

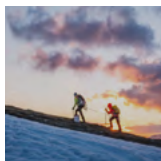
Geostrategic analysis

The EY-Parthenon Geostrategic Business Group's monthly analysis explores key geopolitical developments and their business impacts.

November 2024 edition



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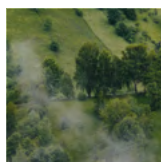
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Translating geopolitical insights into business strategy

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Top development

ASEAN economies will provide continued opportunities in the current geopolitical environment

What happened

The recently concluded 44th and 45th Association of Southeast Asian Nations (ASEAN) Summits included an agreement from ASEAN member states and China to upgrade the ASEAN-China Free Trade Area to improve trade facilitation and reduce customs procedures. No significant progress was made on resolving regional security issues including conflicts in Myanmar and disputes in the South China Sea.¹

ASEAN held separate summits with other key regional players. Of note, Chinese Premier Li Qiang, who attended the China-ASEAN and ASEAN Plus Three (China, Japan, and South Korea) Summits, advocated for Asian “solidarity” against protectionist policies. And US Secretary of State Antony Blinken highlighted the US’s position as ASEAN’s top source of foreign direct investment (FDI) and indicated plans to accelerate economic exchange and support ASEAN digital infrastructure.

Investment in the ASEAN region has increased significantly in recent years. According to the 2024 ASEAN Investment Report, FDI inflows reached US\$230 billion in 2023, an 11% increase from 2021, even as global FDI in the same period fell by about 18%.²

What’s next

The 10 November APEC Summit in Peru further emphasized the importance of free trade and economic development. Key topics overlapped with those discussed in the ASEAN Summit, such as global supply chain security, access to critical minerals and progress in the global energy transition.³

Western multinational companies are likely to continue to invest in the ASEAN region amid global supply chain diversification efforts. Several US-based technology companies have already announced plans for long-term investments including data centers and manufacturing facilities. Middle-income economies in Southeast Asia are likely to attract the most investment, given Western-based companies prioritizing favorable business environment characteristics such as government stability, institutional predictability, and availability of a skilled labor force.

Chinese companies are likely to further expand their presence in Southeast Asia to reduce supply chain exposure to geopolitical risks, particularly if the incoming US administration adopts stronger anti-China policies or the EU’s ongoing tariff negotiations with China are unsuccessful. This will build on recent trends, with manufacturing FDI

from China growing more than 300% in 2021-2023 vs. 2015-2017. Commitments by China to streamline regional trade and investment in sectors of mutual interest, such as telecommunications, technology, and green products, is likely to further strengthen China’s economic partnership with Southeast Asia.

Despite strong economic linkages, geopolitical tensions persist between China and some ASEAN countries. Furthermore, closer security alignment among US allies in the Indo-Pacific, the perceived higher military threat from North Korea and worsening China-Japan relations could limit the prospects of expanding existing trade and investment agreements in sectors considered sensitive, such as port infrastructure.

ASEAN countries will continue to maintain an impartial position between the US and China, seeking to leverage their relatively neutral geopolitical positions to attract foreign investment and trade. The meeting between US President Joe Biden and Chinese President Xi Jinping on the sidelines of the APEC Summit was likely welcomed by countries throughout the Indo-Pacific that have economic ties with both powers.

Business impact

Major sectors affected include manufacturing, mining, energy and technology.

Plans to streamline regional trade are likely to result in reduced bureaucratic friction such as customs processing times, fees and duties. Political support for trade and investment facilitation is likely to be strong across the ASEAN region. Companies involved in strategic industries such as technology, advanced manufacturing and financial services are likely to receive more favorable treatment or reduced cost of entry in ASEAN markets.

As US-China geopolitical competition continues, companies are assessing the opportunities and risks of diversifying production in ASEAN and other alternative markets. Executives should explore which ASEAN markets may provide the suppliers and industrial ecosystems needed to support their supply chain diversification and resilience strategies.

While ASEAN economies’ strong linkages with both China and the US provide opportunities, they also create potential reputation and compliance risks. Executives need to prioritize transparency of their suppliers and other business relationships in the region, particularly related to sensitive sectors such as AI and telecommunications, to ensure compliance with policies and regulations in key markets around the world.

