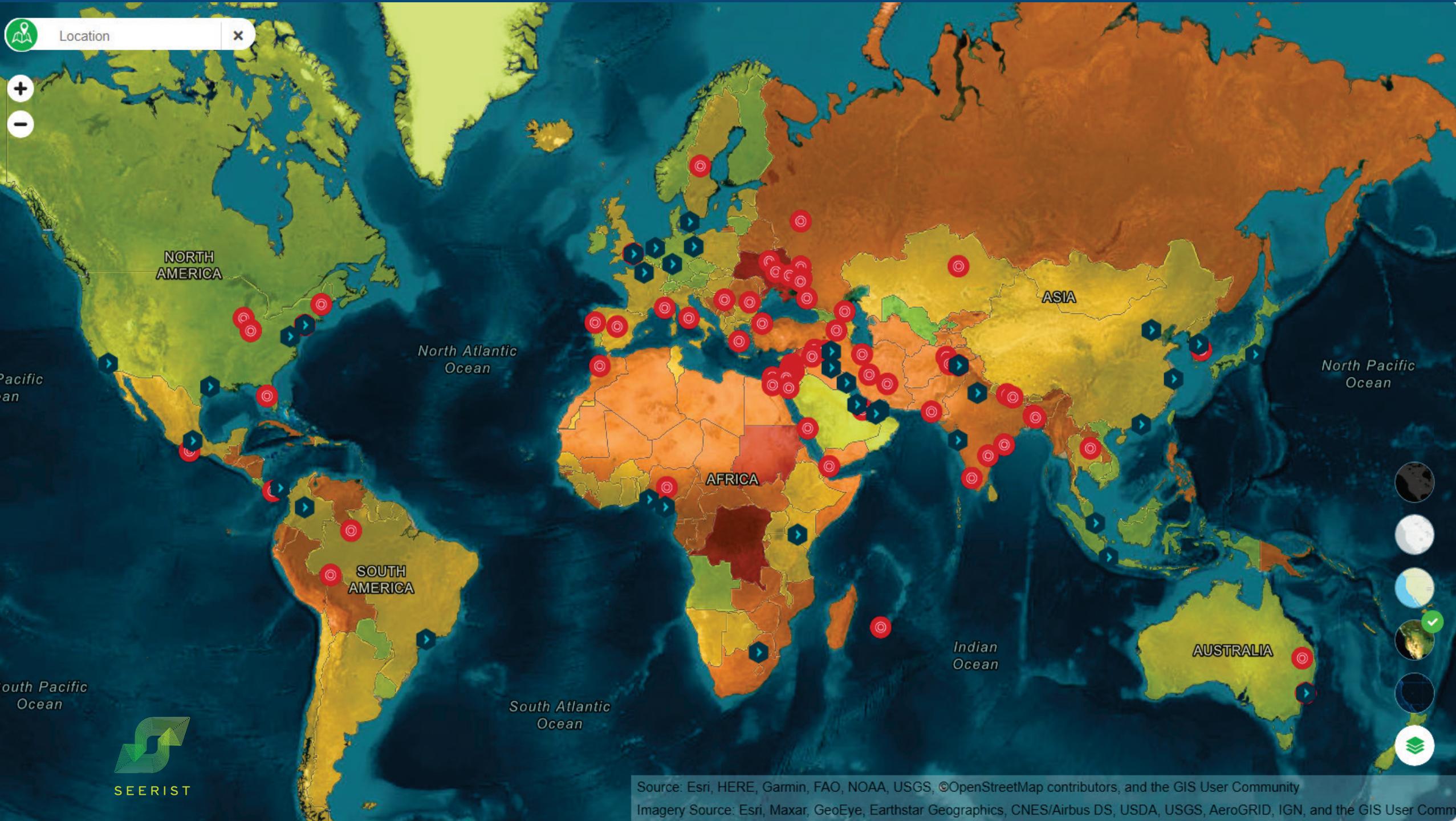




# TOP RISKS FOR BUSINESS IN ASIA, 2024

**PAMELA QIU**

**PARTNER, CONTROL RISKS**



## Energy, Supply chains, & Geopolitics?

- Impact of Asia from Russia-Ukraine or Middle East conflict first felt through higher energy prices

