What to Watch in 2025

Outlooks for the year ahead from Teneo's Geopolitical Risk Team

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Foreword
The Global Year Ahead

As the dust settles on a momentous U.S. election and the incoming administration takes shape, the geopolitical landscape for 2025 is already coming into focus.

Against this backdrop, our team of analysts once again explores the critical global trends and regional hotspots demanding attention in the year ahead. From enduring macro-level dynamics to specific local flashpoints, where existing tensions may continue or new ones could erupt, we examine the forces shaping the global order and their implications for businesses and investors.

One thing is clear: beyond individual events, the geopolitical fault lines continue to shift, with significant consequences for international trade and investment. The global economic environment is pivoting toward greater securitization, regional fragmentation and a retreat from the rule-based frameworks that defined much of the post-war political and economic order.

International frictions are set to persist at levels unseen since the Cold War's conclusion, reshaping trade flows, investment strategies and the more general risk landscape. In this era of heightened uncertainty, the map of opportunities and challenges for firms is being fundamentally redrawn.

In these pivotal times, our geopolitical risk advisory team remains committed to delivering actionable insights. By decoding the intersections of global power shifts, regional dynamics and sector-specific developments, we help our clients to navigate these turbulent times. Whether monitoring day-to-day developments or unpacking long-term trends, we are here to help you stay ahead of what's next in 2025.

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Africa

Can Africa prosper under Trump 2.0?

With competing geopolitical agendas, calls for a reform of the "unjust" global financial system may gain some sympathizers. Whether this translates into action is less certain.

Africa will most likely remain a low priority for Trump's second administration, similar to his first. However, growing geopolitical competition, including China's influence over critical minerals, makes the region harder to overlook. Africa's international profile is rising through the Africa Union (AU)'s G20 membership and South Africa's G20 presidency in 2025. Even so, the Trump administration will likely be reluctant to support Global South demands on climate change or reforms of global governance institutions such as the UN, the IMF/World Bank and WTO.

U.S.-Africa relations under President-elect Trump will likely be guided by a transactional approach, emphasizing trade over aid. African governments may welcome this focus on commerce rather than "lectures" on democracy and human rights, but they will be exposed to global economic pressures, exchange rates and potentially inflationary implications of protectionism. An immediate trade issue will be the fate of the African Growth and Opportunity Act (AGOA), the U.S. duty-free regime for commodity and manufactured goods imports, which expires in 2025. The AGOA Renewal and Improvement Act of 2024, introduced by Senator Chris Coons (D), proposes to modernize AGOA by extending it to 2041 (improving predictability) and integrating it with the Africa Common Free Trade Area (AfCFTA). It is uncertain how AGOA will fit into Trump's "America First" agenda, though Republicans may back a revamped scheme including critical minerals, if only to counter China.

This transactional approach will produce winners and losers. Kenya, a close U.S. ally, may hope to revive bilateral trade negotiations. Angola, traditionally close to Russia and China, has recently courted the U.S. Some Trump officials might back Biden administration strategies, such as prioritizing the Lobito corridor, the U.S.-backed flagship infrastructure project aimed at reducing China's dominance in critical mineral supply chains. In contrast, South Africa's close relations with BRICS partners like China and Iran, and its unequivocal stance on the Middle East conflict, risk deepening frosty relations with Washington.

Anti-incumbency sentiments on the rise?

Anti-incumbency sentiment remains a force to reckon with as the continent's younger population becomes eligible to participate in the political process and new forms of organizing emerge. In recent years, this sentiment has led to popular support for military takeovers in the Sahel – Mali, Burkina Faso, Gabon, Guinea and Niger.

More recently, these pressures for political change have found expression at the ballot box, though not without significant contestation. In Senegal, the election of the continent's youngest leader was only made possible by overwhelming youth support, and political instability and a constitutional crisis were only narrowly averted. Across Southern Africa, erstwhile liberation movements in Botswana, Namibia and South Africa faced major tests in 2024, leading to changes that will transform their political landscapes for years to come. In South Africa and Botswana, long-dominant ruling parties lost legislative majorities but demonstrated their democratic resilience through smooth political transitions. By contrast, Mozambique's 2024 vote has triggered a protracted post-election dispute.

Given these electoral watersheds, incumbents elsewhere in the region have reason to worry about their staying power. One example is Tanzania, where expectations of political reform will be severely tested in the presidential and legislative polls due in October. The same holds in Cote d'Ivoire, where 82-year-old President Alassane may seek a fourth consecutive term, while in Cameroon, expectations that 91-year-old Paul Biya will again seek to extend his four-decade rule will heighten concerns about potential political instability. Finally, Gabon will attempt a transition back to civilian rule in August, but the military junta's commitment to restoring constitutional order is uncertain.

Is the worst of the debt and fiscal crisis over?

Africa's public debt is expected to remain above pre-pandemic levels through 2025 – low-income countries and commodity-dependent nations remain the most vulnerable – but there are signs of stabilization. The IMF forecasts a decline in sub-Saharan Africa (SSA)'s public debt-to-GDP ratio, from 60.1% in 2023 to 56.8% by 2025. Similarly, the African Development Bank (AfDB) projects that the region's median public debt ratio, which stabilized at around 63.5% from 2021 to 2023, will decline to approximately 60% starting in 2024.

Despite these improvements, risks remain significant. According to an October 2024 World Bank report, 53% of International Development Association (IDA)-eligible SSA countries face a high risk of or are already in debt distress. Key drivers include rising global interest rates, which have increased borrowing costs, and local currency depreciation, which has compounded challenges in servicing foreign-denominated debt. A strong USD may further exacerbate these issues, potentially forcing more countries to join Zambia, Ghana and Ethiopia to seek debt restructuring.

