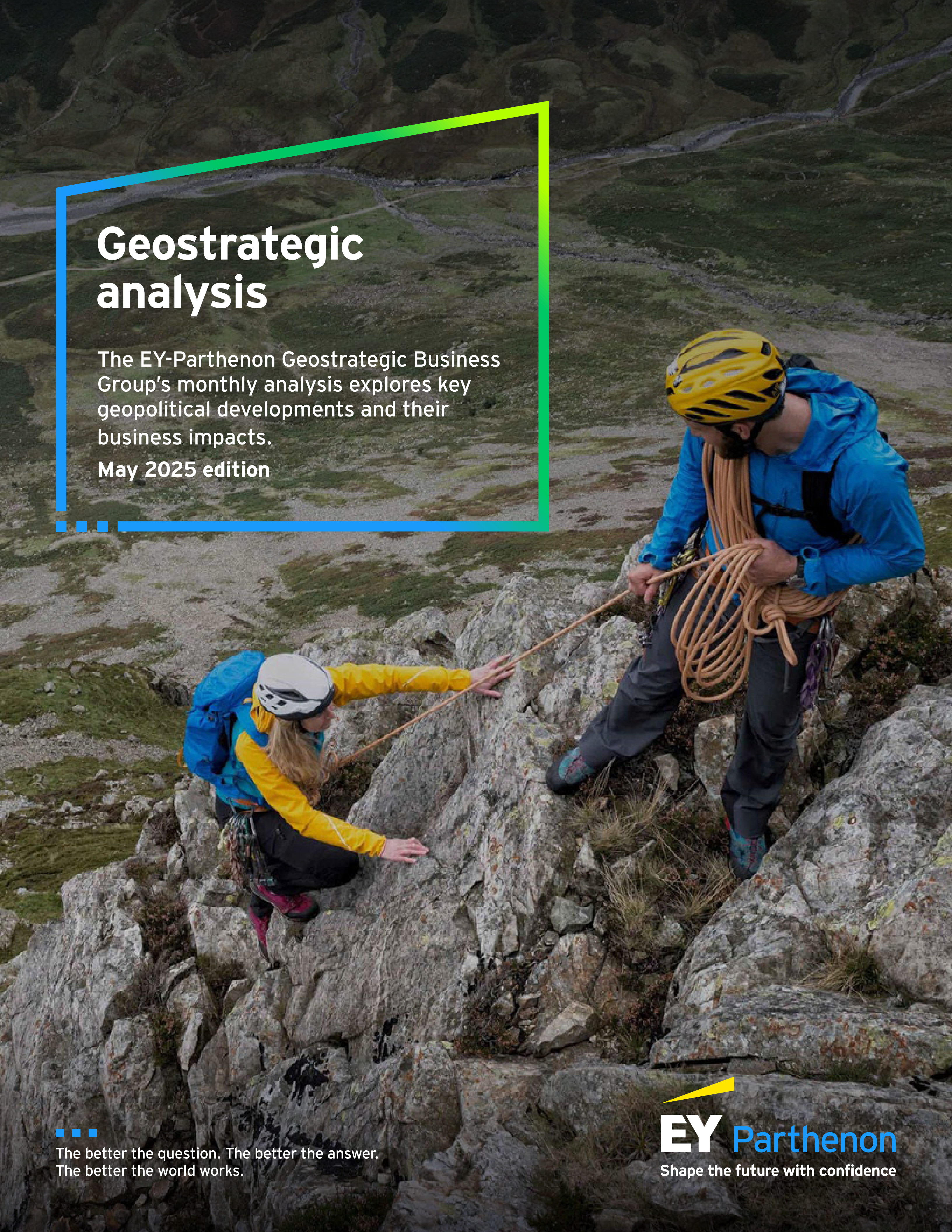

Geostrategic analysis

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

May 2025 edition

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