



Asia

| Regional Assessment |

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Introduction

China has been the premier emerging market for decades, playing a key role as a commodities consumer for poorer export-dependent nations while also producing cheap and reliable products for Western consumers. However, companies are increasingly being asked to make business decisions based on geopolitical concerns rather than market dynamics. Many companies have concluded that this means finding expensive alternative supply chains that do not include China. Companies remaining in China will face added regulatory hurdles, while those dependent on Chinese purchases will likely see reduced sales. Even those with no obvious trading relationship will be impacted by China going through a multifaceted economic crisis, which is affecting all of its business relationships.

Fortunately, many of China's neighbors possess similar manufacturing expertise and much better relationships with the West. Key among them are emerging manufacturing hubs led by Indonesia, Vietnam, and Malaysia. However, improved relations with India are likely the crown jewel for any country looking to develop new markets. India's young, well-educated population, several advanced industries, and ambitious leadership make it a growing consumer base that many producers are looking to tap into. However, India has a number of relatively unexplored weaknesses led by security and religious differences with its large neighbors, including China and Pakistan. In the coming years, investors may find they are experiencing some of the same geopolitical issues in India that they did in China. India's inability to provide enough jobs for its young population, even under the most optimistic economic scenarios, will also be a key trigger for social unrest going forward.

For even obvious Western allies like Australia and New Zealand, the geopolitical challenge will be managing interactions with their largest trading partner, China, and the United States, which they rely on to project security. This extends to cybersecurity, where the presence of a growing number of large corporations will entice threat actors. In the last year, Australia has shown the region is ill prepared to handle the onslaught of cybercrime. Starting in the fall of 2022, Australia experienced a slew of cyberattacks across industry verticals. Any new industries moving to the region should ensure they invest in adequate cyber protections alongside their other business investments.

Key Threats



Indonesia is a tempting yet difficult operating environment for mineral producers.



Asia's economic growth has not been accompanied by increased cyber protections.



Western businesses in China will likely see an increase in arbitrary arrests and retaliatory trade measures.



China's multifaceted economic crisis is triggered by its bloated property sector and poor leadership.



Cyberattacks aimed at stealing trade secrets are likely to increase.



India's population is growing faster than employment opportunities.

Key Findings

- Western firms' operations in China are under threat from deteriorating U.S.-China relations and an unclear regulatory environment.
- India has emerged as the key alternative market to China.
- China's period of rapid economic growth is over, while India's is beginning.
- Smaller southeast Asian markets are the most appealing alternative manufacturing hubs to China.
- Indonesia possesses many of the minerals needed in the energy transition.
- China's sluggish economic growth risks spreading across the global economy.
- India, Pakistan, and Bangladesh all face tense elections in early 2024.



Operating Environment in China

Economic Problems

The slowing Chinese economy is arguably the biggest single concern for operations in Asia. China's economy functions as a key consumer market for commodities-producing nations like Brazil and Australia, whose economies will suffer from reduced demand from China. On the other hand, China is a key producing country, and the United States and Western Europe will likely suffer supply shortages and worsening inflation if production diminishes in China. Financial services companies are also dependent on a healthy Chinese economy, as they have significant operations in China.

Debt

During its period of growth, China invested heavily in infrastructure-building nationwide. While this investment helped raise living standards, particularly in small and mid-sized cities, China became dependent on this spending to maintain local economies—even when there was no need for the investment. These local governments now have large, unpayable mountains of debt. China could prioritize re-paying the debt but would need to revert resources away from other things like developing its tech sector, boosting manufacturing, or providing stimulus to help consumers purchase more.

Local debt will ultimately see more small and medium-sized Chinese cities go into administration, which means the central government will step in and mandate spending cuts in areas like healthcare, education, and utility services. This will then impact the larger cities, which will have to divert tax revenue to rescue the smaller cities, thus reducing their growth prospects as well. All of this also increases the risk of social unrest.