Fiscal pressures also persist and will likely remain acute in Nigeria, Kenya and South Africa. Attempts at fiscal adjustments have triggered backlash, with mass protests in Kenya and Nigeria underscoring the challenges of enacting reforms amid socio-economic crises. Inflation remains in double digits in nearly one-third of SSA countries, alongside rising unemployment, especially among youth. Pressing climate adaptation needs, increasing natural disasters and critical infrastructure investments also add to fiscal burdens. Combined with governments' dwindling popularity and legitimacy, fiscal adjustments make for a volatile political backdrop, potentially constraining how aggressively governments will pursue reforms.

African leaders are expected to call for global support, including concessional financing, climate funding and institutional backing to address these challenges. With competing geopolitical agendas, the region's calls for reforms to the "unjust" global financial system may gain some sympathizers. Whether this translates into action is far less certain.

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Asia

China between stimulus and trade war

China's troubled economy and the impact of potential tariffs from the incoming Trump administration will be the dominant themes for Chinese politics and business in 2025. After nearly two years in which top leaders appeared complacent about slowing growth, a collapsing housing market and rising deflationary pressure, policymakers pivoted toward economic stimulus in late September. Beyond the discouraging economic data, a key catalyst for this pivot was the Federal Reserve's shift toward interest-rate cuts, which reduced concerns that Chinese monetary easing would trigger capital flight and downward pressure on the renminbi.

However, details about the magnitude of the stimulus have been slow to emerge, including the amount of new fiscal spending and the preferred policy tools for reviving housing demand. Policymakers appear to be taking an incremental approach, aiming to do just enough to meet the government's GDP growth target – set at 5% for 2024 and likely to be similar for 2025 – without resorting to the large-scale stimulus deployed in 2008-09 and 2015-16. Beijing's economic technocrats are likely also keeping some policy options in reserve to respond to the expected Trump tariffs.

China's toolkit for retaliation against expected U.S. tariffs is raising concerns in the foreign business community, but we expect Beijing to deploy these tools cautiously.

During the first Trump administration, Beijing relied primarily on tit-for-tat tariffs. This time, the response is expected to lean more on asymmetric retaliation. In recent years, Chinese regulators have developed a broader and more diverse toolkit for retaliation, including export controls, an "unreliable entity" list and cybersecurity investigations into foreign technology companies.

This toolkit understandably raises concerns in the foreign business community, but Beijing is likely to deploy these tools cautiously. China's leaders must avoid the appearance of weakness, but they also want to cultivate the foreign business community as a political ally that can advocate against Western government policies promoting economic decoupling from China. Moreover, given the weak domestic economy and the slowdown in foreign direct investment, China can ill afford to further alienate the foreign business community.

South and Southeast Asia search for regional-based growth

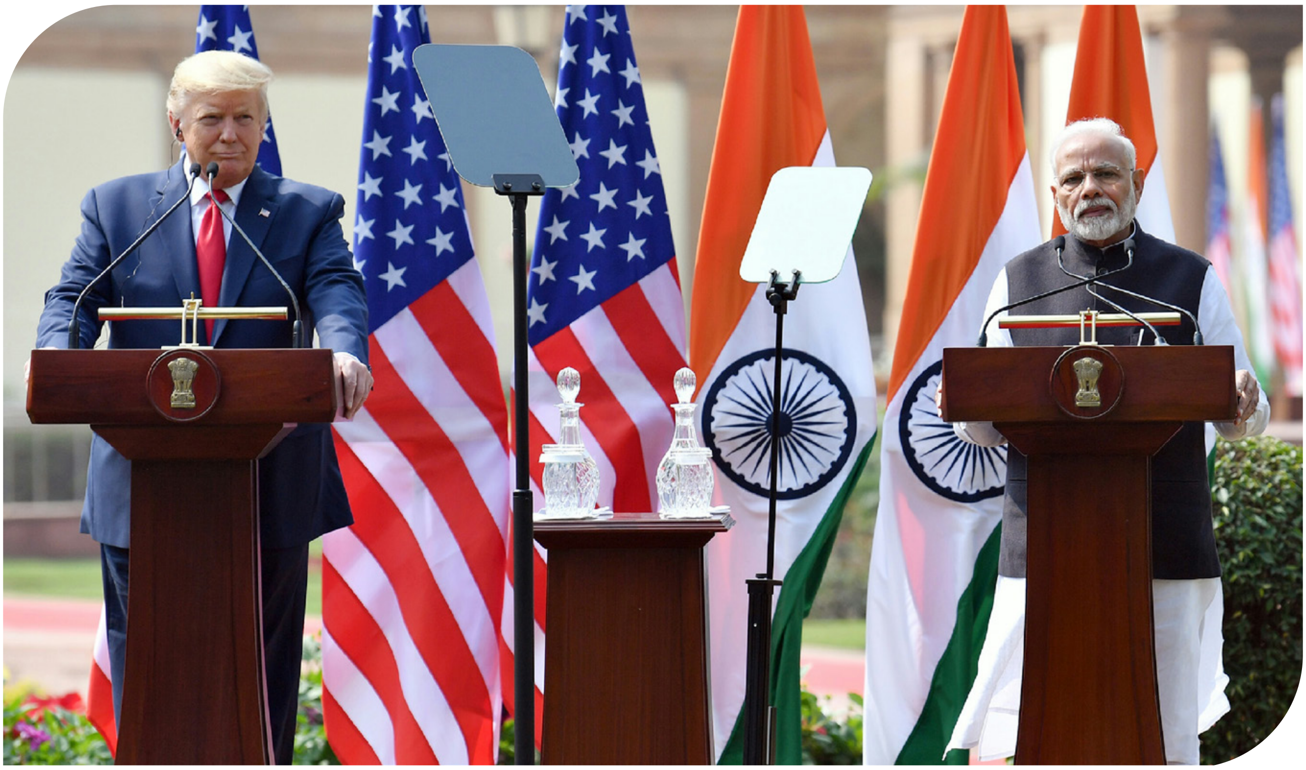
Southeast Asia's key economies will attempt to capture some of the export-driven investment that is part of the de-risking drive, but governments also worry about a broader trade war. Washington's potential focus on key northeast Asian countries could allow the region some breathing room from having to pick sides between the U.S. and China, but it may prove problematic for the Philippines, which has increasingly tied its foreign policy to the U.S. security guarantee.

