



APCO

Geopolitical Radar

**The Global Operating
Environment for Business**

Q3 2025



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Welcome to the APCO Geopolitical Radar (AGR), an overview of geopolitical risks posed to corporations operating globally.




AGR reflects our understanding of the regional risks facing businesses and how these risks come together at a global level. It is intended as a baseline from which to develop strategies that navigate and mitigate these risks. This report looks at emerging issues for Q3 2025 and was published in June 2025.

Our regional insights represent the best thinking of APCO corporate advisory practitioners. With more than 1,200 people across more than 30 global locations, our analysis draws on decades of experience and insights serving corporations that operate globally.

Headline Risks



United States & Canada

- Federal funding fight risks another U.S. credit downgrade 
- Uncertainty remains for U.S. tariff policy but delays seem likely 
- Canada looks beyond U.S. for trade and defense 




Latin America

- U.S. security-first policy heightens diplomatic and trade frictions 
- China deepens trade and investment integration through new corridors 
- Brazil leverages BRICS leadership to assert voice on global stage 




Sub-Saharan Africa

- African Union chair outlines strategic priorities for development 
- African leaders drive digital growth through local investment 
- Youth protests drive policy change and political engagement across Africa 




Western & Central Europe

- UK and U.S. agree to reduce tariffs, EU-U.S. trade outlook less certain 
- EU bolsters local defense industry 
- EU and China prepare for July summit amid trade challenges 




Russia & Eastern Europe

- Transatlantic sanctions divide and stalled peace talks weaken coordinated pressure on Russia 
- Ukraine pivots to new partners amid waning U.S. support 
- Russia turns attention outside Eastern Europe to distract from Ukraine conflict 




Middle East & North Africa

- Regional war risk surges after Israel-Iran escalation 
- Geopolitical gridlock stalls regional integration 
- Energy and diversification goals collide with market realities 




China

- Trade war threatens China's export economy, unemployment outlook, and consumer sentiment 
- Looming stimulus presents opportunities for global firms 
- Domestic pressures drive China's global business surge 

South Asia

- India experiencing robust economic growth despite geopolitical pressures 
- Pakistan confronts security challenges amidst fragile recovery 
- Bangladesh faces economic slowdown while relations with India deteriorate 

Asia Pacific

- U.S. tariff negotiations continue to hang over APAC 
- Resource nationalism taking hold in Southeast Asia 
- New Administration in South Korea heralds new era 

Spotlight

The Trump administration prefers to negotiate trade in a bilateral setting to maximize leverage from U.S. market-access restrictions but deal announcements will not exist in isolation. We may see spill-over impacts in three key areas across bilateral negotiations and outcomes as we head towards the July deadline for the 90-day reciprocal tariff suspension negotiating period: export control concessions, Section 232 tariffs, and efforts to drive trading partners to restrict their trading relations with China.

EXPORT CONTROLS

- On June 11, President Trump announced that the United States and China had committed to a framework for the tariff reductions and export control changes initially agreed to a month earlier in Switzerland. The announcement followed a round of negotiations in London that included U.S. and Chinese export controls.
- Despite the bilateral approach, U.S. willingness to discuss easing of export controls on cutting-edge technologies – one of China’s primary requests – nevertheless may implicate nations that have joined the U.S. in some areas of export control enforcement to deny China key inputs necessary to continue building indigenous technology manufacturing capacity.
- Should these controls remain on the negotiating table with China, third countries, particularly in Europe as well as Korea and Japan, will likely wonder if they should follow-suit.

SECTION 232 TARIFFS

- With IEEPA-based tariffs now facing legal uncertainty, leverage is partially falling to Section 232 tariffs managed by the U.S. Department of Commerce. These industry and product-specific tariffs will serve as the Trump administration’s near-term fallback to move its trade agenda forward, pending the outcome of litigation.
- The UK secured a first-mover advantage with the first deal announced, and it included a duty-free quota limit on steel and aluminum imports from the UK, creating a carve-out from the universally applied Section 232 metals tariffs (now at 50%). This inclusion will drive other trading partners to seek similar Section 232 carve-outs or quota alternatives as a necessary provision of any bilateral deal.
- Evidence of this spillover impact could come as soon as the G7 Leaders’ Summit where President Trump and Japanese Prime Minister Ishiba will meet on the margins, possibly announcing a similar framework. Japan has prioritized concessions on Section 232 auto and parts tariffs.



SUPPLY-CHAIN DIVERSIFICATION

- The third area of spillover began with the initial U.S.-China agreement reached in May's bilateral meeting in Switzerland. Both nations significantly eased reciprocal tariff rates, which had well exceeded 100% following April's "Liberation Day." Tariffs on U.S. exports to China fell to 10% while U.S. tariffs on imports from China fell to around 50% when stacked and product-specific tariffs are added.
- The secondary impact may be seen in deal announcements with countries that have significantly increased U.S.-bound exports in recent years due to supply-chain diversification away from China. In many cases, Chinese companies have remained involved in these supply chains by providing substantial inputs, investing in manufacturing and assembly in third countries, or transshipping goods through third countries to hide their true origin. The Trump administration has demanded that these countries reduce their reliance on China and avoid facilitating what Washington views as tariff circumvention.
- For the countries in question, however, there may be a greater hesitance now to jeopardize their commercial relationship with China, while the U.S. and China are on a trajectory to ease trade relations.

