

Geostrategic analysis

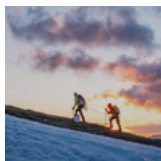
The EY-Parthenon Geostrategic Business Group's monthly analysis explores key geopolitical developments and their business impacts.

April 2025 edition



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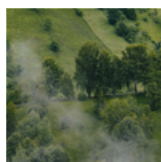
Top development:

Despite a partial ceasefire, the outlook for the war in Ukraine remains highly uncertain



Sector in focus:

Agriculture



Other issues we are watching:

DRC peace talks, Argentina's economic outlook, North American trade complications



Geostrategic indicator of the month:

Global nuclear energy investment scenarios

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Top development

Despite partial ceasefire, the outlook for the war in Ukraine remains highly uncertain

What happened

On 18 February, representatives from the US and Russia – excluding the EU and Ukraine – met in Saudi Arabia to discuss terms for ending the war in Ukraine.

The US cut military aid and intelligence support for Ukraine following a meeting between President Trump and Ukrainian President Volodymyr Zelensky on 28 February, although this support was later restored.

On 18 March, US President Donald Trump and Russian President Vladimir Putin had a long bilateral phone conversation. US-mediated talks with both Russia and Ukraine were held in Saudi Arabia in mid-March, but a proposed ceasefire on energy infrastructure and in the Black Sea has yet to be agreed.

With US military and diplomatic policy perceived as less stable than in the past, Europe is increasing investments into its defense and forming a “coalition of the willing” to help defend Ukraine. The European Commission proposed a €150 billion fund for weapons (which prioritizes EU-based contractors).¹ The UK and many EU members are increasing defense spending, including the outgoing German parliament passing a historic constitutional amendment to exempt defense spending (including aid to Ukraine) from the 1% of GDP debt limit.²

What's next

The path to a broader ceasefire and lasting peace is highly uncertain, but the four broad scenarios below outline possible short- to medium-term outcomes, in order of increasing disruption to global business.

A de-escalatory scenario would see a ceasefire and a “security for territory” deal. As Ukraine faces military setbacks and growing domestic support for a settlement, and Russia deals with economic strain, peace talks would yield a temporary truce and a peace roadmap with international monitoring over implementation.³ Ukraine would forgo NATO membership but receive credible, Western-backed security guarantees that are also acceptable to Russia. A minerals deal between the US and Ukraine would also proceed.

A frozen conflict would involve a continuation of hostilities, with no clear path to lasting peace and fighting persisting at varying levels of intensity. Both sides may use a ceasefire to regroup, while Russia would stick to its long-standing demands and continues to seek battlefield gains to control Ukraine. In this scenario, the EU and possibly the US would provide some support to Ukraine but would not agree to credible,

long-term security guarantees for Ukraine, leaving any peace agreement vulnerable to violations.

A transatlantic rift scenario would see the US and Russia agree to terms ending the conflict and (some or all) sanctions, but the EU and Ukraine do not. This would likely be similar to the frozen conflict scenario on the ground, but with Ukraine reliant on European military support, while the sanctions regimes in the US and the EU would diverge significantly.

In an escalation scenario, a Russian rejection of a deal would undermine the US’s peace plan and could lead to more coercive actions, for example, by stepping up US pressure on Russia’s energy sector and boosting military support for Ukraine. Transatlantic ties may improve at the margin, but European regional security would worsen.

Business impact

Major sectors affected include defense, advanced manufacturing and mobility, energy and resources, technology.

The EU will continue to diversify energy imports away from Russia and support domestic [clean energy investments](#) across any of these scenarios. In case of de-escalation, some Russian imports may resume in the short term under a peace deal but are unlikely to reach pre-war levels. Cheaper imports could lower energy costs for EU energy-intensive industries. In an escalatory scenario, tighter US and EU sanctions on Russian oil and gas are likely, with the US potentially expanding its energy exports to reduce global prices in an effort to curb Russian revenues.

Global firms will face continued [compliance uncertainty](#), especially under a transatlantic rift scenario, where divergent US and EU sanctions could increase compliance complexity and costs.

A de-escalation scenario could, over time, improve regional security and therefore investor confidence in Ukraine and other markets in central and eastern Europe, despite the likely persistent hybrid threats. Post-war reconstruction in Ukraine would create opportunities, including in [energy and other critical infrastructure](#), and [green minerals mining](#). Conversely, frozen conflict or escalation scenarios would raise security risks, including more cyber attacks and infrastructure sabotage.

