APCO

# Geopolitical Radar

The Global Operating Environment for Business

Q2 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 Q2 2025 and was published in April 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.

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Acute | Transitory | Enduring

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SPOTLIGHT:

# From Shock to Strategy: Finding Opportunity as the Trump Doctrine Reshapes the World Order

The first 70 days of the second Trump Administration have revealed a framework for how the 47th U.S. president wants to reshape the world and how he will pursue his agenda. The president's rapid-fire actions have caused confusion, shock and awe, destabilized America's friends and foes and created a new environment where seemingly nothing is off the table.

While many investors, citizens and institutions are disoriented, early signposts give direction on how to proceed in this unfamiliar environment. By understanding the three pillars to the Trump Doctrine, businesses can make informed decisions about how to proceed and perhaps thrive in this new era.

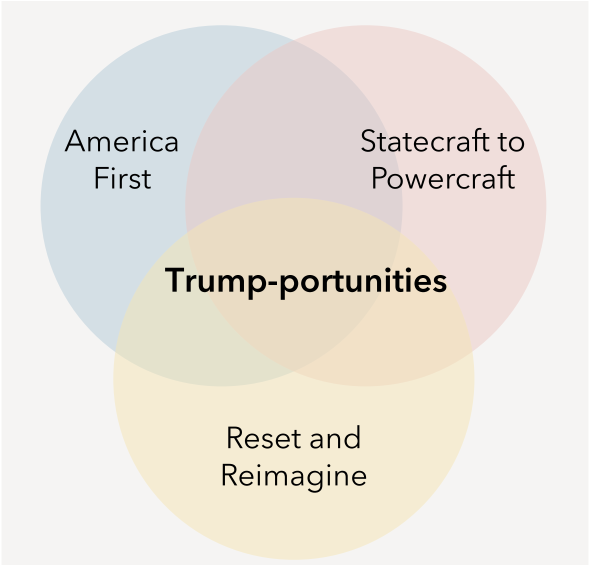
## AMERICA FIRST

The administration is guided and energized by an authentic perception that the American people—particularly working people in neglected "flyover" country—have been cheated by decades of what they see as liberal excesses and self-serving, out-of-touch elites. This is characterized by a belief in the much-touted harms caused by globalization, America's unfair trading relationships, offshoring of manufacturing jobs, U.S. underwriting European and North Asian security, uncontrolled immigration, adherence to so-called "woke" ideas such as DEI and ESG, and accusations of unchecked waste, fraud and abuse by a bloated and ineffective government bureaucracy.

## STATECRAFT TO "POWERCRAFT"

President Trump has swiftly adopted a maximalist approach to the use of power: the powers of the U.S. presidency; the powers of the U.S. government; and the powers of the United States as the world's largest, wealthiest most resource-rich economy. These levers of power are essential to his deal-making philosophy and include the power of Executive Orders, which so far have instigated tariffs, investigations, pardons, sanctions, deregulation and discretionary spending; the power of Gunboat diplomacy, as the peoples of Panama, Columbia, Ukraine and Greenland can attest; the power of old laws, which have been invoked and reinterpreted to support executive actions, such as the Alien Enemies Act; and the power to defund institutions that do not adhere to his administration's agenda, particularly universities, local governments and law firms. Only time will tell how sticky these actions will be and the courts, financial markets and the voting public (and a future congress) will be the ultimate arbiters of their durability. That said, the shift from statecraft to "powercraft" is a defining feature of this new presidency.

**Opportunities—and strategic safety—can be found at the intersection of the three pillars of the Trump Doctrine**



SPOTLIGHT:

# From Shock to Strategy: Finding Opportunity as the Trump Doctrine Reshapes the World Order

## RESET AND REIMAGINE

While amassing an arsenal of power, tools and leverage, in the America First agenda President Trump also seems intent on breaking down, resetting and reimagining legacy institutions, structures and norms. This has been visible through the disbandment of government agencies, such as USAID and the Department of Education, the firing of civil servants, challenges to arts, culture and educational institutions and the U.S. withdrawal from multilateral groups and commitments, such as the World Health Organization and the UN Sustainable Development Goals, and its threats to NATO. We are yet to see what will emerge in their place, but technology, AI and the private sector are likely to be central players. Additionally, speculation about a Mar-a-Largo Accord centers on the idea that having inflicted maximal pain upon international powers, President Trump will be able force them into submission on a range of issues, including dollar devaluation, increased security spending, new investments in the U.S. and pumping more oil.

## CAPTURING TRUMP-PORTUNITIES

While some leaders might feel paralyzed by uncertainty, destabilized by the rapid pace of change, and quietly alarmed by the iconoclasm, plenty of investors and enterprising business leaders are finding opportunities in this moment of transformation.

**Seven principles for action in this new era include:**

1. **Protect your interests** by recasting corporate priorities and decisions through an America First lens and identifying ways to demonstrate alignment and amass political capital in the U.S., while finding ways to balance U.S.-focused actions with interests outside the U.S.

2. **Learn the language of Trump** and use that language to sell proposals, break through regulatory blockages and navigate danger zones.

3. **Be bold** in imagining what might be possible. The new administration is unconstrained by past precedent and bureaucratic hurdles, is willing to move fast, and believes deeply in the power and value of the private sector.

4. **Reconfigure and transform** your organization to meet the moment. This might include changing supply chains, revising operating structures, adopting multi-local strategies or seeking a new balance between employee interests and investor expectations.

5. **Don't forget the states,** which remain powerful stakeholders that possess the authority to approve, block, or slow investments and are the breeding grounds for future political leadership.

