

# Election spotlight turns to Europe and Canada in 2025

By Andrew Hammond

THIS year may have been the biggest 12 months for elections in living memory with billions of people going to the polls. However, 2025 will also be a corker too, with ballots shaping economic and politics into the 2030s, especially several pivotal ones in the G7.

Little wonder that markets are already looking ahead to these eye-catching events. Perhaps the key question is whether, in the G7 and beyond, 2025 will be another year in which incumbents face the wrath of the electorate. The balance of evidence indicates that this may be "yes".

Regardless of time and place, voters tended to disrupt the status quo in the last 12 months, including in the United States and the United Kingdom, which saw the challenger Republican and Labour parties, respectively, win power. Meanwhile, established parties in Japan, plus also India and South Africa in the Brics club, saw their electoral mandates slashed.

While each country has its own uniqueness, there were a number of common factors in what has become one of the biggest ever anti-incumbent backlashes. These issues include significant economic and political insecurity brought about by the pandemic, inflation, and – in Europe – the largest conflict in the continent since the Second World War.

In 2025, elections will be held across time zones and geographies, including Belarus in January; Ecuador in February; Aus-

tralia at dates to be confirmed before September; Gabon and Bolivia in August; Argentina and Tanzania in October; and Honduras in November. Yet the most systemically important ones may be in the G7 nations of Germany in February; Canada's which will come before November; and, in all likelihood, a ballot in France as soon as summer.

All these G7 events may be big "change" elections. On Feb 23, Germany faces a ballot likely to sweep Chancellor Olaf Scholz from the nation's top job.

## Tough times in Germany

Even before the Dec 20 Christmas market atrocity, Germany had been facing a potentially era-defining election in the new year. Yet, the attack has darkened the political mood further.

To be sure, Germany has faced tough times before. However, the country is today facing what may be the broadest range of economic and political stress in the post-Cold War era – at the same time that neighbouring France is facing major uncertainty too.

The challenges for Germany only grew with the Christmas market attack in Magdeburg. While the exact motives of the Saudi-born doctor who perpetrated the evil act may not be certain for some time, it is already clear the chilling incident has raised the profile of immigration and security in the campaign.

The chief political beneficiary may prove to be the far-right Alternative for

Deutschland (AfD), the party that Tesla CEO Elon Musk declared recently is the only one which "can save Germany". The AfD campaigns heavily on immigration, an issue which has grown significantly in prominence in Germany in recent years.

The AfD, currently second in national polls, is the first far-right group to have Bundestag seats for some six decades. Moreover, it became earlier this year the first such party to win any statewide ballot, in Thuringia, since the Nazi era.

The AfD's political star is therefore rising, even though it will probably not be part of the next German government. This is because other key parties have said, at least to date, they will not form any coalition with it.

The AfD's growing success underlines the fracturing of the nation's polity. This has seen the breaking down of the traditional duopoly of power of Scholz's left-of-centre Social Democratic Party and the right-of-centre Christian Democratic Union (CDU)/Christian Social Union (CSU), formerly led by Angela Merkel, which have been the twin pillars of German politics since 1945.

Yet, while there is clear desire for political change, the timing of February's election may prove suboptimal for the German national interest.

While it looks likely that the CDU/CSU bloc – led by former corporate lawyer Friedrich Merz – will win the most votes, it will probably need one or two coalition partners.

This may mean it could take months before any final coalition deal is agreed, perhaps not till summer 2025. And in the process, the party's reform programme will be diluted.

Germany could therefore have a weak caretaker government led by Scholz for months after Feb 23. And this at the same time that it faces key international challenges from the future of the Ukraine war to responding to potential economic tariffs from Donald Trump's second administration.

In France, meanwhile, there is a growing possibility of new legislative elections as soon as the summer. On Dec 23, the fourth prime minister to take office in 2024, Francois Bayrou, officially announced a new government, amid growing questions about whether President Emmanuel Macron will see out his final term of office to 2027.