China is a major consumer of goods produced by its neighbors like Thailand and Vietnam, whose own economies will suffer. China is also among the leading commodity consumers globally; countries like Chile and Brazil, which rely on Chinese demand for copper, soybeans, and meat, will also be impacted.^[1]

Property Sector

A slump in the Chinese property sector is also tied to the debt issue. Much of the debt taken on was to create and buttress the property sector.^[2] However, that created a bloated property sector, whereby home values were kept artificially high despite there being copious amounts of properties—particularly in the poorer parts of the country.

China cannot let the property sector collapse or prices drop significantly because it would diminish the life savings of millions of Chinese people,^[3] but the stimulus required to save it would also take trillions away from other parts of the economy that need it.

Trade

China is a well-known trading economy. However, its zero-COVID-19 policy limited its factories' ability to operate and its consumers ability to purchase. Alongside this, other global economies saw consumers outside of China purchasing fewer Chinese-made products. Chinese exports in July 2023 were down 14.5 percent compared to a year earlier, after rising 17 percent in July 2022 over the prior year.^[4]

Europe and China's neighbors also have sluggish spending; this is causing significant harm to the Chinese economy, which is very reliant on exports. However, part of the blame does sit with the government, which has antagonized relations with the United States and led to a sharp drop in U.S. demand.

Growth and Unemployment

All of these negative economic indicators contribute to slowing Chinese growth. In the second quarter of 2023, China's economy only grew by 0.8 percent, a sharp slowdown from 2.2 percent in the first quarter.^[5] China may now struggle to meet its goal of 5 percent annual growth in 2023, which was already a reduced number. China averaged 9 percent growth between 2000 and 2019,^[6] so to drop by half in such a short period of time is notable.

Low growth is impacting China's employment figures negatively. China stopped publishing youth unemployment data in May 2023 after records showed it reached a high of above 20 percent;^[7] the lack of data likely means the youth unemployment picture is much more bleak. This is problematic because previous younger generations in China had jobs in growing sectors like manufacturing and construction, which are no longer viable. Also, increased youth unemployment increases the risk of social unrest, and there is evidence that young people are protesting job cuts and reduced factory hours. To alleviate the unemployment crisis, China will need to invest in attracting high-paying and highly-skilled jobs, which it lacks the funds to do at the moment.

Other Opportunities

The lack of output from China does present opportunities for other manufacturing hubs—particularly in Southeast Asia, such as Vietnam, Philippines, Thailand, Malaysia, and Indonesia. While these countries possess some of the same manufacturing skills yet offer significantly lower wages than China, they will require investments to serve as an effective alternative supply chain to China. Investments in skilled labor and in infrastructure like roads and energy networks are likely needed. China is also a key market for these nations, and they likely have more serious concerns about angering China than the United States does. Companies that move investments from China to its neighbors could be subjected to boycotts or espionage attempts to steal trade secrets. Companies with significant revenues from the Chinese market are the most vulnerable to a boycott campaign—especially if China has its own domestic alternatives. China may push a campaign of corporate nationalism to encourage Chinese consumers to buy Chinese-made products over foreign ones.

Assessment:

- China's sluggish economy risks spreading globally. Key commodities producers like Brazil, Chile, and Australia that rely on Chinese consumption are most at risk, especially since there is not a large alternative market that could assume China's purchases.
- Nations reliant on imports from China will likely have to deal with inflation and the growing pains that come from creating new producer markets. However, in the long run, there could be a diversity of supply chains that comes from having several smaller producers instead of one large one.
- Companies that move operations from China are at risk of a consumer boycott, especially if China has its own domestic competitors.
- Cyberattacks aimed at stealing trade secrets or disrupting operations are likely.