6. **Agility and responsiveness** are more important than ever. Foresight exercises, scenario planning, decision protocols and crisis procedures are crucial foundations all organizations should fortify.

7. **Values and authenticity** remain vital tenets of trusted and enduring organizations. They should offer a framework to balance competing stakeholder expectations and should not be sacrificed in pursuit of short-term wins.

# Asia Pacific

Acute Transitory Enduring

| HEADLINE RISKS | | IMPACT TO BUSINESSES | RISK HORIZON |
|---|---|---|---|
| **U.S.-China economic fragmentation disrupts regional trade and investment flows** | • Southeast Asian economies are absorbing some of the manufacturing shift away from China amidst escalating U.S.-China tariffs. At the same time U.S. regulators are increasing scrutiny of these supply chains to crack down on alleged transshipment of Chinese goods.<br>• Imports to Vietnam from China surged 40% year-on-year in February leading to a rare trade deficit of $1.55 billion amid increasing concern about the country's dependence on re-exported goods from China.<br>• Thailand's exports to the U.S. were valued at $63.3 billion in 2024, marking an increase of 12.5% compared to 2023 and making it vulnerable to additional trade measures if transshipment concerns escalate. | • Companies operating in Southeast Asia face increased compliance costs, potential tariff exposure and supply chain uncertainties due to shifting trade policies.<br>• To reduce enforcement and tariff exposure, companies should reassess sourcing strategies, ensure supply chain verification as it relates to Southeast Asian manufacturing practices, and engage U.S. policymakers and regional trade associations to support compliance and preserve market access. | |
| **South Korea's political volatility strains business confidence** | • South Korean President Yoon Suk-Yoel's impeachment and suspension from office have exacerbated legislative gridlock, stalling key economic reforms and weakening investor confidence.<br>• The Bank of Korea downgraded South Korea's 2025 GDP growth projection in February 2025 to 1.5% from its previous 1.9% projection. The won declined by 14% against the USD over the past year, and exports are projected to grow by only 1.5% in 2025 as trade uncertainties with China and a weakened currency continue to limit recovery in key sectors such semiconductor and automotive manufacturing. | • Businesses operating in South Korea face regulatory unpredictability, currency fluctuations and likely delays in implementing new economic policy. Supply chain disruptions, workforce challenges and financial instability will characterize the near term outlook. | |
| **Australia recalibrates economic strategy amid China tensions and an upcoming election** | • Australia has implemented stricter foreign investment regulations and rejected multiple Chinese investment bids in the critical minerals sector to reduce economic reliance on China.<br>• Australia is accelerating efforts to diversify its trading partners by negotiating agreements with Southeast Asia and India to expand market access for the country's agricultural products and energy exports.<br>• Ahead of its May 3 federal election, legislators are seeking to maintain Australia's role as a major liquefied natural gas (LNG) exporter while balancing stricter LNG export regulations and other domestic energy policies, creating uncertainty for resource-dependent industries. | • Given more stringent screening of foreign investment and evolving trade policy, businesses in energy, technology, and critical minerals can expect heightened regulatory oversight and new potential investment hurdles in Australia. | |
| **Indonesia faces governance and labor challenges under new administration** | • Indonesia's President Prabowo Subianto is advancing a nationalist economic agenda, tightening foreign investment regulations, increasing local content requirements and pushing for domestic ownership of key industries.<br>• These policies aim to boost domestic production but have accelerated job losses and labor unrest in the textile sector and contributed to higher operational costs and production delays.<br>• Investors remain cautious as regulatory shifts in e-commerce and infrastructure reflect the Indonesian government's push for stronger domestic ownership in strategic industries, raising concerns about market access and foreign capital restrictions. | • Companies should consider increasing government engagement and strengthening risk management practices to adjust to stricter investment conditions, labor market volatility, and evolving regulations. | |

# China

Acute | Transitory | Enduring

| HEADLINE RISKS | | IMPACT TO BUSINESSES | RISK HORIZON |
|---|---|---|---|
| **Persistent headwinds slow China's economic recovery** | • After a temporary rebound during the annual Spring Festival, China's economic growth continues to slow. Using accommodative fiscal measures and monetary policies to stabilize the economy, the government aims for "around 5%" growth in 2025.<br>• Stimulus efforts have not addressed structural challenges like local government debt and housing market weakness. Despite significant household savings of more than $20 trillion, these issues, along with global economic uncertainty and decoupling from the U.S. and other international markets, are dampening consumer sentiment and spending. | • Businesses may continue to encounter demand fluctuations as stimulus measures wane. Companies should prepare for volatility by calibrating strategies to align with quickly evolving economic policies and market dynamics. | |
| **New development initiatives aim to boost economic confidence and long-term growth** | • The Chinese central government has introduced new initiatives to attract foreign investment, offering incentives to businesses to establish or expand operations in the country.<br>• At the same time, the government is seeking to better integrate its internal market in part by limiting provincial subsidies. The central government is investing in strategic infrastructure and technology projects in inland regions and offering more balanced economic development opportunities.<br>• These investments reflect attempts to stabilize long-term growth against short- and medium-term uncertainties, like weak consumer spending and a volatile global trade outlook. | • Foreign companies could benefit from national foreign investment incentives but may face slowdowns from reduced government subsidies at the provincial level.<br>• Lower-tier cities and inland regions offer opportunity but have distinct consumer demands and habits, which differ from those in major metropolitan areas. | |
| **Escalating trade tensions accelerate self-reliance efforts** | • The imposition of new U.S. tariffs under the second Trump administration has prompted China to impose fresh retaliatory measures and sharpen its focus on domestic market development and self-reliance.<br>• Retaliatory measures include new tariffs on U.S. imports, further market access restrictions for U.S. companies, and other non-tariff barriers, particularly for U.S. companies.<br>• China is seeking to enhance local industry capabilities in critical technology fields like semiconductors, AI, biotechnology and quantum computing. These efforts aim to mitigate dependence on international providers. | • U.S. tariffs and Chinese countermeasures will likely escalate trade tensions. U.S. companies risk losing ground and market access opportunities to European and Asian competitors.<br>• Multinational corporations will face increased regulatory scrutiny and competition from Chinese firms. | |