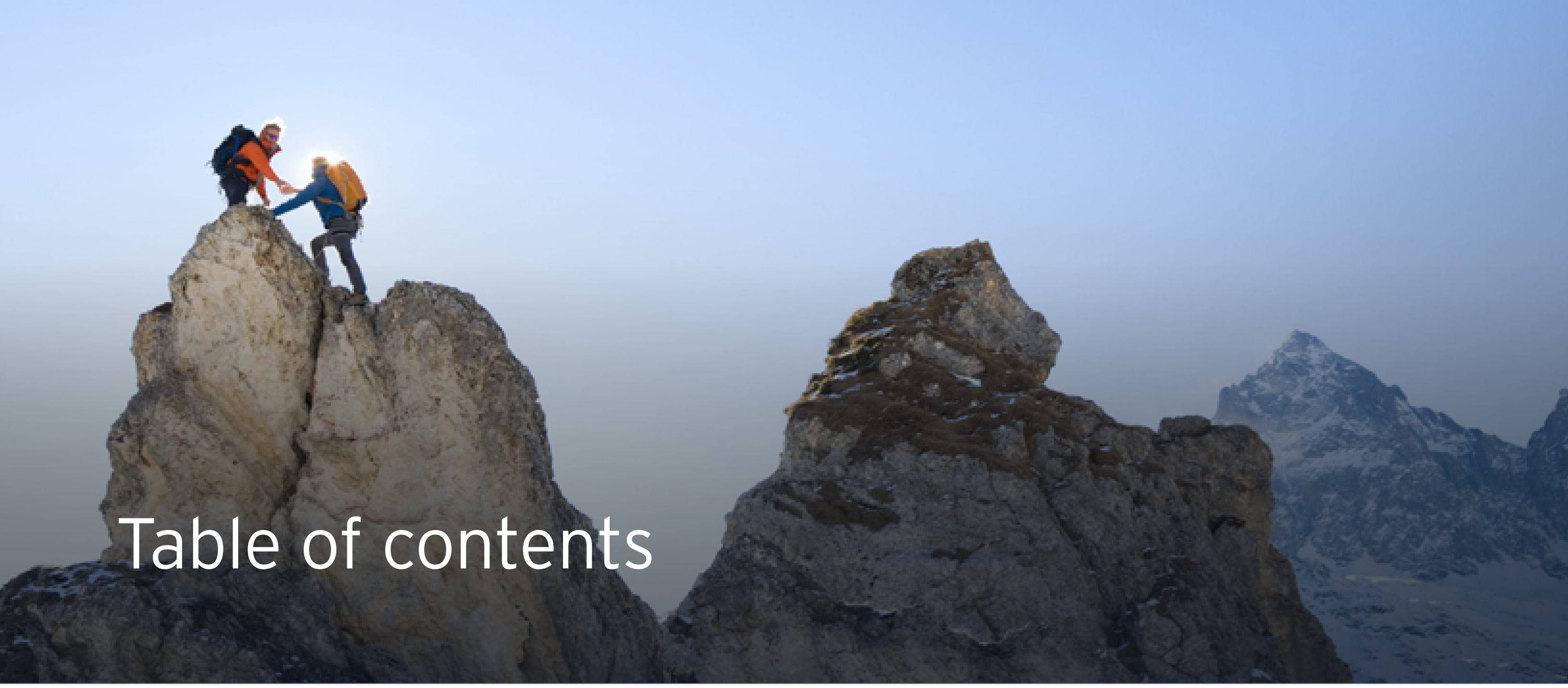

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Translating geopolitical insights into business strategy

