



Global Risk Outlook 2025

January 2025

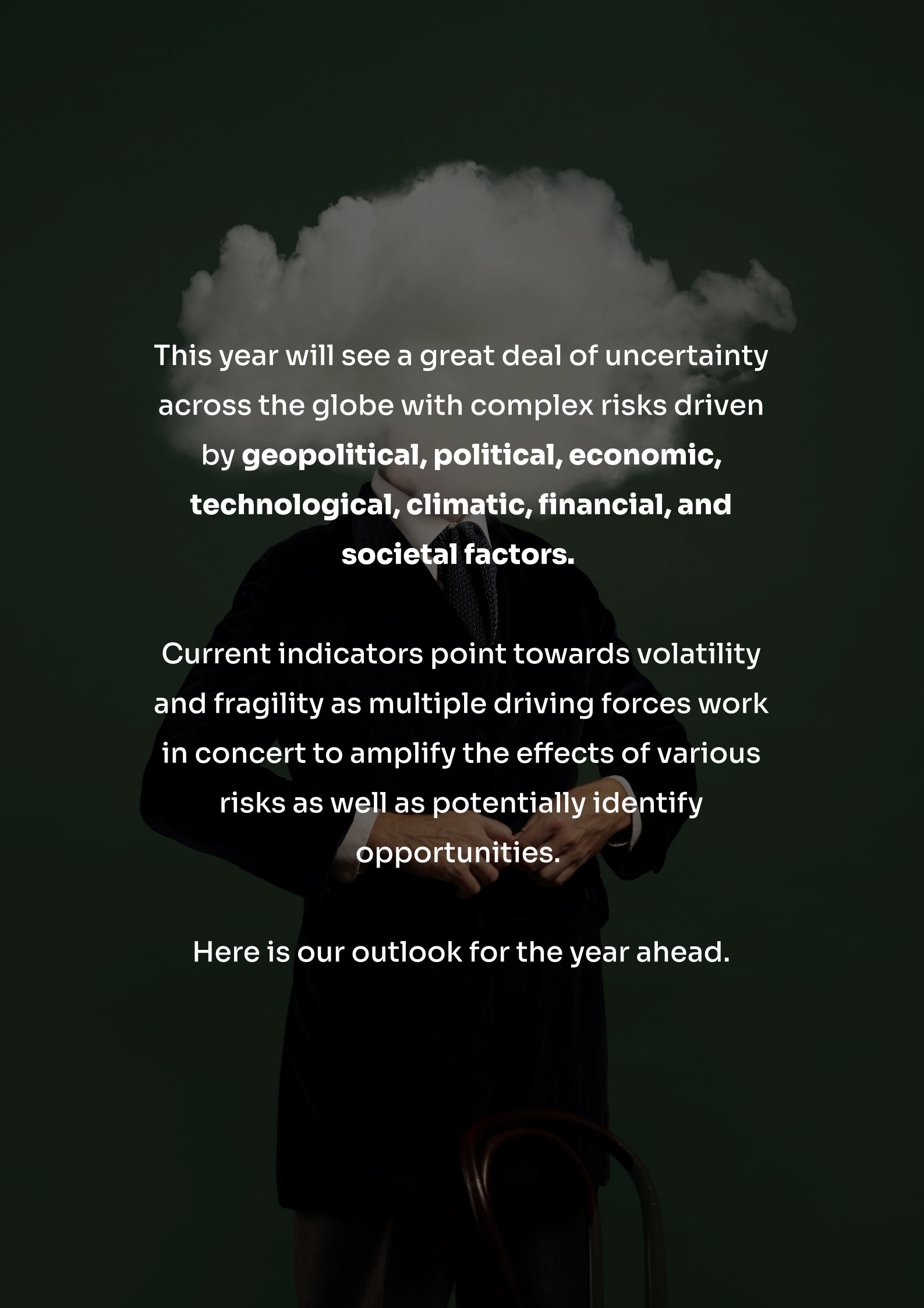
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This year will see a great deal of uncertainty across the globe with complex risks driven by **geopolitical, political, economic, technological, climatic, financial, and societal factors.**

Current indicators point towards volatility and fragility as multiple driving forces work in concert to amplify the effects of various risks as well as potentially identify opportunities.

Here is our outlook for the year ahead.

Geopolitical Instability

The new US administration of President Donald Trump will certainly bring a great deal of uncertainty in the geopolitical risk environment. While the US is still the reigning hegemonic power globally, it will be tested by adversarial states and regional blocs competing to remain relevant or gain more influence.

Part of the problem is the waning influence and, at times, non-recognition of the legitimacy of multilateral institutions, to set the global agenda. The guardrails to maintain international norms have been gradually eroding over the past 1-2 decades, leaving more nation-states vulnerable to predatory competition and influence from more powerful governments. The United Nations Security Council's (UNSC) inability to halt Russia's aggression against Ukraine is the latest example of the loss of legitimacy to maintain geopolitical stability.