# South Asia

Acute | Transitory | Enduring

| HEADLINE RISKS | | IMPACT TO BUSINESSES | RISK HORIZON |
|---|---|---|---|
| **India displays resilience amid inflation concerns and global trade tensions** | • India's macro-economic stability sets the country on a strong economic growth trajectory in the medium-term. Short-term risks, such as tariffs, inflation and rupee depreciation, persist as global trade tensions and protectionism raise the stakes in ongoing trade negotiations with the EU, U.S., and the U.K.<br>• Inflation remains a concern in 2025; FY26 inflation is projected at 4.0-4.2% according to the Reserve Bank of India. The central bank is expected to cut interest rates by 75 basis points in 2025, potentially in April and in October. | • India's rate cut cycle favors business expansion and investment as the country nears its goal to become the world's third-largest economy by 2028.<br>• Ongoing trade negotiations could impact key sectors, requiring businesses to adapt pricing, supply chains, and trade routes. Uncertainty about future trade policy may deter foreign investment, particularly in manufacturing and technology. | |
| **Bangladesh's political instability threatens economic growth** | • The interim government under Muhammad Yunus faces challenges in stabilizing Bangladesh after Sheikh Hasina's ouster, with ongoing political tensions and unclear election dates. The newly-established National Citizen Party, formed by leaders of the 2024 protests, adds complexity to the political scene ahead of elections.<br>• Bangladesh's GDP growth is set to slow to 4.3% in 2025 as foreign exchange reserves decline, banking liquidity issues increase, and as the crucial ready-made garment sector becomes more vulnerable to potential U.S. tariffs. Bangladesh may benefit from manufacturers leaving China if the U.S. imposes higher tariffs there. | • Heightened political uncertainty and slowing economic growth create significant operational risks in Bangladesh. They also potentially deter foreign investment and disrupt supply chains. | |
| **Pakistan's escalating security crisis undermines economic revival** | • Despite recent economic growth, cooling inflation, and the International Monetary Fund's (IMF) praise for the USD $7 billion loan implementation, Pakistan faces an escalating security crisis from terrorism, border tensions with Afghanistan and separatist activity. If insecurity spreads from tribal areas to cities, the nascent economic revival could quickly collapse.<br>• However, U.S. tariffs on its larger trading partners could reduce costs if exporters seek alternative markets to the U.S., benefitting smaller import-dependent economies like Pakistan. | • Despite improved economic indicators and potential benefit from lower import costs, companies face heightened operational security risks and costs in separatist-affected regions in Pakistan. The deteriorating security environment could deter new investments. | |
| **Sri Lanka's economic recovery accelerates despite geopolitical turmoil** | • Sri Lanka's economy continues to recover from the 2022 debt crisis with GDP growth forecast at 5.2% for 2025, fueled by household consumption and investment. Fitch Ratings upgraded the country's sovereign debt rating to CCC+, reflecting increased investor confidence.<br>• Despite this progress, Sri Lanka remains dependent on foreign investment to drive its economy.  Export-led growth could also be hampered by U.S. tariffs or broader trade wars between its major export markets. | • Sri Lanka's strengthening economy offers attractive investment opportunities, but looming trade wars could hurt its key export markets, including textiles and apparel, tea, rubber products, and seafood. | |

# Middle East & North Africa

Acute | Transitory | Enduring

| HEADLINE RISKS | | IMPACT TO BUSINESSES | RISK HORIZON |
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| **U.S. strategy shifts the Middle East security landscape and its power dynamics** | • The U.S. is recalibrating its engagement around Iran, Israel, Gaza and Syria, moving beyond containment of Iranian influence towards selective engagement and greater economic diplomacy.<br>• Saudi Arabia continues to grow its role as a key mediator, while Iran's response to U.S. actions – escalation or strategic restraint – will shape regional stability. Syria remains a critical security lynchpin, with Türkiye pushing for greater postwar influence and Israel continuing targeted operations. | • As the U.S. recalibrates its strategy, businesses will continue grappling with shifting alliances, evolving sanctions, and increased compliance challenges. Potential new policy shifts or sanctions – especially on Iran – may disrupt financial flows, energy markets and supply chains creating uncertainty across regional investments and operations. | |
| **Gulf investment strategies make it a lynchpin between the U.S. and China** | • Gulf nations are redefining priorities as China deepens investment in AI, infrastructure and energy, all of which continue to challenge Western influence.<br>• Strategic investments in the U.S., including the UAE's pledge to invest $1.4 trillion in the U.S. infrastructure, semiconductors, energy and manufacturing over the next ten years and Saudi Arabia's anticipated $1 trillion U.S. investment commitment, highlight the region's evolving economic focus.<br>• Meanwhile, efforts to maintain stable markets and bolster defense sales to counter Iran's influence are reshaping regional trade flows. Economic pressure on Iran and fragile postwar conditions in Syria exacerbate security concerns that disrupt cross-border commerce. | • Shifts in sovereign investment strategies and China's expanding role in Gulf markets may signify the region's increasing importance in geopolitical affairs and as a lynchpin for supply chains, capital investment, trading and logistics and technology investment. | |
| **Iran-backed militants and cross-border tensions continue to challenge regional security** | • Ongoing Houthi threats, Syrian and Lebanese militant activity and the conflict in Gaza challenge regional security and economic integration efforts. Ongoing fighting between regional actors poses risks of escalation that jeopardize recent stabilizing efforts.<br>• The Houthis continue to disrupt Red Sea trade and endanger Gulf infrastructure. Iran-backed militias in Syria heighten the threat to Israel's security. Escalating hostilities may prompt retaliatory strikes against U.S. assets in Iraq or the Gulf, amplifying instability and geopolitical risk. | • Continued insecurity threatens maritime Red Sea trade, increasing shipping costs and insurance premiums. Heightened regional tensions could disrupt energy markets and key infrastructure. Political and security uncertainties are undermining investor confidence and hampering corporate investment plans. | |

