Q4 2025

GEOECONOMIC RISK BAROMETER

Mapping the Next Moves of Capital and Power

GEOECONOMIC STRATEGY UNIT

AUTHORED BY

Bhuvanya Ranjan, Chantel Karia, Ishan Jasuja, Lauren Mason, Liliya Anisimova, Niamh Allen, Nurein Akindele, Shubhangi Sharma, and Sreemayukha Nyayapathi

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FOREWORD

We are pleased to introduce the Geoeconomic Risk Barometer, the flagship research of the Sixteenth Council's Geoeconomic Strategy Unit (GSU). The GSU is a practitioner-led, research-driven initiative of analysts and strategists focused on making geopolitics and global economics approachable in the boardroom. Our purpose is to help leaders make insightful, data-driven, and effective decisions in volatile markets across the world.

The Barometer provides a decision-grade overview of where execution is most feasible in the near and medium term. It blends hard indicators with regional insights and corridor-level analysis to drive decision-making at the highest levels. Our Risk-Adjusted Opportunity (RAO) score is published separately as a companion output, supporting our country briefs, triggers to watch, and strategic outlook. We publish quarterly, with interim updates when conditions shift, to keep the analysis current, comparable, and decision-relevant.

Our aim is to improve capital mobility and unlock cross-border growth by clarifying risk, aligning incentives, and sequencing action across high-growth trade corridors. We draw on long-standing relationships with ministries, investors, media, and corporates to translate research into financing structures and risk-mitigation design.

We look forward to engaging with you through briefings and tailored strategy work. I invite you to join us on our journey as we track the next moves of capital and power across the world's most consequential markets.

ISHAN JASUJA - DIRECTOR

ishanjasuja@16thcouncil.uk

EXECUTIVE SUMMARY

Q4 2025 reinforced geoeconomics as a core commercial variable worldwide. The global business climate was shaped by three factors: trade and industrial-policy volatility, corridor disruption, and tighter financing conditions. Opportunity remains selective and concentrated in defense, the energy transition, logistics, and high-trust supply chains. Moving into 2026, resilience must be operationalized through contract design, corridor redundancy, and stronger FX risk mitigation.

Regional Themes in Focus

- **Latin America:** The region hits a geoeconomic inflection point as U.S.-China rivalry intensifies and pragmatic, transactional alignment replaces ideology. Nearshoring and critical minerals lift upside, but governance fragility and security risks keep volatility elevated.
- **Africa:** Execution risk rises as AGOA expiry creates a tariff cliff, while improving Red Sea transit confidence lowers logistics uncertainty. Resource nationalism adds price and renegotiation risk, making AfCFTA-aligned markets key investable pockets.
- **South Asia:** Growth remains globally leading, but tariff shocks, FX volatility, and sovereign risks shape commercial opportunity. India's scale persists amid INR depreciation; Sri Lanka's recovery reopens reconstruction-linked deal flow; the Maldives combines tourism strength with refinancing risk.
- **Eastern Europe:** Opportunity concentrates around defense demand and funding, with escalation risk still present. Outside defense, high deficits and interest rates constrain public-works pipelines and raise financing frictions.
- **GCC:** Diversification remains the growth engine. While oil recovery continues, fiscal breakevens and deficits remain a challenge. Expanding trade networks reinforce investability in non-oil sectors.
- **Central Asia:** Fast growth continues, with upside in energy, logistics, and minerals. However, inflation, FX pressures, and geopolitical exposure demand tighter risk controls. Foreign investment from U.S., Japan, and China drives growth but presents over-reliance risks.
- **Southeast Asia:** The region remains a strategic hinge, with continued hedging between major powers, and rising maritime risk. Tariff volatility, chokepoints, and regional geopolitics continue to impact business sentiment going into 2026.
- **Oceania:** Opportunity clusters around critical minerals and defense-adjacent supply chains, while Pacific infrastructure faces higher financing risk due to falling official development finance. Trade architecture supports corridor certainty as Australia and New Zealand sign new FTAs.

LATIN AMERICA

Strategic Overview: Latin America (LATAM) reached a geopolitical and geoeconomic inflection point in Q4 2025 as intensified U.S.-China rivalry reshaped the region's strategic importance. President Trump's assertive Western Hemisphere stance targeting Venezuela, security threats, and trade agreements challenged China's long-standing economic influence. The region shifted from ideological polarization to pragmatic, transactional alignment, balancing U.S. security priorities with Asian trade and investment ties. Nearshoring, commodities (notably lithium), and green geopolitics boosted investment appeal, while governance fragility, security risks, and infrastructure gaps persisted. Overall, LATAM emerged as a geopolitical bridge, offering opportunity alongside heightened volatility heading into the 2026 electoral cycle.

Key Trends

- **U.S. Escalation in Venezuela and Cartels:** Trump imposed an oil tanker blockade on Venezuela in December, disrupting Maduro's regime by targeting sanctioned vessels, which transport nearly all Venezuelan oil. This was built on an August directive, authorizing the Pentagon to use force against select LATAM drug cartels, signaling the reinforcement of the Monroe Doctrine. China responded with a white paper on its LATAM strategy, emphasizing non-interference to counter U.S. moves and protect its $500bn+ trade ties. These actions heightened geopolitical risks, potentially destabilizing governance in Venezuela, Mexico, and Colombia while testing institutional strength in countering external interventions.

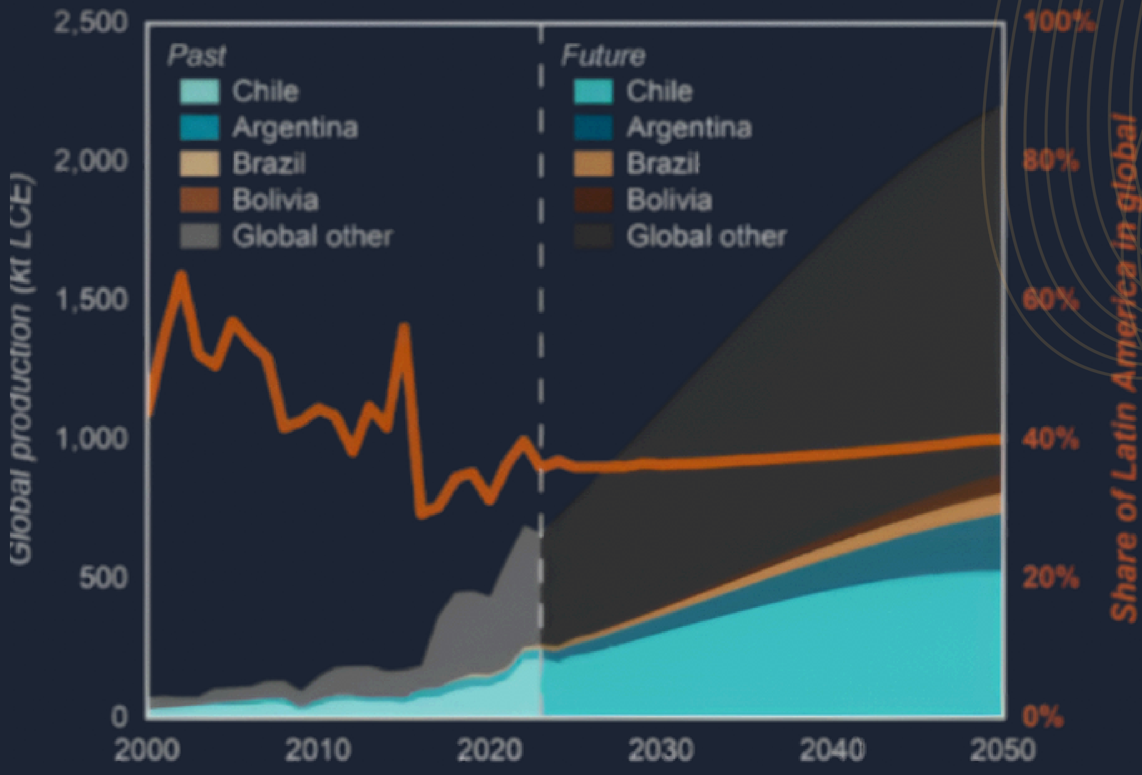
- **Regional Governance and Risks**: Brazil and Argentina advanced free-market reforms, with Argentina under Milei attracting FDI through deregulation. Energy emerged as a key sector, with the Argentinian government expecting total investment to reach US$15 billion in 2025 and US$16.5 billion in 2026. However, corruption, bureaucratic hurdles, and interest rate hikes eroded the ease of doing business. Chile's clean hydrogen initiatives exemplified "powershoring," aiming to produce 160m tonnes of clean hydrogen per year by 2050, but dual-use Chinese infrastructure raised sovereignty concerns.

- **Trade Pact Reviews and Tariffs:** The USMCA came under review in December, with Trump keeping Canada and Mexico uncertain on renewal amid tariff threats. LATAM firms anticipated supply chain adjustments and are planning increased U.S. sourcing to offset competition. In November, countries like Chile, Mexico, and Peru pivoted toward Asia via APEC, diversifying from U.S. dependencies amid rising protectionism.

