

Geostrategic analysis

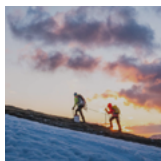
The EY-Parthenon Geostrategic Business Group's monthly analysis explores key geopolitical developments and their business impacts.

November 2025 edition



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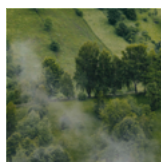
Top development:

Arctic geopolitical rivalries are accelerating in tandem with economic opportunities.



Sector in focus:

Infrastructure



Other issues we are watching:

Gaza ceasefire stability, US-China tensions after APEC and the G20 Summit in South Africa's impact on investment.



Geostrategic indicator of the month:

Companies are localizing supply chains and operations in response to trade tensions and regulatory fragmentation, signaling a long-term strategic shift.

EY-Parthenon Geostrategic Business Group (GBG)

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Top development

Arctic geopolitical rivalries are accelerating in tandem with economic opportunities.

What happened: In late September, NATO announced¹ its first successful exercise on the remote island of Jan Mayen, signaling its goal of enhancing Arctic capabilities.

On 9 October, the US and Finland signed² a \$6.1 billion memorandum of understanding to co-develop 11 icebreakers to modernize Arctic operational capability.

On 13 October, China announced³ the completion of the first scheduled container service from East Asia to Northern Europe via the Northern Sea Route (NSR) – a coastal corridor along Russia's Arctic shore. The NSR reduces transit time from China to Europe by nearly half compared to passage around the Cape of Good Hope. The 10th lowest⁴ annual Arctic sea ice minimum was hit in September, which facilitated the passage.

On 23 October, new details emerged⁵ about the Russian military's underwater surveillance system in the Arctic, which uses technology that was indirectly acquired from the US and its allies.

What's next: If the NSR proves commercially viable, there will be more seasonal logistics services. China and Russia are likely to seize early mover advantage, as Western carriers remain cautious over environmental and safety risks. Over time, the NSR could become an alternative to chokepoints like the Suez and Panama canals.

Military competition in the Arctic will likely continue to intensify as access opens for longer periods and countries seek to protect their economic and security interests. For example, NATO is preparing⁶ a regional strategy which, along with national defense priorities, is driving investment in Arctic capabilities among the US, Canada and the Nordic countries, especially in patrol and surveillance equipment, seabed surveillance and underwater mine-clearing.

Governments will likely continue to accelerate investment in the Arctic economy. Increased demand for high-speed broadband connectivity to support energy exploration, defense operations, research and commercial activities is leading to growth in the polar satellite market, which could reach⁷ US\$5.2 billion by 2033.

Business impact: Major sectors affected include mobility; aerospace and defense; energy and resources; infrastructure; and insurance.

Arctic routes could soon enable logistics companies to offer a seasonal "fast lane" premium service for high-margin, time-sensitive goods, but shippers must consider security risks and environmental concerns.

Executives should model NSR scenarios in [supply chain planning](#), consider whether negotiating Arctic-compliant insurance would offset risk and develop Arctic shipping policies to mitigate reputational risk.

Demand for defense equipment and capabilities will rise as military competition intensifies. [Defense contractors](#), [aerospace](#) and shipbuilding firms should consider innovating for extreme environments. Executives should also assess portfolio readiness for Arctic specifications, the potential applicability of commercial technologies to Arctic defense priorities and the potential for partnerships with governments and other NATO suppliers.

Arctic energy reserves present opportunities for exploration and energy diversification, but carry sanctions, environmental and insurance risks. Energy and mining executives should build [geostrategic risk models](#) for Arctic ventures, stress-testing investment upsides against sanctions and climate litigation and consider joint ventures with local operators to share risk.

The surge in demand for polar broadband and subsea cable protection will open a new frontier in telecom and infrastructure markets. Port upgrades, ice-class vessel demand, subsea cable protection and the need for resilient telecoms and other infrastructure will create [opportunities for infrastructure](#), engineering, construction, telecom and technology firms. Executives should position for public-private partnerships (PPPs) in Arctic infrastructure, evaluate financing models for subsea cable security and integrate cybersecurity and climate resilience into Arctic strategies.