IEEPA TARIFFS & U.S. COURTS

President Trump's "Reciprocal Tariffs" were announced on April 2 and are temporarily set at 10% globally pending negotiations that are due to end on July 9. These tariffs rely on the International Emergency Economic Powers Act of 1977 (IEEPA) for legal authority. IEEPA requires the president to declare an emergency, and in the case of the Reciprocal Tariffs, the emergency is the U.S. trade deficit.

The "Fentanyl Tariffs" also use IEEPA authority and are intended to address the fentanyl crisis by applying 25% tariffs on Canada and Mexico and a 20% tariff on China.

Several court cases are challenging the use of IEEPA for these tariffs, including the V.O.S. Selections case. The Court of International Trade ruled against the IEEPA tariffs, but the Trump administration immediately appealed. Oral arguments are scheduled for July 31 at the Court of Appeals for the Federal Circuit.

Asia Pacific



HEADLINES

U.S. tariff negotiations continue to hang over APAC

- APAC-U.S. trade negotiations are ongoing but slow, with President Trump's team broadening discussions to include demands seeking to address issues of Chinese tariff circumvention, such as pressuring countries in the region to better insulate U.S.-bound supply chains from Chinese upstream influence.
- While optimism persists, significant uncertainty remains around whether stable and lasting trade agreements will materialize.

IMPACT TO BUSINESSES

- Export-dependent industries, particularly those reliant on U.S. markets, face slowed growth as companies delay long-term contracts and expansion plans pending clarity from the negotiations.

RISK HORIZON



Resource nationalism taking hold in Southeast Asia

- Minerals like nickel, cobalt, lithium and rare earths have become prized strategic commodities amid intensifying global competition and the rapid growth in electric vehicles, renewable energy and high-tech manufacturing.
- In this context, many Southeast Asian countries, notably Indonesia, the Philippines, Vietnam, and Malaysia, are increasingly pursuing resource nationalism by implementing export restrictions, increased taxes, and local processing to attract inbound investment into vertically integrated industries downstream of domestic critical mineral and raw material extractive capacity.
- Indonesia leads with export bans on raw minerals like nickel and bauxite, prompting significant investments in domestic refining and processing, influencing other nations like the Philippines and Vietnam to follow suit, targeting rare earths and nickel processing respectively.

- Companies in mining and critical mineral supply chains must proactively invest in local processing facilities, form strategic local partnerships, and closely monitor policy changes to mitigate regulatory risks and secure stable, long-term access to essential materials.



New administration in South Korea heralds new era

- Newly elected President Lee Jae-myung, leader of the progressive Democratic Party, aims to combine pro-growth economic policies, such as deregulation, innovation funding, and digital infrastructure investment, with structural reforms emphasizing transparency, fair competition, and improved labor standards.
- Lee intends to maintain strong relations with the U.S. while adopting a more balanced approach toward China and strengthening ties with Japan, potentially reducing regional trade friction and offering clearer pathways for companies with diverse regional supply chains. The new president's balancing act will face tougher headwinds than those encountered by his predecessors, confronting greater geopolitical tensions and sharper domestic divisions.

- Companies, particularly in technology, energy, and manufacturing, should proactively align with new regulatory priorities (e.g., increased ESG compliance, shorter working hours, and stricter antitrust rules).



HEADLINES

Trade war threatens China's export economy, unemployment outlook, and consumer sentiment

- While the "Geneva Consensus" in May and June negotiations in London eased tensions, the U.S.-China trade war remains unresolved. Structural tensions persist, with bipartisan U.S. concerns over China's industrial policies and national security implications of overreliance on China for critical technologies and their inputs.
- While China's Labor Day travel surged this year, declining per capita spending reflects cautious consumer sentiment. Rising household savings and weak wage growth also signal domestic demand fragility, particularly as U.S. tariffs threaten China's export economy.
- China continues to face domestic economic headwinds, and its traditional growth engine of debt-financed infrastructure spending is losing its potency and fiscal practicality. Increased barriers to Chinese exports from both the U.S. and other global trading partners fearful of export dumping will have a compounding effect on China's growth outlook.

Looming stimulus presents opportunities for global firms

- The Chinese government is preparing a new round of stimulus policies for June. These are aimed at boosting employment and stabilizing growth, particularly for new graduates, whose dim employment prospects have weighed on consumer confidence in recent years.
- State-owned enterprises are receiving hiring quotas for new graduates and tariff exemptions are being used to encourage foreign investment. These measures, combined with targeted support for key sectors, continue to present opportunities for companies aligned with national development goals.

Domestic pressures drive China's global business surge

- China's domestic overcapacity, especially in autos and manufacturing, is driving firms to expand overseas. Intense local competition and weak consumption are prompting consolidation and regulatory tightening, including price floors and heightened quality standards, to manage market saturation.
- Many companies are shifting from exporting products to establishing international operations. This trend is reshaping global competition, particularly in emerging markets, where new entrants from China are increasingly active.