### Gas consumption and production as of H2 2023

In billion cubic metres

■ Consumption ■ Production

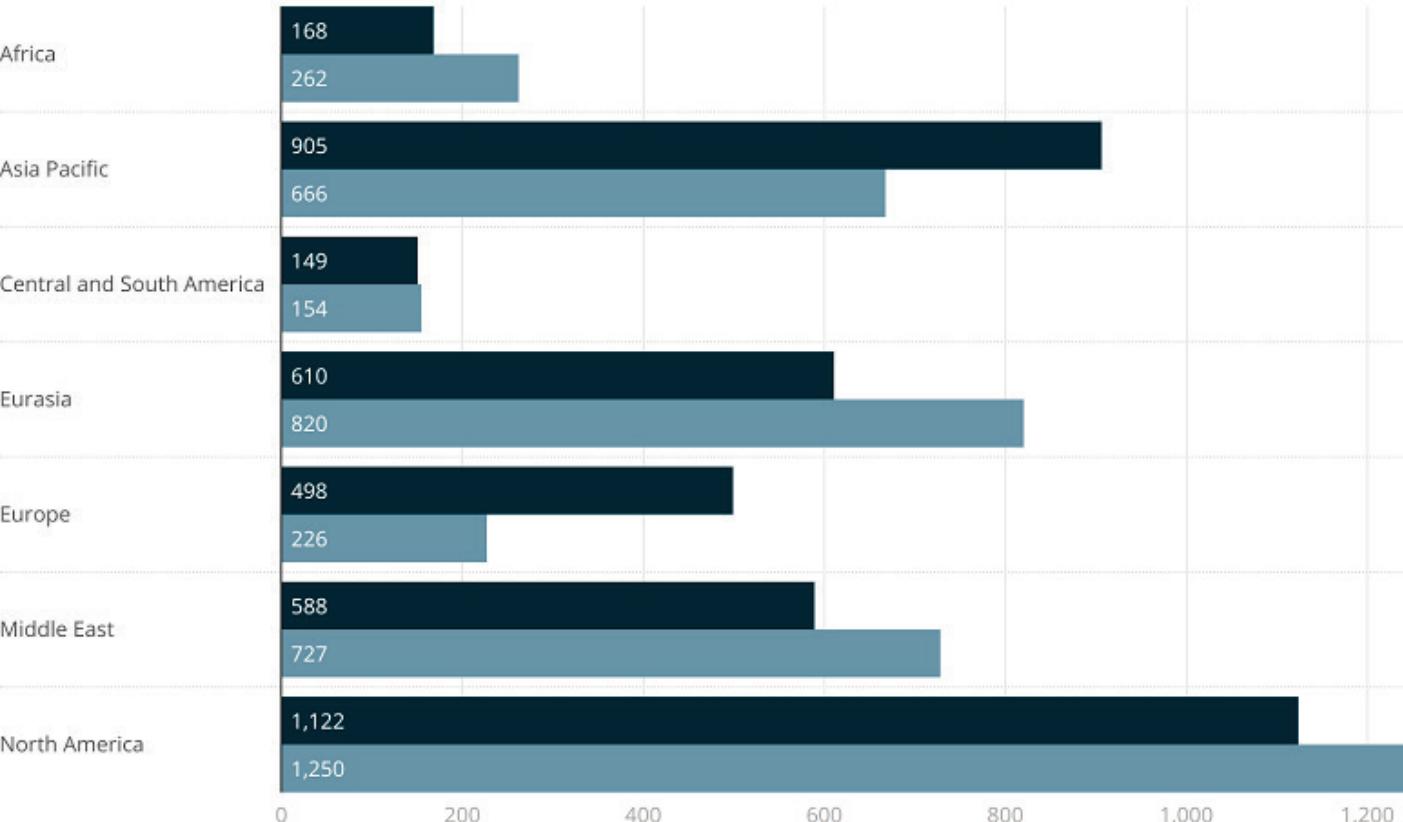


Chart: Control Risks • Source: IEA

© Control Risks

# ESG

## Energy, Supply chains, & Geopolitics?

- Energy has returned as the main driver of global disruption, and this will be a permanent, systemic change.
- Businesses should plan not only to survive the short-term price and supply shock, but how to thrive in a new, comprehensively re-wired, global energy system.
- And...
  - watch for governments to push the heavy lift and price tag down to corporates.



On 1 October 2023, the CBAM entered into application in its transitional phase, with the first reporting period for importers ending 31 January 2024.

Source: EU tax and customs

# ESG

## Energy, Supply chains, & Geopolitics?

- Energy has returned as the main driver of global disruption, and this will be a permanent, systemic change.
- Businesses should plan not only to survive the short-term price and supply shock, but how to thrive in a new, comprehensively re-wired, global energy system.
- And...
  - watch for governments to push the heavy lift and price tag down to corporates.



Letter + Add to myFT

### Letter: EU carbon border tax smacks of neocolonialism

From Ruth Teitelbaum, New York, NY, US

AUGUST 18 2023

Opinion Global Economy

### Unilateral action on climate change can have unintended consequences

Uncoordinated moves at a national level pose dangers for other countries, particularly poor ones