- **The Belém Outcomes:** Brazil hosted COP30 in the heart of the Amazon, positioning President Lula as the "Broker of the Global South." Key developments included the Tropical Forests Forever Facility (securing an initial $6.7bn of a $25bn goal) and the Belém Gender Action Plan. While the summit disappointed on fossil fuel phase-out language, it established Brazil as the gatekeeper of "Green Capital." This connects to the REDATA (Special Taxation Regime for Data Centers) introduced in Brazil, linking digital transformation to renewable energy mandates.

- **Critical Raw Materials and Green Geopolitics:** LATAM's strategic leverage is rising in critical minerals, especially lithium, where the "Lithium Triangle" (Chile-Argentina-Bolivia) anchors a large share of global supply and the region's projected share increases materially over time. Lithium demand rose by nearly 30% in 2024, far outpacing the 10% annual growth observed in the 2010s. This reinforced LATAM's strategic importance for EV and battery value chains, intensifying U.S.-China competition for offtakes, equity stakes, and long-term supply contracts. The opportunity is strongest in upstream development and enabling infrastructure, but risks are equally clear, including resource-nationalist policy shifts and pressures to localize more value-add in processing and refining.

Lithium global demand and Latin America production 2000-2050 middle pathway



Source: Orquere, et al. (2025)

Regional Forecast: LATAM's neutrality amid U.S.-China-EU divisions positioned it as an FDI magnet, with 64% of executives viewing bloc fragmentation as export-boosting. Connecting the dots between Milei's mandate, Mexico's hub strategy, and Brazil's climate leadership reveals a region that is re-institutionalising. Commodity dominance (e.g., Brazil's soybeans displacing U.S. exports to China) enhanced trade networks, but over-reliance exposed vulnerabilities to global shocks. Nearshoring gained traction, driven by cost reductions in logistics, fostering regional integration via public-private partnerships.

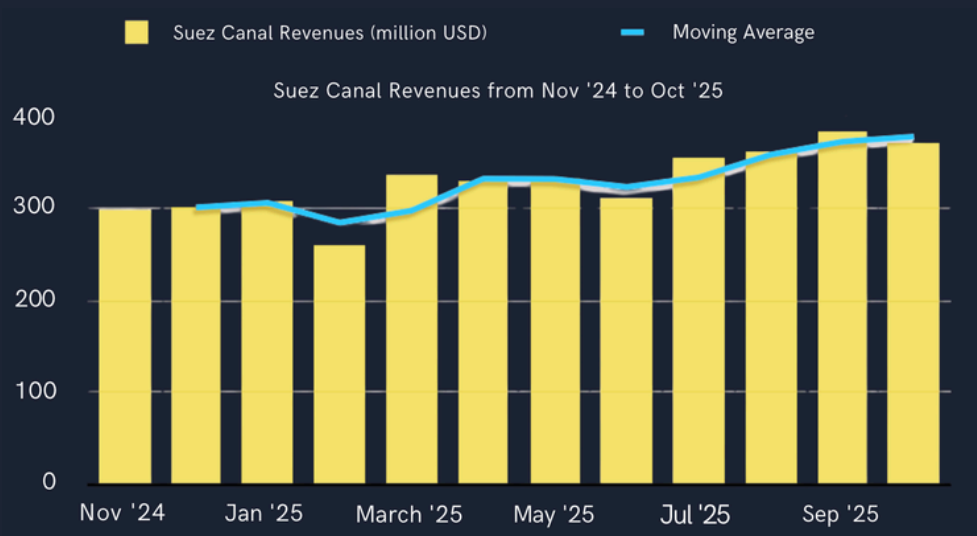
AFRICA

Strategic Overview: Africa enters Q4 2025 at an inflection point where external market-access shocks and resource-policy intervention are raising the execution premium, even as trade-corridor normalization and regional integration create selective upside. The expiration of the Africa Growth and Opportunity Act (AGOA) has introduced a sudden tariff cliff for export sectors, directly affecting pricing power, order books, and long-term capex decisions for manufacturers. Simultaneously, easing Red Sea tensions are improving trade corridor confidence and lowering logistics uncertainty, an under-appreciated tailwind for import-dependent consumer sectors and supply-chain heavy industries. Meanwhile, "resource nationalism" is becoming more relevant: the DRC's cobalt export controls are shifting input-cost expectations for batteries, EV supply chains, and downstream refiners. Against this backdrop, AfCFTA is increasingly framed as the structural hedge, offering a pathway to reduce dependence on fragile preference regimes and scale the intra-African market. However, persistent election volatility and coups sustain a governance risk premium, precipitating a higher cost of capital, delayed project timelines, and stricter risk controls.

Key Trends

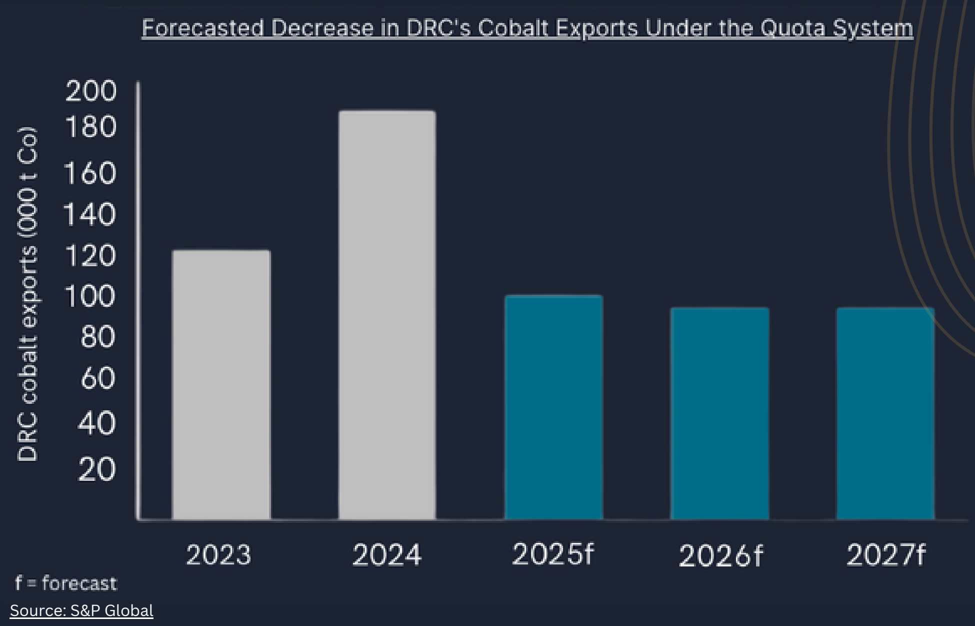
- **AGOA Expiry:** With AGOA expired, duties in key sectors reportedly rose from approximately 10% to nearly 50%, compressing margins and raising demand risk for African exporters and global buyers. This is likely to result in order reallocation and delayed capex in export manufacturing.

- **Red Sea Transit Recovery:** Carrier return and a 14.2% YoY rise in Suez revenues signal improved maritime confidence. Commercially, this supports lower freight and insurance volatility and improved lead times for supply-chain-heavy sectors.



Source: CEIC

- **Critical Mineral Control:** The DRC's export restrictions have coincided with a sharp cobalt price reset: around $42,725/ton in October, up from nearly $21,000/ton before the embargo. The DRC's mineral regulator, ARECOMS, replaced the ban with a quota system in September 2025. Under the new system, up to 96,600 metric tonnes of cobalt can be exported per year in 2026 and 2027. Prices are likely to remain volatile as quota limits are adjusted to match global demand, while S&P Global predicts that the DRC's supply share will drop from 75% in 2024 to 50% in 2026.



- **AfCFTA's Promise:** AfCFTA is framed as the pathway to make Africa self-reliant, with estimates of an increase in FDI of around 111-159% under successful implementation, most relevant to logistics, payments rails, and regional distribution. Upsides include lower non-tariff barriers (customs frictions, standards alignment, and border delays), enabling cross-border supply chains and multi-country market access.

- **RMB Debt Conversion:** Kenya converted part of its roughly $5bn Chinese debt from USD to RMB, reducing servicing costs and saving approximately $215m annually. This represents proactive sovereign FX and debt management with implications for currency risk and refinancing politics. It also highlights the expanding role of Chinese finance in Africa's political-economy, as debt restructuring is increasingly paired with currency and payment decisions that can deepen reliance on Chinese funding channels and widen Beijing's leverage over future refinancing, project governance, and strategic infrastructure priorities.

- **Instability and Geopolitical Risk**: Election instability in Cameroon, Côte d'Ivoire, Tanzania; and Guinea-Bissau's military intervention precipitate security costs and permitting delays, especially for infrastructure, mining, and regulated sectors.

Regional Forecast: Africa's economic outlook maintains selective upsides under higher execution standards. Market-access uncertainty and sustained governance fragilities keep the risk premium elevated, resulting in delayed long-term commitments or demand stronger protections. At the same time, improving trade-route confidence and the strategic pull toward AfCFTA create investable pockets, particularly in corridor logistics, payments infrastructure, and regional consumer distribution, while resource controls imply persistent volatility and renegotiation risk for critical-mineral exposure.