In Indonesia, opinions are divided on whether new President Prabowo Subianto will continue to temper his nationalist rhetoric. In Thailand, the return of the Shinawatra family could lead to improved stability or provoke a response from the family's opponents. Vietnam's leadership transition will become clearer later in the year, with Communist Party General Secretary To Lam as the frontrunner, while Philippine politics will see intensified infighting between the Marcos and Duterte families.

Meanwhile, India is poised for steady growth of about 6%. However, a mounting fiscal deficit, inflation, joblessness and currency depreciation are likely to persist. The Bhartiya Janata Party (BJP) led government is unlikely to achieve sweeping reforms due to coalition politics. It will likely continue to rely on state subsidies, production incentives and selective tariff reductions.

The BJP's coalition partners may become less cooperative, depending on the outcomes of key state elections. This could ignite competition within the National Democratic Alliance, threatening to undermine Prime Minister Narendra Modi's leadership.

Internationally, India is expected to continue facing regional challenges, with Bangladesh, Nepal and Sri Lanka governed by parties less sympathetic to India. While a border agreement has stabilized India-China relations, the sustainability of rapprochement remains uncertain. Strained relations with the U.S. are expected to improve under the Trump administration, which could, in turn, impact ties with China.



Political uncertainty in Japan and South Korea

Domestic politics in Japan will start 2025 in an unstable equilibrium after the ruling LDP-Komeito coalition lost its Lower House majority in October's general election. Prime Minister Shigeru Ishiba will lead a minority administration with informal support from the Democratic Party for the People, which will demand policy concessions for helping pass the FY2025 budget and other legislation. The LDP might seek to replace Ishiba before the Upper House election in July. If the ruling coalition loses its upper house majority, Japan could face legislative gridlock similar to the "twisted Diets" of 2007-2009 and 2010-2012. However, if the LDP's fortunes improve, a double election might be called to restore a majority in both chambers.

The foreign policy front will also be uncertain. Tokyo will be encouraged by Donald Trump's recent positive comments on Japan, and the U.S.-Japan alliance is stronger than ever in terms of military cooperation. However, potential pitfalls loom, including the impact of Trump's planned tariffs on Japan's automakers and possible demands for higher host nation payments ahead of the current deal expiring in 2027. Ishiba's lack of diplomatic experience compared to predecessor Shinzo Abe's close relationship with Trump adds to the uncertainty.

In South Korea, Yoon Suk-yeol's December martial law declaration catalyzed an impeachment process that could lead to an unscheduled presidential election in 2025, while deep political polarization will continue to cause frictions over the budget and other legislation. Trump's tariffs threaten South Korea's exporters of cars, electronics and other advanced goods, and past precedent suggests Trump could demand a significant increase in host nation payments from South Korea to maintain the U.S.'s current security commitments. North Korea remains a major concern, with its increasing military ties to Russia and advances in missiles and other technology. A weakening of the U.S.-South Korea alliance in 2025 could drive Seoul to reconsider acquiring its own independent nuclear deterrent.

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In Focus: Global Energy

The Trump factor

With a second Trump administration comes a flurry of policies with highly varied implications for energy markets. While Donald Trump campaigned on significant domestic U.S. hydrocarbon production growth, it is external market factors and Trump's own global policies that will determine the achievability of this goal.

A top priority of the new administration is rapid resolutions to conflicts in the Middle East and Ukraine, yet it is unclear how and whether this can be achieved. This intervening period poses notable energy supply and trade disruption risk as parties jockey for leverage ahead of any negotiations. In this context, the outlook for sanctions is vital: while a maximum pressure campaign on Iran is widely expected, with the potential to remove one million barrels per day (mbpd) from the market, the outlook is less clear for the use of sanctions as a tool of persuasion on other major oil producing regimes like Russia or Venezuela.

Another wildcard is Trump's threatened 10-60% tariffs. These seemingly undermine not only his economic targets, but also introduce significant risk of retaliatory tariffs hitting U.S. energy interests given the centrality of the industry to the U.S. economy and Trump's policy agenda. With Trump eager to lift the Biden-era liquefied natural gas (LNG) export pause and expedite permitting, and an anticipated doubling of U.S. LNG export capacity in the works by 2028, U.S. LNG looks particularly exposed to geopolitical tensions under the new administration.

Policy signals are inconsistent; this bears notable implications for trade disputes and disruptions as well as price volatility in 2025.

In search of climate leadership

In the days before COP29, Trump was elected for a second term with a promise to withdraw the U.S. from the Paris Agreement and possibly the UN Framework Convention on Climate Change. Global climate cooperation is already fraught, impacted by a clear lack of leadership and competing priorities and agendas.