RAGHURAM RAJAN + Add to myFT

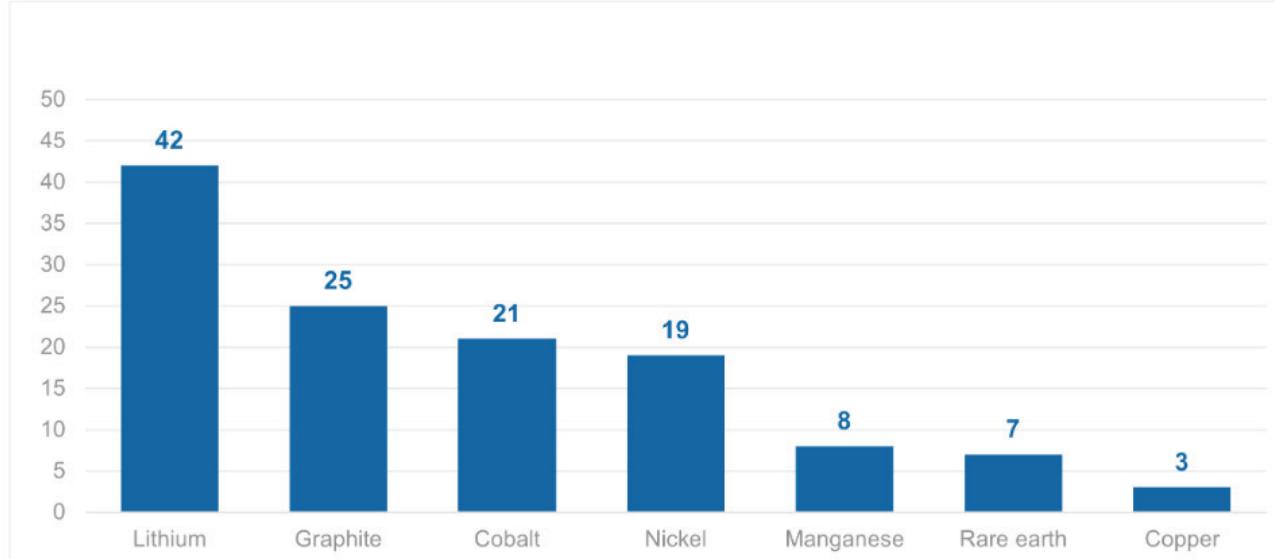


# ESG

## Energy, Supply chains, & Geopolitics?

- Increased geopolitical volatility is forcing MNCs to reassess how they organise all types of supply chains (talent pools too)
- Green transition and Geopolitics: Case of the critical minerals
- ... Unfortunately, you can't forget traditional ESG

Figure 1: Critical minerals projected demand increase by 2040 (based on 2022 levels)



Source: IEA

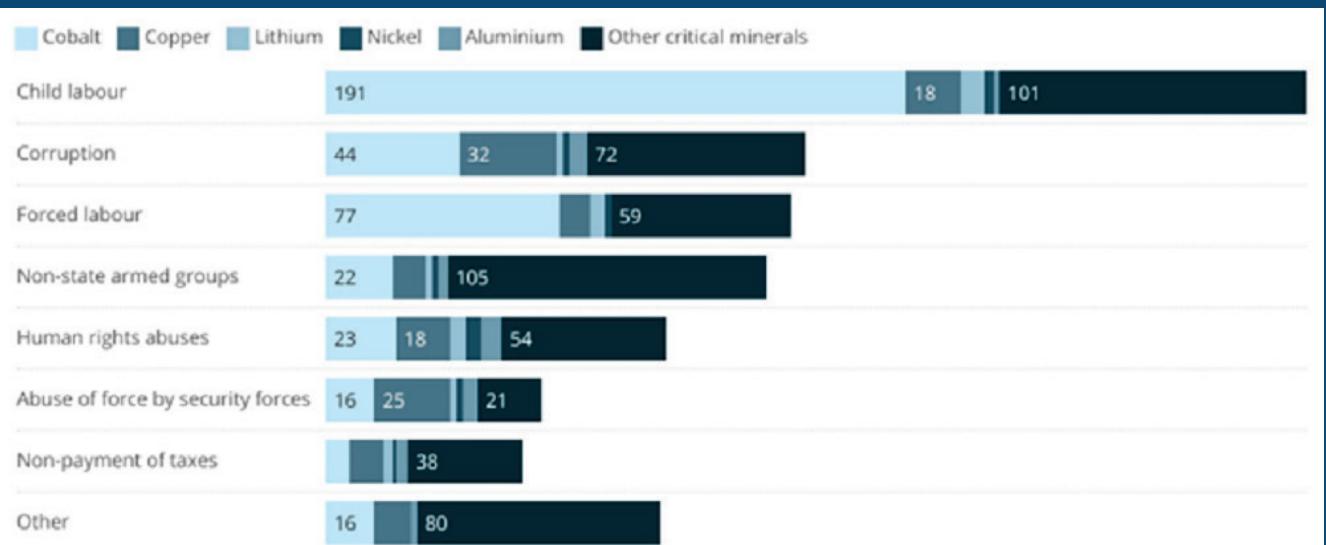


Chart: Control Risks • Source: IEA

© Control Risks

# US-China: defiance and decoupling

- Armed conflict between the US and China remains very unlikely over the medium term.
- But...
  - The prospect of an accident or miscalculation is very real.
  - Governments will continue to press business to decouple critical supply chains.
  - Both the US and China are rising in terms of political risk.
  - Consider not so much the impact of war on markets in Asia, but the implications of actions SHORT OF WAR