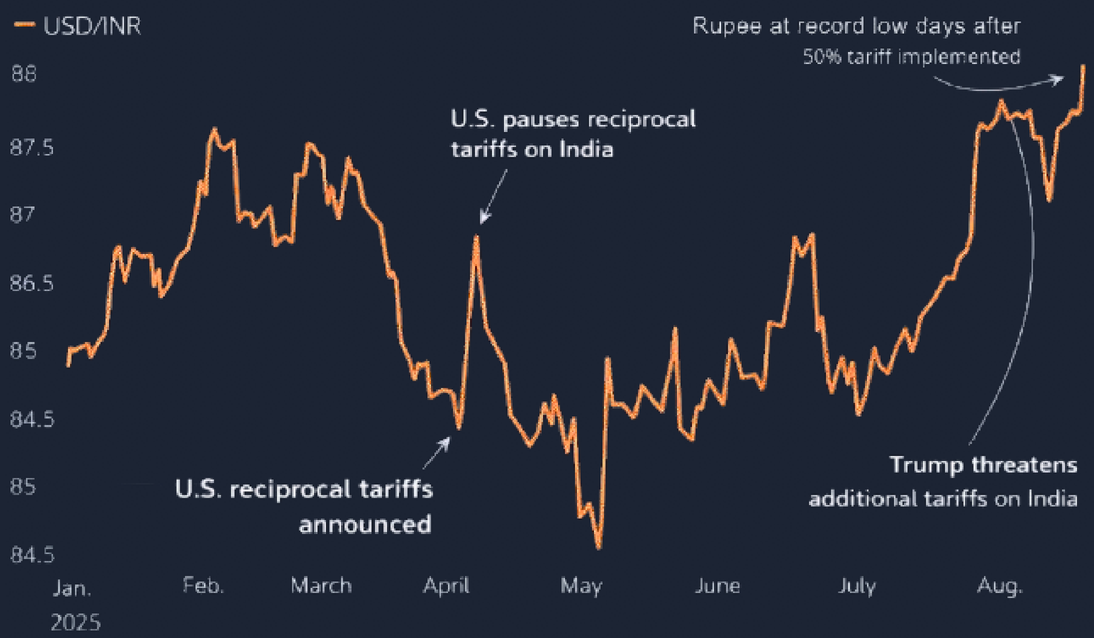
SOUTH ASIA

Strategic Overview: South Asia remains the world's fastest-growing region. Regional growth reached 6.6% in 2025, surpassing initial expectations due to India's massive public investment and a broad recovery in Sri Lanka, and is projected to average at 5.8% in 2026-27. Risks are driven by external supply shocks, specifically, the highest U.S. tariffs in nearly a century, rising to 17.4% by September 2025, dampening export momentum for manufacturing hubs like India and Bangladesh. Inflation has largely been reined in, reaching multi-year lows in India (2.8%) and Pakistan. India remains the scale driver (projected 6.6% growth), but investors should price in currency volatility as INR fluctuates against USD under the RBI's new FX management regime. Sri Lanka's recovery is strengthening, recording YoY GDP growth of 5.4% in Q3 FY2025, reopening opportunities in ports, logistics, construction, and consumer demand. In the Maldives, tourism remains strong with over 1.7 million tourists visiting as of October 2025, with sovereign debt still being a concern. The country's debt is expected to rise to 125.1% of GDP in 2026, compared to 114.5% in 2024, leading Fitch to rate Maldives as 'CC'.

Key Trends

- **India's Strong Growth and INR's Depreciation:** India remains the fastest-growing major economy in the world with a GDP growth of 8.2% in Q2 FY2026. This growth comes despite strong headwinds, such as persistently high American tariffs. The INR has consequently depreciated, crossing the 90 per USD mark in December 2025. This is set to benefit export-oriented sectors, including IT, Pharmaceuticals, and Textiles, while making imports such as electronics and automobiles expensive.

USD INR Volatility



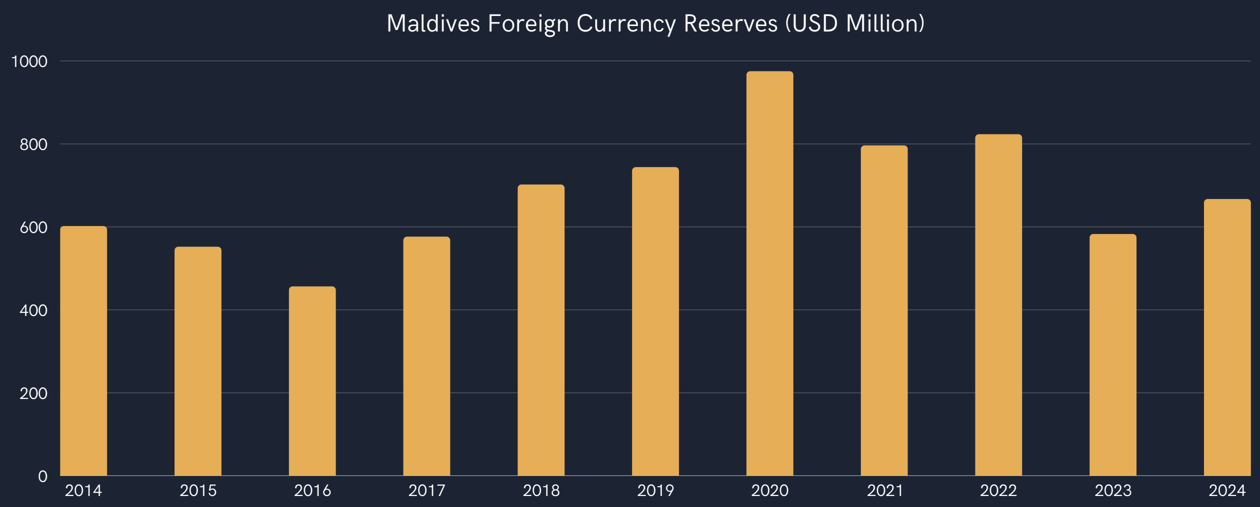
Source: Reuters

- **India's Selective De-Risking:** With higher trade-policy volatility, India is leaning into "risk-spread" connectivity, leveraging its ties with regions such as the Gulf, Southeast Asia, and Europe. New Delhi has signed multiple FTAs over the past 12 months, with countries including the UAE, Oman, the UK, and New Zealand. However, focus must now shift to boosting exports to maximize the potential of India's proliferating trade ties.

- **Indo-Oman CEPA:** India's latest GCC trade agreement, the Comprehensive Economic Partnership Agreement (CEPA) with Oman, signed in December 2025, advances New Delhi's trade diversification. Under the pact, Oman will provide zero-duty access to over 98% of its tariff lines, while India will cut tariffs on about 78% of its lines. The deal is strategically important as Oman is a gateway to the Strait of Hormuz, bolstering India's economic influence close to the world's most critical oil shipping lanes.

- **Sri Lanka's Focus on Reconstruction-Driven Contracts and Chinese Investment:** Sri Lanka's rebound continues with Q3 2025 YoY GDP growth of 5.4%, and reconstruction is expected to support activity into 2026. Large-ticket energy and port-adjacent projects, including Sinopec's US$3.7 billion oil refinery project in Hambantota, create opportunities in EPC, logistics, bunkering/energy services, and insurance. However, climate-shock exposure and IMF-linked reform conditionality keep volatility high, thereby elevating execution risk.

- **Maldives' Tourism Boom and Sovereign Financing Stress:** Tourism momentum remains strong as the government has signaled it is on track to welcome approximately 2.3 million tourists in 2025. Hospitality, aviation, and import-heavy retail are expected to perform well in this environment, given strong demand and their successful global marketing strategy. However, the country faces rising balance sheet risks, with public and publicly guaranteed debt reaching US$9.5 billion or an estimated 126.9 percent of GDP this year. The country currently holds US$879.43 million in foreign reserves and faces heavy near-term obligations, including a US$500 million Sukuk bond repayment in April 2026. Hence, the current macroeconomic climate features significant FX liquidity stress, payment delays, and refinancing as risks for contractors, importers, and lenders.



MMA Statistics Database

Regional Forecast: Opportunity remains real but uneven: India offers scale and strong infrastructure growth, but U.S tariffs and FX-management remain key risks. Sri Lanka, on the other hand, offers recovery-plus-reconstruction deal flow with higher execution risk post its economic crisis in 2022. Opportunities in the Maldives remain concentrated in tourism and hospitality sectors, but feature established rivals and high sovereign risk. Looking ahead, growth will remain strong, but shocks may become more frequent, reinforcing the importance of treasury discipline, supply-chain redundancy, and flexible market-access strategies.

EASTERN EUROPE

Strategic Overview: Eastern Europe remains a growth market in select sectors, notably defense and related civil industries. The region has seen massive defense funding increases since the Ukraine-Russia conflict commenced in 2022, a trend reinforced by Russian incursions into NATO airspace, sharpening perceptions of regional risk. Despite ongoing tensions, growth has remained relatively stable, underpinned by rising defense spending, spearheaded by Poland and the Baltic states. Poland is the fastest-growing country in the region, with a growth of 3.5% expected in both 2025 and 2026; Bulgaria and Croatia are close behind, with 3% growth projected. By contrast, the outlook for Ukraine and Russia is far weaker, with Russia expected to grow only 1.4% in 2026. Economic opportunity is therefore highly localized around defense, while other sectors, especially in Ukraine, lag markedly in comparison.