A U.S. exit from the key climate negotiating platform, combined with a new class of EU Commissioners who have been vague regarding the bloc's climate commitments, have created space for alternative climate leaders. This has elevated China and its influence in the global climate debate. China is now the indisputable leader in exporting and manufacturing affordable clean technologies. Over the past five years, it is estimated that China has accounted for 40% of global renewable capacity expansion and the rapid growth of its electric vehicle (EV) industry alone will contribute to significant reductions in greenhouse gases, including up to a billion tons of CO_2 by 2040. China uses this position to forge alliances with developing markets across Africa, Latin America and Asia.

These relationships can help the Global South leapfrog on climate progress but may also result in fewer labor and environmental safeguards. In addition, they cement China's stronghold over global access to the minerals and technologies underpinning the energy transition. This has important price implications and will further complicate efforts by Western governments to build alternative supply chains.

The trend also bolsters China's geopolitical, energy and security influence more broadly. While the COP conference structure continues to yield agreements and results, it does so with sizable concessions. The emergence of China as a new global climate leader will only exacerbate some of the contentious and polarizing dynamics of global climate diplomacy.

Energy prices decoupling from geopolitics

Amid all the geopolitical unrest, there is a growing and unprecedented separation between these events and their impact on energy prices. In oil markets especially, the days of events like the Arab oil embargo, Iranian revolution or Iraqi invasion of Kuwait driving significant and sustained price spikes are long gone.

Persistent threats to crude shipments via the Middle East had limited and short-lived price impacts over the past year, while the sizable presence of bearish oil price factors – such as non-OPEC supply growth, the emergence of more gas, renewables and EVs, and China's economic woes – kept a tight lid on price shocks.

Looking ahead to 2025, non-OPEC growth alone is expected to offset sanctions-related losses of Iranian exports, and much will depend on whether and when China's more than USD 1.4tn in stimulus will filter through and reenergize its economy. Given these realities, there is little room for upward momentum on crude prices, and a gradual return of OPEC+ production, if decided, would all but eliminate much of the potential for price increases.

Meanwhile, LNG markets face conflicting signals marked by increased demand but supply vulnerabilities, including geopolitically driven events. Delays in new LNG liquefaction capacity are expected to continue into 2025, while colder winter conditions in many markets and further anticipated disruptions to remaining Russian gas supplies to Europe could drive up winter and storage refill demand in the first part of the year. The combined outlook for these factors is yielding expectations of higher LNG spot prices in 2025 before the market finds more opportunity to regulate.

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Europe

A pivotal moment for Ukraine – and Europe

With Russia's full-scale invasion of Ukraine approaching its fourth year, the mood in Kyiv is somber. Exhausted and undermanned, Ukrainian forces are struggling to contain accelerating Russian advances across the frontline. The country's energy system is on the brink of collapse and public fatigue with the war is mounting. As the probability of a military victory over Russia diminishes, Ukrainians are increasingly open to settling the conflict through diplomatic means. Promises by the incoming Trump administration to broker a ceasefire between Russia and Ukraine offer hope that the bloodshed will end in 2025, albeit with Ukrainians wary of the potentially steep political cost.

Brokering and enforcing any lasting ceasefire will be extremely difficult. The Kremlin's initial war objectives – occupying the Donbas region and subjugating Ukraine politically – remain unchanged. President Volodymyr Zelensky's administration seeks to preserve the country's sovereignty and ensure its future security. The details of any agreement will not only determine Ukraine's future but will also have implications for security across Europe and trust in Western security guarantees and institutions worldwide.

Yet, a ceasefire in Ukraine would not bring a meaningful and lasting improvement in relations between Moscow and the West. President Vladimir Putin's regime is very likely to continue its efforts to undermine the Western-led global order and institutions, which Moscow perceives as outdated and unjust, in an attempt to reclaim a global power status and restore its sphere of influence across former Soviet and Warsaw Pact countries. As a result, European countries deemed unfriendly face a growing risk of Russian hybrid warfare, including disinformation, cyberattacks, sabotage and other disruptive actions, posing security and business risks.

Germany's early (yet overdue) elections

After the collapse of Olaf Scholz's notoriously infighting "traffic light" coalition, German voters will head to the polls in snap elections on 26 February. The vote will be held seven months earlier than the usual September date, but politically, the campaign is three years overdue.

Back in 2021, Scholz won as the effective continuity candidate to outgoing chancellor Angela Merkel. His three-way coalition promised a centrist mix of long-term reforms. Within weeks of Scholz's inauguration, however, Russia launched its full-scale invasion of Ukraine. At home, the powerful constitutional court invalidated a plan to finance green and infrastructure investments through special funds outside the budget (and the constitutional debt brake).

Germany managed to wane itself off Russian gas within months, became the largest military and financial supporter of Ukraine in Europe, invested EUR 100bn in its armed forces, and, for the second time in a decade, took in more than one million refugees. However, amid pressing geopolitical challenges, the country's traditionally export-led industrial model and its established foreign policy are now in need of immediate updates.

The balance between structural reform vs. investment at home, and between transatlantic ties vs. greater military cooperation in Europe, was already looming back in 2021. These issues will finally be front and center in the 2025 election. Polls long predicted victory for Friedrich Merz and his center-right Christian Democrats (CDU/CSU), but the magnitude of the challenges Germany has faced in the last three years might still influence the final stretch of the campaign.

Regardless of the chancellor and coalition, the central policy outcome is already clear. Despite the expected resurgence of the political right, Germany is set to depart from its traditionally ultra-sound fiscal policies, to enable investment at home while taking greater responsibility in Europe.

Transatlantic relations in flux

European nations anxiously await U.S. President-elect Donald Trump's return to the White House. Transatlantic debates will focus on trade and defense, but the political equations will be complicated by limited fiscal space across much of Western Europe. The unstable political situation in France, where snap elections could be possible again as of the summer, and German resistance to joint EU borrowing will further complicate these challenges.