Organizations investing in the region could face reputational risks without proper partnership and coordination with Arctic governments and Indigenous communities, who are increasingly concerned about the threat of "green colonialism"⁸. Executives should ensure their companies' Arctic projects include strong [stakeholder management strategies](#).

Government investments in Arctic mining companies, public infrastructure and carbon capture, transportation and storage (CCS) solutions could spur private investor interest in companies with Arctic capabilities. Arctic projects will face high capital intensity and risk premiums. [Financial institutions](#) can enable investment by innovating on blended finance and risk-sharing structures. Insurance executives should consider developing Arctic-specific insurance products, leveraging multilateral guarantees and embedding geopolitical and climate risk analytics in underwriting.

For more information, contact [Kate Delgado-Kizer](#) and [Jay T Young](#).

Additional reading: [What if disruption isn't the challenge, but the chance?](#)

¹ NATO Conducts First Airlift Exercise on Jan Mayen | Allied Command (ac.nato.int) <https://ac.nato.int/archive/2025-2/allied-demonstrate-agility-and-during-airlift-in-the-high-north-with-first-ever-landing-on-volcanic-island>

² Finland and USA Deepen Icebreaker Cooperation | Finnish Government (valtioneuvosto.fi) <https://valtioneuvosto.fi/en/-/finland-and-usa-deepen-icebreaker-cooperation>

³ China Completes First Scheduled Container Service via Arctic NSR | World Ports (worldports.org) <https://www.worldports.org/sea-legends-istanbul-bridge-finishes-20-day-northern-sea-route-journey-from-china-to-felixstowe/>


⁴ Arctic Sea Ice Hits 10th Lowest Minimum | NASA (nasa.gov) <https://www.nasa.gov/earth/arctic-sea-ice-2025-low/>

⁵ Russia Secretly Acquired Western Technology for Submarine Fleet | ICIJ (icij.org) <https://www.icij.org/investigations/russia-archive/russia-secretly-acquired-western-technology-to-protect-its-nuclear-submarine-fleet/>

⁶ NATO Parliamentary Assembly Arctic Report | NATO PA (nato-pa.int) <https://www.nato-pa.int/document/2025-arctic-report-fridbertsson-022-stc>

⁷ Polar Region Broadband Satellite Market Forecast | ResearchIntel (researchintel.com) <https://researchintel.com/report/polar-region-broadband-satellite-market>

⁸ Just Transition or Green Colonialism in Arctic Mineral Extraction | University of Lapland (research.ulapland.fi) <https://research.ulapland.fi/en/publications/just-transition-or-green-colonialism-how-mineral-extraction-and-n/>



Sector in focus: Infrastructure

EU to boost infrastructure resilience amid rising hybrid warfare, climate and technology risks.

What happened

Recent hybrid incidents⁹ and major blackouts¹⁰ have renewed urgency to strengthen Europe's critical infrastructure resilience amid aging assets, maintenance backlogs, climate-related stress and rising AI-driven power demand. Physical attacks on infrastructure have quadrupled since 2023¹¹ and cyberattacks continued to increase between 2024 and 2025¹².

In October 2025, the EU extended sanctions against Russian individuals and entities involved in hybrid activities abroad.¹³ Across Europe, governments are designating¹⁴ national "critical entities" in digital, energy, financial and transport infrastructure to eventually meet stricter physical and cyber resilience requirements.

What's next

Intensifying competition over advanced technology will drive cyber espionage and IP theft¹⁵, while European organizations' growing unease over dependence on US digital infrastructure is driving the EU's call for a "sovereign digital transition."

EU and NATO will advance resilience through initiatives like the Baltic Sentry initiative¹⁶ and the new EU Cyber Solidarity Policy regulatory frameworks to strengthen cyber¹⁷ and physical preparedness of critical infrastructure and other strategic sectors. And the European Commission will propose a Data Centre Energy Efficiency Package¹⁸ in 2026 to improve energy efficiency in digital infrastructure, including data centers.