FOOTNOTES

[1] <https://www.cfr.org/backgrounder/china-influence-latin-america-argentina-brazil-venezuela-security-energy-bri>
 [2] <https://www.nytimes.com/2023/03/28/business/china-local-finances-debt.html>
 [3] <https://www.thebanker.com/China-s-economy-faces-local-debt-and-real-estate-woes-1688024393>
 [4] <https://www.china-briefing.com/news/chinas-july-2023-economic-data/>

[5] <https://www.pwccn.com/en/research-and-insights/china-economic-quarterly-q2-2023.html>
 [6] <https://www.macrotrends.net/countries/CHN/china/gdp-growth-rate>
 [7] <https://www.cfr.org/blog/root-chinas-growing-youth-unemployment-crisis>



China Foreign Relations Law and Anti-Espionage Act

China has advanced two legal provisions that threaten foreign business activity in 2023: updates to the Anti-Espionage Act of 2014 in April[8] and the Foreign Relations Law in July[9]. The legal provisions potentially reduce the profitability of operating in China, where access to data can now be considered espionage. The provisions also reduce the safety of staff operating in the country, as they could be subject to arrest for previously-allowed business practices.

On April 26, 2023, China announced a broadening of the 2014 anti-espionage act due to go into effect on July 1, 2023.[10] Additions to the 2014 act—a vaguely-worded accord that guards against foreign interference in China—expanded the list of violations that could see foreigners arrested and cut off access to key databases that foreign companies use to navigate the notoriously opaque business environment in China.

The new provisions present obvious security risks for foreign nationals operating in China, who are likely to be subject to greater enforcement of the espionage law provisions. The changes broadened the anti-espionage laws' original scope from the illegal handling of state secrets to now include "data, documents, items, or materials related to national security." [11] The changes increase the probability that someone within Chinese security services may decide to enforce the law.

The latter aspect of the law removes foreign firms' access to reliable information, eliminating a key advantage they had operating in the country. It also presents legal risks for those who attempt to access the data otherwise. With China's economy suffering through a property and debt crisis, historic youth unemployment, and an overall lack of domestic and foreign consumer demand for its products, the lack of a level playing field that the databases provided and increased physical threats could be the final straw for businesses considering operations in the country.

On June 28, 2023, China's Standing Committee of the National People's Congress passed a new Foreign Relations Law. The new legislation stipulates that China has the right to take measures to counter and restrict actions that endanger the country's sovereignty and security. The legislation also has other provisions, including requirements that foreign nationals and organizations in China not endanger the country's national security, undermine social and public interests, or disrupt social and public order. The vagueness of these provisions could see them applied to almost any Western interest operating in the country, which makes compliance extremely difficult.[12]

The Foreign Relations Law appears to enable China to retaliate against Western sanctions, while also pressuring Western private sector groups to push back against their governments' trade restrictions on China. This presents risks to companies outside of the obvious technology sectors that will be forced to adhere to the trade and investment restrictions. For example, the law could also be applied to legal or retail services that comply with international sanctions related to China's human rights record.

Trade restrictions

In September 2022, President Biden announced new export control rules known as the CHIPS and Science Act (CHIPS Act) that limit China's access to advanced computer chips.[13] The consequential legislation prohibits major U.S. allies that produce the technology but count China as one of their main customers—like Taiwan, South Korea, Japan, and the Netherlands—from selling the most sophisticated forms of the technology and the equipment used to make it to China. This is a clear U.S. policy initiative to limit China's expansion.

China does not possess the advanced technology that goes into the state-of-the-art computer and weapons systems; it would take China years to develop its own endogenous systems.

While not included in the restrictions on semiconductor trade, around the same time, the United States pursued several other initiatives to limit China's influence over other advanced technologies involved in the energy transition, thus making it less likely China could develop self-sufficiency in energy independence as well. In the Inflation Rectification Act of 2022 (IRA) passed in the summer of 2022, the United States announced financial incentives for domestic electric vehicle production in exchange for ceasing the sourcing of critical minerals from China and Russia.