In the event of U.S. tariffs on EU products, France and the European Commission are likely to push for a bold response. In contrast, Germany might be more reluctant. Berlin policymakers will hope that increased military spending could help appease the U.S. This might include further acquisitions of U.S. military technology. If so, it would continue a traditional German strategy of retaining a strong U.S. presence in Europe – much to France's dismay.

Despite the expected resurgence of the right, Germany is set to depart from its ultra-sound fiscal policies.

If Trump proceeds with major tariff hikes on Chinese products, Paris will likely reiterate that the EU must protect its market from the rerouting of Chinese exports. The Commission has prepared measures regarding Chinese solar technology, wind turbines and EV batteries. Again, Germany might be more reluctant. However, the recent debate over EU tariffs on Chinese-made EVs has highlighted that France's position has become more influential.

This is also where the UK comes into focus. The country has a lower trade surplus with the U.S. than the eurozone, which might limit the degree of ire it attracts from the U.S. However, it is trailing behind its G7 partners regarding tariffs on Chinese products such as EVs. If the U.S. pushes for a bilateral trade agreement, this could create complicated regulatory challenges given that the new UK government wants to gradually rebuild ties with the EU single market at the same time.

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In Focus: BRICS+

Trade and de-dollarization in spotlight

As Donald Trump takes the helm of the world's largest economy once again, his threats to punish countries for diversifying away from the U.S. dollar and his attempts to lower U.S. trade deficits could undermine the BRICS+. The group's incongruent responses are likely to reinforce the perception that they are unable to cooperate toward their shared goals.

The BRICS's persistent challenge is that its members undermine one another's objectives.

De-dollarization

Trump's threats of 100% tariffs on countries shifting away from the U.S. dollar appear to be a significant deterrent. However, few countries rely on the greenback for 100% of their international payments, making it unclear what exactly "shifting away from the dollar" means. Whether or not Trump defines his red lines, a likely target could be countries participating in new or broadened renminbi swap agreements with China.

Moreover, key players do not aim to abandon the U.S. dollar entirely. Instead, they seek to establish alternatives to the greenback. The primary motivation is the fear of the weaponization of the U.S. dollar through sanctions and tariffs. A key question is whether threatening further sanctions or tariffs on countries already impacted by such policies will serve as an effective deterrent.

An important signpost will be whether Trump brokers a durable ceasefire between Russia and Ukraine. If this includes lifting some financial sanctions on Russia, Moscow might de-prioritize its de-dollarization drive. Some Russian domestic actors could revert to Western currencies as trade becomes less disrupted. Yet, this would not alter the Kremlin's long-term strategic objective of developing alternatives to what it perceives as outdated, Western-dominated global governance, underpinned by the goal of mitigating the impact of potential future sanctions.

Meanwhile, in China, efforts to diversify away from the dollar are already well underway. Scaling back these efforts would not persuade Trump to abandon the other tariffs he plans to impose on China for other reasons, giving Beijing little incentive to curb its de-dollarization efforts. For China's leaders, de-dollarization reflects an effort to insulate the country against the same type of U.S. economic coercion that Trump has threatened against countries moving away from the dollar.

India has its own agenda to promote greater use of the rupee in cross-border trade and finance and has little interest in excessive reliance on the renminbi. Therefore, India is likely to take a cautious approach, seeking to maintain the status quo. For example, New Delhi might neither advance nor scale back direct settlement initiatives with the UAE or local currency trade mechanisms with Russia, including payments for Russian oil in Emirati dirhams. In addition to pushing for rupee-dirham settlements, the Indian central bank has renewed discussions to expand local currency trade with Russia, but there are concerns about U.S. reprisals.

Trade

Amid expectations that Trump will raise tariffs, China appears to be positioning itself as a champion of free trade, announcing plans for measures such as unilaterally lowering tariff barriers. While Beijing might target U.S. companies for retaliation against coercive policies by Trump, Chinese leaders are more likely to do the opposite, seeking to cultivate U.S. companies as allies who will lobby against U.S. protectionism.

Any losses for China may be India's gain – consistent with the BRICS's persistent challenge of members undermining each other's objectives. Should Trump impose his threatened 60% tariffs on Chinese imports, this could present opportunities for India to boost its exports to the U.S. However, this could be complicated by Trump's aim to close trade imbalances and his retaliation against India's high tariffs. As a BRICS member, New Delhi will continue to foster only limited engagement with Beijing while expanding economic partnerships that challenge China's influence, especially in Africa.

Similarly, Brazil's President Lula seeks neither full alignment with Beijing nor a freeze in relations with the U.S. However, Trump's second presidency, coupled with Brasilia's growing alignment with BRICS+, is likely to weaken diplomatic relations with Washington. In preparation to assume the rotating BRICS presidency in 2025, Lula has emphasized that the bloc will advocate for a multipolar world order and more balanced international relations.

While Lula signed dozens of trade agreements with Xi Jinping on the sidelines of the G20 summit in November, he opted not to join the Belt and Road Initiative despite China's insistence, to avoid damaging already cooling relations with the U.S.

South Africa similarly wants to prioritize economic diplomacy and improve its trade ties with the U.S., EU and China. Yet, it is exposed to global geoeconomic fragmentation and potential tariff wars. South Africa – alongside other African countries – also faces the specific worry of whether the U.S. will extend the AGOA when the trade agreement is up for renewal in 2025. As the country which will preside over the G20 over the next 12 months, it can expect little support from Washington on its agenda to promote multilateralism, reform global governance institutions, the international financial architecture and multilateral trade, and address key issues such as climate change — all in a manner that evens the playing field for developing countries.