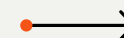
IMPACT TO BUSINESSES

- Businesses should continue to diversify supply chains, integrate digital solutions, and optimize cost structures. With thinner margins and persistent trade uncertainty, investments in improving supply chain efficiency and resiliency can yield dividends in the long run. U.S.-China volatility requires adaptive strategies and diligent contingency planning, particularly for export-dependent sectors.

- Stimulus measures may unlock demand in sectors like consumer goods, healthcare, and green technology. Companies positioned to align with policy priorities—such as job creation, innovation, and industrial upgrading—can benefit from increased public and private investment. Closely monitoring policy rollouts and sharpening alignment to highlight competitive advantages will be essential for capturing emerging growth opportunities.

- International companies, especially those active in emerging markets, may face increased competition from Chinese firms expanding abroad. This creates both challenges and partnership opportunities. Firms should assess market positioning, anticipate pricing pressures, and explore collaboration or differentiation strategies in sectors where new Chinese market entrants are gaining ground.

RISK HORIZON



HEADLINES

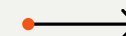
India experiencing robust economic growth despite geopolitical pressures

- India's economy is set to grow 6.3% this year – the highest rate among large economies – despite geopolitical disruptions and this year's armed conflict with Pakistan.
- While trade tensions with the U.S. exist, India and the UK concluded a free trade agreement (FTA) on May 6 covering £1.9 billion in exports. India has also resumed negotiations with the EU on a potential FTA.

IMPACT TO BUSINESSES

- India's macroeconomic stability and strong projected growth create favorable conditions for business despite global turbulence. While the India-UK FTA enhances competitiveness in the textile and food sectors, potential tariff cuts on U.S. imports may affect the market for industrial goods, EVs, and agricultural products.

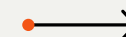
RISK HORIZON



Pakistan confronts security challenges amidst fragile recovery

- Pakistan's economy is stabilizing following the IMF's second Extended Fund Facility (EFF) payment of \$1 billion in May. While the UN projects 2.3% growth in 2025, fiscal flexibility is contracted as external debt obligations of ~\$22 billion annually through 2027, combined with potential 29% tariffs on Pakistan's exports to the U.S.
- Security pressures from mounting deaths from terrorist attacks and the May conflict with India have driven Pakistan to deepen strategic partnerships with China, Turkey and Azerbaijan.

- An uncertain geopolitical environment threatens Pakistan's hard-earned macroeconomic stability through increased defense-related budgetary demands, higher tariffs on exports, and potential liquidity constraints. Escalating tensions with India could deter investors, while failure to secure a deal on tariffs with the U.S. could harm textile and manufacturing exports. However, China's financial support provides temporary macroeconomic stability and reduces default risks.



Bangladesh faces economic slowdown while relations with India deteriorate

- Bangladesh's economy is projected to grow at 3.97% this year, its slowest growth in 34 years excluding the pandemic, driven by weakening agriculture and services sectors. This is exacerbated by escalating tensions with India that have resulted in severe trade restrictions, with India limiting Bangladeshi garment exports to major Indian ports and restricting land routes, affecting at least \$770 million in bilateral trade.
- Bangladesh has responded by diversifying ties, including plans to revive an airbase near the Indian border with Chinese assistance, while pursuing a potential U.S. FTA to diversify exports.

- The economic slowdown will likely dampen investment and demand across sectors. India's trade restrictions disrupt supply chains dependent on raw materials, and closer alignment with China risks further Indian retaliation and regional instability that could negatively affect investor sentiment. However, potential U.S. FTA negotiations offer hope for duty-free garment access.

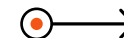


Middle East & North Africa

Acute



Transitory



Enduring



HEADLINES

Regional war risk surges after Israel-Iran escalation

- Israel's strikes on Iran, and Iran's large-scale missile retaliation, have killed senior Iranian military officials and nuclear scientists, with civilian casualties reported on both sides. Airspace closures, ongoing hostilities, and regional condemnation have sharply raised the risk of wider conflict and further attacks on critical infrastructure.
- Ongoing violence in Gaza, Hezbollah's posture, and indefinite suspension of U.S.-Iran nuclear talks compound the gridlock. Proxies have been weakened across the region, but the potential remains for Houthis and other Iranian-backed groups to conduct attacks in solidarity with Tehran.

IMPACT TO BUSINESSES

- Expect supply chain, travel, and operational disruptions, as well as high energy prices and heightened risk to personnel and assets across the region. Multinationals should review evacuation and crisis plans.

RISK HORIZON



Geopolitical gridlock stalls regional integration

- The vision of a "new Middle East" built on normalized relations and economic integration has further dimmed, with Riyadh and other Gulf states condemning Israel's strikes and warning of further instability.
- Ongoing violence in Gaza, Hezbollah's posture, and indefinite suspension of U.S.-Iran nuclear talks compound the gridlock. Proxy escalation risk remains high, with the potential for Houthis and other Iranian-backed groups to intensify attacks in solidarity with Tehran.

- Cross-border projects and investments once tied to regional integration are in limbo. Multinationals face delayed timelines, higher risk premiums, and new compliance challenges, especially for those operating in or trading with Iran and its allies.



Energy and diversification goals collide with market realities

- The Israel-Iran conflict has triggered a sharp spike in oil prices and heightened volatility in global energy markets. OPEC+ cuts, already in place to support prices, are now compounded by fears of supply disruption through the Strait of Hormuz and Red Sea.
- Gulf diversification programs like Saudi Vision 2030 and the UAE's green tech initiatives face new headwinds as investor confidence is shaken and timelines slip.