Across all scenarios, increased EU defense spending will create opportunities for EU-based and international contractors. Defense, manufacturing and technology firms [should monitor policy developments](#).

For more information, contact [Famke Krumbmüller](#), [Alessandro Faini](#) and [Courtney Rickert McCaffrey](#).

Additional reading: [Top 10 mining and metals risks in 2025](#)

¹ Commission unveils the White Paper for European Defence and the ReArm Europe Plan/Readiness 2030 https://ec.europa.eu/commission/presscorner/detail/en/ip_25_793

² German parliament passes historic spending reforms – POLITICO <https://www.politico.eu/article/germany-parliament-spending-reforms-defense-military-infrastructure-friedrich-merz/>

³ Half of Ukrainians Want Quick, Negotiated End to War <https://news.gallup.com/poll/653495/half-ukrainians-quick-negotiated-end-war.aspx>

A large, semi-transparent number '2' is overlaid on the left side of the image. The background image shows two hikers, a man and a woman, climbing a steep, rocky cliff. The man is in the foreground, wearing a brown jacket and blue pants, using a red trekking pole. The woman is behind him, wearing a green jacket and grey pants, also using a trekking pole. They are both looking down at the rocks. The background shows a sunset over the ocean with a golden glow on the horizon.

2 Sector in focus: Agriculture

Tit-for-tat tariffs are likely to shift global agricultural trade and increase food prices

What happened

In response to the US imposing new tariffs in February and March 2025, some US trading partners have responded with a focus on imposing tariffs on imports of US agricultural goods, foods and beverages.⁴ For instance, China targeted more than \$19 billion of US agriculture exports with 10-15% tariffs. The EU's response includes planned tariffs on American bourbon imports.

The US Department of Agriculture has announced up to US\$10 billion in assistance to agricultural producers.

Broader geopolitical dynamics – including the war in Ukraine, a major agricultural exporter – continue to contribute to heightened volatility in global agricultural markets.

What's next

The rippling effects of US President Donald Trump's announcement of reciprocal tariffs on 2 April, including on foreign agricultural products, will likely continue to expand as the administration acts on its America First Trade Policy agenda and other countries respond.

Policymakers and agricultural producers are likely to seek new international markets for their products. This would follow what happened in the wake of the 2018 tariff increases between the US and

China, when China's primary source of soybean imports shifted rapidly from the US to Brazil, reversing a decade-long effort by US farmer trade groups to develop the China soybean market.

Business impact

Global food prices remain elevated compared to pre-pandemic levels and tit-for-tat tariffs targeting agricultural products could put further upward pressure on costs for food and beverage companies.⁵ Farmers and agricultural companies may face margin pressures due to reciprocal tariffs as well. Executives should seek to mitigate cost increases via accelerating productivity initiatives, sharing cost impacts with strategic partners and other measures, in addition to identifying opportunities to diversify destination markets.

Trade policy shifts are likely to reverberate throughout the agricultural value chain, affecting supply and demand dynamics for everything from fertilizer, farm machinery and agricultural commodities to fibers, fuels and food. Although farmers may receive direct compensation from the government, the competitive landscape will shift for the rest of the value chain. Executives across the agribusiness, food and beverage, and broader consumer products sectors should engage in scenario planning to identify strategies to ensure supply continuity, prepare for demand shifts and build resilience to future policy changes.⁶

For more information, contact [Sameer Anand](#), [Lee Addams](#) and [Jason Hamill](#)

Additional reading: [How alternative proteins are reshaping meat industries](#)

⁴ Trump Tariffs: The Economic Impact of the Trump Trade War <https://taxfoundation.org/research/all/federal/trump-tariffs-trade-war/>

⁵ US Department of Agriculture | Interdependence of China, United States, and Brazil in Soybean Trade https://ers.usda.gov/sites/default/files/_laserfiche/outlooks/93390/OCS-19F-01.pdf?v=97259

⁶ FAO Food Price Index | Food and Agriculture Organization of the United Nations <https://www.fao.org/worldfoodsituation/foodpricesindex/en/>

3 Other issues we are watching

DRC peace talks, Argentina's economic outlook,
North American trade complications

DRC proposes mineral pact with US amid Rwanda tensions

The conflict in the eastern region of the Democratic Republic of the Congo (DRC), the world's leading source of cobalt and with reserves of other critical minerals, has allegedly prompted the DRC government to seek US support through a minerals-for-security partnership.⁷ However, surprise peace talks between DRC's President Tshisekedi and Rwanda's President Kagame on 18 March called for an "immediate and unconditional" ceasefire, which raises hopes of peace in the region and may limit the need for the agreement with the US.