Hybrid confrontation is likely to persist - and intensify around energy infrastructure this winter. Within the EU, increasing levels of interconnectedness due to growing AI adoption and the green transition are broadening Europe's exposure to such hybrid threats.

Business impact

Hybrid attacks have already caused hundreds of millions of euros in losses across Europe's energy, transport and digital sectors. Rising AI-driven power demand and climate-related stress are increasing operational risks and infrastructure strain, adding urgency for infrastructure companies to prove prevention of and preparedness for disruptions through stress-testing, supply-chain mapping and robust data-governance and talent-security measures. Executives should also expect [insurance costs to rise](#).

New resilience and stockpiling rules will increase transparency demands and compliance costs, especially for energy and telecoms equipment and for infrastructure, making it essential to align with evolving [procurement requirements](#) and engage government stakeholders to demonstrate understanding of vulnerabilities and disruption readiness through scenario planning and crisis simulation exercises.

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

Additional reading: [How can reimagining your cyber guardrails accelerate AI value?](#)

⁹ Europe Faces New Challenge as Russian Drones Breach Its Airspace | Le Monde (lemonde.fr) https://www.lemonde.fr/en/international/article/2025/10/08/europe-faces-new-challenge-as-russian-drones-breach-its-airspace_6746206_4.html

¹⁰ Council of Ministers Press Conference - June 17, 2025 | La Moncloa (lamoncloa.gob.es) <https://www.lamoncloa.gob.es/lang/en/gobierno/councilministers/paginas/2025/20250617-council-press-conference.aspx>

¹¹ Russian Sabotage Operations Against Europe's Critical Infrastructure | IISS (iiss.org) <https://www.iiss.org/research-paper/2025/08/the-scale-of-russian-sabotage-operations-against-europes-critical-infrastructure/>

¹² ENISA Threat Landscape 2025 | European Union Agency for Cybersecurity (enisa.europa.eu) <https://enisa.europa.eu/publications/enisa-threat-landscape-2025>

¹³ Russian hybrid threats: Council prolongs restrictive measures by another year | European Council <https://www.consilium.europa.eu/en/press/press-releases/2025/10/03/russian-hybrid-threats-council-prolongs-restrictive-measures-by-another-year/>

¹⁴ Critical Infrastructure Resilience at EU Level | European Commission (home-affairs.ec.europa.eu) https://home-affairs.ec.europa.eu/policies/internal-security/counter-terrorism-and-radicalisation/protection/critical-infrastructure-resilience-eu-level_en

¹⁵ EU Cyber Solidarity Policy | European Commission (digital-strategy.ec.europa.eu) <https://digital-strategy.ec.europa.eu/en/policies/cyber-solidarity>

¹⁶ Cybersecurity and National Policy | World Economic Forum (weforum.org) <https://www.weforum.org/stories/2025/05/cybersecurity-cyber-risk-national-policy/>

¹⁷ Baltic Sentry Initiative Strengthens NATO Resilience | NATO (nato.int) https://www.nato.int/cps/en/natohq/news_232122.htm

¹⁸ New Impetus for Energy Efficiency | European Commission (energy.ec.europa.eu) https://energy.ec.europa.eu/topics/energy-efficiency/new-impetus-energy-efficiency_en

3 Other issues we are watching

Gaza ceasefire stability, US-China tensions after APEC, and the G20 Summit in South Africa's impact on investment.

Fragile Gaza ceasefire raises regional stability in the short term

On 13 October, a US-led plan¹⁹ to end the conflict in Gaza was signed in Egypt after significant involvement from Egyptian, Qatari and Turkish negotiators. Alongside this, high-profile visits to Israel by US President Donald Trump and other American leaders further underscored Washington's enduring commitments to the region. Despite some violence, initial phases of the ceasefire have broadly held thus far. But complex issues around Gaza's governance, border controls and reconstruction require further negotiation and may remain unresolved in the near to medium term.