- Energy and non-oil sectors face price unpredictability, shifting policies, and logistical bottlenecks. Airspace and shipping disruptions are impacting trade flows, and ongoing volatility will complicate forecasts and slow capital deployment.



Sub-Saharan Africa



HEADLINES

African Union chair outlines strategic priorities for development

- African Union Commission (AUC) Chairperson Mahmoud Ali Youssouf's recent bilateral meetings with China and Saudi Arabia reflect efforts to deepen strategic partnerships. Discussions with China emphasized continued support for development, health, and peacekeeping, while Saudi talks focused on expanding cooperation across key sectors, such as health and infrastructure. These engagements signal the AU's intent to bolster multilateral ties and attract investment.
- Going forward, expect increased AU alignment with both China and Saudi Arabia on infrastructure, governance, and regional stability, particularly amid transition in Sudan and broader continental priorities.

IMPACT TO BUSINESSES

- The deepening ties between the African Union, China, and Saudi Arabia will likely unlock new capital and project opportunities. Businesses should monitor developments in infrastructure, agriculture, and healthcare, where investment is expected to rise.

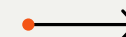
RISK HORIZON



African leaders drive digital growth through local investment

- During the 2025 African Development Bank (AfDB) Annual Meetings in Abidjan in May, leaders emphasized Africa's digital transformation through domestic capital and partnerships. The AfDB and Private Infrastructure Development Group (PIDG) launched a \$2 trillion local currency initiative to boost financial systems and infrastructure. The East African Community approved a cross-border payments masterplan to cut costs and improve inclusion, while the Sahel States Alliance launched a regional bank to advance integration and stability amid ongoing security challenges.

- Africa's investment shift and institutional leadership changes create new momentum for digital, financial, and infrastructure growth. Companies can expect increased local funding, regional integration, and deeper collaboration opportunities in fintech, logistics, and energy. Many businesses will be watching how stronger regulation and growing demand could reshape Africa's political and economic trajectory.



Youth protests drive policy change and political engagement across Africa

- Youth-led protests are reshaping Africa's political landscape, driven by frustration with aging leadership, economic hardship, and lack of representation. In 2024, Kenya's Gen Z (those under the age of 25) mobilized online and on the streets to defeat a controversial finance bill, while youth in Senegal protested arrests of opposition figures, helping elect Bassirou Diomaye Faye.
- In Nigeria, online activism from the End SARS movement against police brutality has spurred greater political participation. As the country prepares for its 2025 state elections, youth movements could meaningfully shape democratic outcomes.

- Youth protests highlight rising demand for governance reform and economic inclusion, signaling a shift toward more accountable leadership. Businesses should anticipate evolving policy priorities around youth employment, digital innovation, and social equity. Engaging proactively with emerging governments and youth movements will be critical for navigating regulatory changes, mitigating risks, and capturing new market opportunities.



Russia & Eastern Europe



HEADLINES

Transatlantic sanctions divide and stalled peace talks weaken coordinated pressure on Russia

- The divergence between U.S. and EU sanctions policies, driven by the Trump Administration's selective approach and Europe's push for coordinated measures, has weakened transatlantic unity in pressuring Russia. Simultaneously, peace negotiations between Russia and Ukraine remain deadlocked, with Russia's maximalist demands leading to Ukraine's refusal to compromise, stalling progress. This dual dynamic allows the conflict to persist, with both sides intensifying military operations and prolonging regional instability.

Ukraine pivots to new partners amid waning U.S. support

- As U.S. support for Ukraine becomes less predictable, Kyiv has increasingly turned to European allies, private sector partnerships, and third-party nations in Asia and Europe for military and economic assistance. This shift reflects Ukraine's efforts to diversify its support base and reduce reliance on the U.S.

Russia turns attention outside Eastern Europe to distract from Ukraine conflict

- Russia has intensified its efforts to expand its influence in Africa and the Middle East, leveraging arms sales, resource extraction deals, and diplomatic initiatives. Recent moves, such as Putin's offering to mediate between Israel and Iran, aim to shift global attention away from the war in Ukraine while presenting Russia as a global powerbroker.

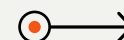
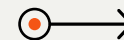
IMPACT TO BUSINESSES

- Fragmented sanctions regimes and prolonged conflict create significant compliance challenges, disrupt supply chains, and increase energy and commodity price volatility, requiring businesses to navigate differing regulatory frameworks, manage reputational risks, and prepare for sustained uncertainty and potential escalation.

- Opportunities for companies in defense, infrastructure, and energy could emerge as Ukraine seeks new partnerships. However, businesses must assess risks tied to the evolving security landscape.

- Companies operating in Africa and the Middle East face heightened risks due to attention placed on Russia's maneuvering. This includes regulatory uncertainty, security threats, and potential disruptions to supply chains.

