feel the ongoing effects of extreme climate change. Companies in the region should develop sector-specific adaptation strategies and prepare to manage their investments for the long term.



- Toughening enforcement at borders may slow down the flow of goods and commodities. Companies should anticipate the impact on trade and remain vigilant about intra-regional relations, considering the effects of migration policies on movement of resources that may impact their sector.



- Volatility among Latin America's diverse markets requires careful monitoring and recalibration by businesses active in the region. This is increasingly important as the region becomes a more important supplier of critical commodities to the West and to China, particularly at a time when instability and leadership changes abound.



United States & Canada



HEADLINE RISKS	IMPACT TO BUSINESSES	RISK HORIZON
Biden and Trump seek to one-up each other on tariffs <ul style="list-style-type: none"> The Biden administration announced plans to increase Section 301 tariffs on a variety of sectors the administration has deemed strategically important, including electric vehicles, solar panels, batteries, medical goods, and others. Candidate Trump proposed a 10% across-the-board tariff on imports and 100% tariff on Chinese goods. In the current political environment, the risk of retaliation from China, WTO noncompliance, domestic inflation and increasing friction in international trade do not seem to have tempered the positions of Biden or Trump. 	<ul style="list-style-type: none"> Even companies with no ties to the Chinese market must prepare for a drastically different trade landscape in 2025. A second Trump administration could place tariffs on some imports from friendly nations such as Mexico, Japan, and India, adding uncertainty to friendshoring efforts. 	
Divergence between voter sentiment and economic data persists <ul style="list-style-type: none"> Though macroeconomic indicators suggest economic strength, consumer sentiment remains pessimistic due to high interest rates and inflation of food prices, rent, gas, and energy. The lived economic hardship of many citizens may continue to depress sentiment and put pressure on the Biden administration to offer new solutions. 	<ul style="list-style-type: none"> President Biden and other prominent Democrats have increasingly blamed corporate price gouging, “hidden fees” and “greedflation” for continued inflation. Campaign rhetoric criticizing corporations could compound existing public sentiment against big business and those reporting record earnings and executive compensation. 	
Escalating campaign rhetoric has raised the costs of corporate political engagement <ul style="list-style-type: none"> Presidential and congressional campaign rhetoric and the elevation of hot-button, emotionally charged issues at the party conventions and on the trail are likely to push political tensions to levels unseen since the summer and fall of 2020. Charged political events like pro-Palestinian protests or Donald Trump’s legal trials may also be used by candidates to denigrate their opponents and further inflame political discourse. 	<ul style="list-style-type: none"> Businesses are reticent to engage on political issues, engage at political conventions or encourage political involvement of employees – even voting. Some companies, including Google parent Alphabet, have also taken steps to restrict political expression in the workplace, which is supported by around two-thirds of employees. 	
Election interference efforts could impact businesses and critical infrastructure <ul style="list-style-type: none"> Risk of disruption to business and critical infrastructure is increasing as the U.S. heads into the general election season. Factors including escalation of ongoing foreign conflicts, AI-generated misinformation, or cyberattacks may increase and affect business continuity. Meanwhile, supply chains and global energy flows remain precarious given the ongoing conflict in the Middle East and extreme weather. 	<ul style="list-style-type: none"> Businesses must be prepared for a spike in cyber threats, continued vulnerability of supply chains, and a chaotic information space. These risks necessitate approaches and protocols to keep businesses, government authorities and citizens aligned when encountering such developments. 	