China has a monopoly on rare-earth mineral production; even if it does not contain all the minerals in mainland China, it has spent years sourcing supplies elsewhere. Aspects of the IRA aim to reverse this monopoly, which China views as a threat to its national security since it is working to remove a key point of leverage and weaken a vital component of China's economy.[14]

ZeroFox Intelligence estimates that it would take far less time and investment for the United States to replace Chinese manufacturing of key products than it would for China to replace international semiconductor technology, which it is years away from obtaining. The United States is seeking to end China's monopoly on producing these minerals into workable technological components so it is not vulnerable to China cutting off access. At the same time, the United States is also seeking to limit China's ability to secure mineral access and advanced technology to limit its growth. China likely views these actions as threats to its national security via constricting its move toward self-sufficiency.

In August 2023, the United States also put forward new investment rules set to go into effect in 2024 that limit investment and sharing trade information with China related to advanced chipmaking, artificial intelligence, and quantum computing.[15] ZeroFox assesses that these rules have less practical impact than the CHIPS Act and the IRA, but they do reinforce to China that the United States is seeking to undercut its growth and reduce its ability to be self-reliant.

Assessment:

- The new laws make it more likely that there will be an increase in arbitrary detentions and retaliatory measures against Western business interests. Businesses involved in sectors that China considers sensitive, like due diligence, journalism on human rights, legal and business research, consulting, and financial research, are at the biggest risk. Those involved in apparel manufacturing are at lower risk.
- Any domestic Chinese company that can perform a Western business function will likely receive even more favorability given the recent animosity between the West and China. This extends to law firms, due diligence firms, financial services firms, and tech companies where there is an obvious Chinese competitor.
- U.S. efforts to limit China create risks for businesses operating in China. Multinationals operating in China may find it more difficult to navigate due to geopolitical disputes that may require them to side with either the West or China. China will likely respond to those adhering to U.S. sanctions with counter-sanctions, which leaves companies at risk of being sanctioned by both sides. Many private companies have huge Chinese customer bases, and China could threaten to cut them off from the Chinese market, tanking their revenues.

FOOTNOTES

[8] <https://www.voanews.com/a/china-s-sweeping-new-anti-espionage-law-comes-into-effect-7162900.html>
 [9] <https://www.cnn.com/2023/07/11/chinas-new-foreign-relations-law-heres-what-it-means-for-business.html>
 [10] <https://www.cnn.com/2023/07/11/chinas-new-foreign-relations-law-heres-what-it-means-for-business.html>
 [11] <https://www.theguardian.com/world/2023/apr/27/china-widens-already-breath-taking-scope-to-arrest-foreigners-for-espionage>
 [12] <https://www.bloomberg.com/news/articles/2023-06-28/china-enacts-foreign-relations-law-targeting-western-hegemony>
 [13] <https://www.project-syndicate.org/commentary/us-semiconductor-sanctions-china-technology-war-by-carl-bildt-2022-10>

[14] <https://www.benchmarkminerals.com/membership/chinas-lithium-ion-battery-supply-chain-dominance/>
 [15] <https://www.whitehouse.gov/briefing-room/presidential-actions/2023/08/09/executive-order-on-addressing-united-states-investments-in-certain-national-security-technologies-and-products-in-countries-of-concern/>



Operating Environment in India

Economic Outlook

India has one of the world's fastest-growing economies and overtook China in 2023 to become the largest country by population. India seeks to use these strengths to entice foreign corporations into setting up domestic operations, with the ultimate goal of rivaling China as a major manufacturing hub. The government has introduced incentive programs rewarding foreign investment in India's economy, though these programs have produced mixed results. Growth is expected to remain strong in 2023, with the World Bank predicting GDP growth of 6.3 percent for the 2023/24 fiscal year.[16] Despite these strengths, India remains a developing country with a Human Development Index rank of 132 out of 191 as of 2022.[17] Notable increases in economic activity have taken place in steel consumption, commercial and private vehicle sales, and manufacturing growth, indicating a rapidly developing consumer market.[18]

Major companies that have recently set up new manufacturing facilities in India include Foxconn, Google, Hewlett-Packard, Motorola, and others. In June, U.S.-based semiconductor manufacturer Micron signed a memorandum of understanding with India's government establishing the framework for a new manufacturing facility.[19] Micron is one of several semiconductor manufacturers exploring the Indian manufacturing space.