Although no deal is finalized, the US's willingness to explore such a partnership with the DRC could grant US companies preferential access to critical resources, including cobalt, lithium, and rare earth elements. More broadly, these dynamics may influence Central Africa's role in global mineral supply chains. The [technology](#) and [renewable energy sectors](#) are particularly reliant on Congolese minerals, so executives in these sectors should ensure they have full visibility into their supply chains and closely monitor how geopolitical dynamics could impact future supplies.

For more information, contact [Angelika Goliger](#) and [Hulisani Muloiwa](#).

Argentina's improved economic outlook provides business opportunities, but risks remain

Argentine President Javier Milei's government has substantially reduced inflation and implemented policies aimed at sustaining economic growth and encouraging foreign investment, with the OECD forecasting that Argentina's economy will grow over 5% in 2025.⁸ The government is in the final stages of negotiating a new IMF loan which it plans to use to bolster Argentina's currency reserves and begin the gradual elimination of currency controls. However, Milei's tenuous working Congressional majority, scheduled mid-term elections in October, and growing discontent over declining living standards exacerbated by the government's austerity measures could create challenges for Milei's efforts to advance his agenda.

The improved macroeconomic environment is seen as positive for the business environment. If currency controls are eliminated, Argentina could attract more capital investment from abroad, which is seen as necessary to accelerating the development of its substantial critical minerals resources.⁹ Companies considering investment in

Argentina, especially those that would need to make substantial capital investments over the long term, such as mining and oil and gas companies, should continue monitoring both the government's economic policies and sociopolitical dynamics.

For more information, contact [Jay T. Young](#).

North American trade complications and uncertainty will persist

Following several days of trade policy volatility and uncertainty in early March, US trade policy vis-à-vis its North American trading partners stabilized at imposing 25% tariffs only on imports that do not satisfy US-Mexico-Canada Agreement (USMCA) rules of origin. The US's 25% tariffs on imports of foreign-made autos and auto parts effects Canada and Mexico, although the reciprocal tariffs announced on 2 April do not. Nevertheless, policy uncertainty around USMCA trade relations remains heightened.¹⁰ The assessment by the US Trade Representative regarding the impact of the USMCA on American workers, farmers and businesses will inform the negotiating position of the US ahead of the USMCA review due by July 2026.¹¹

The tariffs imposed by the US and the retaliatory trade actions by Canada are creating challenges for companies that operate and sell in the North American market, in terms of facing higher prices for inputs, strategies for how much of the price increases to pass along to their customers and broader supply chain questions. Given the highly interconnected nature of auto supply chains, many economists expect this sector to be significantly impacted. Within North America, many companies are seeking to solicit country of origin certificates for qualifying products to avoid the current tariffs. [Tariff policy changes](#) could also affect companies via indirect tax, transfer pricing and broader controversy risks. Companies should explore a variety of [trade and tax](#) scenarios and consider their options to adapt to the those scenarios.

EY-Parthenon Geostrategic Business Group has comprehensive coverage of the Trump Administration's Reciprocal Tariffs separately, including in the upcoming webcast "[Beyond the Trump Administration's First 100 Days: What's Next for Businesses?](#)" (via EY US).

For more information, contact [Courtney Rickert McCaffrey](#) and [Lynlee Brown](#).

⁷ Security Council Strongly Condemns Ongoing Offensives by M23 Rebel Movement in Eastern Democratic Republic of the Congo, Unanimously Adopting Resolution 2773 (2025) | Meetings Coverage and Press Releases <https://press.un.org/en/2025/sc16004.doc.htm>

⁸ OECD Economic Outlook, Interim Report April 2025 | OECD https://www.oecd.org/en/publications/oecd-economic-outlook-interim-report-march-2025_89af4857-en.html

⁹ Leveraging Argentina's Mineral Resources for Economic Growth <https://www.csis.org/analysis/leveraging-argentinass-mineral-resources-economic-growth>

¹⁰ America First Trade Policy – The White House <https://www.whitehouse.gov/presidential-actions/2025/01/america-first-trade-policy/>

¹¹ U.S.-Mexico-Canada (USMCA) Trade Agreement | Congress.gov | Library of Congress <https://www.congress.gov/crs-product/IF10997>