Key Trends

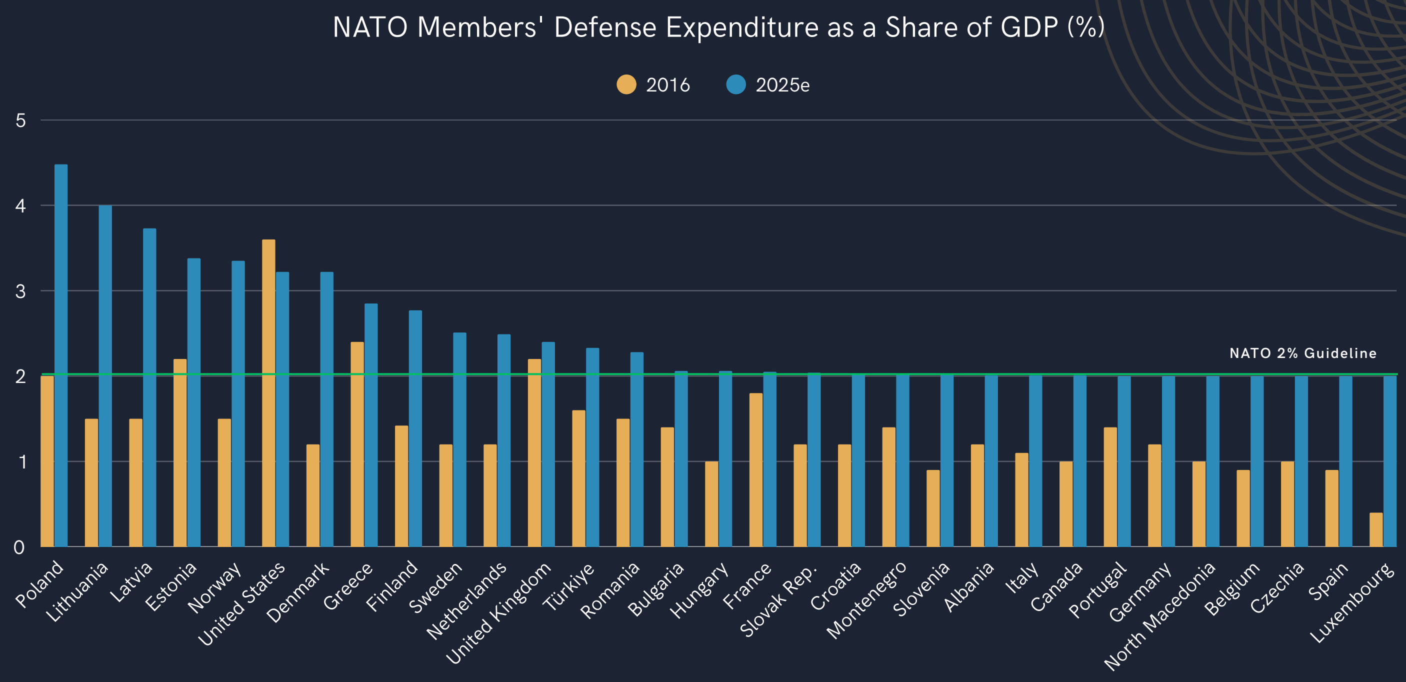
- **Ongoing conflict in Ukraine and potential proliferation:** Ukraine is approaching its fourth year of active conflict, and there is no concrete likelihood of an end. Ceasefire diplomacy has failed to gain lasting traction as Russia and Ukraine have rejected multiple peace deals that U.S. President Donald Trump attempted to broker.
  - Europe remains committed to supporting Ukraine militarily and financially, meaning the conflict will likely continue as long as Western allies sustain that support.
  - Russia has flown drones and fighter jets into NATO airspace above Poland and Romania, a provocation and a signal of potential future invasion targets. Continued aggression toward NATO member states could trigger NATO's Article 5, obliging other members to defend their allies, potentially escalating to a wider conflict between Russia and the West.

- **Defense investment reaches an all-time high:** Continued conflict has driven record investment in defense across the region, particularly in Poland, which has committed to spending 4.8% of GDP by 2026, and in the Baltic states, which have all pledged to reach the U.S.'s 5% of GDP target.
  - The EU announced its Multi-annual Financial Framework (MFF) over the summer, committing further investment in EU defense, alongside the European Defense Fund, designed to create new opportunities for sales and R&D in the defense sector, both within Europe and globally.
  - There is growing space for firms outside the EU to meet defense demand in Eastern Europe, especially in countries such as Poland, Romania, and the Baltic states that have access to EU funding.

- **High Budget Deficits:** Multiple countries in the region are struggling with high budget deficits, including Romania, Hungary, Poland, and Slovakia. High interest rates and EU fiscal policy are hampering growth in these countries. These pressures limit public spending on projects such as construction and infrastructure, reducing opportunities for domestic and foreign firms to secure government contracts.

- **The MFF and Cohesion funding:**
  - The EU's MFF will also centralize much of the bloc's economic policy and streamline different funds into larger overarching ones, including the controversial decision to combine cohesion funds and agricultural funds into one National and Regional Partnership Plans for each country, placing funds in the hands of national governments, rather than applying them regionally.

- Cohesion funds exist to help newer member states catch up economically with wealthier members of the bloc, affecting countries in Eastern Europe the most. Bulgaria, Croatia, the Czech Republic, and Slovenia have hence significantly opposed the changes in existing regimes.
- These countries believe the change will increase inequalities across the bloc, as some states may see their cohesion funding drop under the new approach, with money reallocated toward technology and innovation investment rather than the more traditional roles of the EU, such as supporting cohesion and agriculture.



Source: NATO Public Diplomacy Division Press Release

Regional Forecast: Opportunities are growing in Eastern Europe's defense industry as the risk of conflict drives funding and demand, opening parts of the market to suppliers beyond traditional Western European defense firms. While this creates a potential entry point for non-European companies, opportunities elsewhere are slightly constrained as defense spending draws resources away from other struggling sectors. New trade corridors and supply chains are expanding across the region to deliver defense systems and civilian goods to Ukraine, but much of this activity remains restricted to Western, particularly European firms. The market is still unstable and fragile due to ongoing conflict and recent Russian incursions into NATO airspace, raising the risk of escalation beyond Ukraine. While this heightens risk for civilian sectors, it is expected to bolster continued growth in defense even if tensions spread to countries such as Poland and Romania. Outside defense, high budget deficits in countries such as Hungary and Poland, combined with high borrowing and interest rates, may hamper growth, particularly in the public sector, creating knock-on effects for firms reliant on government contracts and weighing on construction and infrastructure. These pressures may be compounded by changes to cohesion funding under the MFF, which, alongside high deficits, could see parts of Eastern Europe fall further behind Western counterparts as resources are earmarked more for investment and technology than cohesion and agriculture. Nonetheless, the region remains broadly strong on the back of sustained domestic and foreign investment into defense and associated markets, with Ukraine-linked supply chains offering opportunities for firms positioned to capitalize on this funding.

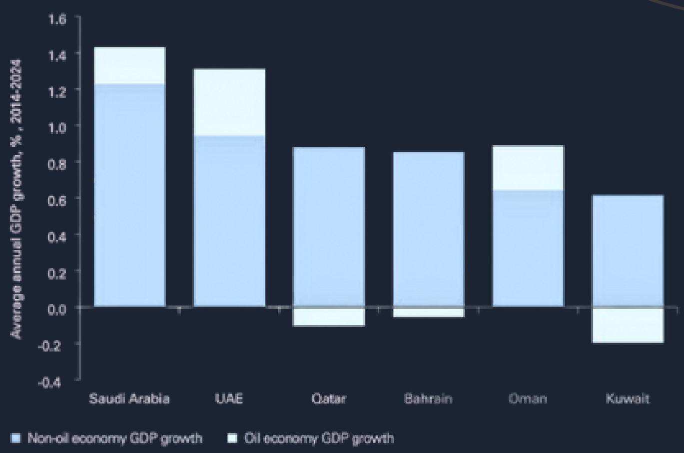
GCC

Strategic Overview: Q4 2025 saw the GCC continue its shift toward diversification, with trade, finance, manufacturing, and real estate driving growth on the back of robust domestic demand, higher employment, and rising investment, led by the UAE and Saudi Arabia. Oil-sector recovery is underway as OPEC+ cuts ease. However, oil revenues remain subdued, keeping fiscal deficits in view for most Gulf states, partially offset by structural reforms and stronger non-oil revenues. The bloc is also expanding its global economic footprint through new trade agreements with Europe, the UK, and Asia-Pacific partners, reinforcing the UAE's role as a gateway to the region. Sustained reform and diversification emerge as central aims this quarter, insulating GCC countries from oil price volatility and global uncertainty.