RISK HORIZON



Western & Central Europe



HEADLINES

UK and U.S. agree to reduce tariffs, EU-U.S. trade outlook less certain

- An agreement in principle between the UK and United States to limit the harshest tariffs for UK steel and automobiles remains subject to final negotiations. While the deal seems to be insulating the UK from President Trump's latest tariff announcements, a 10% baseline tariff looks set to remain.
- President Trump continues to threaten 50% tariffs on all U.S. imports of EU goods after the initial 90-day pause, set to expire on July 9. Sector-based negotiations on steel, automotive and semiconductors are increasing at pace, with EU negotiators aiming to reach an agreement in principle before the July deadline.

IMPACT TO BUSINESSES

- President Trump's maintenance of the 10% baseline reciprocal tariff increases costs for businesses and global supply chains. Even as deals are reached, the subsequent UK-EU reset suggests European partners will seek to strengthen economic ties to navigate unpredictability with Washington.

RISK HORIZON



EU bolsters local defense industry

- The U.S. paradigm shift on defense continues to reshape European security policy. EU ambassadors approved the €150 billion Security Action for Europe (SAFE) initiative to enhance joint military projects and strengthen Europe's defense industry.
- A new deal with the UK permits British defense firms to participate in joint military procurement. Other proposals to improve European defense cooperation, such as the Defense Security and Resilience Bank, remain in discussion.

- The EU-UK deal allows the EU to gain access to advanced technologies and expertise essential for strengthening its defense industry, while British defense firms stand to benefit from the renewed access to EU defense contracts and funding mechanisms. This provides new opportunities for growth and innovation within the UK and EU defense sectors.



EU and China prepare for July summit amid trade challenges

- China and the EU are set to hold a summit in Beijing from July 24 to 25 to discuss enhanced economic cooperation amid trade disputes with the United States. However, this rapprochement has reignited European concerns over overcapacity in China, and Beijing remains frustrated by EU tariffs on Chinese electric vehicles.
- The ongoing U.S.-UK trade negotiations add further complexity to the geopolitical landscape, particularly as the UK balances its relationship with China against U.S. pressure to decouple.

- Businesses and supply chains face opportunities posed by a careful rapprochement between Europe and China, but remain prone to economic and geopolitical shocks as power dynamics between Washington, Beijing and Brussels shift.



Latin America



HEADLINES

U.S. security-first policy heightens diplomatic and trade frictions

- The U.S.' "America First" security-centric approach and its backtracking on historic development commitments has intensified the securitization of Latin America.
- Stricter U.S. customs enforcement and visa revocations have triggered a diplomatic backlash with heightened tensions as countries watch how immigration raids and protests are unfolding in the U.S. Brazil has imposed tighter entry rules for U.S. citizens and tensions may further escalate into other retaliatory measures. The U.S. has threatened military intervention on the U.S.-Mexico border as part of its crisis response strategies, heightening uncertainty and straining regional trust.

China deepens trade and investment integration through new corridors

- China's growing presence in the region and investments in natural resources, trade, and infrastructure, indicates a complex reshaping of influence in Latin America. The latest Community of Latin American and Caribbean States (CELAC)-China Forum announced 20 new measures and over 100 joint initiatives aimed at deepening collaboration in development, particularly through the expansion of bi-oceanic trade corridors in South America to diversify supply chains and improve access to Asian markets.
- Mexico will have to improve its oversight mechanism to dispel the perception that it is the backdoor for Chinese goods to enter the United States.

Brazil leverages BRICS leadership to assert voice on global stage

- Following its 2024 G20 presidency, Brazil will host the BRICS Summit in July 2025, reinforcing its leadership on South-South cooperation and regional priorities like trade integration.
- President Lula is using this momentum to lead a more autonomous regional agenda, emphasizing independence and multilateralism over alignment with either U.S. or Chinese influence on the global stage. He is also advocating for issues like hunger and poverty reduction that will remain prevalent through Brazil's hosting of COP30 in November.

IMPACT TO BUSINESSES

- The U.S. securitization approach towards Latin America is disrupting trade and complicating the movement of goods and people. This unpredictable policy environment weakens business confidence and raises operational risks. Companies must be prepared to navigate heightened tensions, regulatory shifts, and declining government trust that threaten regional integration and investment stability.

- The growing presence of Chinese companies in the region will increase competition and require strategic engagement with Chinese and local stakeholders. The deepening of China-Latin America economic ties also offers Latin American firms greater access to Chinese markets, especially in agribusiness, mining, and tech, and increases opportunities for joint ventures and supply chain investment by Chinese firms.

- Brazil's leadership in BRICS opens opportunities for private sector involvement through working groups that help shape the final documents defining regional priorities, although their reach may be limited. Businesses should also closely follow BRICS discussions, as they serve as political signals indicating potential directions for trade, investment, and regulatory agendas.

RISK HORIZON



United States & Canada



HEADLINES

Federal funding fight risks another U.S. credit downgrade

- The U.S. Congress must agree to raise the debt ceiling or risk default by the "x-date" falling in July or August. President Trump wants this done within the Republicans' budget reconciliation bill, but some fiscal hardliners are unlikely to do so without additional spending cuts.
- Even if Congress agrees to raise the debt ceiling - which remains the most likely outcome - the current trajectory of federal deficit spending could still precipitate another U.S. credit downgrade if financial institutions doubt the U.S.'s ability to manage its current and future debts.