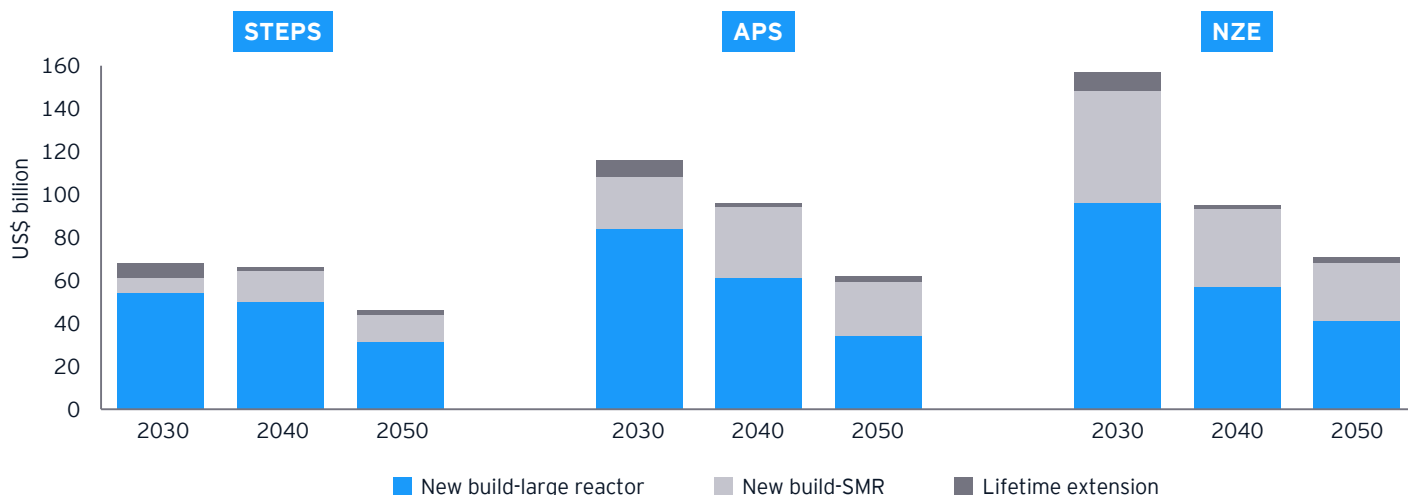
4 Geostrategic indicator of the month

Global nuclear energy investment scenarios

The indicator:

The nuclear energy sector is experiencing growth, supported by government policies and incentives. According to a recent International Energy Agency (IEA) report, nuclear investment is projected to rise throughout the rest of this decade, although the extent of this growth varies across three scenarios.¹² The IEA forecasts only a US\$1 billion increase between 2023 and 2030 under current policies, compared to a US\$90 billion increase during the same period in the highest-growth scenario. There are a variety of market forces driving interest in nuclear energy, including investment in data centers increasing electricity demand and prompting use of small nuclear reactors (SMRs). But the IEA highlights that governments will play a key role in determining nuclear energy growth via policies and regulations, incentive systems and public finance.

Growth in global nuclear energy investment is uncertain, but could accelerate significantly in some scenarios



Source: International Energy Agency (2024), The Path to a New Era for Nuclear Energy, IEA, Paris <https://iea.blob.core.windows.net/assets/b6a6fc8c-c62e-411d-a15c-bf211ccc06f3/ThePathtoNewEraforNuclearEnergy.pdf>

Note: SMR = small modular reactor; STEPS = Stated Policies Scenario; APS = Announced Pledges Scenario; NZE = Net Zero Emissions by 2050 Scenario. US dollar figures are at the 2023 market exchange rate.

Business impact

Nuclear energy currently provides about 9% of global electricity supply. The IEA forecasts strong electricity demand growth in the near to medium term. If electricity supply growth falls short of that demand growth, companies are likely to face higher electricity prices and possibly pressures to reduce usage. In markets with supportive regulatory environments for nuclear energy, there are likely to be new investment and growth opportunities for power and utility companies. Executives should enforce robust project management and risk mitigation to optimize nuclear [energy and resources strategies](#) and project delivery. Companies in other sectors that have significant electricity needs – such as technology and industrial products – could consider exploring nuclear energy partnerships as well.

Additional reading: [How bold action can accelerate the world's multiple energy transitions](#)

¹² International Energy Agency | The Path to a New Era for Nuclear Energy <https://iea.blob.core.windows.net/assets/b6a6fc8c-c62e-411d-a15c-bf211ccc06f3/ThePathtoNewEraforNuclearEnergy.pdf>

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