Key Trends

- **Diversification and Non-oil Growth:** Non-oil activity, including trade, finance, manufacturing, and real estate, remains the GCC's primary growth engine, supported by employment gains, consumption, and investment.
  - **UAE:** IMF forecasts a real GDP growth of 4.8% YoY for 2025, driven by the manufacturing, finance, transport and logistics, utilities and renewables, ICT, and infrastructure sectors, as well as increased trade via new CEPA agreements.
  - **Oman:** Non-oil exports grow by 11.2% YoY in the first 8 months of 2025. Its non-oil GDP has hovered around the 4% figure in 2024 and into 2025.

GCC GDP Growth, Oil and Non-oil Economies

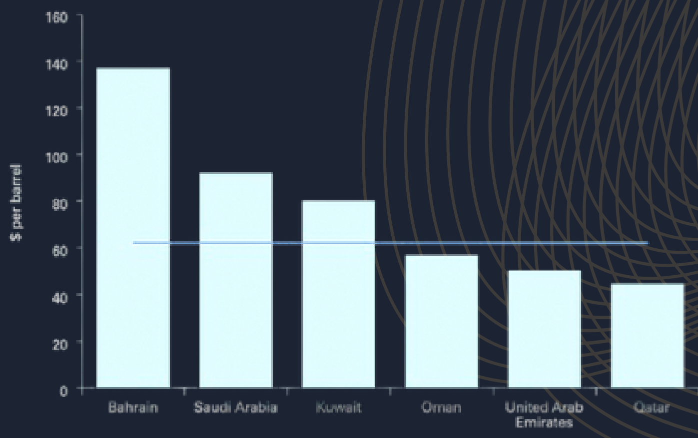


Source: KPMG

  - **Saudi Arabia:** The non-oil private sector saw a surge in PMI, hitting 60.2 in October 2025, a near 16-year high. It is driven by rising employment and output boosted by foreign investment and the Vision 2030 projects.
  - **Kuwait:** Non-oil GDP is projected to grow around 2.6% for 2025, driven by major infrastructure projects, increased private sector investment, and privatization efforts.
- **Foreign Cooperation:** The GCC is broadening trade and diplomatic ties beyond traditional Western partners, strengthening its positioning between Europe, Asia, and Africa. The EU and UAE launched negotiations for a Strategic Partnership Agreement (SPA), framed as the start of bilateral SPAs between the EU and each GCC member. UK-GCC FTA talks are nearing completion with expectations of a 16% boost in UK-GCC trade; and UAE CEPAs with Australia, Malaysia, and Chile entered into force this quarter, supporting non-oil trade and investment.

- **Oil-sector Recovery:** OPEC+'s 5.7% supply cuts introduced in 2022 have eased and the sector is in recovery with a longer-term rebound expected, including a predicted 6% expansion in 2026. Even so, weaker production and prices have constrained oil revenues. Fiscal breakevens are expected to fall in 2025-2026 as production rises, but remain above Brent. GCC states are therefore expected to experience a deficit of over 3% of GDP in the upcoming year. Market expectations still point to oil prices below the prior year, and below fiscal breakevens for Bahrain, Saudi Arabia, and Kuwait. Bahrain is the most exposed (as oil accounts for around 75% of its revenue) and Saudi Arabia faces the largest adjustment burden with a US$94 fiscal breakeven, partly mitigated by Vision 2030 reforms and non-oil revenues of SAR 119.1bn (Q3 2025; up 1% YoY).

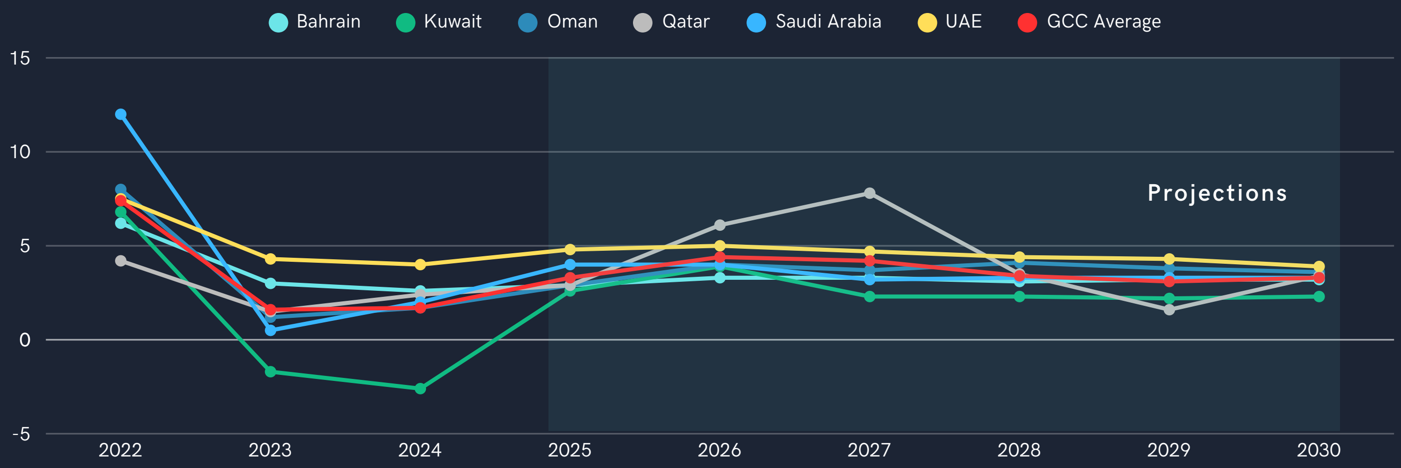
Breakeven Oil Price for GCC Economies



Source: KPMG

Regional Forecast: Near-term conditions remain supportive, including stronger labour markets and muted inflation, with the World Bank projecting GCC growth of 3.2% in 2025, rising to 4.5% in 2026 on oil recovery and continued non-oil reforms. Increased government spending is an upside, and IMF upgrades reinforce the positive momentum. Long-term, the bloc's expanding trade architecture is expected to deepen integration and investment access. GCC trade with China, India, and Japan is projected to grow by approximately 6% per year over the next decade, reaching US$578bn by 2030. While the GCC is expected to face minimal direct impact from global trade frictions, external shocks such as oil-price volatility, imported inflation, and elevated global uncertainty keep reform continuity and non-oil competitiveness as the core commercial differentiators into 2026.

Real GDP Growth (% YoY)



Source: IMF

CENTRAL ASIA

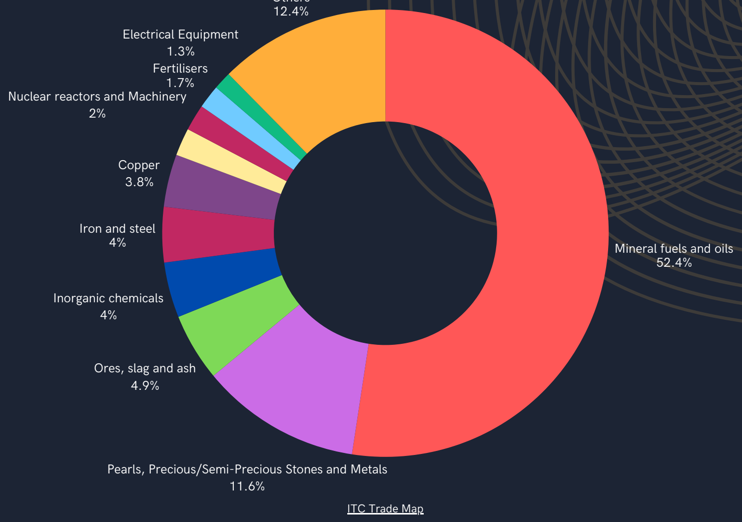
Strategic Overview: Central Asia remains one of the world's fastest-growing regions, powered by investment and commodity exports: Kazakhstan is projected to grow 5.9% in 2025, while several peers are running strong expansions, even as growth cools from post-pandemic highs. Overheating risk persists as Kazakhstan's inflation rises to approximately 13% in 2025, while Uzbekistan's hovers at 7-8%, creating a more complex operating environment for stakeholders exposed to FX and cost volatility. Current accounts are broadly supported by exports and remittance inflows, notably in Kyrgyzstan and Tajikistan. Fiscal positions diverge in the region as Kyrgyzstan and Tajikistan have contained debt prudently, while Kazakhstan has financed larger deficits via sovereign wealth. Upside is concentrated in energy, logistics, and minerals, while inflation, corridor exposure, and geopolitics remain key risks.

Key Trends

- **Economic Diversification and Structural Reform**
  - **Kazakhstan:** Structural reforms are being prioritized to reduce oil dependence. The IMF stresses tighter policy discipline, including limiting public spending and avoiding excessive easing to contain inflation. These efforts sit within Kazakhstan's "New Growth Model" (2050 strategy) and are reinforced by large infrastructure and transit-corridor buildouts, creating opportunities for EPC, logistics, and industrial services. Renewable energy emerges as a key sector, as Kazakhstan aims to generate 50% of its energy through alternative sources by 2050, including nuclear power.
  - **Uzbekistan:** Growth has surged to 7-8% in 2025, driven by investment and consumer demand. The IMF concluded its visit to Tashkent in November 2025, highlighting its broadly positive economic outlook with balanced risks. However, windfall-led spending could overheat the economy, making faster tax-base broadening and banking reforms a key priority.
  - **Kyrgyz Republic:** With growth near 9-11% in 2024, Kyrgyzstan is the region's fastest-expanding economy. Robust remittance inflows and strong public investment have driven this boom, but forecasts anticipate moderation to 6.8% in 2025. The country's fiscal balance is projected to swing from a surplus of 1.9% of GDP in 2024 to a deficit of 3.4% in 2025, due to large-scale infrastructure projects, such as the Kambarata-1 Hydroelectric Power Plant, estimated to cost around US$4 billion.