Source: US Military/Reuters

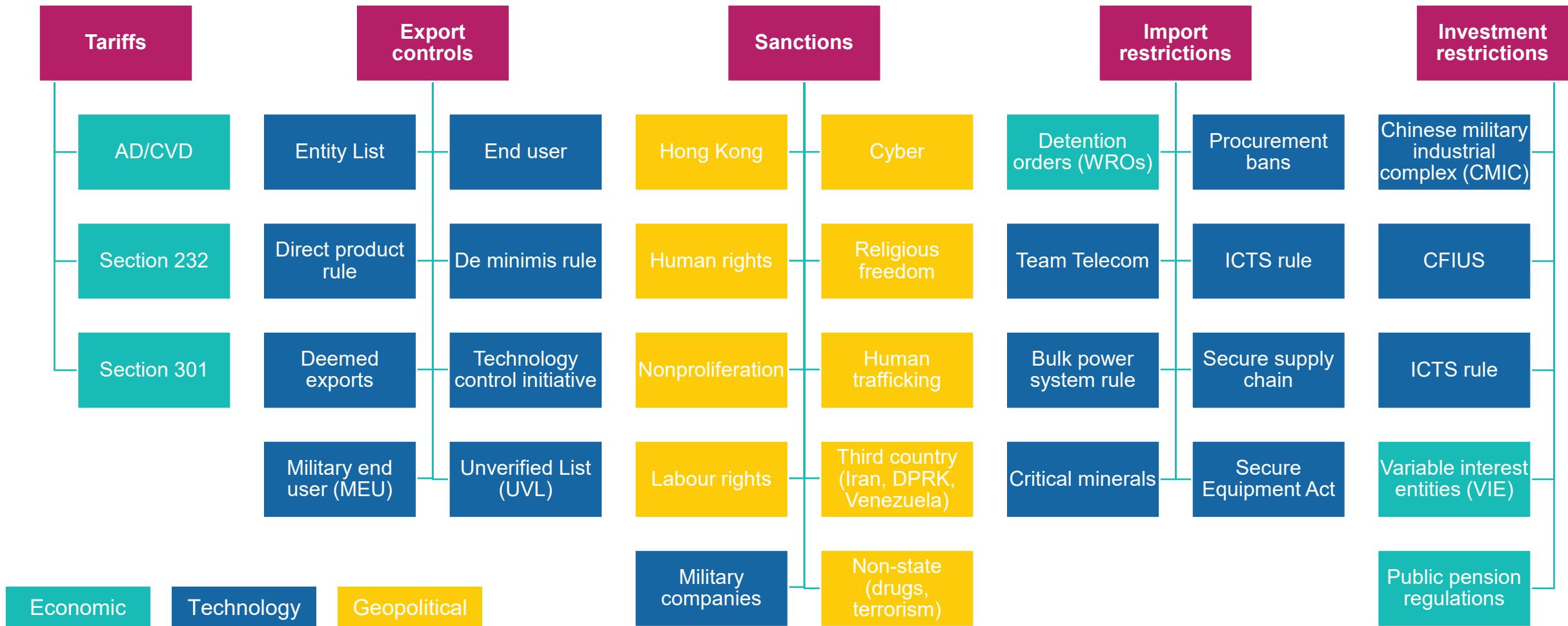


Source: Xinhua



Source: Office of the Republic of China (Taiwan)

# ► US sanctions and trade controls targeting China



# ► China's available retaliation options

## Explicit retaliation, laws and regulations

- ▶ China in general has not imposed sanctions blocking China market access or operations of foreign firms with a major presence there.
- ▶ Some exceptions: China has explicit or undeclared **restrictions on imports** (e.g, Australian commodities) **and exports** (e.g rare earths to Japan in 2010), but the latter are rare.
- ▶ Given measures taken against it since 2017, China's retaliation has been cautious. However, since 2019 it has put in place legal and regulatory tools that, while largely unused so far, may be deployed – e.g **Anti Foreign Sanctions Law, Unreliable Entity List, Export Control Law.**

## Politically-influenced investigations/actions

Range from clearly politically motivated actions, to where politics was a secondary or doubtful factor. Again, China has been cautious in targeting MNCs, but it is clear it can wield these tools when it wants to:

- ▶ **Antitrust and competition:** Chinese antitrust scrutiny of Microsoft, Qualcomm and Ericsson in the 2010s was not purely retaliatory, but had a clear geopolitical context. This was also true of Chinese court ruling temporarily banning Micron's chip sales during a 2018 patent dispute with a Chinese competitor, and of Qualcomm and NXP's failure to get Chinese regulatory approval for their proposed merger.