For more information, contact [David Li](#)

Additional reading: [Prepare now for the new era of selective globalization](#)

¹ Final_Chairmans-Statement-of-the-44th-and-45th-ASEAN-Summits-1.pdf https://asean.org/wp-content/uploads/2024/10/Final_Chairmans-Statement-of-the-44th-and-45th-ASEAN-Summits-1.pdf
² ASEAN Investment Report 2024: ASEAN Economic Community 2025 and Foreign Direct Investment – ASEAN Main Portal <https://asean.org/book/asean-investment-report-2024-asean-economic-community-2025-and-foreign-direct-investment/>

³ APEC Peru 2024 Priorities Page | APEC Peru Priority 2024 <https://www.apec.org/2024-peru-priorities>



2 Sector in focus: Health

Data breach threats likely to continue for health organizations

What happened

Cyber attacks – including by both state-sponsored and independent groups – are on the rise, driven by financial motivations or by a desire to disrupt economic activity or acquire data in pursuit of political goals.

In the US alone, nearly 500 health care data breaches have been reported since 1 January, involving more than 163 million individuals.⁴ Countries in Europe⁵ and Asia-Pacific⁶ also have reported breaches that have put sensitive health information at risk for significant numbers of their populations.

What's next

Cyber attacks often target entities with security weaknesses or large amounts of sensitive data, as well as facilities with a low tolerance for downtime or those whose computer systems cannot be easily taken offline. Health systems have many of these traits, so they are likely to continue to be targeted as bad actors seek to disrupt health operations or acquire patient data.

Because of the potential threat to patient health and safety when surgeries and medical care are delayed by cyber attacks, lawmakers⁷ across the globe⁸ are scrutinizing the cybersecurity protections health care organizations have in place and announcing initiatives to bolster the safeguards around health care data.

Business impact

To unlock actionable insights from reams of health care data within health systems, health organizations must pursue [digital transformations](#) where data can be exchanged across the ecosystem. But proper governance policies must be in place to ensure personal health data remains secure as it is shared.

Cyber attacks on health care infrastructure expose organizations to legal and cost challenges to recover from an attack. Leaders of health systems should take further action to protect their data and digital systems. This includes remaining vigilant regarding their governance over third parties that may interact with data and with their training of the clinical workforce on how to avoid triggering a cyber incident.

For more information, contact [Crystal Yednak](#)

Additional reading: [How to build a foundation in AI to accelerate health transformation](#)

⁴ U.S. Department of Health & Human Services – Office for Civil Rights https://ocrportal.hhs.gov/ocr/breach/breach_report.jsf?sessionId=7CC185D2E519DEFB0975D9EB33001A40

⁵ Violation de données de deux opérateurs de tiers payant: la CNIL ouvre une enquête et rappelle aux assurés les précautions à prendre | CNIL <https://www.cnil.fr/fr/violation-de-donnees-de-deux-operateurs-de-tiers-payant-la-cnil-ouvre-une-enquete-et-rappelle-aux>

⁶ Report shows highest number of data breaches in 3.5 years | OAIC <https://www.oaic.gov.au/news/media-centre/report-shows-highest-number-of-data-breaches-in-3.5-years#:~:text=The%20OAIC%20was%20notified%20of,the%20second%20half%20of%202023.>

⁷ CROWCO_156_xml.pdf (SECURED) https://crow.house.gov/sites/evo-subsites/crow.house.gov/files/evo-media-document/CROWCO_156_xml.pdf

⁸ Von der Leyen's first 100 days: What she's promised, what it means and what she'll really deliver – POLITICO <https://www.politico.eu/article/ursula-von-der-leyen-first-100-days-promises-what-it-means-deliver-eu-commission/>

3 Other issues we are watching

Ghana's improving debt dynamics, EU deficits and COP trifecta

Ghana elections will not disrupt improving debt dynamics

In October, Ghana successfully⁹ restructured US\$13 billion in Eurobonds, resulting in credit rating upgrades.¹⁰ In early December, the IMF will make a decision about additional funding, following the conclusion of the staff-level agreement.¹¹ This will coincide with national elections, to be held on 7 December. Both the ruling New Patriotic Party (NPP) and the National Democratic Congress (NDC) offer similar economic reform agendas. Ghana's fiscal trajectory is therefore unlikely to significantly shift after the election.