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Latin America

Varied electoral outcomes

2025 is likely to deliver a mixed set of election results across Latin America, with no obvious blanket trend of the "pink tide" type. The Left could conceivably make a comeback in Ecuador, Argentina's rightist governing party is likely to consolidate, while anti-incumbency sentiment is set to prevail in Chile.

Ecuador will hold elections in February/April. President Daniel Noboa's path to re-election has become more challenging. Ongoing power outages have fueled public frustration and economic disruption, while a crackdown on crime has underperformed. If the electricity crisis does not ease, the leftist movement of former president Rafael Correa could make a comeback. If Noboa prevails, he will try to turn the constant crisis management of his truncated first term into more durable policy directions, though a successful reboot may prove challenging if the legislature remains hostile.

Argentina will hold legislative mid-term elections in October. Javier Milei's Liberty Advances (LLA) party is almost certain to secure a larger bloc to support his agenda, especially if growth returns over the course of 2025. However, governability may only improve incrementally: the mid-terms involve half of the lower house and just one-third of the senate. Still, Milei will celebrate if he can eclipse the establishment center-right, and if opposition Peronists remain divided.

Chile will hold presidential and legislative elections in November/December. The leftist governing coalition led by Gabriel Boric, which has endured a challenging period in office, looks set for almost certain defeat. Evelyn Matthei of the right-of-center Chile Vamos (CV) opposition coalition has been leading in the polls but could face a challenge on her right flank from the ultra-conservative Jose Antonio Kast of the Republican Party.

Elsewhere, elections in Honduras and Bolivia will highlight major political fault lines, while Guyana's oil boom has raised the stakes ahead of elections in 2025. Venezuela's Nicolas Maduro will keep legislative and regional elections, assuming they proceed, under tight control. Finally, an electoral curiosity – Mexico's June elections for judges and magistrates – will raise concerns over corruption and judicial politicization.

The return of Donald Trump will reverberate across the region even if Latin America is not a major U.S. foreign policy priority.

Bracing for Trump 2.0

The return of Donald Trump to the White House will reverberate across the region, even if Latin America is not a major U.S. foreign policy priority. Regional exports face the threat of higher tariffs as well as the knock-on effects from potentially looser U.S. fiscal policy and a slower downward rate path. Importantly, currency depreciation pressures resulting from a stronger U.S. dollar might create inflationary risks in Latin America. U.S. migration policy could also have significant impacts, especially for remittance-reliant economies such as Mexico and Colombia.

Mexico is most exposed to Trump 2.0 given its trade imbalance with the U.S., the two countries' shared border, the predominance of Mexicans among both migrants and potential deportees already in the U.S., and the spillover effect of its security problems. However, many other countries in the region will grapple with how to handle the new administration in 2025. Central America is vulnerable to any mass deportation program from the U.S. Colombia faces pressure to tackle increasing coca cultivation or risk decertification for failing to meet U.S. drug control standards. A key question is whether a more direct U.S. approach to ideological opposites such as Colombia's Gustavo Petro will provoke backlash.

A more aggressive approach towards authoritarian regimes in Venezuela, Cuba and Nicaragua is also likely, with possible tightening sanctions and trade measures. Whether this can produce real political change remains to be seen. The Cuban economy is in a state of severe crisis, but Venezuela's regime remains stubbornly entrenched. Both may seek to weaponize migration. Kast in Chile, Bolsonarismo in Brazil and Colombia's Right will, to some degree, push Trump-adjacent proposals in the hope they offer a route back to power. Meanwhile, leaders like Argentina's Javier Milei will hope to demonstrate tangible benefits from his affinity with Trump. In practice, Milei may continue to straddle geopolitical divisions by engaging with China as the region continues to practice strategic hedging.

A big year for Brazil

Latin America's largest economy will find itself under increased global scrutiny in 2025 as it assumes the BRICS presidency in January and hosts COP30 in November. For President Lula da Silva's administration, both leadership roles represent strategic opportunities to project power and position Brazil as a leading actor in shaping the global agenda on economic, geopolitical and environmental issues. Brazil's position taken at the G20 Rio Summit in November 2024 should influence the country's approach to foreign affairs in 2025.

At the G20, Brazil played a clear role of consensus-maker, not necessarily taking sides between the Global South and OECD countries. Among the BRICS, Brazil will remain active but firm on the need for peace and a greener environment.

COP30 will have inherited mixed results from its previous "troika" counterparts – COP28 in Dubai and COP29 in Baku, Azerbaijan. As the first COP to take place in the Amazon, expectations will be high. Brazil might also have to deal with obstructionism from the new U.S. administration. If well played, 2025 could help Brazil climb a few notches in geopolitical relevance.

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In Focus: Global Tech

Who decides what we say online?

Communications laws, such as the U.S. Communications Decency Act (CDA) or India's IT Act, have given governments the ability to monitor and limit content on online platforms based on concerns about national security, hate speech and government legitimacy. These policies, however, often conflict with free speech protections upheld by democracies around the world. As we look ahead to the new year, social media firms will have to navigate diverging and often conflicting government policies.

There are two leading policy viewpoints led by the EU and U.S., and content moderation is particularly impacted by political ideals and rhetoric. Risks of online censorship and restricted speech on social media remain prevalent in non-liberal regimes like Russia, China and Iran. However, in democratic nations, the line between content moderation and censorship has also become increasingly blurred.

The new year will bring more politically charged debates on content moderation, free speech and the role of tech firms.