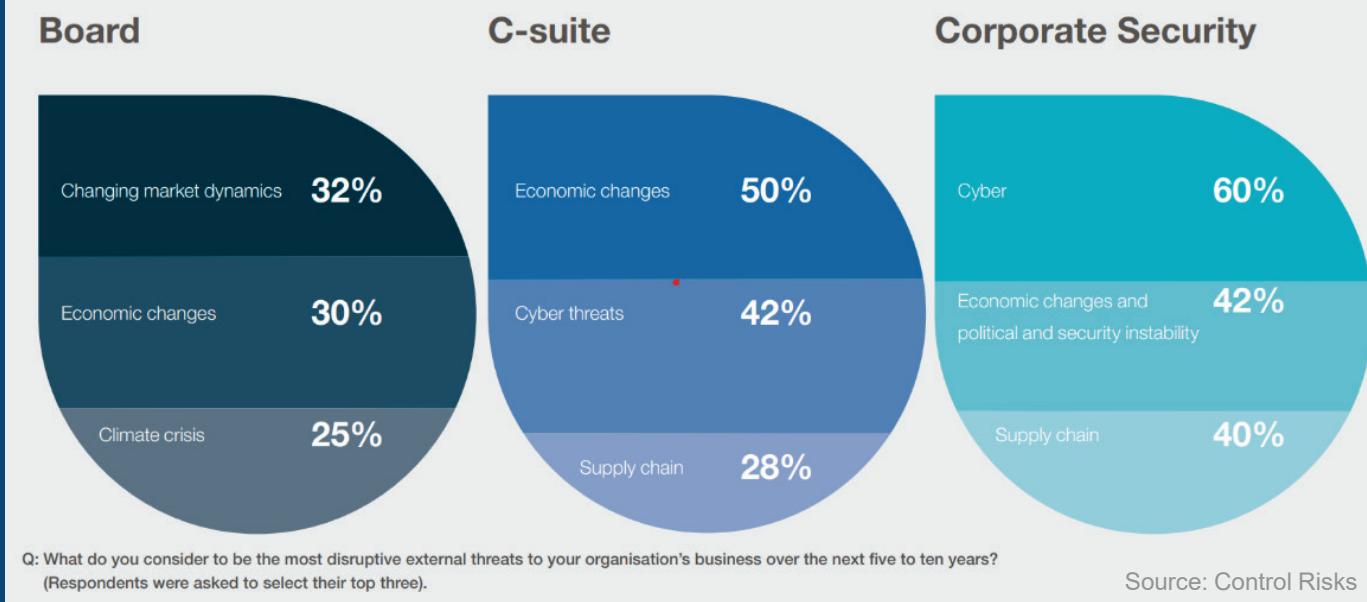
The screenshot shows a news article from SEERIST core. The header includes the logo, a search bar, and a navigation menu with links to Global Issues, Africa, Americas, Asia & The Pacific, Europe & CIS, Middle East & North Africa, Cyber, and Maritime. The main headline is "Graphite export controls to impact value chains beyond electric vehicles amid geopolitical tensions". Below the headline is a sub-headline: "China on 20 October tightened its export controls on graphite, a key raw material used in electric vehicle (EV) batteries, on national security grounds." The article contains three bullet points about the implications of these restrictions. At the bottom, there is a section titled "Crystallising controls" with a brief summary of how exporters will need to apply for permits to trade graphite starting from December 1st.

Other areas of (mostly unofficial or unconfirmed) retaliatory actions are:

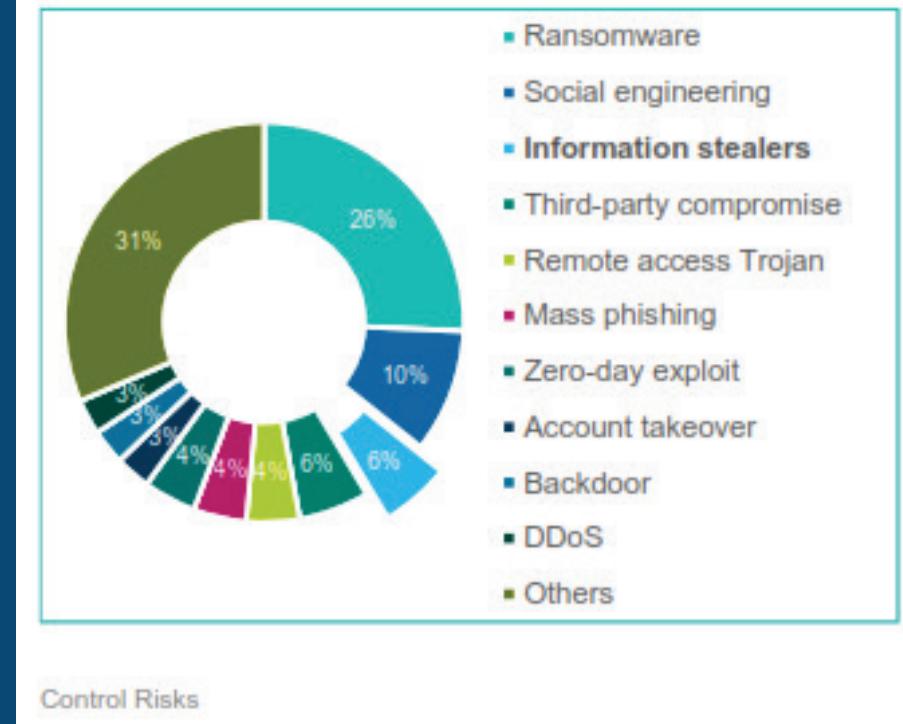
- **Food, drug and product safety inspections** (notably against Lotte in 2017; US-invested firms have experienced less blatant cases).
- **Corruption or bribery investigations** (although most of these, including the notorious GSK case, were not primarily political).
- **Data privacy and cybersecurity.**
- **Environment, HSE, labour or tax laws.**
- **Changes to the espionage law.**

# Cyber: You've been warned – it's not just the InfoSec's business

Figure 2b ▶ Different perspectives: Top three external threats by functional area.