# Sub-Saharan Africa

Acute | Transitory | Enduring

| HEADLINE RISKS | | IMPACT TO BUSINESSES | RISK HORIZON |
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| **South Africa targets U.S. tech giants with regulatory scrutiny** | • South Africa's antitrust watchdog found Google guilty of anti-competitive practices, recommending it pay local media outlets up to $27 million annually for up to five years. Meta and X also face penalties for deprioritizing local South African news content in favor of global media.<br>• This marks a significant shift in the country's regulatory approach, applying pressure to U.S. tech companies and increasing geopolitical tensions that could impact broader U.S.-South Africa relations and digital policy in the region. | • Increased regulatory scrutiny and financial penalties could deter U.S. tech companies from investing in South Africa, potentially reducing their market presence while depriving citizens of various technologies.<br>• Businesses may face higher compliance costs, operational restrictions, and a need to adjust their strategies to navigate a more challenging regulatory environment, likely reshaping market dynamics in the region. | |
| **Nigeria responds to USAID cuts with domestic funding surge** | • Nigerian lawmakers approved an additional $200 million for the health sector to offset abrupt cuts to U.S. aid, which included halting disease control programs.<br>• The cuts have sparked debate about Africa's reliance on foreign aid. Some experts see this as a turning point for self-sufficiency, urging governments to take greater responsibility for healthcare funding through domestic resources and innovative financing mechanisms. | • New locally-driven healthcare funding could create opportunities for healthcare companies and investors.<br>• However, reliance on domestic funding may pose sustainability challenges, including the need to navigate potential financial and operational risks. | |
| **Escalating M23 conflict disrupts DRC mineral supply chains** | • The M23 rebel paramilitary group, which the UN alleges is funded and commanded by Rwanda, has seized large parts of the eastern Democratic Republic of Congo (DRC).<br>• Fighting has displaced at least 600,000 people since November 2024 according to the UN and has drawn in multiple neighboring armies despite attempted peace negotiations.<br>• The conflict threatens widening war in a region that contains vast strategic mineral reserves, including coltan, cobalt, copper, and lithium. Separately, in February the DRC announced a four-month suspension of cobalt exports to stabilize prices amid concerns of overproduction. | • The M23 conflict threatens to disrupt sourcing of critical minerals that are vital to high-tech industries, electric vehicle batteries and green energy manufacturing.<br>• Businesses face significant price volatility in mineral markets and sourcing from conflict zones creates serious compliance risks under "conflict minerals" regulations, potentially resulting in legal penalties and reputational damage. | |

# Russia & Eastern Europe

Acute | Transitory | Enduring

| HEADLINE RISKS | | IMPACT TO BUSINESSES | RISK HORIZON |
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| **Historic negotiations signal new era of cooperation in Central Asia** | • The Kyrgyz Republic and Tajikistan signed an historic agreement settling a longstanding border dispute, demarcating their entire shared border after years of violent conflict.<br>• The border agreement was finalized just before the first-ever trilateral summit on March 31st, involving the presidents of the Kyrgyz Republic, Tajikistan and Uzbekistan. This summit marks a significant advancement for a region that has faced challenges in fostering economic integration and investment in shared infrastructure, trade and transportation routes. | • Russian malign influence could undermine stronger regional cooperation underway and could destabilize further negotiations towards more direct economic cooperation in the medium term. | |
| **U.S. sanctions shake Russian energy sector** | • The Trump administration allowed a 60-day exemption for certain energy transactions involving sanctioned Russian banks to lapse. The exemption permitted sanctioned Russian banks to process European payments for oil and gas sales to Europe.<br>• These sanctions are having a material impact as Chinese state oil companies have scaled back purchases of Russian oil after the former Biden administration-imposed sanctions on Russia's oil industry ended January 10, citing compliance concerns. | • Uncertainty about U.S. sanctions policy, as well as the potential for U.S. and European approaches to diverge, puts companies in a complex position as they seek to ensure global compliance with current sanctions regimes.<br>• Changes to U.S. sanctions on the Russian energy sector will have a significant impact on global oil prices. | |
| **Russian leaders double-down on preferential treatment for local companies** | • Russian President Vladmir Putin joined a growing list of Russian leaders who are warning that foreign businesses will not be allowed to repurchase their Russian assets at the low prices they sold them for following the Russian invasion of Ukraine, nor would they receive preferential treatment in returning to the market.<br>• Putin called for a regulatory framework that would facilitate the return of each company on a case-by-case basis while maintaining an "advantage" for domestic manufacturers.<br>• Putin instructed the Russian government to draft "transparent" rules for Western firms seeking to return, ensuring "honest and responsible conduct" in Russia. | • Russia remains a high-risk investment destination due to divergent and unpredictable foreign sanctions, its frozen reserves and stringent local regulations. Any deals in Russia that do come to fruition are likely to be one-offs, without recurring privileges or preferences for those returning. | |