Business impact: The evolving political landscape could lead to regulatory or fiscal changes that would likely affect sectors such as [infrastructure](#) and natural resources. Companies in sectors such as agriculture and manufacturing could benefit from economic [diversification](#) policy efforts. Fiscal reforms aligned with Ghana's IMF commitments may focus on enhancing fiscal discipline through spending controls, revenue generation, and debt restructuring. These efforts will likely stabilize inflation, benefiting businesses that rely on predictable pricing environments.

For more information, contact [Angelika Goliger](#) and [Hulisani Muloiwa](#).

European governments seek to address deficits

Following a series of budgetary proposals in October, several European governments are considering higher taxes on corporations next year. Following the reform of the EU's fiscal rules in April 2024,¹² member states with high deficits are under pressure to present plans to reduce their deficits, which have ballooned because of crisis-related emergency spending in recent years. As measures targeting households are often not politically feasible, governments will increasingly turn to businesses to close the budget hole.

Business impact: Companies operating in Europe should [plan for tax increases](#), although these are likely to be targeted in many cases. In

the most significant development, France's new government proposed several measures, including a phaseout of some exemptions for companies and the introduction of a temporary additional tax on large companies, which marks a departure from President Emmanuel Macron's policies.¹³ Meanwhile, Italy announced the introduction of a levy on banks and insurers from 2025. And beyond the EU, the UK presented plans to increase businesses' social security contributions.

For more information, contact [Famke Krumbmüller](#).

COP trifecta could spur progress and investment opportunities

Three consecutive UN COP events from October to December – COP 16 (biodiversity)¹⁴, COP 29 (climate change)¹⁵, and COP 16 (desertification)¹⁶ – focus on scaling up global action in their domains. Perhaps even more important, the events will build momentum for what is being billed as the “big” COP 30 on climate in November 2025. For COP 30, countries will submit updated national determined contributions (NDCs) that are “ratcheting up” in ambition.¹⁷ Host country Brazil – where the Amazon is emblematic of climate change, biodiversity loss and desertification – is expected to bring these themes together at the event.

Business impact: All three 2024 COPs aim to mobilize private financing and investment and accelerate the implementation of national action plans to realize objectives in their respective realms. Agreements could spur [sustainability-related](#) investment and public-private partnership opportunities, improve voluntary carbon markets and boost the adoption of green technologies. Executives should monitor the outcomes of these events for indications of new policies and regulatory requirements in different countries and [additional disclosure expectations](#).

For more information, contact [John de Yonge](#).

⁹ Ghana Announces Successful Completion Of Debt Restructuring – The Presidency, Republic of Ghana <https://www.presidency.gov.gh/index.php/briefing-room/press-releases/2710-ghana-announces-successful-completion-of-debt-restructuring>

¹⁰ Fitch Assigns Ghana's New USD Bonds 'CCC+' Rating; Upgrades LTLC IDR to 'CCC+' <https://www.fitchratings.com/research/sovereigns/fitch-assigns-ghana-new-usd-bonds-ccc-rating-upgrades-ltlic-idr-to-ccc-10-10-2024>

¹¹ IMF Reaches Staff-Level Agreement on the Third Review of the Extended Credit Facility with Ghana <https://www.imf.org/en/News/Articles/2024/10/04/pr-24356-imf-reaches-staff-level-agreement-on-the-third-review-of-the-ecf-with-ghana>

¹² Economic governance review: Council adopts reform of fiscal rules – Consilium <https://www.consilium.europa.eu/en/press/press-releases/2024/04/29/economic-governance-review-council-adopts-reform-of-fiscal-rules/>

¹³ Le projet de loi de finances pour 2025 | budget.gouv.fr <https://www.budget.gouv.fr/reperes/budget/articles/le-projet-de-loi-de-finances-pour-2025>

¹⁴ Convention on Biological Diversity <https://www.cbd.int/conferences/2024>

¹⁵ UN Climate Change Conference Baku – November 2024 | UNFCCC <https://unfccc.int/cop29>

¹⁶ UNCCD 16th session of the Conference of the Parties | UNCCD <https://www.unccd.int/cop16>