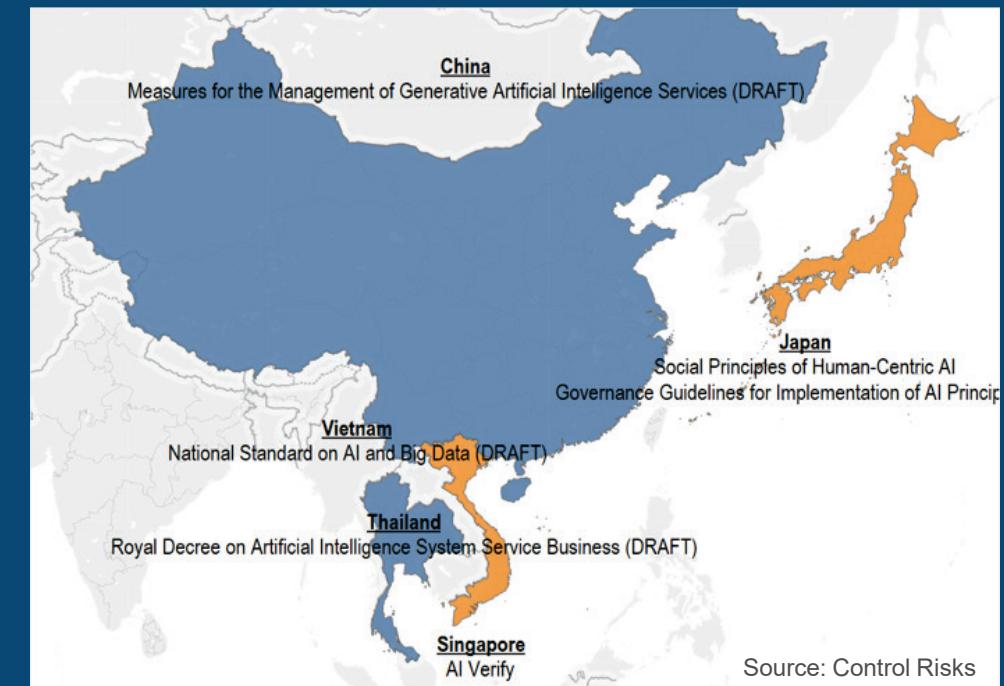
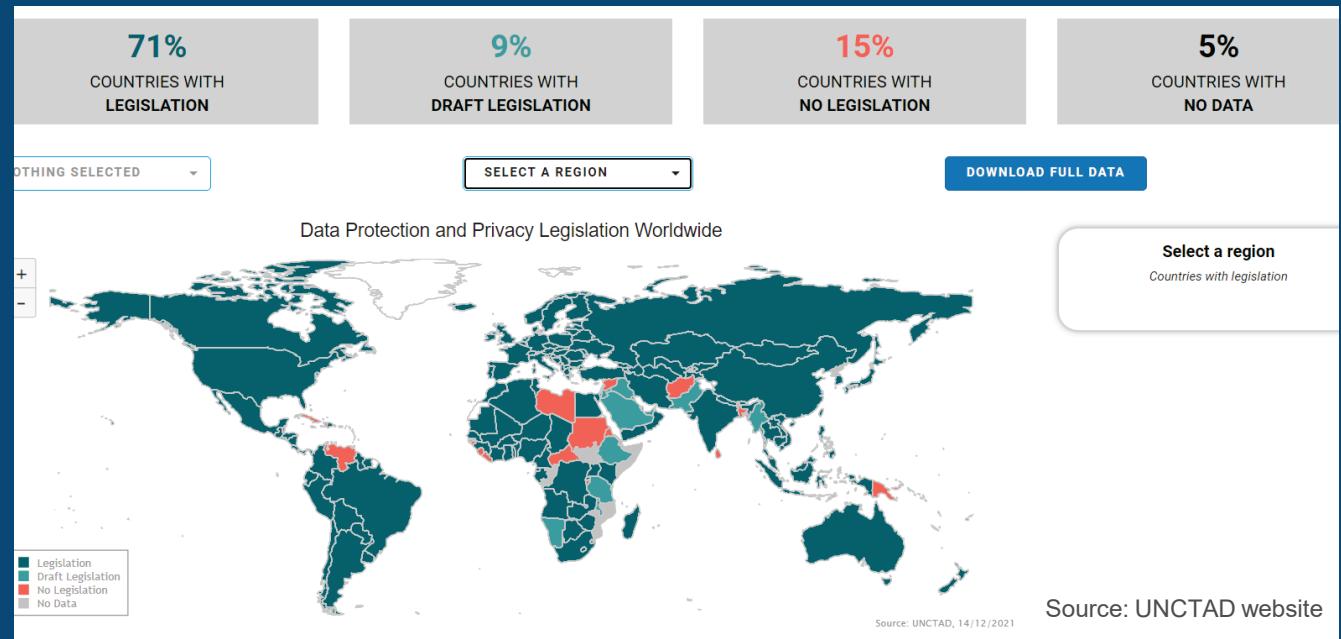