Geopolitical Factors

India's strained relationships with its immediate neighbors could impact business operations. India and Pakistan have fought several wars since their mutual independence in 1947, and India continues to accuse Pakistan of supporting militant groups operating in disputed northern regions and elsewhere. A major conflict is unlikely for the foreseeable future owing to Pakistan's economic struggles and political instability, but small-scale skirmishes between border forces occasionally take place.

More pressing is India's tense relationship with China. The two share a disputed border that has been the subject of several deadly hand-to-hand skirmishes between border forces since 2020. Chinese President Xi Jinping chose not to attend the 2023 G20 Summit hosted by India in a likely snub to Prime Minister Narendra Modi. India's ambition to capture a portion of global manufacturing from China, amid China's own economic troubles, likely reinforces this dynamic. As with Pakistan, major conflict is unlikely at the moment but has occurred before.

Terrorism

Pakistan-based militant groups like Lashkar-e-Taiba, which India accuses Pakistan of supporting, remain active in India's disputed northern regions and have been known to carry out attacks in major cities. India has succeeded in degrading their ability to carry out large-scale operations, but future attacks in Indian cities cannot be ruled out.[20]

The outlawed Maoist branch of the Communist Party of India has also been known to carry out small-scale attacks in the forested areas of Telangana and Chhattisgarh states. These attacks usually target government security forces and have rarely taken place in population centers.[21]

Weather Events

Disruptions caused by severe weather have affected several of India's economic sectors in recent years. The monsoon season lasting from June to September—which normally accounts for about 70 percent of the country's rainfall—has become increasingly erratic, with long dry spells followed by periods of intense rain that can drown crops and cause landslides in mountainous regions. India's agricultural sector is a major component of its economy, but low crop yields caused by inclement weather have contributed to the government imposing trade restrictions on certain crops—including rice, wheat, and sugar.[22]

In some cases, poor weather can exacerbate latent tensions within sections of Indian society. Amid widespread drought throughout India's south, in September 2023 the Supreme Court ordered the state of Karnataka to gift water from the Cauvery River to the neighboring state of Tamil Nadu. Ownership of the river's water is a long-running source of tension between the two states. The court order sparked a series of protests and strikes throughout Karnataka including in the city of Bengaluru, home to much of India's tech sector. Major companies operating in Bengaluru saw their operations disrupted as a result of the action.[23]

Production-Linked Incentive Program

The Indian government's initiative to encourage greater domestic manufacturing, known as the Production-Linked Incentive program (PLI), has met with mixed results. Launched in 2021, PLI rewards eligible growing companies with compensation equal to 4 to 12 percent of their expanded production. However, PLI has been criticized for forcing cost inefficiencies on manufacturers by imposing import controls on them, making it difficult for them to compete on the global market. In July, Taiwanese semiconductor manufacturer Foxconn pulled out of an agreement to build chips in the state of Rajasthan—a development widely blamed on shortcomings in government incentives.[24]

Assessment:

- India features a large, rapidly-growing economy and a quickly maturing consumer market. As the most populous country in the world, its workforce is large and predominantly young.
- Geopolitical tensions with neighboring Pakistan and China are unlikely to cause major conflict in the foreseeable future. However, India has previously fought wars against both neighbors, and tensions with China remain particularly high.
- Terrorist groups exist within India but have largely been degraded by persistent counterterrorism operations. Despite this, they may still retain the capacity to carry out attacks in major cities, such as the 2008 Mumbai attack committed by Lashkar-e-Taiba.
- India is increasingly affected by inclement weather events, which have affected crop yields and caused landslides in mountainous regions. Poor weather has contributed to trade restrictions and communal tensions in some parts of Indian society.
- The government's PLI program has had mixed results. The program is meant to encourage domestic manufacturing by Indian and international companies but has been criticized for forcing companies to operate inefficiently.