Business impact: Following two years of hostility, the ceasefire offers immediate security improvements for businesses in the region and in surrounding maritime areas, enhancing operational stability. Companies should nevertheless remain vigilant in monitoring geopolitical risks in the region. Executives should revisit scenario planning and [economic modeling](#) assumptions while maintaining robust [crisis management plans](#). And they should monitor evolving reputation and [compliance](#) risks in the region. If the ceasefire holds, Gaza's estimated \$70 billion reconstruction²⁰ would likely require significant involvement from aid organizations, the private sector and regional sovereign-wealth funds.

For more information, contact [Ben-Ari Boukai](#).

US-China structural challenges remain despite de-escalation at APEC

President Donald Trump met with Chinese President Xi Jinping²¹ on the sidelines of the annual Asia-Pacific Economic Cooperation (APEC) Leaders' Meeting in Busan, South Korea on 30 October. The bilateral meeting yielded modest, reciprocal de-escalations across multiple fronts, including the US's fentanyl-related tariffs, some of China's export control measures over rare earths products and port fees. China also restarted US agricultural purchases, notably soybeans. While the decision to engage in leader-to-leader dialogue indicates a mutual preference by Beijing and Washington to avoid sharp escalations in their economic dispute. Nevertheless, the lack of a substantive outcome on structural economic and geopolitical issues indicates that fundamental disagreements remain in the US-China relationship.

Business impact: While many business leaders likely welcome the (potentially only temporary) reduction in US-China tensions, there

remains a risk of escalation in [global trade](#) tensions in the coming months, with potential expansionary trade restrictions. In particular, uncertainties will continue in sectors exposed to the key sources of leverage that Washington and Beijing have – semiconductors and rare earth minerals, respectively. As a result, market volatility driven by tariff uncertainties, new market barriers and regulatory scrutiny is likely to persist. The use of export controls and other industrial policy tools is likely to continue – especially in strategic industries such as [technology](#), [advanced manufacturing](#) and [biotech](#). This underscores an accelerated need for multinational companies to adapt their operating models and their legal and compliance structures to the new geopolitical environment.

For more information, contact [Adam Barbina](#) and [David Li](#).

G20 Summit could highlight investment opportunities while testing US-South Africa ties

The G20 Leaders Summit will be held in South Africa on 22 to 23 November – the first time such a summit has been held in Africa. After US threats to boycott the summit, it is expected that Vice President JD Vance will attend – which could create an opportunity to help stabilize US-South Africa ties²². Under the summit theme “Solidarity, Equality, Sustainability,” South Africa hopes to advance African priorities²³ in global financial reform, climate finance and infrastructure investment, as well as potentially exploring cooperation on critical minerals and regional security. Following the summit, the US will take over the G20 presidency, which will likely lead to a shift in G20 priorities during the following year.

Business impact: Following the UK's recent commitments²⁴, the AI for Africa Initiative – which the G20 helped to launch – may provide additional opportunities for public and private sector investment. The G20 Summit could also shape future South Africa-US trade dynamics, with potential impacts across mining; manufacturing, particularly automobiles; and agriculture. A bilateral [trade](#) roadmap may unlock tariff relief and critical mineral cooperation, benefiting both South African exporters and investors. Businesses should [monitor](#) the outcomes of the summit closely, especially regarding financial regulatory alignment and regional trade.

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

¹⁹ The Trump Declaration for Enduring Peace and Prosperity | The White House (whitehouse.gov) <https://www.whitehouse.gov/presidential-actions/2025/10/the-trump-declaration-for-enduring-peace-and-prosperity/>

²⁰ Gaza Reconstruction Needs \$70 Billion | United Nations News (news.un.org) <https://news.un.org/en/story/2025/10/1166096>

²¹ Fact Sheet: President Donald J. Trump Strikes Deal on Economic and Trade Relations with China | The White House (whitehouse.gov) <https://www.whitehouse.gov/fact-sheets/2025/11/fact-sheet-president-donald-j-trump-strikes-deal-on-economic-and-trade-relations-with-china/>

²² US-South Africa Business Ties Expanding | South African Government (gov.za) <https://www.gov.za/blog/business-ties-united-states-are-strong-and-expanding>