IMPACT TO BUSINESSES

- A U.S. credit downgrade would raise borrowing costs for businesses, potentially dampening economic growth and foreign direct investment, while the reconciliation bill could also cut back clean energy tax credits.

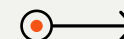
RISK HORIZON



Uncertainty remains for U.S. tariff policy but delays seem likely

- The ongoing litigation of President Trump's tariff implementation authority in the U.S. Court of Appeals for the Federal Circuit and other U.S. courts, combined with the President's periodic threats of new sector- or country-specific levies, make a constantly shifting tariff outlook likely for the third quarter.
- President Trump remains committed to building a "tariff wall" around the United States using a range of tools at his disposal. His unwillingness to breach the 10% tariff threshold, along with capacity challenges and other sticking points, may drag out bilateral trade negotiations with no guarantee of continued reciprocal tariff postponement.

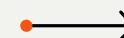
- Continued uncertainty around U.S. tariff implementation - including the lack of an exclusions process - will make business planning difficult and undermine competitiveness in the U.S. market as well as foreign direct investment.



Canada looks beyond U.S. for trade and defense

- While Canadian Prime Minister Mark Carney has signaled a willingness to cooperate with the U.S. on certain defense projects, such as President Trump's proposed "Golden Dome" anti-missile system, Carney's efforts since the election have focused on reducing Canada's economic and defense dependency on the U.S. where possible and reorienting towards other liberal democracies.
- Carney's interest in joining a major European rearmament plan and intention to strengthen economic ties with countries beyond North America illustrate his seriousness about a larger shift in Canada's economic and defense relationships as the future of U.S.-Canada partnership remains uncertain.

- Though the current economic and political turmoil between the U.S. and Canada is having a significant impact on Canada's business environment, Canada is likely to preserve deep economic ties with the U.S. The potential for new Canadian defense and economic agreements with the rest of the world may create opportunities for European and Asian exporters and defense contractors.

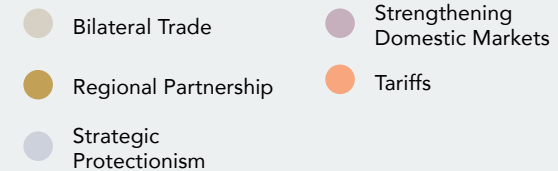


Multilateral Institutions & Forums



HEADLINES	IMPACT TO BUSINESSES	RISK HORIZON
UN liquidity crisis reshapes multilateral engagement <ul style="list-style-type: none"> The United Nations is undergoing a structural shift, with a focus on decentralizing operations and decision-making in an effort to increase efficiency. As traditional international alliances weaken, Member States and other stakeholders are reevaluating their engagement with the organization as a mechanism for addressing challenges and as a platform to shape international priorities. China, in particular, is expanding its influence in multilateral organizations by offering financial and staffing support on issues it cares about and in regions where U.S. engagement has declined. While this does not automatically lead to greater influence over the UN agenda, these changes indicate how the UN's financial instability creates new opportunities for geostrategic competition and can alter how the UN and its related bodies act. 	<ul style="list-style-type: none"> As the UN redefines its structure, there is an opportunity for business to contribute to shaping its evolving priorities and upcoming processes. Early engagement can help companies align with new governance agendas and shape their outcomes. Companies should also continue to forge partnerships and advance their agendas with regional organizations, private-sector alliances, and national governments. 	
Development finance retrenchment tests multilateralism's relevance <ul style="list-style-type: none"> The withdrawal of traditional donors and growing geopolitical rivalries are weakening the global development finance architecture, straining multilateral institutions. Many low-income and vulnerable countries now face overlapping crises with fewer sources for support. Despite the crisis impacting the UN, governments and stakeholders continue to turn to the UN and other multilateral bodies to help navigate the widening finance gap. The upcoming Financing for Development (FfD) Forum in Sevilla, Spain, is being looked at as a critical platform to reimagine global cooperation and resource mobilization, reinforcing the importance of reform and revitalization of multilateral institutions. 	<ul style="list-style-type: none"> As governments, particularly in least developed countries, face budget shortfalls from tariffs, aid cuts, and limited UN support, businesses will be affected by the reduced social efforts and services. For companies dependent on local labor, investing in social infrastructure will become essential for workforce stability. 	
Countries seek to sideline stakeholders in global tech governance negotiations <ul style="list-style-type: none"> There is increasing pressure from certain UN Member States to sideline non-governmental actors in multilateral negotiations in multiple tech related policy domains, including current key AI policy negotiations. This shift reflects long-standing efforts by countries like China and Russia to roll back multistakeholder-based policy development in favor of governments making decisions while stakeholders are relegated to observer roles. This trend risks becoming the new norm, with implications that will cascade from international fora to national policymaking processes. 	<ul style="list-style-type: none"> If multilateral negotiations marginalize industry stakeholders, companies will need to intensify national-level advocacy to ensure their perspectives are reflected. This will increase the complexity and cost of global and national policy engagement while reducing effectiveness, as harmful UN decisions are leveraged in emerging markets to drive policy and legal change. 	