FOOTNOTES

[16] <https://www.worldbank.org/en/news/press-release/2023/10/03/india-s-growth-to-remain-resilient-despite-global-challenges>

[17] <https://www.unhcr.org/india/press-releases/india-ranks-132-human-development-index-global-development-status>

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[21] <https://www.dawn.com/news/1749421>

[22] <https://www.straitstimes.com/asia/south-asia/india-s-many-battles-against-climate-change>

[23] <https://www.reuters.com/world/india/karnataka-state-gears-up-strike-over-water-sharing-dispute-2023-09-28/>

[24] <https://www.outlookindia.com/business/foxconn-exits-vedanta-s-19-5-billion-semiconductor-joint-venture-report-news-301760>



Operating Environment in India

Religious Tension

Religious tension is a persistent issue in Indian society, with occasional outbursts of violence. Hindu-Muslim tension is the most common form, but recent developments have also created unease between some Sikhs and the federal government. On rare occasions, these tensions boil over into physical violence. In late July 2023, Hindu-Muslim clashes broke out in the Nuh district of Haryana state, roughly 40 miles south of the national capital of New Delhi. Violence spread north to Gurugram on New Delhi's outskirts, where dozens of major companies are headquartered. Seven people died, and over 200 were injured during the riots, with many workers fleeing Gurugram over fears of further violence.[25]

While less common, tensions with the Sikh community have been known to cause disruptions as well. India saw an uptick in these tensions beginning in September 2023 after Canadian Prime Minister Justin Trudeau announced an investigation into India's involvement in the murder of a Sikh Canadian citizen. This led to a diplomatic dispute that harmed relations between the two countries and caused some international businesses to slow or pause new projects out of fear that either country could impose trade restrictions. [26] Some Sikh groups also staged protests in New Delhi and elsewhere denouncing the government for its alleged involvement in the murder.

Government Raids of Western Offices

On rare occasions, Indian police conduct raids on companies accused of criticizing Prime Minister Modi's government. These raids most often target Indian journalists, but at least one prior raid has targeted a Western entity. In February 2023, India's tax agency raided British Broadcasting Corporation (BBC) offices in New Delhi and Mumbai after the BBC aired a documentary critical of Prime Minister Modi in the UK.[27] Similar raids against non-journalistic Western businesses are unlikely in the future due to India's desire to attract more international investment. However, they showcase Prime Minister Modi's desire to suppress criticism of his government.

Other Opportunities in the Region

Bangladesh features many of the same strengths and weaknesses as India at a smaller scale. Its growing economy, smaller and less diversified than India's, was hit harder by global trade irregularities brought on by Russia's invasion of Ukraine. Its burgeoning tech sector has attracted some Western companies, including Google, Amazon, and IBM. Bangladesh's economy is otherwise heavily focused on textile manufacturing and agriculture.[28] Business operations in Bangladesh could be impacted by high levels of government corruption and frequent outbursts of violence during election seasons.

Pakistan and Sri Lanka are both experiencing political instability and economic struggles. Both countries have received International Monetary Fund (IMF) bailouts in the past two years and are in the process of economic restructuring.

Regional Elections

South Asian countries have a high likelihood of experiencing protests, political rallies, and potentially violent unrest during election seasons. Nearing elections are scheduled as follows:

India: State legislative elections in Chhattisgarh, Madhya Pradesh, and Mizoram in November 2023; Rajasthan and Telangana in December 2023. National elections scheduled for April or May 2024.

Bangladesh: National elections scheduled for January 2024.

Pakistan: National elections scheduled for November 2023 or sooner.

Sri Lanka: Presidential election scheduled for September 2024.