# Western & Central Europe

| Acute | Transitory | Enduring |
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| HEADLINE RISKS | | IMPACT TO BUSINESSES | RISK HORIZON |
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| **EU prepares retaliatory tariffs as the transatlantic alliance frays** | • The Trump administration's trade policy has increased tensions between the U.S. and Europe. EU retaliatory tariffs, reaching EUR 26 billion worth of American goods, will take effect in April 2025 and may presage more significant retaliation in the wake of U.S. action to be announced on April 2.<br>• Despite increasing unanimity among EU Member States, the economic pain caused by tariffs may test their joint resolve. To date, British Prime Minister Keir Starmer has refrained from countermeasures against U.S. steel tariffs.<br>• A trade war may expand if Brussels deploys the Anti-Coercion Instrument, which can target services and restrict IP rights or access to procurement. | • Trade and tariff uncertainty will challenge multinational operations across the EU and undermine investor sentiment, consumer confidence and regional economic stability.<br>• U.S. firms, especially those in the consumer goods, risk boycotts and reputational harm as anti-American sentiment increases.<br>• Call for "strategic autonomy" and trade diversification in Europe offer potential opportunities for EU investors. | ⦿ |
| **Europe's defense capabilities tested as U.S. retreats** | • Shifts in American foreign policy and its defense postures have shaken European capitals. EU countries have moved quickly to boost their defense budgets to counter U.S. criticisms, support Ukraine and prepare to defend against a combative Russia.<br>• The European Commission's proposed EUR 150 billion defense fund which prioritizes EU procurement supports the growing emphasis on EU autonomy.<br>• Funding disagreements; balancing NATO with independent EU security; and fiscal pressures within Member States all challenge EU leaders. | • European, British and Canadian companies in the defense, cybersecurity and aerospace sectors may see increased demand. American companies may face procurement challenges in the EU amid rising transatlantic tensions.<br>• Shifting spending priorities are likely to have a negative impact on sectors such as health and social services, while businesses could face higher taxes to fund new defense initiatives. | •⟶ |
| **Ongoing German coalition talks risk gridlock and uncertainty** | • Following the German federal election, the conservative CDU/CSU, led by Friedrich Merz, secured the most seats in the Bundestag, while the far-right AfD surged. This result has forced the CDU/CSU to pursue a "Grand Coalition" government with the outgoing governing party, the center-left SPD, the popularity of which sank.<br>• The agreement to loosen the government's "debt brake" to boost investments in rearmament and infrastructure was a breakthrough, but this collaboration does not guarantee successful coalition negotiations, where a misalignment with the SPD on health and social care may stymie talks. | • Prolonged coalition talks may delay key economic and industrial policies, including the implementation of tax reform, infrastructure and defense spending.<br>• Wider trade tension with the U.S. is likely to further dampen economic confidence within Germany. | ⦿⟶ |

# Latin America

Acute | Transitory | Enduring

| HEADLINE RISKS | | IMPACT TO BUSINESSES | RISK HORIZON |
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| **U.S. tariff escalations disrupt regional trade standards and routes** | • Aggressive tariff threats from the U.S. are challenging regional leaders to balance national interests while cutting deals to meet U.S. demands. Threats against countries like Colombia exemplify how President Trump uses tariffs as a tool of coercion. Countries like Brazil and Chile may benefit from tariffs as supply chains shift in their favor.<br>• The threatened disruption is forcing regional powers to diversify economic partnerships and reassess relationships, including with the U.S., China, Europe and with regional neighbors. | • U.S. tariffs may have the effect of reducing exports to the U.S., but companies may find new opportunities for trade within new alliances, such as the EU – Mercosur Agreement, and with other economic blocs such as China, Japan and India. | |
| **U.S. aid cuts threaten Latin America's stability and development** | • The freeze on U.S. foreign aid has impacted humanitarian and development programs in Latin America. Countries reliant on these funds for security, health services, economic development and democracy support will face heightened challenges. Other potential U.S. actions, such as funding cuts to development banks, could further worsen economic uncertainty.<br>• Health initiatives and independent media organizations are the primary sectors impacted by the funding cuts. It is unlikely that local governments will intervene to fill the funding gaps, posing new risks to regional health, democracy and economic security. | • The reduction in aid will weaken the rule of law and institutional independence both of which are important for business operations, job creation and security.<br>• Businesses should closely monitor local developments and adapt strategies to the evolving socio-political landscape, while also ensuring compliance with local regulations. | |
| **Key Latin America economies likely to experience slowing growth** | • Latin America's growth prospects for 2025 have weakened. The OECD reported that Brazil's GDP growth is expected to drop to 2.1% in 2025 from 3.4% in 2024, and Mexico's economy is projected to decline by 1.3%. Inflationary pressures persist in many countries.<br>• Regional geopolitical and fiscal uncertainty; unpredictable U.S. foreign policies and trade policies; and increasing costs are driving declines in business and consumer confidence and reducing consumer demand. | • The private sector should continue to monitor changes in U.S. trade policy towards the region and prepare to adjust quickly to market volatility. | |

