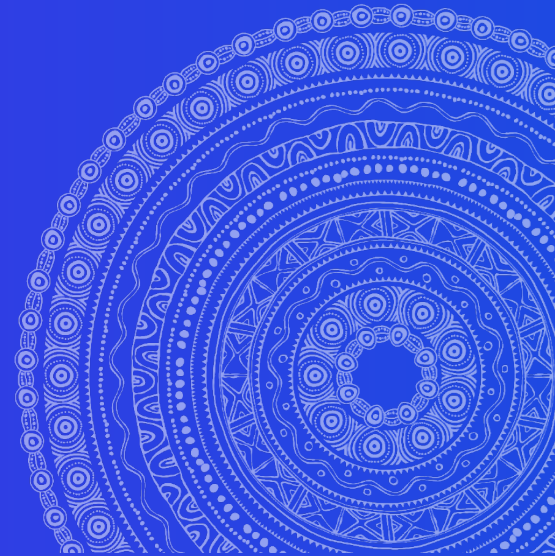


# KPMG Kundu

January 2025



## Foreword



Welcome to the January 2025 edition of KPMG PNG Kundu. This month, we highlight the top ten geopolitical risks for 2025, as forecasted by Eurasia Group, KPMG's global alliance partner. These risks include the absence of a dominant global leader, Donald Trump's second term as US President, and the ongoing US-China tensions.

We also discuss the implications of these geopolitical shifts on Papua New Guinea particularly the impacts of recent US policy changes, such as the withdrawal from the Paris Agreement and the pause on US aid disbursements.

Additionally, we provide updates on the new work permit and visa process introduced by the Immigration & Citizenship Services Authority and on the tax clearance threshold increase.

We hope you find this edition insightful and informative.

*Cees Iewago*  
Managing Partner

Enjoy the read this month and reach out to [kmcentee@kpmg.com.au](mailto:kmcentee@kpmg.com.au) if you have any enquiries or would like to see KPMG cover specific topics in future editions.

## Top ten geopolitical risks for 2025

In January each year, Eurasia Group, KPMG's global alliance partner, publishes its Top Risks report which forecasts the top ten geopolitical risks for the year ahead. We have summarised these risks below. For those who may be interested it is worth taking a look at last year's predictions and see how they compared to the reality of 2024.

### Risk 1: The G-Zero wins

The absence of a dominant global leader is causing geopolitical instability, weakening global security and economic frameworks, and creating power vacuums that embolden rogue actors. This leadership vacuum increases the risk of significant global crises or even a new world war.

### Risk 2: Rule of Don

Donald Trump's second term as US President is set to be markedly different from his first. With a stronger mandate and a more unified Republican Party, Trump is poised to assert greater control over the federal government. His administration, filled with loyalists, aims to purge the federal bureaucracy of perceived adversaries and politicise independent agencies. This approach is likely to provoke significant legal battles and further shift the balance of power towards the executive branch.

### Risk 3: US-China Breakdown

The fragile détente between the US and China, established under Presidents Joe Biden and Xi Jinping, is expected to collapse with Trump's return to office. This will lead to unmanaged decoupling and heightened economic tensions. Trump's aggressive trade policies, including new tariffs on Chinese goods, will likely escalate tensions and disrupt the global economy. The imposition of high tariffs will cross Beijing's red lines, increasing the risk of economic disruption and crisis.

### Risk 4: Trumponomics

Trump's economic policies, particularly aggressive trade policies towards China, may lead to increased tariffs and trade barriers, potentially provoking retaliatory measures and disrupting global supply chains. Deregulation and tax cuts may lead to short-term economic gains but could increase the federal deficit and exacerbate income inequality.

### Risk 5: Russia still rogue

Russia's actions, such as military interventions and cyber-attacks, continue to contribute to global instability. Economic sanctions have isolated Russia

economically, pushing it to seek alternative alliances and economic partnerships, increasing geopolitical tensions.

### **Risk 6: Iran on the ropes**

The Middle East will remain a combustible environment in 2025, for one big reason: Iran has not been this weak in decades. Iran's geopolitical position has been weakened due to the blows to Hamas, Hezbollah and Syria. Though Iran still has some (albeit less than total) control over Shia militias in Iraq and the Houthis in Yemen, its decades-long strategy of relying on proxies to deter Israel and project power regionally has run its course. Any move by Iran to build a nuclear weapon would likely be quickly detected and provoke swift American and Israeli pre-emptive strikes.

### **Risk 7: Beggar thy world**

The combination of China's overcapacity problem and Donald Trump's tariff threats is likely to have significant impacts on the global economy and exacerbate geo-economic fragmentation in 2025. The world's two largest economies are set to export disruption to everyone else this year, short-circuiting the global recovery and accelerating geoeconomic fragmentation.