▶ Figure 1: Cybercriminal attack vectors (by share of incidents, January 2023 – now)



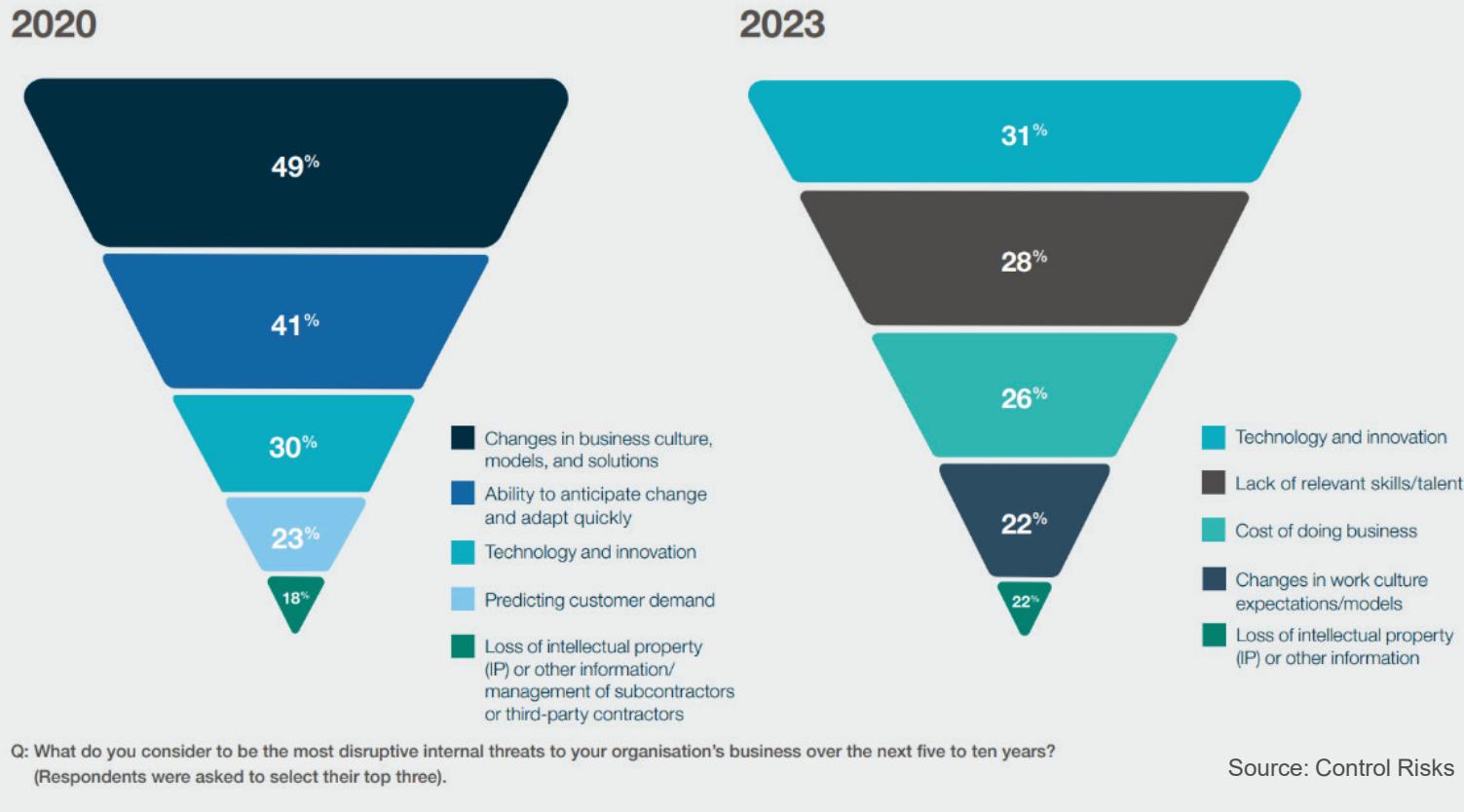
# Cyber: breakdown of global networks

- In 2024, we will see an increased weaponization of cyberspace and further clashes of national interest.
- As a result -- expect an emergence of a fundamental breakdown of global networks into distinct regional, or even national architectures.
- The cyber arms race will accelerate -- enabled by a growing attack surface and automation.
- In parallel to this weaponization, states are looking to exert more control over what some have already defined as their “national cyberspace”.
- That is introducing considerable vulnerability.



# Technology – Tool, Threat and Trust

Figure.2a ▶ Technology and innovation top the list of internal threats.