²³ G20 Finance Ministers and Central Bank Meeting | South African Government (gov.za) <https://www.gov.za/news/media-advisories/national-treasury-fourth-meeting-g20-finance-ministers-and-central-bank>

²⁴ UK Announces Major AI for Development Initiatives at G20 in South Africa | UK Government (gov.uk) <https://www.gov.uk/government/news/uk-announces-major-ai-for-development-initiatives-at-g20-in-south-africa>

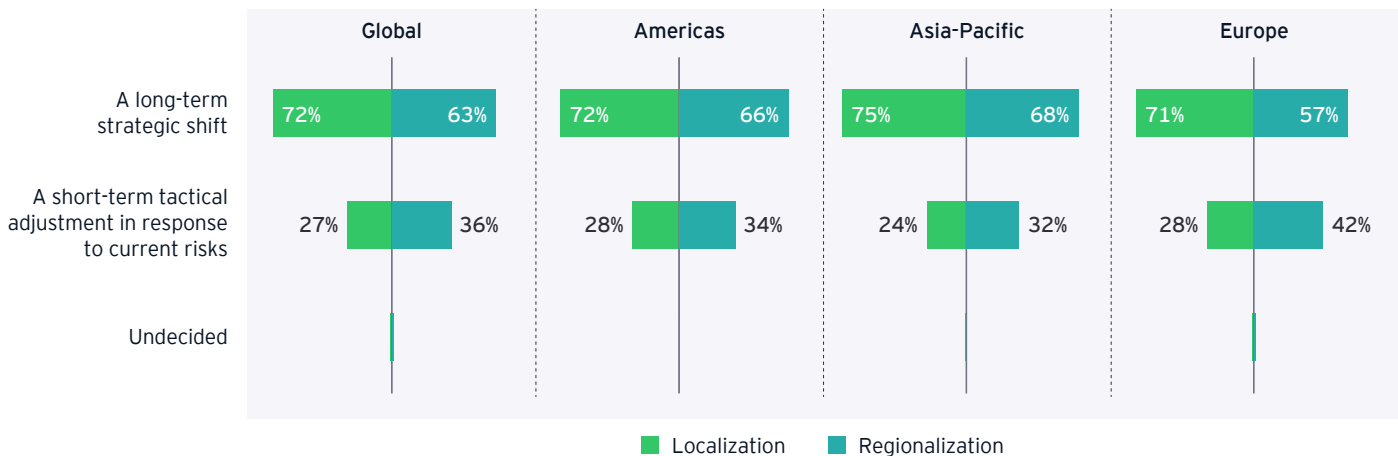
4 Geostrategic indicator of the month

Companies are localizing supply chains and operations in response to trade tensions and regulatory fragmentation, signaling a long-term strategic shift.

The indicator

In the September 2025 edition of the [EY-Parthenon CEO Outlook](#), nearly 75% of CEOs said they were either in the process of localizing or have localized some part of their production within the country of sale. Just over half were in the process or have reorganized supply chains to serve a particular regional bloc. According to this study, companies are embracing these localized or regional models in response to trade tensions, more fragmented regulatory environments and geopolitical instability. In particular, many CEOs seem to be beginning to view localization of their US operations as a strategic imperative, drawing lessons from the widely adopted “in China, for China” approach. Importantly, the majority of CEOs say these localization and regionalization measures are long-term strategic shifts.

Are you approaching your company's overall transition to localization or regionalization as a long-term strategic shift or a short-term tactical adjustment?



Source: EY-Parthenon CEO Outlook

Business impact: Geopolitical risks and uncertainty – as part of the broader [NAVI world](#) in which companies must operate – is motivating executives to build more diversification, redundancy and resiliency into their global operations and supply chains. This shift toward localization and regionalization challenges traditional global business models, requiring executives to rethink operations, cost structures and risk management. Executives need to assess [trade-offs between efficiency and resilience](#), align with local regulations and consider investing in new or expanded capabilities in some regions. Given the expected long-term nature of these business model changes, executives should incorporate [strategic foresight](#) into their decisions so that their company is positioned for growth.

Additional reading: [Does today's disruption provide the blueprint for tomorrow's growth?](#)

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