## A failed gamble

The primary cause of France's 2024 turmoil stems from Macron's huge, failed gamble in June when he dissolved parliament much earlier than needed. He calculated that voters would back his centrist coalition.

However, last summer's vote saw the lower chamber fragment three ways between the leftist New Popular Front coalition, centrists and the populist right of National Rally. There is still no clear-cut pathway out of this polarised political landscape, so it is possible that Bayrou's prime

ministership may not last until the summer, which is the earliest that Macron can call a fresh ballot.

Canada is also likely to see political change in 2025 after around a decade of the Liberal Party prime ministership of Justin Trudeau, a longstanding centrist ally of Macron. Indeed, there is a growing possibility that Trudeau may be forced to resign as prime minister, prior to the 2025 ballot, amid a potential confidence vote in the legislature in January. This follows the recent resignation of finance minister Chrystia Freeland, previously a long-standing ally of Trudeau.

With elections required before November because of Canada's electoral rules, one recent Ipsos poll put the Liberals under Trudeau's leadership over 20 percentage points behind the Conservatives. So even if Liberals change leader before the ballot, there is a significant chance that Conservative leader Pierre Poilievre will become the next prime minister.

Amid the political and economic uncertainty that 2025 will bring, the outcome of these high profile ballots in key G7 nations is still not yet 100 per cent clear-cut, despite the anti-incumbency backlash. However, whatever their precise outcome, what is certain is that the elections will not just shape domestic politics and international relations, but also the wider global landscape, in the decade ahead.

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# Thriving amid a disrupted global order

Businesses need to build geopolitical muscles to navigate shifting world order. BY KOK PING SOON

THE year 2024 was heralded as the Ultimate Election Year, where voters in more than 60 countries, accounting for half the world's population, went to the polls. The world has since voted and it is "politics not as usual".

With rising costs and an increased sense of insecurity over their livelihood and identity, it was in many cases a challenging election for the incumbents who had to deal with frustrated voters desiring for a change in the status quo.

Donald Trump's victory in the US election epitomises the increasing appeal of right-wing populism. We are entering a period with America-first as the dominant theme. If "Trump 1.0" serves as a guide, further hikes in tariffs and a tightening in immigration will be inevitable.

The world trading system will shift from a rules-based to a power-based system where stronger economies will dictate trade terms and influence based on their relative might with less regard for established rules. It will shift from a commitment to multilateralism for common prosperity and collective action to deal with global challenges, to one where bilateralism will dominate based more narrowly on individual state interests.

This has direct implications on businesses.

In the past, geopolitical conditions tend to take a back seat to macroeconomic and operational concerns in businesses' decision-making. Now, it is becoming the biggest risk to not just economic growth but business survival.

In our recent National Business Survey (NBS), geopolitical tensions emerged as the second-most cited challenge, behind uncertainty of demand, for companies looking to scale their business internationally.

For a country like Singapore, with trade accounting for three times our gross domestic product, where 70 per cent of our businesses have an overseas presence that accounts for over 40 per cent of their revenue, this presents a clear and present challenge that our businesses need to overcome.

## Geopolitics as a business priority

First, businesses must adapt through risk mitigation. They need to assess whether their products or operations are geopolitically sensitive and how this sensitivity differs by region. They will need to consider supplier diversification, or localising supply chains.

The good news is that our businesses are now more adept at dealing with supply chain disruptions due to the Covid pandemic, as well as regional conflicts and trade wars initiated under "Trump 1.0". From our NBS findings, the impact of supply chain disruption to our businesses has continued to trend down from the peak of 46 per cent in June 2022 to 22 per cent in November 2024. About 55 per cent of businesses have taken steps to diversify suppliers and markets arising from such disruptions.

Second, even as they improve their resilience to shocks, businesses should focus on opportunities to seize. They should consider tailoring their growth strategies,



US companies are reported to be stepping up engaging lawyers and accountants to prepare for tariffs, export controls and trade wars under "Trump 2.0". PHOTO: REUTERS

core business operations and organisational capabilities with an eye towards thriving and not just surviving.