Multilateral Institutions & Forums



HEADLINE RISKS	IMPACT TO BUSINESSES	RISK HORIZON
Forum shopping by Member States leads to policy fragmentation <ul style="list-style-type: none"> Member States increasingly feel their expectations are not being met across existing multilateral forums and are seeking other spaces and platforms. This adds pressure and complexity to international negotiations on already very difficult topics. Notably, discussions related to climate finance, trade, international taxation, and digital technology governance are happening in forums beyond those traditionally established to cover them, and include the UNFCCC, WTO, Financing for Development Forum, and the ITU. Thus, Member States are struggling to find consensus on the regulatory objectives of the discussions and suggested policies. 	<ul style="list-style-type: none"> Businesses need to develop multi-prong strategies that ensure their expertise is incorporated into relevant multilateral discussions. With most of these instances coming up in Q3 and Q4 2024, greater strategic engagement is necessary to prevent significant downside impacts to business. 	
Multi-stakeholderism is under threat <ul style="list-style-type: none"> Non-state actors in civil society and the private sector face increasing restrictions on participating and engaging in discussions and review processes that impact them. Governments are trying to limit multi-stakeholder engagement on key policy issues. Part of this involves deliberately complicating participation to discourage relevant stakeholders from engaging and providing input. 	<ul style="list-style-type: none"> Businesses should not assume they will be invited to participate in discussions that affect them – they should assume their participation will be resisted. Opportunities to engage can be secured by identifying mutually beneficial areas and proactivity in building relationships that help secure a place at the table. 	
Dwindling funds push multilateral organizations to turn to private sector for support <ul style="list-style-type: none"> While the private sector is marginalized in negotiations, some multilateral organizations are turning to private enterprise to finance critical programs. Climate finance and research and development are just two examples of key areas where countries discuss integrating private funding to achieve their goals, especially in the absence of sufficient public support. To achieve this, multilateral organizations will have to adapt their ways of engagement with the private sector to secure meaningful and continued support for their plans. 	<ul style="list-style-type: none"> While businesses may be viewed a source of funding, their expertise and perspectives are often not welcomed by multilateral organizations. Careful engagement is required avoid misaligned expectations. 	
A busy multilateral environment is marked by critical global inflection points <ul style="list-style-type: none"> A number of multilateral events, ranging from climate conferences to the Summit of the Future, are happening concurrently with national elections. Electoral politics may influence decisive voting by countries on key issues within multilateral fora. This will add complexity to the various ongoing multilateral negotiations, which might end up experiencing last-minute position shifts that overturn prior consensus, including the way Member States continue addressing ongoing military conflicts. 	<ul style="list-style-type: none"> Multilateral engagement offers an increasingly important venue for influencing policies that are relevant to commercial interest. National positions and voting intentions are typically decided before key events, meaning interested businesses should engage early and remain nimble as voting blocs solidify. 	

Geopolitical Risk Index

High Risk	0.7 - 1+	Corporations are more likely to be implicated in these issues or be asked to respond to these issues
Medium Risk	0.4 - 0.6	Corporations may be implicated in these issues or be asked to respond to these issues
Lower Risk	0 - 0.3	Corporations are less likely to be implicated in these issues or be asked to respond to these issues

CATEGORY	TOPIC	GEOPOLITICAL RISK INDEX (GPRI)		CORPORATE ACTION INDEX	MEDIA ATTENTION INDEX	PROJECTED MOMENTUM THROUGH Q3 2024
Economic Risks	Inflation	0.7	<div></div>	0.68	0.77	↓
	Supply Chain Disruptions	1.1	<div></div>	0.17	0.17	↑
	Recession Threat	0.9	<div></div>	0.12	0.19	↑
	Socioeconomic Inequality	0.1	<div></div>	0.06	0.37	↓
	Unemployment	1.3	<div></div>	0.48	0.41	↑
	Increasing Government Debt*	0.8	<div></div>	0.28	0.41	↑
Energy & Environment Risks	Global Energy Supply Issues	0.4	<div></div>	0.04	0.11	↑
	Climate Change/Environmental Degradation	0.8	<div></div>	0.81	0.90	↓
	Electronic Grid Reliability	0.7	<div></div>	0.07	0.10	→
	Renewable Energy Consumption	0.5	<div></div>	0.16	0.29	→
	Electric Vehicle Production	2.0	<div></div>	0.40	0.21	↑
	U.S. Energy Consolidation*	1.3	<div></div>	0.10	0.10	↑
Technology & Information Security Risks	Generative AI & Decision Making	0.9	<div></div>	0.61	0.60	↓
	Misinformation & Disinformation	1.7	<div></div>	0.42	0.28	↑
	Cybersecurity Threats	1.1	<div></div>	0.38	0.43	↑
	GDPR & Data Privacy	0.9	<div></div>	0.03	0.03	↑
	Technology Access	0.3	<div></div>	0.02	0.06	↑
	Technology Bias Reduction	1.0	<div></div>	0.08	0.12	↑
Political Risks	Political Polarization	0.4	<div></div>	0.18	0.43	↓
	Geo-Strategic Decoupling	1.1	<div></div>	0.17	0.16	→
	Interstate Armed Conflicts	1.1	<div></div>	0.68	0.62	↑
	Global Elections	1.0	<div></div>	0.22	0.19	→
	Terrorism & Extremism	1.0	<div></div>	0.40	0.42	↑
Human Rights Risks	Mass Migration/Displacement	0.0	<div></div>	0.00	0.49	↑
	Food Security Issues	1.1	<div></div>	0.11	0.11	↑
	Reproductive Health	0.9	<div></div>	0.71	0.77	→
	Viral Disease Resurgence	1.4	<div></div>	0.39	0.28	→
	Humanitarian Needs	1.0	<div></div>	0.39	0.43	↑