# United States & Canada

Acute | Transitory | Enduring

| HEADLINE RISKS | | IMPACT TO BUSINESSES | RISK HORIZON |
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| **Trump's pressure on Canada catalyzes domestic and international reactions** | • President Trump's rhetoric and tariffs have triggered a combative response from Canadian officials, businesses and citizens and stoked anti-American boycotts.<br>• Beyond retaliatory measures from Ottawa and provincial leaders, Canadian officials are rethinking economic and security dependence on the U.S., removing interprovincial trade barriers and looking to deepen cooperation with other trade partners.<br>• Canada's new Liberal prime minister, Mark Carney, faces a tight general election on April 28, with a possible Conservative Party victory. | • Businesses which rely heavily on cross-border trade, such as those in the automotive and energy sectors, should prepare for cycles of escalation and de-escalation and rapid changes in policy on both sides of the border, while U.S. businesses in both countries should consider the impact of Canadian consumer or government-backed boycotts. | |
| **Tariffs rattle already-shaky U.S. economy** | • Uncertainty around extensive new tariffs on U.S. trading partners and widespread government cutbacks have rattled the stock market, undermined consumer confidence and are leading to fears of stagflation.<br>• Recession concerns are growing on Wall Street, and the U.S. macroeconomic outlook is increasingly pessimistic despite promises of foreign investment in U.S. manufacturing and likely tax cuts.<br>• Despite growing concerns about costs, many Americans remain supportive of President Trump's use of tariffs in principle. | • Importers and U.S. manufacturers facing higher costs due to tariffs may be forced to pass some costs on to consumers leading to inflation.<br>• Retaliatory tariffs from U.S. trading partners could reduce the competitiveness of U.S. exports. | |
| **Dismantling the federal bureaucracy and deregulation cause uncertainty for investors** | • The Trump administration's rapid and disorganized dismantlement of federal programs and firing of government personnel has weakened the bureaucratic state, undermined legal and regulatory predictability and is slowing private capital investment and deal-making.<br>• Deregulation in sectors such as energy, finance and AI is intended to spur American innovation leadership.<br>• By skirting the required appropriations and rulemaking processes, the durability of the administration's far-reaching changes remains questionable, even if many immediate impacts are irreversible. | • Near term cuts will likely slow the processing time for government services, payments, permits and reviews before long-term benefits from reduced regulation and bureaucracy can materialize.<br>• Federal funding reductions for medical research and basic research may hamper government-backed health and technology innovation.<br>• While environmental deregulation be advantageous for businesses, a patchwork of reactive states laws and regulations may make compliance increasingly challenging. | |

# Multilateral Institutions & Forums

Acute | Transitory | Enduring

| HEADLINE RISKS | | IMPACT TO BUSINESSES | RISK HORIZON |
|---|---|---|---|
| **UN liquidity crisis strain multilateral institutions** | • The UN's struggles to stay solvent will be worsened by potential reductions in U.S. funding. Funding reductions will lead to increasingly significant operational challenges.<br>• Aid and international development budgets from major donors, including the U.S., U.K. and Germany are shrinking, intensifying expectations for multilateral organizations to bridge the financing gap for development.<br>• However, these institutions lack the necessary funds to meet these heightened demands, widening the disparity between available resources and pressing global needs. | • Businesses should prepare for potential gaps in international governance, including in areas such as standards setting, humanitarian assistance, peacekeeping, disease prevention and security. | |
| **Western alliances and the Bretton Woods system weakens as countries pursue diverging agendas** | • Post-war alliances and the rules-based international order are weakening while new power dynamics are emerging. The former bloc of Western allies that collaborated across various policy areas is collapsing, driven by the U.S. choice to adopt a more unilateral approach and its withdrawal from multilateral commitments.<br>• Particularly relevant in regional fora, the fragmentation will make it harder to achieve global agreement on issues like climate change, AI governance, disarmament and gender. | • Companies should be prepared to engage with a broader range of stakeholders and adapt to shifting alliances and priorities to achieve desired outcomes from multilateral institutions. | |
| **U.S. rejection of UN Sustainable Development Goals undermines global effort** | • Representatives of the U.S. government have rejected the Sustainable Development Goals (SDGs), deeming them incompatible with U.S. national interests. This significant policy shift undermines the collective action framework established by the UN and creates space for other nations to retract their commitments, posing substantial challenges to global sustainable development efforts.<br>• This rollback occurs as UN Secretary-General António Guterres is calling for the reinvigoration of the SDGs following reports that they are currently off track, alongside global climate mitigation and financing efforts. | • With the U.S. breaking from other global governments, businesses may feel less compelled to support the SDGs. However, the challenges addressed in the UN's 2030 Agenda and the Paris Climate Agreement persist and many stakeholders globally continue to expect private sector player to take action to address these risks. | |

# Trade Discussion by Market

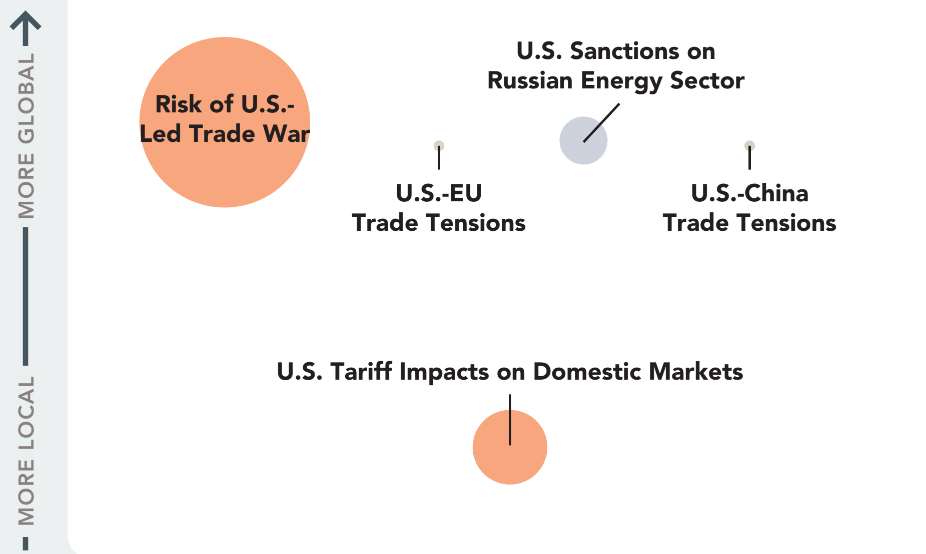
- Bilateral Trade
- Regional Partnership
- Strategic Protectionism
- Strengthening Domestic Markets
- Tariffs

## Global 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. This research is conducted in English, Spanish, Chinese, French and German.