For example, businesses must think strategically about how changing tariffs and taxes affect their competitiveness. They should proactively leverage industrial policy incentives that might present growth potential for their business.

The trade war between US and China, which started in 2018, and the subsequent series of industrial policies by US, India and the European Union have created many such opportunities.

The good news is that the shifting trade flows are favourable within Asia as protec-

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tionism drives greater regional integration. Increased China-West differences with higher tariffs will catalyse further shifting of global supply chains, fuelling the substantial growth of Asean-China trade.

Trade growth in the Association of Southeast Asian Nations will increase, arising from gains in such supply chain shifts and good trade connectivity with corridors such as Asean-Japan and Korea. India is al-

so set to play a much larger role in global trade, leveraging on its role as a "China+1" destination for manufacturing.

Agreements such as Asean and the Regional Comprehensive Economic Partnership offer a blueprint for investment and trade expansion, with a focus on investing in the "neighbourhood".

Singapore-based businesses can align their businesses with trade flows into these new corridors by leveraging the multitude of free trade agreements (FTAs) that Singapore has with over 65 trading partners.

## Building capabilities in international trade and investment

To adapt and thrive, businesses need to invest in building up or have access to geopolitical and international trade capabilities that can help them navigate industrial policies, tariff exemptions and product classifications that can make the difference between market access and market denial.

They need to understand the impact of import/export controls and how domestic environmental, labour and even immigration policies affect their operations while finding opportunities in domestic industrial policies.

It is one thing for a business executive to be informed about the potential upsides and downsides of geopolitics, which makes for interesting dinner conversations. It's another thing entirely for businesses to have the capabilities required to respond to them – including corporate strategies that take geopolitics into account and operational capabilities that are attuned to geopolitical realities.

US companies are reported to be stepping up engaging lawyers and accountants to prepare for tariffs, export controls and trade wars under "Trump 2.0". International trade policy, once a dry topic involving

just government officials operating in legalese, is now sexy again as implications to businesses become more real.

The proposed Centre for the Future of Trade and Investment (CFOTI), announced by the Singapore Business Federation in July as a public-private initiative, is an attempt to fill this gap for Singapore businesses.

With a qualified pool of in-house and industry trade and investment specialists, CFOTI will provide advisories and conduct workshops to help businesses navigate complex trade and investment-related regulations and policies including FTAs, and recommend measures to gain market access and identify opportunities for growth overseas.

Several key advisories were given this

year, helping companies such as SGProtein, a plant-based meat manufacturer, gain access to the Korean market through the Asean-Korea FTA and Korea-Singapore FTA.

CFOTI will also be developing a competency framework to support the professional development of a cadre of trade and investment practitioners skilled not just in the functional areas of customs and trade facilitation, but in trade digitalisation, sustainability in trade and trade financing whom businesses can hire in-house or have access to within our ecosystem.

It will also be a platform for businesses to be plugged into multilateral/plurilateral organisations – such as the World Trade Organization, Asia-Pacific Economic Cooperation, Asean and B20 – to stay informed of geopolitical developments, influence the path where possible, and ultimately find a path and place for themselves amid the changing operating landscape.

## We can't direct the wind, but we can adjust the sails

In a fragmented world, collaboration and adaptability are the keys to resilience. By leveraging FTAs and preparing for the evolving trade landscape, businesses can position themselves not just to survive, but to lead in the markets of tomorrow.

While businesses cannot direct the winds of trade and investment flows, with the right capabilities they can adjust their sails.

Organisations need the right capabilities, but above all, the fortitude to seize opportunities amid volatility, complexity and uncertainty.

A proactive approach to geopolitics and its impact on trade and investment flows is a major undertaking for any businesses, but it is essential, and those that succeed in this volatile, uncertain and complex environment will emerge as the market leaders of tomorrow.

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