Varying viewpoints

In the U.S., content moderation has been a key topic for policymakers in recent years, especially as Section 230 of the CDA was reviewed (but left untouched) by the U.S. Supreme Court in the Gonzalez v. Google case in 2023. Section 230, which protects social media companies from being liable for any illegal speech posted on their platforms, also gives these firms the ability to moderate content under free speech protections for platforms themselves. In 2024, SCOTUS heard two additional cases regarding specific content moderation law set by Florida and Texas, but they were sent back to lower courts for further litigation.

In 2025, a Section 230 overhaul is likely to be at the forefront of the Federal Communications Commission's (FCC) agenda. President-elect Donald Trump's FCC pick, Brendan Carr, authored Project 2025's section on content moderation and free speech. He believes that promoting true freedom of speech requires the government to curtail liability protections for social media companies and impose transparency rules to deter companies from removing political views that violate their moderation policies. Carr's anticipated approach to content moderation is likely to mirror Texas state law, which says that social media companies may not censor content based on viewpoint.

The incoming Republican-held legislature may agree with Carr and move to overhaul Section 230, strip social media firms of liability protections and remove restrictions on what can be said in online forums. However, a federal policy of this scale may have difficulty surviving judicial review since it may violate the First Amendment rights of tech companies themselves. The Supreme Court hinted at this in its decision on the Texas and Florida content moderation laws.

While the U.S. grapples with debates on free speech, the EU has pushed content moderation policies that require social media companies to apply comprehensive moderation to deter hate speech and incitement. As of February 2024, the EU fully implemented its Digital Services Act (DSA), which requires platforms to implement measures to counter the dissemination of illegal goods, services and content online. The European Commission has already opened probes into TikTok and X for potential DSA violations in their content moderation policies. In 2025, more probes into other major tech firms operating in the social media space could follow, and the now-implemented DSA may serve as a model for other countries considering comprehensive policy structures.

What to expect in 2025

With EU and U.S. policies likely falling on opposite sides of the spectrum, social media companies will have to grapple with an even more complex environment. Tech firms have begun to align their moderation policies with EU guidelines; however, these policies are likely to conflict with the incoming U.S. administration's view on Section 230.

The new year will likely bring more politically charged global debates on content moderation, free speech and the role of tech firms. Unless governments can agree on clear definitions of what types of online content are protected under free speech, the burden will fall on companies and users alike to navigate unclear regulatory environments or risk being punished for content violations.

Companies will likely have to develop and implement different guidelines based on each country's policies or risk violating various governments' regulations. These complexities are further exacerbated by rising concerns about censorship in countries like India, Thailand, Nigeria and Brazil, where policies enable governments to require social media companies to take down specific content. The use of artificial intelligence and large language models also creates further complications for social media firms, which must ensure that moderation tools and training models remain unbiased and effectively moderate non-English language content on their platforms.

Major signposts include the appointment of a new FCC chair and the organization's agenda, which will likely include changes to the enforcement of Section 230. It will also be critical to monitor how other countries address content moderation policies and whether global policies will shift toward the EU model, a U.S. approach or remain inconsistent from market to market, creating a complex ecosystem for social media firms and users alike.

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Middle East & North Africa

Iran under pressure

A central element of the Trump administration's strategy toward the Middle East is the belief that Iran is the principal source of regional instability.

Former Trump administration officials argue that their "maximum pressure" campaign would have succeeded if maintained by their successors. They claim that the Biden administration's attempt to resurrect the nuclear deal, allowing Iran's oil exports to recover and relieving economic pressure on the government, resulted in Iran's support for Hamas's October 7 attack on Israel, Houthi efforts to disrupt shipping in the Red Sea, Hezbollah's year of rocket attacks against Israel and numerous other threats to regional and global security.

Increasing pressure on Iran will be one of Trump's first foreign policy priorities. The challenge for Americans and Iranians alike is understanding the goal of such pressure and the conditions under which it will be lifted. One potential goal is regime change, achieved by making economic pressures so severe that the government collapses. Another goal could be negotiation, putting Iran in such a vulnerable position that it gives up both its nuclear program and its support for regional proxies. Each goal is deeply ambitious.

Along the way, it's likely that Iran will try to remind the U.S. and the world of its ability to cause disruption and inflict pain. For 45 years, Iran has invested in developing asymmetrical tools to fight against stronger states. Unable to match the military capacities of the U.S. and its allies, Iran has developed proxies, terrorist groups, drones and missiles. A nuclear deterrent is another potential pathway to level the playing field against stronger adversaries. The fall of the Assad regime in Syria weakens Iran but also presents an opportunity for Iran to constructively engage with the West.

While newly elected President Masoud Pezeshkian has expressed interest in resuming negotiations with the U.S., he does not control the security apparatus. Even so, it is not clear he would support conciliation at all costs. Trump will seek something resembling an Iranian surrender. Even if he is ultimately successful, Iran is likely to retaliate in some way as pressure builds.

Emboldened Israel?

Trump has been sympathetic to Israeli Prime Minister Benjamin Netanyahu's complaints about U.S. strategy under Biden, which sought to constrain Israel and bring the conflict in Gaza to a swift and negotiated conclusion.

Netanyahu has resisted that approach, and especially in the past six months, has taken several gambles that many Israelis argue have paid off. Through a series of moves, Israel has shut down any potential smuggling through Egypt, killed all of Hamas's senior leadership and crippled Hezbollah. From an Israeli perspective, these steps plant the seeds for long-term victories.

While Trump may not provide more help to Israel than Biden did, he will exert less pressure. This is especially true regarding the longer-term outcomes for humanitarian assistance, reconstruction and governance in Gaza. Netanyahu seems inclined toward something that looks more like a long-term occupation than a withdrawal, and the U.S. is unlikely to object strongly.