The results of our Q2 analysis reveal widespread focus on the effects of U.S. tariffs on the global economy and the potential impact on U.S. leadership. There is general agreement across the five regions that uncertainty is harmful to investment and prosperity, while conversations in China and India indicate a degree of optimism about the ability of their countries to withstand the current challenges.

### Top Trade Conversation Topics in the United States




U.S. media and online conversation is focused on U.S.-led trade action and its destabilizing effects on domestic, regional and international markets.

**DISCUSSION:**

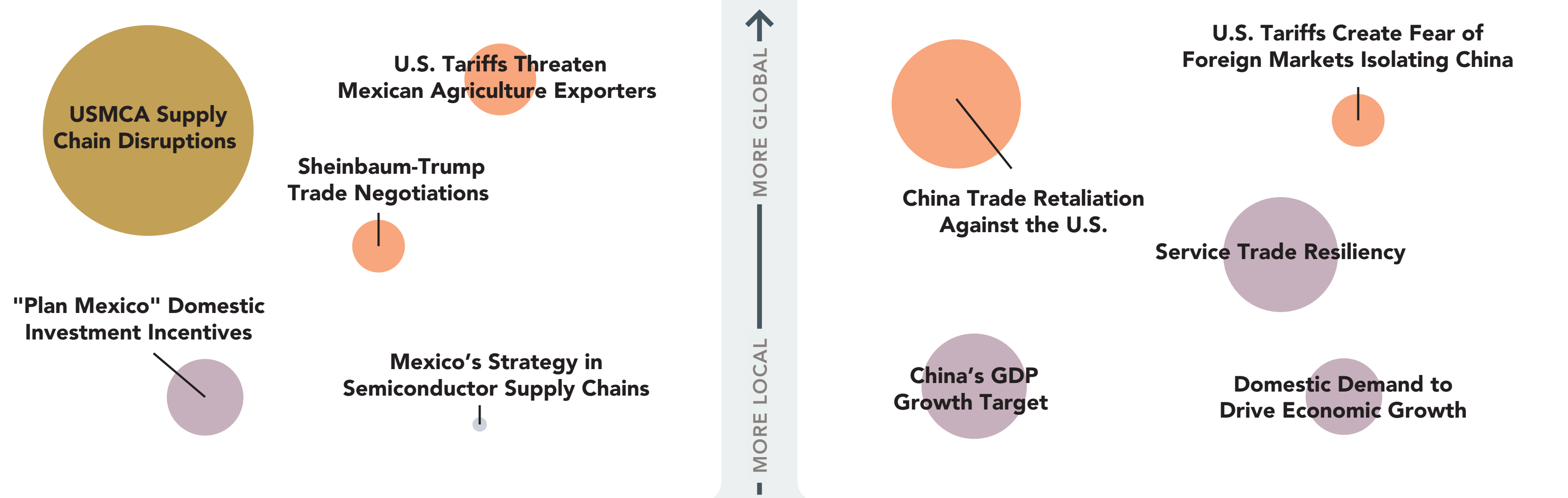
- U.S., Canada and Mexico relations grow increasingly strained under the weight of tariffs and concerns over the future of the U.S.-Mexico-Canada Agreement (USMCA).
- The threat of U.S. tariffs and retaliatory tariffs will raise prices for consumers and potentially spark a recession.
- U.S. sanctions on Russian energy exports may have spillover effects for global energy prices.

# Trade Discussion by Market

Bilateral Trade
Regional Partnership
Strategic Protectionism
Strengthening Domestic Markets
Tariffs

## Top Trade Conversation Topics in Mexico

## Top Trade Conversation Topics in China




Mexican media coverage is focused on threats to the Mexico – U.S. trading relationship.

**DISCUSSION:**

- There is widespread support for President Sheinbaum's approach to trade negotiations with the U.S.
- Mexico's agricultural sector depends on exports to the U.S., and barriers to trade threaten strength of the industry.
- The projected decrease in the peso's value compounds the economic concerns sparked by U.S. tariffs.

Beijing portrays a tempered confidence that its economy can withstand U.S. tariffs by focusing on its internal market and other trade partners.