(*) – Indicates New Risk

APCO employs a combination of natural language processing techniques and industry knowledge to identify the leading geopolitical factors relevant to corporations, as reflected in traditional media and social digital media. While this dataset has a global scope, the focus is on largely U.S.-based Fortune 100 companies' response to each issue.

APCO's Geopolitical Risk Index (GPRI) is a measure of what portion of media conversation is focused on corporations and their role in the issue. The GPRI is calculated by measuring:

Media Attention: the volume, sentiment, engagement and rate of growth for each issue in traditional and social media

Corporate Action: number of responses to each risk in the external communications of leading corporations

Momentum: how much of the conversation around each risk is predicted to increase or decrease leading up to Q3 2024

How to interpret the chart:

High: Corporations are more likely to be mentioned in these issues or be asked to respond to these issues

Medium: Corporations may be mentioned in these issues or be asked to respond to these issues

Low: Corporations are less likely to be mentioned in these issues or be asked to respond to these issues

KEY FINDINGS

- **Economic:** Despite slowing, **inflation** will remain one of the most talked about issues and a high risk through Q3 2024. In the U.S., April data pointed to a slight deceleration in inflation. Media coverage this quarter underscored that underlying price pressures persist stubbornly. Headline CPI is projected around 4.8% through the 2024 election cycle – well exceeding the U.S. Federal Reserve's 2% inflation target. By contrast, Europe saw an unexpected uptick in inflation in May, though the European Central Bank vowed to keep interest rates restrictive until inflation returns to the 2% target. While companies continue raising prices, reports show pushback from customers limiting companies' ability to pass on higher costs, prompting many retailers to cut prices on thousands of items.
- **Energy & Environment:** **Climate change** persists as a high risk for companies, exacerbated by the looming wildfire and hurricane seasons in much of the northern hemisphere. Media reports underscore how insurers are hiking rates, limiting policies, or pulling out entirely from high-risk areas due to escalating costs from natural disasters. **Electric vehicle** production is also drawing increasingly critical commentary, fueled by U.S. tariffs on Chinese EVs, with the E.U. expected to follow suit. While energy supply hovers at a medium risk level, geopolitical tensions threaten to disrupt supply chains. OPEC is currently negotiating oil production quotas for member nations through the end of 2024, a contentious issue as each country's target is based on stated capacity, historically a source of friction. We anticipate the topic of **energy supply** will gain continued momentum through Q3.
- **Technology & Security:** There are growing concerns around nefarious use of AI, including deepfakes and synthetic media spreading **misinformation**, **disinformation** and various forms of fraud, particularly in the context of elections and democratic processes. **GDPR and data privacy** moved from low risk to high risk as recent coverage highlighted several GDPR data privacy issues including AI models like ChatGPT generating inaccurate personal information, tech giants using data to train AI without user consent and dating apps sharing sensitive user data with advertisers. Privacy advocates have filed numerous complaints across the EU alleging violations of GDPR principles like data accuracy, consent requirements and transparency obligations as companies rapidly adopt AI capabilities that rely on personal data.
- **Political:** Recent discussions of **global elections** have focused on major events from around the world, including the loss of majority for South Africa's ANC, the historic election of Mexico's first female president, the upcoming general election in the UK, and the coalition forming in India's parliament due to the unexpectedly poor showing of incumbent Prime Minister Narendra Modi's BJP party that is now without an outright majority for the first time in ten years. We project that global elections will remain a topic of high interest and risk for companies throughout 2024, as corporations navigate a shifting political and regulatory landscape in key markets.
- **Human Rights:** **The Israel-Hamas conflict** was the most discussed issue this quarter as the humanitarian crisis in Gaza continues to capture public attention. Current humanitarian aid remains insufficient to ensure food security in the region, and an offensive airstrike on Rafah and a recently damaged U.S. pier for humanitarian aid have further exacerbated discussion of the humanitarian crisis. Attention on Pro-Palestinian protesters who continues as they demonstrate against investments in companies they believe are benefiting from or contributing to the conflict.