However, given Netanyahu's recent success with his gambles, a Trump presidency may make him feel empowered enough to take dramatic actions. Iran would be the most likely target, but not the only one. What already seems like a widespread regional war could escalate further. Although Trump's aversion to war makes him unlikely to initiate such an effort, perceived U.S. support for Israel could make the U.S. a target and draw it into the conflict.

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Saudi Arabia steps out

The Saudi leadership now sees things moving in its favor. The dramatic changes brought about by Vision 2030 have exceeded expectations, and there is a level of energy and enthusiasm in the Kingdom that would have seemed unrealistic a decade ago.

Business headquarters are relocating to Riyadh, office space and luxury housing are in high demand and a building boom is underway. Trump's return to the White House is good news, though not profoundly so. Biden began courting the Saudis two years ago in an effort to normalize Saudi-Israeli relations, and cooperation steadily grew. Saudi Arabia has reasserted itself as the region's diplomatic heavyweight – resuming relations with Iran, putting conditions on its potential ties with Israel and successfully courting the U.S, Russia and China simultaneously.

After years of investing billions of dollars overseas, the Saudis have made it clear that they expect partners to invest billions of dollars in the Kingdom as well. That money is starting to flow.

The challenges, however, remain. Soft oil prices combined with cost overruns have strained some development projects. Running multiple projects simultaneously has started to take its toll, and relative institutional weaknesses are an enduring concern. The workforce is also still in a transitional phase, with skilled, hardworking and entrepreneurial employees remaining relatively scarce.

Saudi Arabia is now more self-confident and accomplished than just a few years ago. With an economy that dwarfs others in the region, a bold and unified leadership and a world that remains focused on the Middle East, the Saudis see themselves returning to the center of attention.

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North America

Shifting U.S. congressional agenda

U.S. domestic policy is poised for significant transformation under a unified Republican government next year. Early-term momentum will likely prioritize swift congressional and departmental action to implement policy changes. For the business community, these shifts will create dramatic changes across sectors.

These changes are expected to impact nearly every sector, with early priorities centered on immigration, economic policy, energy and social issues—fundamentally reshaping the business and governing landscape.

Congress is expected to pursue an ambitious 2025 agenda. Key legislative priorities will likely include funding for border security, repealing Biden-era policies and programs and extending President-elect Trump's 2017 Tax Cuts and Jobs Act (TCJA), while incorporating additional elements of Trump's campaign promises, such as eliminating taxes on tips and restoring state and local tax deductions. The TCJA is set to expire at the end of next year, making this a significant priority for Congress.

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Additionally, a Republican majority will focus on facilitating the confirmation of Cabinet and department-level staffing for the White House. While Republican leadership has not yet announced plans for repealing Biden-era regulations, they may use the Congressional Review Act to roll back recently finalized rules on issues including the Inflation Reduction Act (IRA), labor and environmental protection.

Regarding executive action and legislative alignment, the White House will spearhead a policy portfolio reflecting the core themes of Trump's campaign. While key appointments may take time to solidify, the administration is expected to launch its term with a series of executive orders aimed at quickly establishing its priorities. This may also set the stage for working with Congress to enact longer-term legislative goals.

U.S. immigration, energy and trade policies

Immigration is expected to be a primary focus during the first 100 days of the Trump presidency. Through executive action starting on day one, the new administration is anticipated to tighten border controls, implement deportation initiatives, take action against sanctuary cities and reinstate travel bans.

Meanwhile, energy policy will prioritize fast-tracking permits for fossil fuel and critical minerals projects. The energy agenda will include streamlining permitting for domestic production and cutting climate-related funding from the Biden presidency. Key provisions of the IRA are also likely to be rolled back, including repealing Biden's EV mandate and overturning federal orders that placed moratoriums on drilling and leasing activities.

Finally, in his first 100 days, Trump is expected to pursue aggressive trade actions. While some tariffs are likely to be enacted immediately, the administration may adopt a phased approach, imposing targeted levies on selected products while using broader tariffs as leverage in trade negotiations.

Trump might also pursue broad tariffs on all imported goods in a reconciliation bill, making them difficult to reverse in the near-term and providing additional funding to pay for the broader tax package Congress hopes to approve. Congress may explore more drastic steps, such as repealing permanent normal trade relations with China. Apart from further escalating trade tensions, this would also give the president more unilateral trade authority.

Canada's déjà vu

Prime Minister Justin Trudeau will experience déjà vu as his government again prepares for an incoming Trump administration intent on a protectionist trade agenda. Canada's economy is deeply integrated with that of its southern neighbor, and no country has more at stake in protecting its privileged trade relationship with the U.S.

The biggest election year test for Trudeau will be negotiating an exemption for Canadian goods from Trump's proposed 10% tariff on all imports.

These talks will serve as a lead-up to the official review of the U.S.–Mexico–Canada Agreement (USMCA) in 2026, a trade deal negotiated during Trump's initial term.

Canadian government bond yields have soared in recent weeks as the likelihood of a Republican victory and pro-inflationary policy agenda in the U.S. has increased. This comes as the cost of living continues to be the most important political issue.

Trailing the opposition Conservatives in polls, Trudeau will need to mount an unprecedented comeback if he hopes to win national elections slated for October 2025. Those polls are prompting Canadian business leaders to prepare for another dramatic policy shift – this time north of the border.

One of the biggest unanswered questions is how Conservative leader Pierre Poilievre will balance his long-standing free market principles with his attempts to win over union members. While he has shed his party's past image as pro-big business, it is still highly unlikely that he would renounce free trade, which has been one of the strongest legacies of his Conservative predecessors. A Conservative government would likely seek to create better conditions for economic growth and development of major projects. The energy, mining and construction industries are well-positioned to take advantage of such an agenda.

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