- **Trade and Foreign Partnerships:** In 2025, Central Asia deepened ties with global partners and pushed new connectivity projects.
  - **United States (C5+1):** In November 2025, all five CA presidents met President Trump in Washington, which was the first summit of its kind. The meeting built on earlier engagement (Trump's UNGA meetings, Biden-era business forums) and emphasized trade, investment, and critical minerals.
  - **Japan**: In December, Japan hosted the first "Central Asia + Japan" summit in Tokyo with all CA leaders. The resulting declaration pledged expanded cooperation on sustainable infrastructure, green economy, and digitalization. Japan has also stepped up development aid and ODA finance for renewable energy, water, and transport.
  - **China and BRI:** In June 2025, China signed a multilateral "Good-Neighbor" treaty with the five Central Asian states, formally anchoring BRI cooperation in a legal framework. The joint statement reaffirmed massive BRI projects: expanded railways, highways, digital corridors, and trade facilitation. China is already Central Asia's largest trading partner ($94.8 billion trade in 2024) and investor ($17 billion FDI stock in 2024). Notably, a new Middle Corridor rail link (China-Kyrgyzstan-Uzbekistan) broke ground in December 2024, aiming to cut transit time to Europe by half. These projects improve CA's access to markets beyond Russia, while raising debt and geopolitical dependence risks.

- **Commodities and Energy:**
    - **Hydrocarbons:** Kazakhstan's oil sector remains the region's economic anchor. Chevron-operated Tengiz field's production jumped by 11.6% YoY in H1 2025, supported by expansion. Turkmenistan's gas exports are critical to its economy, with China being the dominant buyer. This makes Turkmen export revenues and FX liquidity highly sensitive to Chinese demand and corridor continuity. Turkmenistan supplied approximately 34 bcm of gas to China in 2021, underscoring the scale of exposure to a single export market.



    - **Mining and Metals:** Kazakhstan is the world's top uranium producer (accounting for roughly 40% of global supply) and a leading zinc, copper, and coal exporter. Rising global metals prices buoy Kazakhstan's industrial growth. In gold, Kyrgyzstan (home to the Kumtor mine) and Tajikistan are significant producers; both have seen windfall revenue from high prices. On lithium and rare earths, Kazakhstan and Kyrgyzstan hold undeveloped reserves, with rising interest from foreign investors in exploration. Germany's HMS Bergbau AG has already invested US$8 million in exploring lithium reserves, pledging an additional US$500 million if reserves are confirmed.
    - **Nuclear and Renewables:** Uzbekistan is positioning itself as Central Asia's nuclear hub, signing a landmark agreement with Russia in September 2025 to build the region's first nuclear power plant. This project will diversify Uzbekistan's energy mix and cut gas use. While Tashkent views China as an alternative to Russia, this policy carries significant risks. Russia is economically weakened and faces sweeping Western sanctions, and in China's case, sustainable cooperation will be contingent on Uzbekistan's diplomatic relations with Beijing.

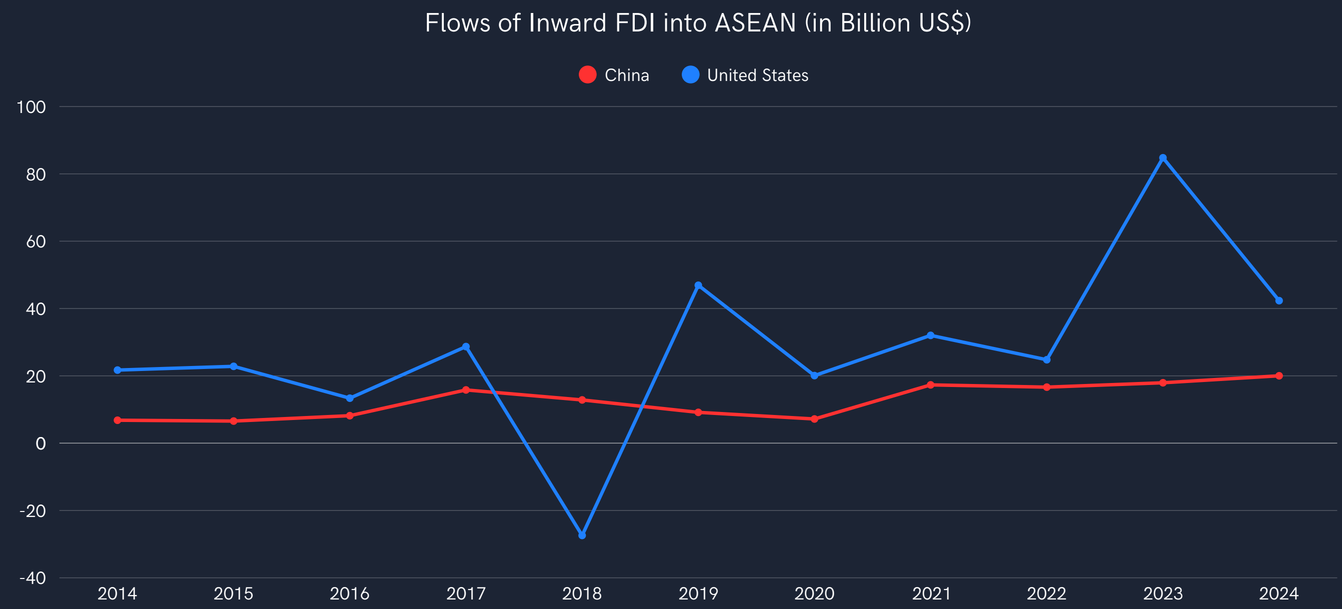
Regional Forecast: Growth remains strong but is expected to cool going into early 2026. The ADB sees a slowdown from the expected 5.5% rise in 2025 to 4.9% projected in 2026 as commodity tailwinds fade. Inflation should moderate but stay sticky, with the ADB expecting 7.7% in 2025 and 6.6% in 2026, keeping pricing, wage, and FX management central to strategy. Key risks include remittance volatility due to external factors, such as sanctions on Russia, and tighter global financial conditions. On the domestic front, Central Asian economies may overheat if fiscal discipline slips. Mitigation strategies will be fundamental to success in the region, including trade corridor diversification, sovereign-risk controls, and contracts indexed to inflation, FX, and logistics disruption.

SOUTHEAST ASIA

Strategic Overview: Southeast Asia entered Q4 2025 as a core geoeconomic hinge in the Indo-Pacific, shaped by intensifying great-power rivalry, supply-chain reconfiguration, and strategic resource concentration. Most states continue to hedge, balancing economic ties with China and the U.S. while leaning on ASEAN centrality, to preserve trade access, investment inflows, and policy autonomy. Growth remains supported by resilient private demand and ongoing public investment, but downside risks are increasingly driven by tariff uncertainty, trade fragmentation, maritime insecurity, and climate/disaster exposure.

Key Trends

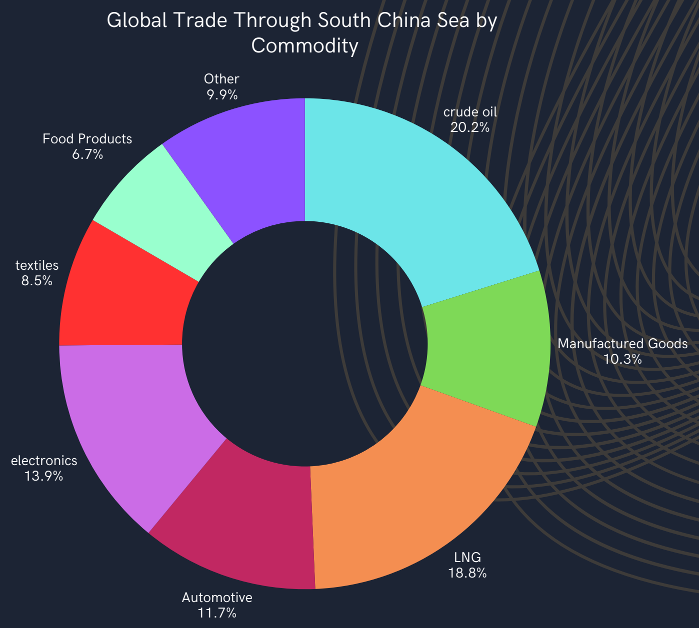
- **U.S.-China Tech and Trade Rivalry:**
  - U.S. technology restrictions and trade pressure are reshaping regional supply chains, lifting high-tech investment momentum in economies such as Vietnam and Malaysia.
  - Leading U.S. investors view Vietnam as a strategic market, holding 1,496 valid investment projects and total registered capital exceeding US$12.31 billion by the end of September 2025.
  - China is countering proliferating American influence through large-scale investment and infrastructure financing, pushing some states closer to U.S. security alignment, such as the Philippines. However, the general foreign policy trend suggests careful balancing between economic ties with China and security relations with the U.S.