### **Risk 8: AI Unbound**

The rapid expansion of AI capabilities poses risks due to inconsistent international cooperation and lighter regulation. Unregulated AI could lead to significant collateral damage, despite governance initiatives from the European Union, the Council of Europe, and the United Nation.

### **Risk 9: Ungoverned spaces**

The abdication of global leadership and the deepening G-Zero world contribute to geopolitical conflict and instability, particularly in thinly governed areas. Critical global commons like outer space, the seabed, and even airspace are shrinking as conflict zones expand. There are no international powers both willing and able to bring stability to these places.

### **Risk 10: Mexican standoff**

Mexican President Claudia Sheinbaum faces challenges in navigating complex issues of immigration and border security with the United States. Balancing domestic pressures to protect Mexican migrants' rights while cooperating with U.S. authorities will test her diplomatic and governance skills.

## **PNG feeling the impact of a Trump presidency** **by Karen McEntee, Partner, Business & Tax Advisory**

Recent years have seen closer relations between the US and Papua New Guinea as it vies with China for diplomatic and military influence in the region. Against this backdrop, it will be interesting to see how Trump's presidency will impact PNG. Within hours of his inauguration, President Trump was already making his mark with sweeping changes to previous policy priorities.

On taking office, Trump announced the US's withdrawal from the 2015 Paris accord adopted by 195 parties to curb greenhouse gas emissions. In response, Prime Minister Marape issued statements at the World Economic Forum in Davos, and subsequently, saying he is greatly concerned for the impact of this withdrawal on PNG and other Pacific nations. These countries are threatened by rising seas and severe weather patterns which disproportionately affect nations with low carbon footprints. He has formally asked the US to reconsider pulling out of the Paris Agreement and global climate efforts. The Prime Minister has said he will discuss the matter further with Pacific partners.

Perhaps more immediately felt, was Trump's decision to pause US aid disbursements. US embassies worldwide were advised to put a 90 day pause on aid to ensure that appropriations are not duplicated, are effective and are consistent with the new administration's foreign policy agenda. While there are some limited exceptions to the pause, the impact is substantial and is already being felt worldwide. PNG has been, and is, a beneficiary of US aid projects and, anecdotally, the country is already being impacted with current and upcoming projects put on hold. Whether or not US aid disbursements will be reinstated in PNG may depend on how critical Trump sees PNG to its US foreign policy agenda. In April 2022, under the Biden administration, the US announced it would focus on PNG as a priority partner country for advancing the US Strategy to Prevent Conflict and Promote Stability. Considering PNG's strategic position in the Pacific region it is hoped the new administration will also see PNG aid as consistent with its foreign policy objectives.

To compound PNG's current woes, the US withdrawal from the World Health Organisation - to which the US provides about 15 percent of its annual budget - creates a funding gap which may impact important programs in the Pacific region.

Trump, who is known for doing the unexpected, is already having a far-reaching impact on the Land of the Unexpected. PNG is nothing if not resilient, so let's hope it can weather the storm.

## **Updates on the new work permit and visa process**

The Immigration & Citizenship Services Authority (ICSA) launched a new portal last year which allows for new work permit and employment visa applications to be done on-line. Both paper and email-based applications for new work permit and employment visas have been ceased. The aim of the portal is to streamline and expedite the process.

ICSA guidance says it will take 52 working days (i.e. over ten weeks) in total to process the work permit and visa provided all requirements as per the checklist are met. All documents for both the work permit and visa should be lodged upfront. Once the work permit has been approved, the employer will be notified and issued with a VARN receipt for the work permit, then the ICSA will move on to processing the employment visa.

Once both the work permit and visa have been processed, ICSA issue an approval for both in a single letter format. This letter

serves as evidence of the approvals – this is a move away from the hard card work permit and visa label in the passport.

A major benefit of the new process is that it is no longer necessary to collect the visa and passport from an offshore embassy.

There had been some teething issues with the portal in December but it now appears to be working. We find it is still necessary to follow up in person in order to try and push the applications through. If onboarding new employees, plan for the need to lodge all documents upfront and also the long processing time.

For work permit and visa renewals the old process still applies i.e. hard copy applications must be lodged at the counter.

## Tax clearance limit

While the increase in the tax clearance threshold from PGK500,000 to PGK1.5m as announced in the National Budget was much welcomed, things are not always straightforward in PNG. We understand the Bank of PNG is waiting for the increase to be gazetted before the threshold is lifted in practice, while the IRC are rejecting tax clearance applications below PGK1.5m on the basis the threshold has been increased. Some follow up and co-ordination will be required pending the gazettal.

## Our social media presence

As usual, you may access our regular multi-disciplined thought leadership pieces, newsletters, and updates on our KPMG PNG LinkedIn page. Also, connect via our webpage [www.kpmg.com.pg](http://www.kpmg.com.pg) and Facebook <https://www.facebook.com/pngkpmg/>

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