Cyber Threats

State-backed hacker groups affiliated with Pakistan and China pose the greatest cyber threat to Indian businesses. These groups conduct frequent attacks against Indian government and private entities, seeking to extract intelligence or private records. The transport, manufacturing, and public sectors are increasingly targeted in such attacks. Other past attacks have targeted utility providers, medical institutions, and the military, among others. Many Indian government and corporate entities are in the process of expanding cybersecurity budgets to handle the growing threat. [29]

Bangladesh is targeted less by state-backed hackers but has seen several major attacks against government financial institutions seeking to steal funds.[30]

Assessment:

- Religious tension within Indian society and rare government raids on corporations critical of Prime Minister Modi pose additional risks to businesses operating in India.
- Additional business opportunities may exist in Bangladesh, which features many of the same strengths and weaknesses as India at a smaller scale. Government corruption and sometimes violent unrest during elections are potential risks.
- India is targeted frequently by state-backed hackers, while Bangladesh sees cyberattacks by hacker groups seeking to steal state funds.
- Tense elections across the region could present a security risk for corporations through mid-2024, including a likely increase in cyberattacks and disinformation campaigns.

FOOTNOTES

[25] <https://www.livemint.com/news/india/gurugram-haryana-nuh-violence-mass-exodus-of-migrant-workers-after-threats-of-reprisal-attacks-by-right-wing-groups-11691286359909.html>
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Indonesia

Material Exports

As a rising economic power, Indonesia is trying to rapidly advance on many fronts. A key part of its economic strategy is creating investment in materials required for renewable energy, such as metals like lithium and cobalt, as well as silicon for photovoltaic glass. President Joko Widodo has worked hard to build these industries domestically, both by searching out funding (largely from China) and by banning the export of raw materials, which means factories must be built onshore and thus create local jobs.[31] This has been generally popular domestically, but discontent is still prevalent. Local workers at a nickel smelting plant got into a fight with Chinese workers during a strike, resulting in two deaths and highlighting the contentious nature of bringing Chinese citizens to Indonesia to do jobs that otherwise might have been locally filled.[32] In the opposite vein, locals have recently protested against the construction of a new solar panel factory on Rempang Island, as initial plans would have entirely relocated these natives from the island with too little in the way of compensation.[33]

Digital Technology

Indonesia is also pushing to advance rapidly into a digital service economy, with the country boasting an ever-increasing number of successful tech companies. While most of these businesses have yet to gain traction overseas, Indonesia's huge population (at about 275 million people, it is the fourth-largest country in the world) provides a major domestic market that can sustain lots of innovation. With these companies generally in growth mode, cybersecurity has often been a lesser concern, as was demonstrated by the breach of Tokopedia in March 2020. A hacker was able to exfiltrate hashed passwords along with other key data, which was published on the dark web.[34]

Assessment:

- Indonesia has key deposits of minerals needed in the energy transition, but the government is likely to intervene in company operations to secure more revenues.
- Australia and New Zealand have weak cyber projections compared to the number of well-established companies operating there.
- Geopolitical tensions between the United States and China are impacting the entire region, which primarily relies on China for economic and trade ties and the United States for security.

Australia and New Zealand

Geopolitics and China

Australia's largest geopolitical challenge in the coming decade is managing its interactions with China (its largest trade partner) and the United States (its closest geopolitical ally and military partner). Extremely tense relations between Australia and China prior to a 2022 reconciliation saw Chinese hackers targeting Australian government offices, as well as private companies within the country[35]. Trade disputes between Australia and China led to retaliatory tariffs, which scuppered trade across certain industries and caused major pain for Australian exporters (China is the largest consumer of many Australian goods such as barley, coal, and wine).[36]

Militarily, Australia's defense forces have continually acquired new material, primarily American-made weapons and vehicles, aimed at ensuring the nation has the might to resist growing Chinese influence around the Pacific. Most critically, Australia signed on to the AUKUS submarine deal, wherein the United States, United Kingdom, and Australia are coordinating to provide Australia with advanced U.S. and UK submarines.[37]

Cyberattacks

As developed economies, Australia and New Zealand are home to large numbers of established and profitable corporations. However, by and large these companies have not sufficiently invested in cybersecurity, relying on the relative obscurity of their region as a defense against committed hackers. This lack of investment was sharply revealed in 2022 and 2023, when a series of ransomware attacks against major companies hit targets that included Latitude (financial), Optus (telecommunications), and Medibank (healthcare) in Australia, as well as the Australian Parliament; in New Zealand, targets included Auckland University (education), Smartpay (financial), and Mercury IT, a managed services provider for the New Zealand government.[38]