Source: ASEAN Stats

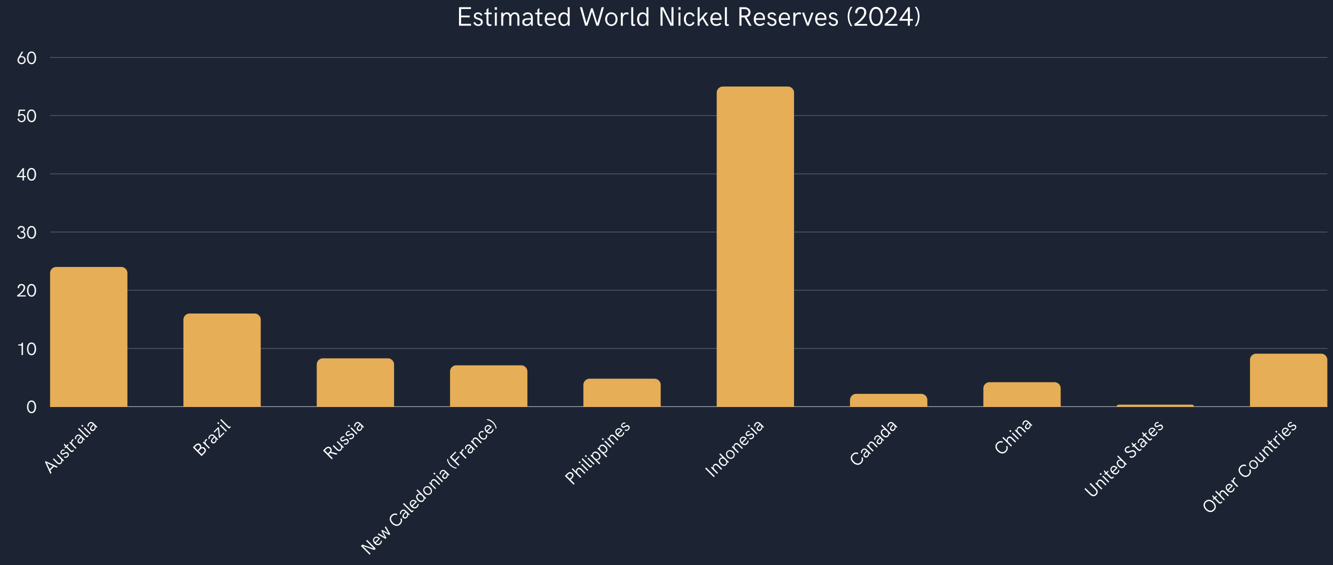
- **Cambodia-Thailand Conflict:**
  - Border frictions have imposed immediate economic costs, halting Cambodia's US$5 billion border trade with Thailand. The crisis has triggered a severe labour shortage in Thailand due to the exodus of 780,000 Cambodian workers and caused a catastrophic collapse in the border tourism sector.
  - For Cambodia, this represents the loss of over US$3 billion in annual worker remittances, a critical source of income for household economies. External involvement, in the form of President Trump's "tariff diplomacy", has reinforced American geoeconomic leverage in the region.
  - The U.S. is threatening an initial 36% tariff on Thai and Cambodian exports to push for a ceasefire, while China maneuvers to preserve and extend its influence.

- **South China Sea Dispute and Chinese Militarization:**
    - Continued militarization of disputed features is raising strategic and commercial risk across maritime corridors that carry a substantial share of global trade and energy flows.
    - The Strait of Malacca remains the core chokepoint, with nearly 80% of China's crude-oil imports passing through it.
    - The "Malacca Dilemma" highlights the risk of disruption to energy flows and supply chains.
    - With limited progress through ASEAN-led diplomacy, recurring incidents are translating into higher insurance costs, greater strategic uncertainty, and pressure for higher defense spending across the region.



Source: Atlas Institute for International Affairs

- **Critical Minerals Concentration:** China's control of the vast majority of rare-earth element refining continues to be a strategic chokepoint in global mineral supply chains essential for magnets in EVs and wind turbines. Similarly, nickel production is significantly concentrated in Indonesia, with the country holding nearly 55m metric tons of reserves. However, Chinese firms control approximately 75-80% of Indonesian nickel processing capacity, despite Jakarta's resource nationalism.



Source: World Nickel Factbook

Regional Forecast: Moving into 2026, Southeast Asia's opportunity set remains strongest where geopolitical incentives and industrial policy align, such as high-tech manufacturing, defense-adjacent demand, and critical-minerals processing. Yet, the region's risk premium is rising. We expect continued hedging rather than bloc alignment between ASEAN members. Mitigation strategies include pricing tariff volatility into contracts, building redundancy around maritime chokepoints, and diversifying critical-mineral exposure across suppliers and processing jurisdictions while tracking localized political shocks that can quickly spill into labour, trade, and FX-sensitive cashflows.

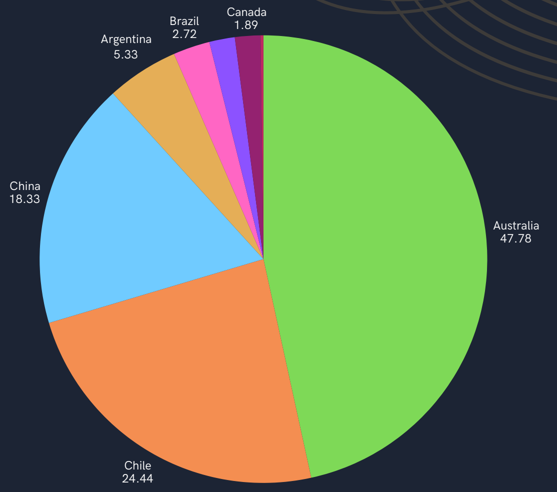
OCEANIA

Strategic Overview: Economic statecraft, infrastructure finance, and supply-chain positioning are key drivers of regional outcomes in Oceania this quarter. Growth remains uneven and highly localized, with opportunity concentrated in critical minerals, defense-adjacent supply chains, and Pacific island infrastructure. Australia and New Zealand are expected to have an increase in private domestic demand in 2026 as monetary policy continues to ease. In Australia, the IMF projects 1.8% real GDP growth in 2025 after moderate numbers in 2024, while New Zealand's recovery remains more gradual, with 0.8% growth this year. The region's commercial edge will be defined by secure input access to raw materials, policy-backed infrastructure development, and resilient corridors.

Key Trends

- **Critical Minerals:** Australia is fundamental to global critical mineral supply chains, remaining a top producer for several key raw materials in 2025. It accounted for 46% of global lithium production in 2024, making it strategically important for stakeholders looking to diversify their minerals procurement. In 2023, it was a major supplier of cobalt (2%), manganese ore (9%), rare earths (8%), rutile (35%), tantalum (6%), and zircon (24%). Australia is institutionalizing its geostrategic advantage by creating a Critical Minerals Strategic Reserve, with an investment of US$763 million. Expected to be operational in the second half of 2026, the initiative will act as an economic instrument to secure supply of critical minerals for domestic and international buyers through national offtake agreements.

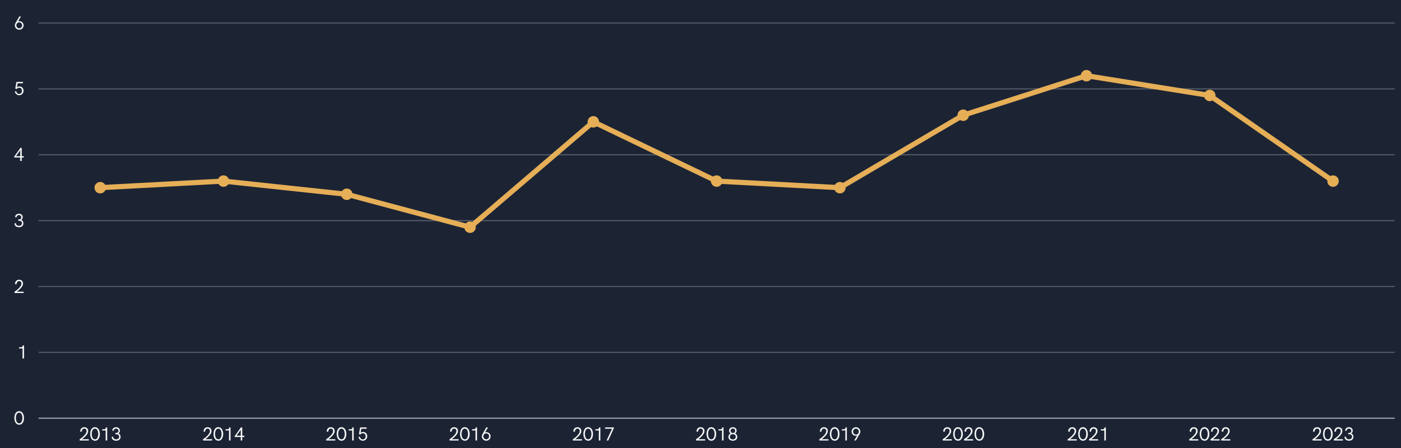
Global Share of Lithium Production by Country (2024)



Source: Sprott

- **Pacific Financing and Infrastructure:** Small Island Developing States (SIDS) in the Pacific are significantly reliant on Official Development Finance (ODF) for infrastructure development and growth. However, ODF inflows into Pacific island countries fell to US$3.6bn in 2023 (a 16% contraction YoY), driven mainly by a sharp fall in lending. Infrastructure projects in the region rely on concessional lending for bankability, particularly in sectors such as energy, ports, and communications. The reduced inflows are likely to precipitate project delays, funding gaps, and higher financial risks for stakeholders operating in the region.