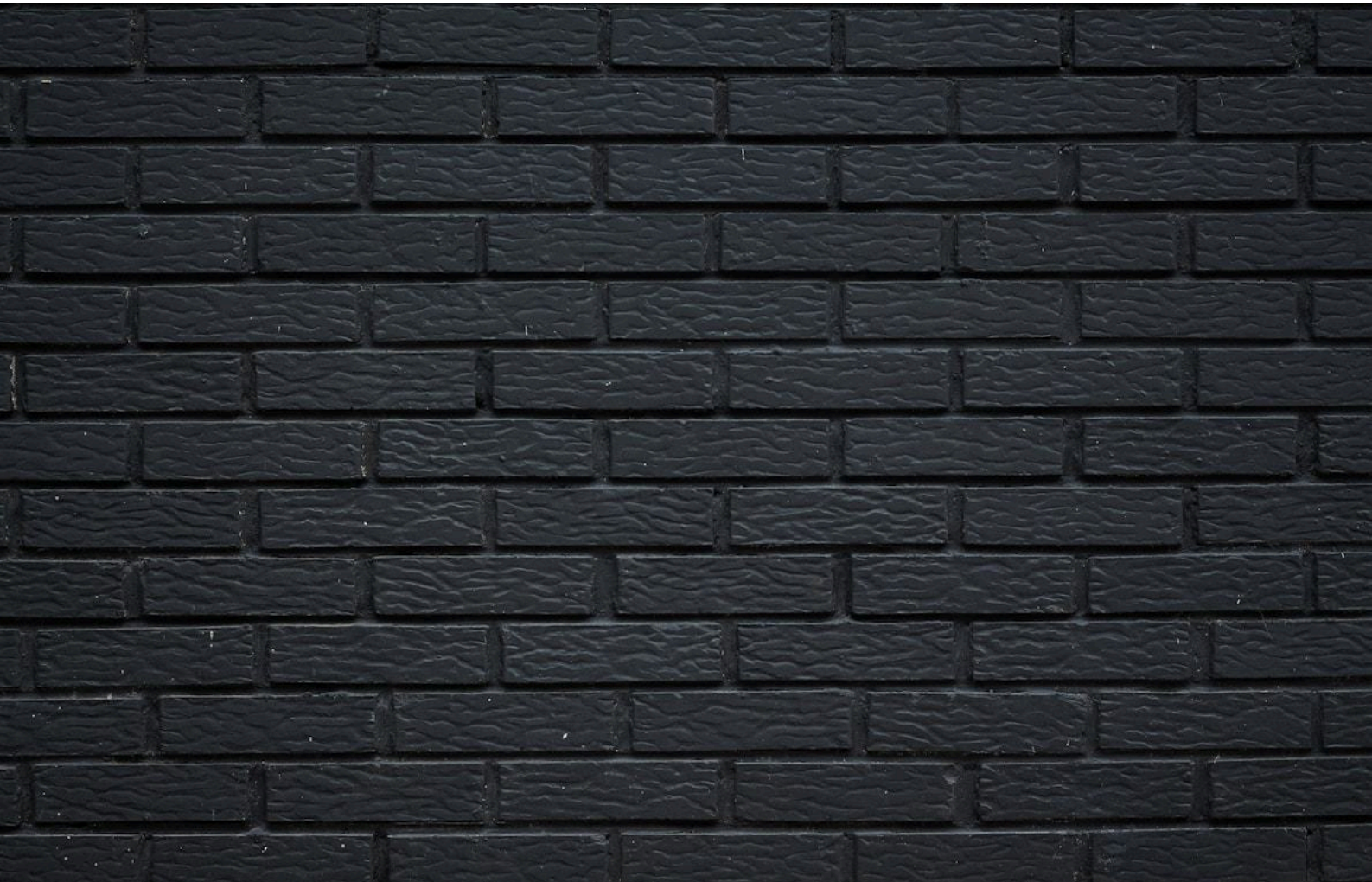
Throughout 2024, the axis comprising of Russia, China, North Korea, and Iran became more solidified and posed greater geopolitical challenges to their adversaries. This trend is likely to continue, particularly in the proxy regions of Africa, Middle East, Europe and Latin America. As the Trump administration use of trade wars is intended to maintain American hegemony on its terms, it risks alienating foreign governments susceptible of receiving aid from the anti-US and anti-West axis.