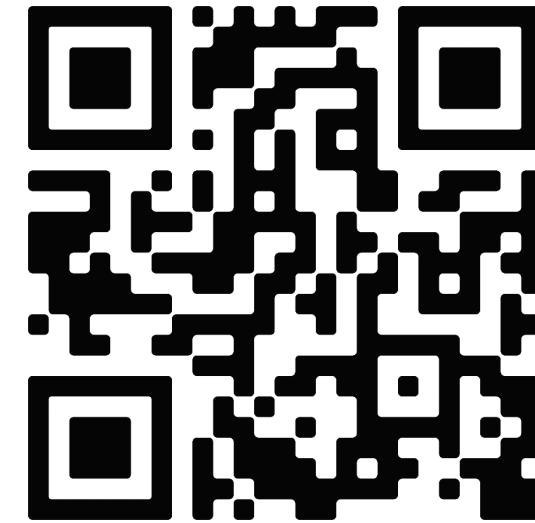
- In 2024, companies across the world will be confronted by a paradigm shift in the integrity and resilience of the data, systems and technologies on which their businesses rely.
- Is AI a threat or a tool?
- What industries and countries do we expect to be the winners? Which ones the losers?
- How will regulation affect AI and its adoption in society and business?
- Will AI become another area of geopolitical strategic competition?

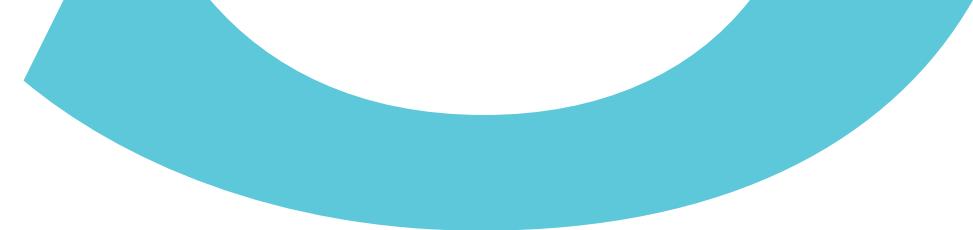
[controlisks.com](http://controlisks.com)

TO GET OUR LATEST  
ECONOMIC ANALYSIS

---

FOLLOW COFACE'S  
COMPANY PAGE  
ON [LINKEDIN](#)





# THANK YOU

**coface**  
FOR TRADE

# DISCLAIMER

This powerpoint presentation is a marketing communication emanating from Coface Group.

Unless otherwise stated, references to the “Group” or the “Coface Group” are references to COFACE SA and its subsidiaries, branches and holdings. The chief operating subsidiary of the Coface Group is Compagnie française d’assurance pour le commerce extérieur. This subsidiary, which is 100% owned by COFACE SA, is a French société anonyme, with a share capital of €137,052,417.05, and registered with the Nanterre Trade and Companies Registry under company number 552 069 791.

The information contained in this presentation has not been subject to independent verification. No representation, warranty or undertaking, express or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of the information or opinions contained herein. None of the Coface Group, its affiliates or its advisors, nor any representatives of such persons, shall have any liability whatsoever for any loss arising from any use of this document or its contents or otherwise arising in connection with this document or any other information or material discussed.

Participants should complete this information with the Registration Document of the Company registered by the Autorité des marchés financiers (“AMF”). These documents all together present a detailed description of the Coface Group, its business, strategy, financial condition, results of operations and risk factors.

This presentation contains certain forward-looking statements. Such forward looking statements in this presentation are for illustrative purposes only. Forward-looking statements relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. The forward-looking statements are based on Coface Group’s current beliefs, assumptions and expectations of its future performance, taking into account all information currently available.

The Coface Group is under no obligation and does not undertake to provide updates of these forward-looking statements and information to reflect events that occur or circumstances that arise after the date of this document.

Forward-looking information and statements are not guarantees of future performance and are subject to various risks and uncertainties, many of which are difficult to predict and generally beyond the control of the Coface Group. Actual results could differ materially from those expressed in, or implied or projected by, forward-looking information and statements. These risks and uncertainties include those discussed or identified under paragraph 2.4 “Report from the Chairman of the Board of Directors on corporate governance, internal control and risk management procedures” (Paragraphe 2.4 “Rapport du président sur le gouvernement d’entreprise, les procédures de contrôle interne et de gestion des risques”) and Chapter 5 “Main risk factors and their management within the Group” (Chapitre 5 “Principaux facteurs de risque et leur gestion au sein du Groupe”) in the Registration Document.

This presentation contains certain information that has not been prepared in accordance with International Financial Reporting Standards (“IFRS”). This information has important limitations as an analytical tool and should not be considered in isolation or as a substitute for analysis of our results as reported under IFRS.

More comprehensive information about the Coface Group may be obtained on its Internet website (<http://www.coface.com/Investors>).

This document does not constitute an offer to sell, or a solicitation of an offer to buy COFACE SA securities in any jurisdiction.



# COFACE ECONOMIC OUTLOOK 2024 & URBA360 PRODUCT LAUNCH EVENT

9 NOVEMBER 2023, SINGAPORE