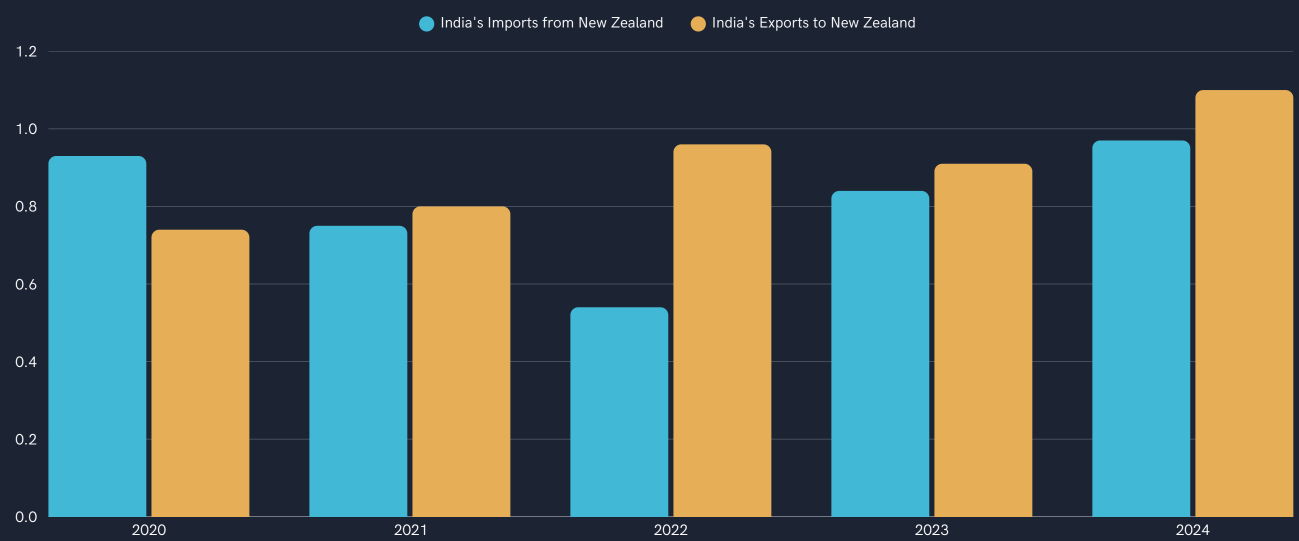
Total Committed ODF to Pacific Island States (USD Billion)



Source: Lowy Institute

- **PACER Plus:** The PACER Plus FTA continues to bind Oceania as a homogenous trading bloc, enabling small island exporters to leverage Australia and New Zealand's larger markets. The agreement now covers 10 Parties (Australia, New Zealand, Samoa, Tuvalu, Kiribati, Tonga, Solomon Islands, Niue, Vanuatu, and Cook Islands), providing a clearer rules-based trade corridor to regional operators. PACER Plus convened its 2025 Ministerial Meeting in Honiara, Solomon Islands, in November and agreed on a new five-year support package. Ministers endorsed the 2025-2030 strategic priorities for the next Development and Economic Cooperation (DEC) cycle, centered on legislation and policy reform, public sector capacity building, private sector development, and automation and data systems. Tonga will chair the next PACER Plus Joint Committee and Ministerial Meeting in 2026.

- **India-New Zealand FTA:** India and New Zealand signed a comprehensive FTA in December 2025, extending the region's rules-based trade trend beyond Oceania. The FTA precipitates tariff reductions and/or elimination on 95% of New Zealand exports to India, and provides duty-free access for Indian goods into New Zealand. While current trade volumes stand at US$1.3 billion in 2024-25, the FTA aims to double trade between the two countries in the next 5 years.



Source: India Tracker

Regional Forecast: Oceania enters 2026 with moderate growth but rising geoeconomic importance, where returns are driven more by resource security and trade architecture than domestic demand. Australia and New Zealand anchor stability, with upside concentrated in critical minerals, driven by Australia's Critical Minerals Strategic Reserve. Offtake-led deal flow and policy-backed capex are likely to rejuvenate investor interest, providing an institutional framework for resource governance. Pacific SIDS remain high-opportunity/high-risk, given the 16% YoY contraction in ODF, increasing the probability of funding gaps and delays in energy, ports, and connectivity projects. However, trade corridors are strengthening, as PACER Plus enters a new implementation phase after the November 2025 Ministerial Meeting, and the India-New Zealand FTA provides a platform to expand bilateral trade. Commercial discipline will be the key to success going into 2026, as emphasis should be placed on mitigating FX risk, compliance-ready origin documentation, and stress tests for commodity price volatility.

OUTLOOK AND FINDINGS

Our analysis confirms geopolitics as a core operating variable in various economic contexts across Q4 2025, directly shaping pricing power, supply-chain continuity, market access, and the cost of capital. The dispersion of outcomes is widening: policy shocks including tariffs, export controls, industrial policy, and corridor disruption are increasingly decisive, while stakeholders with structured resilience consistently outperform. 2026 will likely feature higher shock frequency, more episodic escalation around chokepoints, tighter enforcement of trade and origin rules, and selective de-risking of critical inputs. This baseline presents challenges significantly different from a "one big geopolitical event" baseline. Mitigation strategies must therefore translate scenario planning into operating design, ensuring procurement, treasury, and logistics are robust under volatility rather than optimized for a single steady-state.

Key Findings

- **Fragmentation is durable**: Tariffs, export controls, and industrial policy shifts are no longer episodic shocks, but are likely going to remain recurring constraints.

- **Corridors have emerged as a cost line:** We expect higher insurance premia, longer lead times, and more frequent rerouting due to unlikely or 'under the radar' disruptions. Proactive strategists will build buffer capacity deliberately, while creating redundancies to mitigate downsides.

- **Critical minerals remain policy-priced:** Concentration in refining and processing of critical raw materials and rare earths keeps supply security a competitive advantage. Diversification across value chains, especially in processing, will limit risk exposure.

- **FX and refinancing risks are in focus:** Sovereign liquidity constraints in an era of skyrocketing government debts and managed depreciation regimes require tighter treasury discipline and repatriation planning. Sovereign risk mitigation should be a key priority for global investors, particularly in emerging markets including Africa and Latin America.

- **Opportunity is selective but significant:** Upside clusters around policy-backed capex in strategic sectors, such as defense, energy transition, logistics, and high-trust supply chains. Identifying government-backed investment channels and incentive programs will yield dividends in the medium to long term.

OUR TEAM

ISHAN JASUJA - DIRECTOR

Ishan Jasuja holds a Master’s in International Political Economy from King’s College London. His experiences span financial services, strategic advisory, and diplomacy, equipping him to navigate complex global business challenges with clarity.

NIAMH ALLEN - GCC ANALYST

Niamh Allen holds an MA in Social Policy and Public Administration. With experience spanning geopolitical monitoring and policy research, she provides decision-grade analysis on the GCC and the global political and economic outlook.

NUREIN AKINDELE - LATAM ANALYST

Nurein Akindele brings nearly a decade of experience in development, sustainability, and nation-building, contributing Latin America-focused geoeconomic analysis that translates political risk into commercial implications.

LILIYA ANISIMOVA- CENTRAL ASIA ANALYST

Liliya Anisimova is an LSE and King’s College London alumna with a focus on legal frameworks, economics, and global power dynamics, strengthening the GSU’s strategic assessments of market and policy risk.

LAUREN MASON- EASTERN EUROPE ANALYST

Lauren Mason holds a Master’s in War Studies from King’s College London. She specializes in European security and geoeconomic risk, informing regional analysis with a focus on policy impacts and business exposure.

SREEMAYUKHA NYAYAPATHI- SOUTH ASIA ANALYST

Sreemayukha Nyayapathi holds a Master’s in International Relations from the University of Glasgow. She specializes in South Asian geopolitics and India’s evolving global role, supporting regionally grounded political-economy analysis.

BHUVANYA RANJAN- SOUTHEAST ASIA ANALYST

Bhuvanya Ranjan holds an MSc in Politics and International Relations from SOAS, University of London. She specializes in conflict, rights, and justice, contributing insights on South Asia, Oceania, and broader political-risk coverage.

SHUBHANGI SHARMA- EDITOR

Shubhangi is an undergraduate pursuing International Relations and Economics at Ashoka University, India. Her academic and practical experience spans policy research and market analysis, equipping her to translate complex ideas into clear, insight-driven narratives.

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GEOECONOMIC STRATEGY UNIT

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Geoecon.Solutions
geoecon@16thcouncil.uk