Russia's war with Georgia (2008) and Ukraine (2014 and 2022) has emboldened it to undermine Europe's stability. The latest flashpoint is in Georgia, where elections in October 2024, resulted in the victory of Russian-backed Georgia Dream party. Since then, the country has gradually drifted away from its EU integration plans. The Western Balkans is another potential flashpoint. Since the dissolution of Yugoslavia in the 1990s, Albania, Croatia, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia, and Serbia, are still challenged by long-standing disputes, economic underperformance, and endemic corruption. This leaves space and opportunity for Russia and China to exert influence that can undermine Europe's stability.



Top issues to monitor for 2025

1. US relations with China, Russia, North Korea, and Iran
2. Russia and China undermining Europe's stability
3. Strengthening of autocratic alliances between Russia, Iran, China and North Korea



Geoeconomic Fragmentation

Trump's weaponisation of tariffs and trade is already producing the desired effects, illustrated by Colombia's reluctance to accept deportees from the US after it came under the threat of tariffs. Canada and Mexico have come under increased threat as the Trump administration seeks "cooperation" on cross-border narcotics and human trafficking, illegal migration, and "pass-through investments" from China.

The Trump administration's threat of high tariffs is a powerful negotiating tool, and the most vulnerable countries will be those with high trade deficits with the US, including China, Mexico, Vietnam, Ireland, Germany, Canada, and Japan, among others.

The US-China trade war, the COVID pandemic and the Ukraine War deeply impacted the global supply chain and caused mass disruption to economic stability. With the anticipated trade wars and tariffs that the Trump administration will wage against the global economy, there are increasing anxieties over economic growth and stability. Foreign governments will face limited options, compelling businesses to look at boosting friend-shoring or near-shoring opportunities in order to reduce their exposure to broader geopolitical shocks.

Equally important is the fact that these governments view these options as a way of tempering the anxieties of their citizens. The challenge, however, is for these governments to avoid the pull of regionalised trade wars, particularly among states that are not aligned geopolitically.

While China's Belt and Road Initiative (BRI) slowed in 2024, it is due to revive itself in 2025, particularly in the regions alienated from the West. Countries in dire need of infrastructure development as well as those with resources needed to advance China's economic development will stand to benefit. The BRI is an effective diplomatic tool in Beijing, but risks crowding out competition from non-aligned Western states.



Top issues to monitor for 2025

1. Trump's weaponisation of trade
2. Geopolitical competition driving global economic fragmentation
3. China's Belt and Road Initiative to go large in Africa



Conflict and Terrorism

Conflicts in Ukraine, Israel-Gaza, Sudan, Myanmar, the Democratic Republic of Congo (DRC), and Haiti continue. There is a distinct possibility of de-escalating the Ukraine War in the form of a ceasefire but Russian President Vladimir Putin is very unlikely going to cede territory back to Kyiv and end the war outright. For one, he views the conflict as an existential threat between the West and Russia. Secondly, that fear mainly exists from the potential expansion of NATO should a victorious Ukraine gain admission into the security bloc. In parallel to the war, Russia has embarked upon hybrid warfare tactics (via cyberattacks and infrastructure sabotage) aimed at undermining European stability. This will very likely continue as it keeps Europe distracted and off balance.

The assassination of the CEO of UnitedHealth in the US in late 2024 is unlikely to be an anomaly going forward, particularly among the more extremist elements of the anti-capitalists and environmentalists. On the far-right, anti-government groups with a new lease on life in the US pose significant threats against vulnerable minority communities and businesses as well as public institutions.

Meanwhile, Africa has emerged as the global epicentre of terrorism, mainly driven by power vacuums created by coups and the drawdown of foreign military support. Since 2020, there have been coups in Sudan, Chad, Niger, Mali, Burkina Faso and Guinea, creating an arch of instability from the Red Sea to the Atlantic Ocean. The Maghreb and Sahel registered the highest levels of terrorist-authored violence, accounting for over half of events in 2024. The Islamic State in the Greater Sahara (ISGS) and Jamaat Nusrat al-Islam wal Muslimin (JNIM) have been relatively successful in expanding their territorial control in the region.

Islamic State and al-Qaeda affiliates are still operating with relative impunity in the ungoverned spaces of South Asia, mainly in Afghanistan and Pakistan, but they are also posing increasing threats beyond. Elsewhere, the Israel-Gaza War has galvanised extremist Muslims across the globe, inspiring a new generation of terrorists, particularly lone-wolf types. While the ending of the Syrian War has temporarily provided some opportunity to improve regional stability, the window of opportunity is not going to last long. Syria has provided safe spaces for Islamist militants during the war, but there are too many regionalised and competing interests that will undermine national cohesion. This will lead to greater opportunities for terrorist groups to export their services throughout the region and beyond.