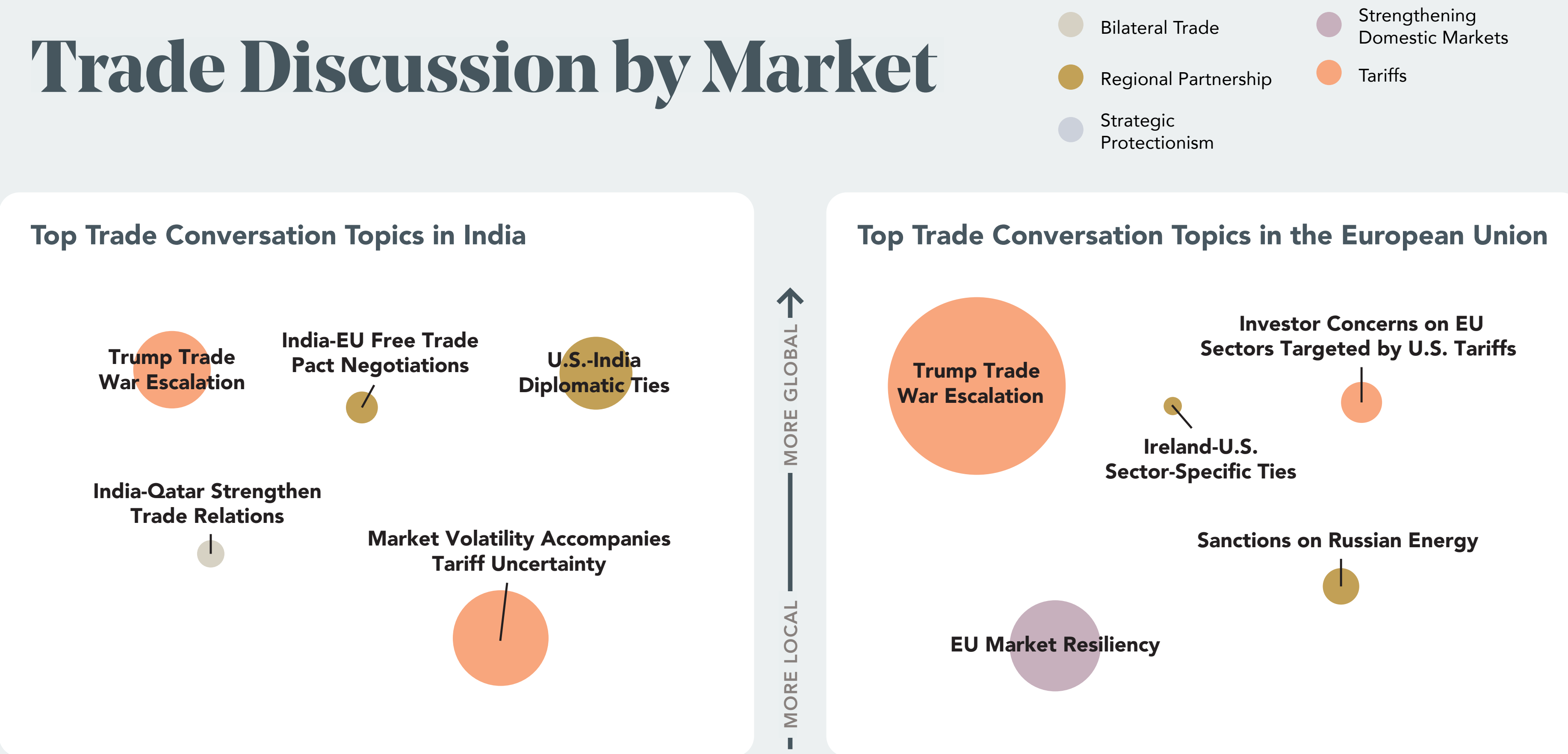
**DISCUSSION:**

- China's retaliatory tariffs target U.S. agriculture and other strategic industries.
- Investors agree that domestic demand should be prioritized, and that China could reduce its relative overreliance on exports.
- Despite trade uncertainties, Beijing projects confidence in its 2024-2025 economic outlook with a 5% GDP growth target.

# Trade Discussion by Market

### Top Trade Conversation Topics in India

### Top Trade Conversation Topics in the European Union




Indian media commentary suggests the country is making significant efforts to avoid being the target of U.S. tariffs, while at the same time diversifying trade.

**DISCUSSION:**

- Global uncertainties are causing institutional investors leave India's financial market, creating concerns about India's future as a global leader.
- Prime Minister Modi's visit to the U.S. aims to smooth relations ahead of the April 2 imposition date for reciprocal tariffs.
- New Delhi is prioritizing expanding economic relationships with Europe as a counterweight to China and the U.S.

European conversations focus on how policymakers view potential U.S. tariffs on the EU as part of a broader deterioration in transatlantic ties, prompting attention on increasing economic resiliency and reducing trade vulnerabilities.

**DISCUSSION:**

- U.S. tariffs drive a bigger wedge between the U.S. – EU alliance.
- Growing U.S. – EU gap threatens a uniform approach against eastern powers, such as China Trad.
- Russian energy sanctions cloud the future of the EU's energy markets.

# Upcoming Global Events Q2 2025

## APRIL

*April 2*
U.S. Trade Representative releases reciprocal tariff report

*April 9-11*
WCF Africa Summit 2025, Nairobi, Kenya

*April 12*
Gabon general election

*April 13*
Ecuador presidential election runoff

*April 21-26*
IMF and World Bank Meetings, Washington D.C., U.S.A

*April 27-30*
Web Summit Rio de Janeiro, Brazil

*April 28*
Canada federal election

## MAY

*May 3*
Australia federal election

*May 4*
Romania presidential election

*May 4-7*
Milken Institute Global Conference, Los Angeles, U.S.A

*May 11*
Albania legislative election

*May 12*
Philippines general election

*May 18*
Poland presidential election

*May 19-27*
78th World Health Assembly, Geneva, Switzerland

*May 25*
Suriname general election

*May 26*
African Development Bank Group Annual Meetings, Cote d'Ivoire

*May 30-June 1*
IISS Shangri-La Dialogue, Singapore

## JUNE

*June TBD*
Egypt legislative elections

*June 5*
Burundi legislative election

*June 8-10*
Concordia Europe Summit, London, England

*June 9-13*
3rd United Nations Oceans Conference, France

*June 11-12*
AI & Innovation Summit, Saudia Arabia

*June 15-17*
G7 Leaders' Summit, Canada

*June 23-27*
Internet Governance Forum, Norway

*June 24-26*
NATO Summit, The Hague, Netherlands

*June 24-26*
Summer Davos, Tianjin, China

## 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:**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