Trade Discussion by Market



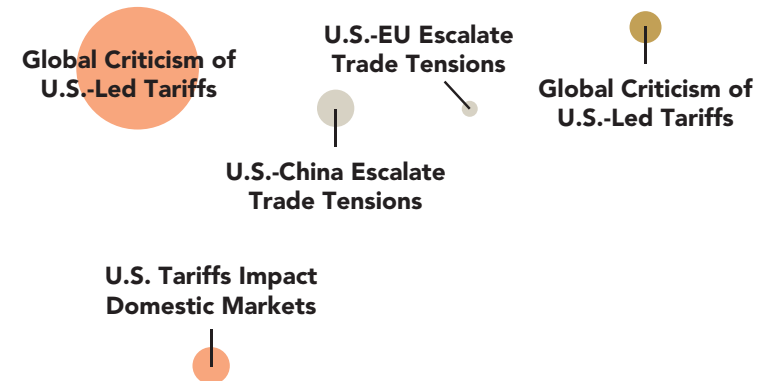
Trade & Supply Chain Overview

Each quarter, APCO uses a variety of tools to collect, review and analyze media reporting, online conversations and analyst commentary relating to trade and supply chains across five major trading blocs: China, the EU, India, Mexico and the U.S.

Our Q3 analysis finds that, as U.S. tariffs continue to reverberate, the future of economic and diplomatic security between the U.S. and these markets remains at risk. Concurrently, U.S. trading partners are exploring new opportunities to bolster domestic investments and attract foreign investors. Markets are introducing new economic initiatives amidst the falling value of the U.S. dollar to catalyze these investments and create a foundation for long-term growth that relies less on U.S. global leadership.

↑ MORE GLOBAL
—
↓ MORE LOCAL

United States

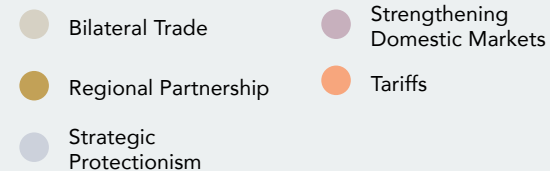


The current administration's aggressive implementation of its global trade strategy and its disruption to domestic and international markets continues to lead U.S. media coverage.

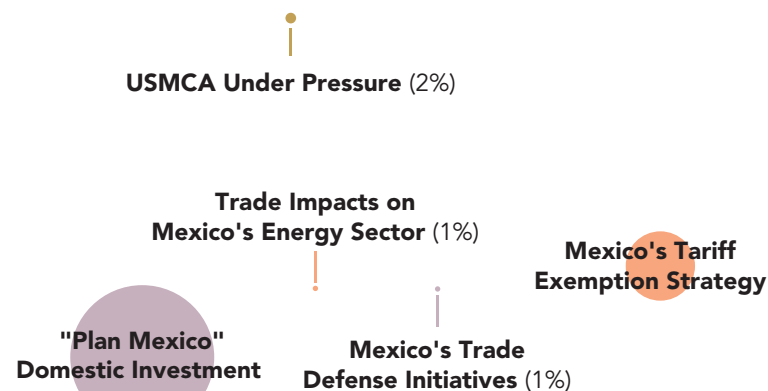
DISCUSSION:

- Global investors increasingly question the strength and stability of the U.S. financial system, with the U.S. dollar falling to a three-year low amid international firms beginning to adopt "Sell American" asset investment policies.
- Domestic consumers, small businesses and large corporations are publicly responding more to U.S. tariffs and note increased price disruptions across supply chains.
- As U.S. - China trade negotiations proceed, bilateral trade and diplomatic stability between the world's largest two economies remain at risk.

Trade Discussion by Market



Mexico

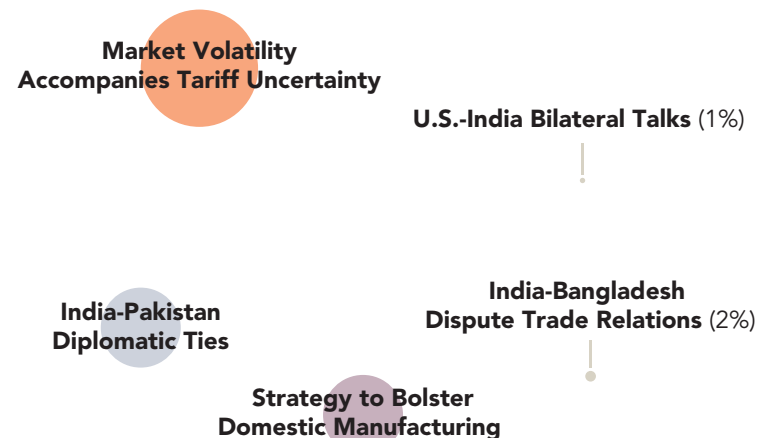


Mexican media coverage focuses on the country's initiatives to strengthen domestic markets, secure exemptions from U.S. tariffs and advance regional interests.

DISCUSSION:

- President Sheinbaum's economic development "Plan Mexico" aims to increase Mexico's economic growth and industrial development.
- The government's continued efforts to secure exemptions from U.S. tariffs and mitigate their impact draw praise and increase hopes for the continued future of the USMCA agreement.
- Concurrently, the Trump administration has expressed conflicting signals on a potential agreement to replace the USMCA, creating more integration between Mexico and Canada for regional economic competitiveness and security.