¹⁷ Nationally Determined Contributions (NDCs) | UNFCCC <https://unfccc.int/process-and-meetings/the-paris-agreement/nationally-determined-contributions-ndcs>

4 Geostrategic indicator of the month

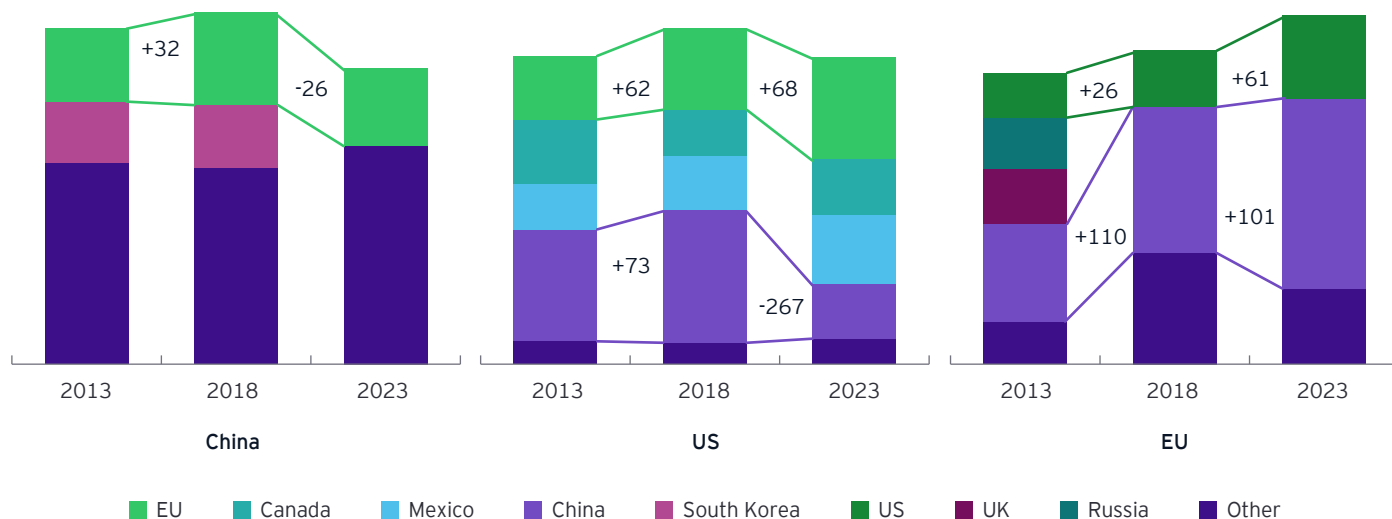
Import concentration index

The indicator:

The Herfindahl-Hirschman Index (HHI) reflects market concentration among trade partners, with higher values indicating greater import concentration and lower values signifying more diversity. Amid a push for supply chain resiliency and ongoing geopolitical tensions, US import reliance on China has fallen in recent years – although US imports remain highly concentrated among a small number of partners. In contrast, EU imports from China have risen as a share of the bloc's total imports. And the EU remains China's biggest source of imports as well.¹⁸

US import sources are the least diversified, although dependence on China has fallen while EU-China dependencies have risen.

Import concentration index for China, US, and EU



Source: Peterson Institute of International Economics

Note: Import concentration is measured by the Herfindahl-Hirschman Index (HHI). Trading partners labeled comprise at least 10% of category imports.

Business impact

Industrial and trade policies intended to “de-risk” from geopolitical competitors are likely to continue to induce companies to reorient parts of their supply chains and reassess their presence in certain markets, which could lead to higher costs. Europe's heightened reliance on Chinese imports while the US has decreased its dependence on China could complicate efforts at transatlantic policy alignment. Companies will need a detailed understanding of their value chain and where economic security risks could arise. Executives should assess whether parts of their supply chains are deemed strategic and adapt their supply chain strategy accordingly.

Additional reading: [Amid global competition for investment, what more can Europe do?](#)

¹⁸ While the US and China decouple, the EU and China deepen trade dependencies | PIIE <https://www.piie.com/blogs/realtime-economics/2024/while-us-and-china-decouple-eu-and-china-deepen-trade-dependencies>

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