Top issues to monitor for 2025

1. Greater expansion of terrorism in Central and West Africa
2. Israel-Gaza War inspiring lone-wolf terrorism in the West
3. Russia's use of proxies to increase the terrorism threat



Technology and Societal Breakdown

In the cyber and technology spheres, the World Economic Forum (WEF) identified misinformation and disinformation as the fourth-ranked risk to countries preceded by State-Based Armed Conflict (1), Extreme Weather Events (2), and Goeconomic Confrontation (3). Compounding the misinformation-disinformation threat is the rapid adoption of Artificial Intelligence (AI), which has lowered the bar to entry for the spread and influence of this threat. The outcome: greater societal fragmentation and political polarisation, which is unlikely to improve in 2025.

AI has certainly proven to be a disruptor to the technological status quo, especially in terms of market and security stability. The development of a ChatGPT-AI-like model called R1 by Chinese company DeepSeek sent stock markets tumbling when it was revealed that development costs were a fraction of the hundreds of billions advocated by much larger US AI companies. Chipmaker Nvidia lost nearly USD 600 billion in market value a day after R1 was unleashed on the world. Furthermore, the regulatory environment is still unbalanced and unable to keep up with the fast development of AI tools.

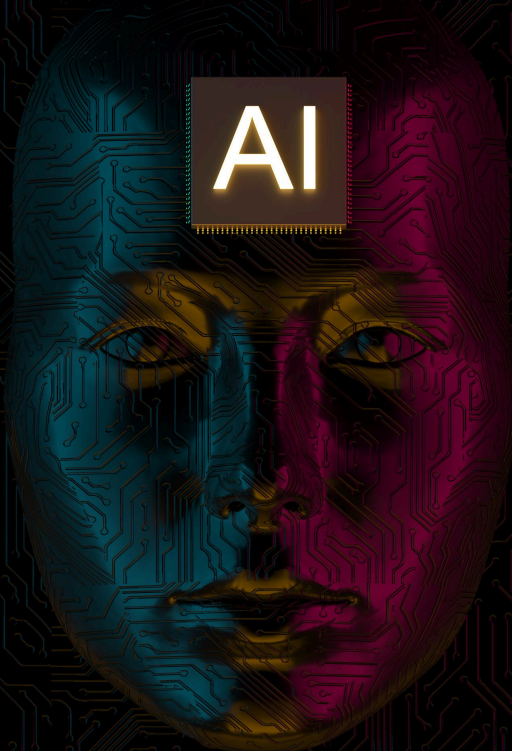
It is evident that there is no, and unlikely to be, a universal playbook for AI governance as regulations vary and compound across jurisdictions and industries. The multiple compliance burdens of adhering to these regulations as well as non-compliance due to a general lack of awareness pose a risk to the development, adoption and utilisation of AI in this context.

AI has added another layer of complexity to the cybersecurity and geopolitical threat environments. Though the technology has been around for decades, its rapid and innovative development in recent years is presenting a broad spectrum of challenges for governments, private businesses and individuals.

While there is a significant amount of attention on state-sponsored and “hackers for hire” groups, organisations should also pay close attention to terrorist groups and their use of AI. In 2023, Islamic State, al-Qaeda and their respective allies, have published “how-to guidelines” on generative AI. In the Israel-Gaza War, alleged Hamas-affiliated social media posts of AI-generated images were used to confuse the media landscape, embolden Hamas allies and undermine the Israeli military. Currently, generative AI has been used mainly in the propagation of disinformation and propaganda for recruitment.

Top issues to monitor for 2025

1. AI-driven misinformation and disinformation campaigns
2. AI regulatory developments
3. AI usage in online terrorism activities



Flexibility and Resilience Key to Keeping Pace with Fast-Moving Risks and Uncertainty

As we begin the new year, organisations will face a number of headwinds, and those who are creative, agile, dynamic, and flexible in their risk management approach are likely to have better potential to unlock opportunities.

Business Continuity, Operational Resilience, Crisis Management, Enterprise Security Risk Management, and Disaster Response are evolving disciplines. The ability to manage a business is transformative, responding to shifts in the way firms operate, as well as to increasing interdependencies and growing complexities of the operating environments. Today's organisations require a dynamic, flexible and resilient approach to identifying potentially new risks, emerging trends and vulnerabilities in controls as well as assessing the appetite for taking risks.

Some practical advice to conclude with:

- **Analysis:** Conduct broad-spectrum analysis of the market and business environment, staying abreast of trends and developments, and assessing how they may impact the business.
- **Identify:** Detect potential risks and vulnerabilities that could impact business continuity.
- **Innovation:** Invest in new technologies that help the organisation stay ahead in the threat environment before they become detrimental risks.
- **Culture:** Build and foster an organisational culture that can adapt to a fast-moving risk environment with agility and resilience.
- **Review:** Periodically reassess current practices to ensure they are fit-for-purpose, in line with business strategies, and relevant. Be prepared to change and evolve with shifts in the risk environment.

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