Elections

Both Australia and New Zealand are holding important elections on October 14. New Zealand will go to the polls to elect new members of parliament and looks likely to undergo a political shift to the right. The Labour Party, capably run by Jacinda Ardern for the last five years, saw its polling slip dramatically by the start of 2023, at which point Ardern stepped down, citing burnout. Her replacement as prime minister, Chris Hipkins, has tried his best to reinvigorate the party's chances, but polling currently suggests that October will bring a strong result for right-wing parties, including National (Christopher Luxon), NZ First (Winston Peters), and ACT (David Seymour). A coalition between National and at least one of the other two parties is the most likely scenario.[39]

Australia will vote on the "Indigenous Voice to Parliament," a Constitutional amendment that would formalize governmental relations with Aboriginals and provide a mechanism for them to have input on government policies. The referendum is expected to fail due to the right-wing groups, which argued that it is "divisive." Racist rhetoric against Aboriginals has also played a role.[40]

FOOTNOTES

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APPENDIX A:

ZeroFox Intelligence Probability Scale

All ZeroFox Intelligence products leverage probabilistic assessment language in analytic judgments. Qualitative statements used in these judgments refer to associated probability ranges, which state the likelihood of the occurrence of an event or development. Ranges are used to avoid a false impression of accuracy. This scale is a standard that aligns how readers should interpret such terms.

Almost No Chance	Very Unlikely	Unlikely	Roughly Even Chance	Likely	Very Likely	Almost Certain
1-5%	5-20%	20-45%	45-55%	55-80%	80-95%	95-99%

APPENDIX B:

Traffic Light Protocol for Information Dissemination

TLP: RED

HOW IT IS USED

Sources may use TLP: RED when information cannot be effectively acted upon by additional parties and could lead to impacts on a party's privacy, reputation, or operations if misused.

HOW IT IS SHARED

Recipients may NOT share TLP: RED with any parties outside of the specific exchange, meeting, or conversation in which it is originally disclosed.

TLP: AMBER

HOW IT IS USED

Sources may use TLP: AMBER when information requires support to be effectively acted upon but carries risks to privacy, reputation, or operations if shared outside of the organizations involved.

HOW IT IS SHARED

Recipients may ONLY share TLP: AMBER information with members of their own organization and its clients, but only on a need-to-know basis to protect their organization and its clients and prevent further harm.

Note that

TLP: AMBER+STRICT restricts sharing to the organization only.

TLP: GREEN

HOW IT IS USED

Sources may use TLP: GREEN when information is useful for the awareness of all participating organizations, as well as with peers within the broader community or sector.

HOW IT IS SHARED

Recipients may share TLP: GREEN information with peers and partner organizations within their sector or community but not via publicly accessible channels.

TLP: CLEAR

HOW IT IS USED

Sources may use TLP: CLEAR when information carries minimal or no risk of misuse in accordance with applicable rules and procedures for public release.

HOW IT IS SHARED

Recipients may share TLP: CLEAR information without restriction, subject to copyright controls.

About ZeroFox

ZeroFox (Nasdaq: ZFOX), an enterprise software-as-a-service leader in external cybersecurity, has redefined security outside the corporate perimeter on the internet, where businesses operate and threat actors thrive. The ZeroFox platform combines advanced AI analytics, digital risk and privacy protection, full-spectrum threat intelligence, and a robust portfolio of breach, incident, and takedown response capabilities to expose and disrupt phishing and fraud campaigns, botnet exposures, credential theft, impersonations, data breaches, and physical threats that target your brands, domains, people, and assets. Join thousands of customers—including some of the largest public-sector organizations, as well as finance, media, technology, and retail companies—to stay ahead of adversaries and address the entire lifecycle of external cyber risks.

READY TO SEE FOR YOURSELF?

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