Upcoming Global Events

JUNE–JULY

June 29, 2024

Mauritania – Presidential and Senate Elections

TBD

Third Plenum of the Central Committee of the Communist Party of China

July 1, 2024

Hungary takes over Presidency of the Council of the EU

July 1–5, 2024

Global Dialogue on Sustainable Ocean Development, Bali, Indonesia

July 3–4, 2024

Shanghai Cooperation Organization Summit, Astana, Kazakhstan

July 4, 2024

UK General Election

July 7, 2024

Second round of French legislative elections

July 5–15, 2024

Newly elected Indian government announces the 2024-2025 budget

July 8–17, 2024

High-level Political Forum on Sustainable Development (HLPF) 2024, New York, U.S.

July 9–10, 2024

UNGA Preparatory Meeting for the Third UN Ocean Conference, New York, U.S.

July 9–11, 2024

North Atlantic Treaty Organization (NATO) Summit, Washington, D.C., U.S.

July 11, 2024

Donald Trump sentencing in New York “hush money” court case

July 14, 2024

Mauritania – Presidential Election (run-off, if necessary)

July 15, 2024

Rwanda – Presidential and National Assembly Elections

July 15, 2024

Rwanda General Election

July 15–18, 2024

Republican National Convention, Milwaukee, U.S.

July 16–17, 2024

G7 Trade Ministers Meeting, Reggio Calabria, Italy

July 18, 2024

4th European Political Community Summit, Blenheim Palace, UK

July 25–26, 2024

G20 Finance Ministers and Central Bank Governors Meeting, Rio de Janeiro, Brazil

July 26–August 11, 2024

Summer Olympics, Paris, France

July 28, 2024

Venezuela Presidential Election

July 29–August 2, 2024

61st Session of the Intergovernmental Panel on Climate Change (IPCC-61) Tbilisi, Georgia

Upcoming Global Events

AUGUST

August 17, 2024

Scheduled inauguration of Nusantara as the capital of Indonesia

August 19–22, 2024

Democratic National Convention, Chicago, U.S.

August 25–29, 2024

World Water Week 2024

SEPTEMBER

September 7, 2024

Algerian Presidential Election

September 10, 2024

Second U.S. Presidential debate

September 10–24, 2024

79th Session of the United Nations General Assembly, New York

September 11–13, 2024

G7 Labor and Employment Ministers Meeting, Cagliari, Italy

September 13, 2024

G20 Digital Economy Ministerial Meeting

September 15, 2024

Romanian Presidential Election

September 19, 2024

G20 Research and Innovation Ministerial Meeting

September 19–20, 2024

APAC Regional Summit, Singapore

September 19–21, 2024

G7 Culture Ministers Meeting, Naples, Italy

September 17–October 16, 2024

Sri Lankan Presidential Elections

September 22–October 4, 2024

79th Session of the UN General Assembly

September 26–28, 2024

G7 Agriculture Ministers Meeting, Syracuse, Italy

September 29, 2024

Austrian 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.

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