India

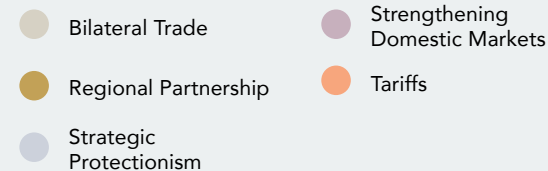


Indian media coverage highlights the global tariffs' impact on the country's stock market, concerns about bilateral relations with Pakistan and increased strategies to bolster domestic manufacturing.

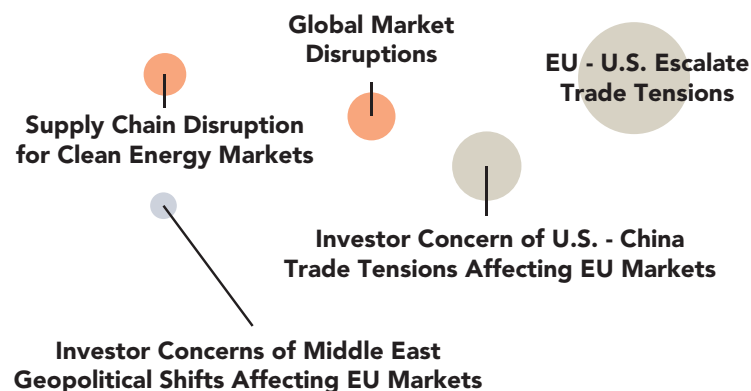
DISCUSSION:

- The Indian stock market faces increased volatility due to U.S. tariffs.
- Following the Pahalgam terrorist attack, India ramps up diplomatic and economic pressure on Pakistan, jeopardizing regional security efforts in the region.
- Indian businesses continue to make strategic investments in the country's emerging electronics industry, positioning these investments as critical to securing India's leadership on the global stage.

Trade Discussion by Market



European Union



EU-wide media notes the escalation of trade tensions between the bloc and the U.S. and concerns of the spillover effects from U.S. - China trade discussions alongside the prospect of slower economic growth in the region and globally.

DISCUSSION:

- The EU increases criticism of the U.S. tariffs and refuses to rule out countermeasures from the bloc on U.S. trade.
- Escalating trade tensions from the U.S. and China jeopardize economic growth globally and in the EU
- The EU remains concerned about long-term economic development but is also optimistic that more global investors will look to the bloc for economic stability.

China

The following is a summary based on our in-market experts that includes qualitative observations from news and social media coverage.

Enduring economic uncertainty and forecasts for lower growth resulting from the U.S. trade agenda emerge as leading topics in Chinese media coverage, with disparate impacts across sectors.

DISCUSSION:

- Before the implementation of tit-for-tat tariffs in April, Chinese businesses increased exports to prepare for future uncertainty.
- Macroeconomic data reveals the tariffs are slowing economic growth, and while initial trade talks between the U.S. and China eased tensions somewhat, the long-term outlook remains mixed.
- Certain industries confront increased business pressures, such as Chinese automakers facing heightened inventory and price competition from other automakers.

↑ MORE GLOBAL
—
↓ MORE LOCAL

Upcoming Global Events Q3 2025

JULY

June 30-July 3

Fourth International Conference on Financing for Development (FfD4)
Sevilla, Spain

July 6-7

2025 BRICS Summit
Rio De Janeiro, Brazil

July 7-11

World Summit on the Information Society (WSIS) +20 High Level Event
Geneva, Switzerland

July 8-11

AI for Good Global Summit
Geneva, Switzerland

July 10-11

Ukraine Recovery Conference
Rome, Italy

July 11

ASEAN Regional Forum
Kuala Lumpur, Malaysia

July 14-24

UN High-Level Political Forum on Sustainable Development
New York City, United States

July 24-25

EU-China Summit
Beijing & Anhui, China

AUGUST

August 4-6

APEC Digital & AI Ministerial Meeting
Incheon, South Korea

August 27-28

APEC Energy Ministers' Meeting
Busan, South Korea

SEPTEMBER

September 1-5

APEC SME Ministers' Meeting
Jeju, South Korea

September 2-6

Asia-Pacific Climate Week
Bangkok, Thailand

September 3-6

Eastern Economic Forum
Vladivostok, Russia

September 9-23

UN General Assembly
New York City, United States

September 16

Malawi Presidential and National Assembly Elections

September 27

Seychelles Presidential and National Assembly Elections



About APCO

APCO is a global advisory and advocacy firm that helps clients navigate a complex world and create lasting impact. We partner with organizations to help them catalyze progress, act with agility and build reputations, relationships and solutions that enable success. APCO is an independent and majority women-owned business and has helped clients to grow, sustain and protect their interests for 40 years. Clients typically come to APCO with complex and unconventional problems that cut across jurisdictions and do not neatly match the competencies of traditional law firms, lobbyists, PR agencies, management consultancies or other legacy professional services firms.

About Geo-Commerce

APCO's Geo-Commerce team advises clients whose interests intersect geopolitics, commerce and diverse stakeholder interests. The global team works across APCO's 30+ offices, combining cross-market insights and connectivity with knowledge of local networks and executional capabilities.

Let's Talk:

James W. Robinson
jrobinson@apcoworldwide.com
+1 212.300.1803
apcoworldwide.com