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Managing Geopolitical Risks: Implications for Regional Business Strategies

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▶ Geopolitics 2023 – stabilisation or escalation?

Post-COVID desire for geopolitical stabilisation, focus on economic recovery

- ▶ Clear prioritisation of economic growth
- ▶ Softened rhetoric on foreign policy issues
- ▶ Positive signaling for inbound and outbound investment

Mixed signals for the business community

- ▶ Poor communication between Beijing, Washington
- ▶ Distance between government and business priorities growing

Uncertainty, volatility remain

- ▶ Minor incidents can escalate quickly
- ▶ Geopolitics is still on a multi-year downward trajectory



▶ Geopolitical risk impacts to business

Mixed picture across sectors, companies

- ▶ Improved import environment into China due to softened rhetoric
- ▶ Technology sector facing more restrictions, regulatory scrutiny
- ▶ Financial services still trying to expand, but conflicted
- ▶ FMCGs, food & beverage positive

For many businesses economics >> geopolitics

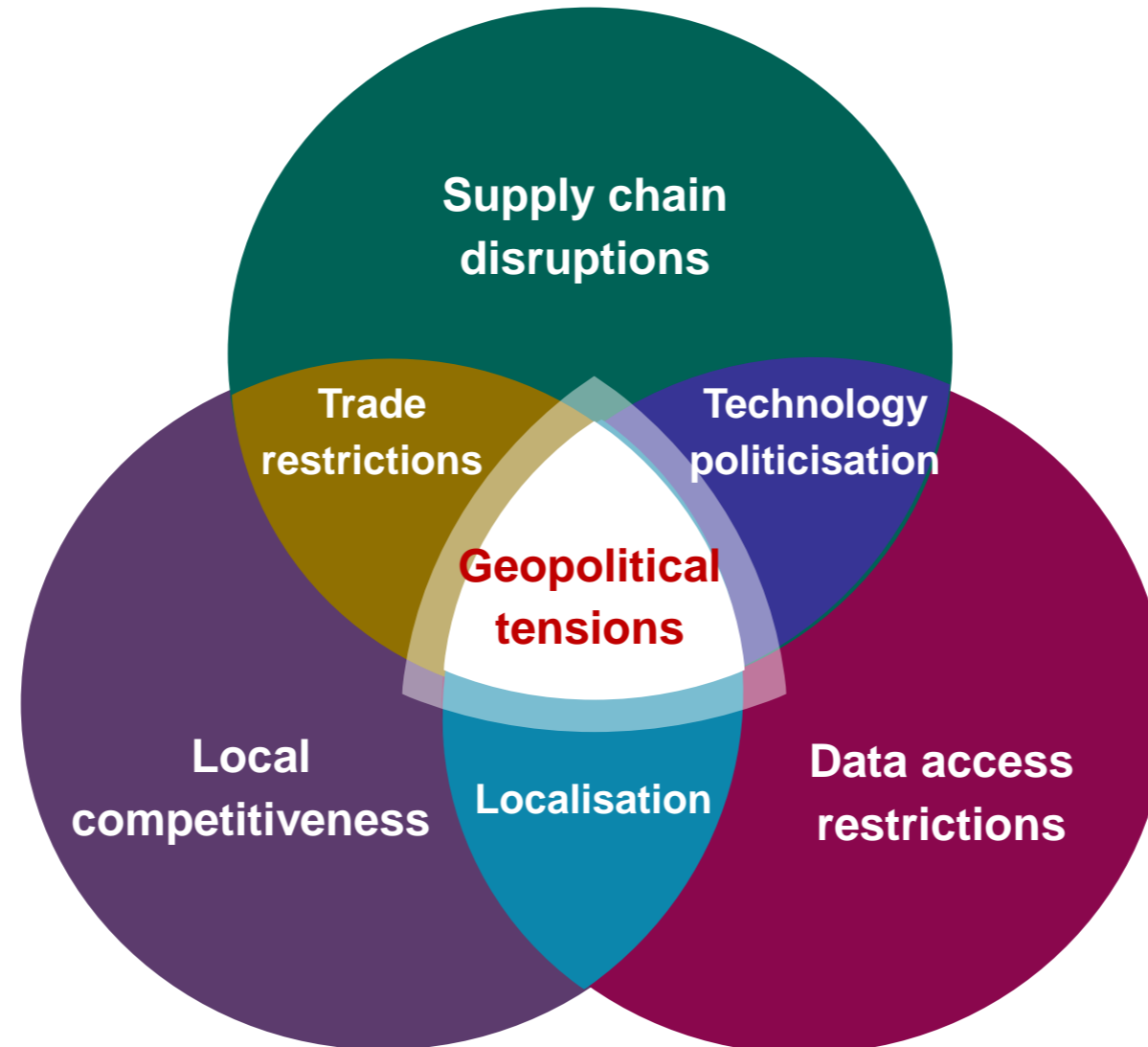
- ▶ Economic recovery is decisive

Longer-term uncertainty

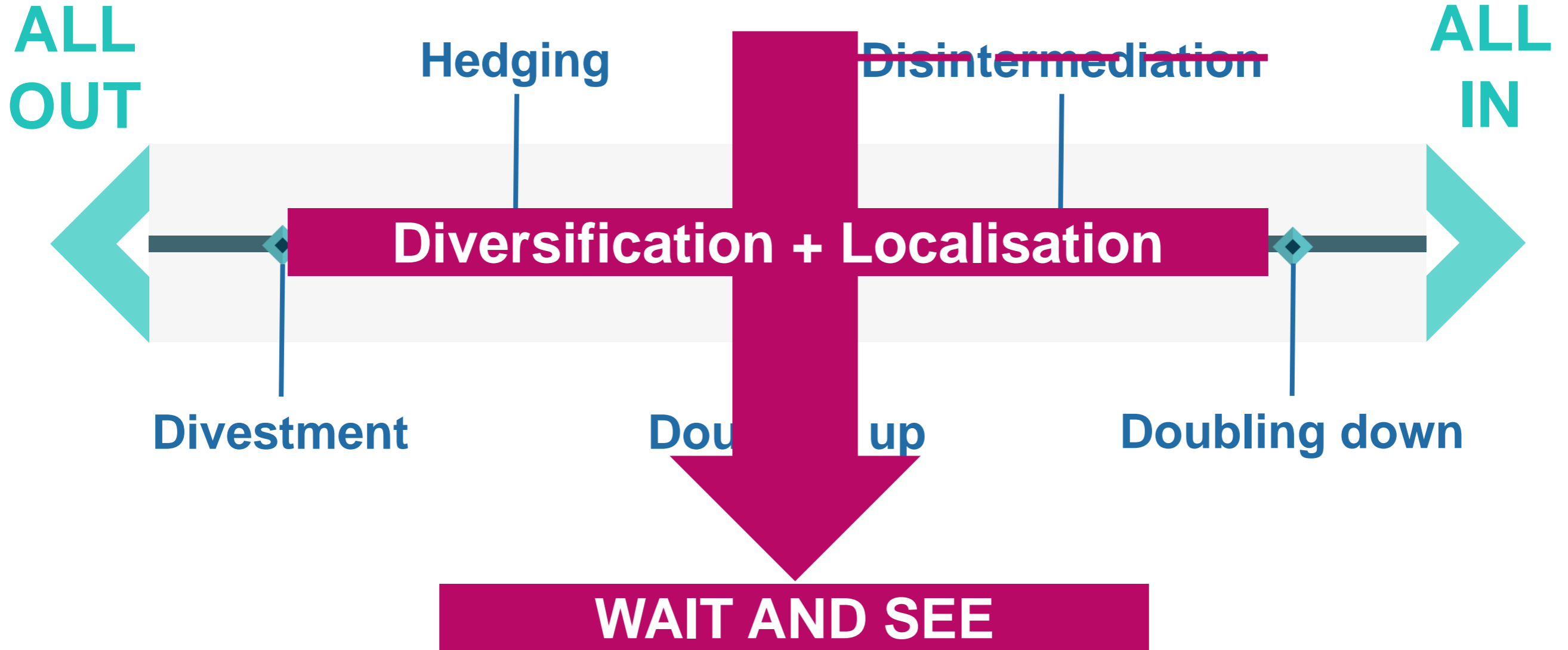
- ▶ Extreme risk events & fragmentation
- ▶ Localisation & competitiveness



► Fundamental challenges to long-term business strategies



▶ A range of response strategies









► Challenges to responding effectively

- Incomplete or poor-quality information
- Insufficient understanding of or interest in full supply chain
- Focus on extreme but unlikely scenarios (looking at the wrong risk drivers)
- A narrow understanding of risks and risk mitigation
 - ◆ Multiple types of risk
 - ◆ Conflation of compliance, reputational and security risk mitigation
 - ◆ Significant risks in non-China jurisdictions
- Incorrect scenarios and models for longer-term planning and evaluation of costs and benefits



► How to manage the risks – best practice

					
Don't let the news distract you	Understand your risk exposure	Develop scenarios and triggers	Have a response plan ready	Update your strategy	Ongoing internal and external communication
Avoid the whiplash from sensationalist headlines	How do risks <i>and opportunities</i> differ across your geographic locations and products or services?	Scenarios and triggers let you track risks more precisely and let you time key decisions appropriately	You won't be able to predict or prevent every crisis Instead, prepare so your response reduces your recovery time	Operational and geopolitical risks will continue to affect your business Which areas hold the most opportunities or are the most resilient to the shifting geopolitical fault lines?	Internal and external triggers Avoid escalating crises unnecessarily

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