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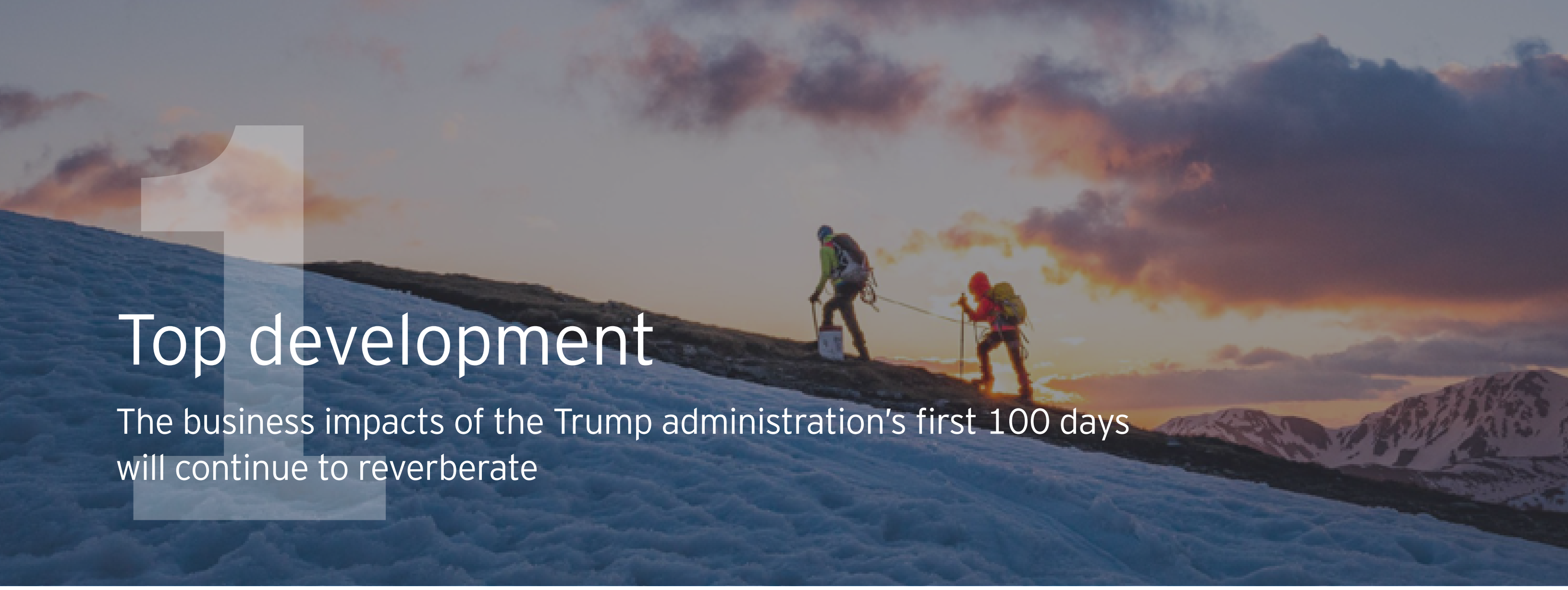


1

Top development

The business impacts of the Trump administration's first 100 days will continue to reverberate

What happened

US President Donald Trump has used the various emergency powers relating to trade policy, which Congress has bestowed on the executive branch in past decades, to increase the average US tariff rate to the highest level in more than 100 years.

The US withdrew from the United Nations (UN) Paris Climate Agreement and President Trump declared a national energy emergency, ordering government agencies to streamline regulatory approvals for energy development and expedite the identification of domestic energy sources, with a focus on hydrocarbons, geothermal and nuclear energy.

The new Department of Government Efficiency (DOGE) made swift moves designed to achieve its goal of significantly reducing the size of the federal government, including cutting more than 100,000 federal jobs across the country, dramatically reducing federal spending on R&D and closing the US Agency for International Development (USAID).

The Trump administration has taken a variety of moves to reverse federal policies around diversity, equity and inclusion (DEI) both within the government and within private sector firms.

President Trump has also sought to rein in actions by universities and law firms that are inconsistent with his priorities and expand executive branch power over independent federal agencies, including the Securities and Exchange Commission, the Federal Trade Commission and the National Labor Relations Board (NLRB).

What's next

Many executive actions require reports, plans and other actions in the period ahead which will better define how agencies will implement the direction of the president.

While court cases regarding executive actions have been rising in recent administrations, the unprecedented scale and scope of executive actions during the Trump administration's first 100 days has prompted a historically high number of legal challenges.[1] Many executive actions have been temporarily suspended as these cases work their way through the courts. Policy and regulatory uncertainty is therefore likely to persist, with appeals leading in some cases to the Supreme Court.

US trade policy is likely to continue to focus on the objectives set out in the "America First" executive memorandum: addressing "unfair and unbalanced" trade, the US-China economic relationship and supply chains and national security, as well as to address specific policy areas such as fentanyl trafficking and immigration issues and raise revenue to address the national debt. Amid bilateral negotiations between the US and its trading partners on President Trump's "reciprocal" tariff policy, further uncertainty and volatility are likely.

US foreign policy will probably reorient global geopolitics. Longstanding US allies such as those in Europe and East Asia will likely continue to bolster their own security capabilities while seeking to diversify their economic and diplomatic partnerships. US efforts to establish and maintain cease fires in Ukraine and the Middle East are likely to persist, although more attention may be directed toward nascent nuclear negotiations with Iran. US-China trade tensions are likely to persist, prolonging elevated tariff rates.

As the president's appointees continue to be confirmed by the Senate and set the agendas at their agencies, more aspects of the Trump administration's policy agenda will take shape. The Securities and Exchange Commission (SEC), for instance, may overturn the March 2024 climate disclosure rules (which it has already announced it will no longer defend in court) and establish a firm regulatory foundation for crypto assets.

Efforts to restrict immigration are likely to continue, both at the US's southern border and through measures such as increased scrutiny of business visas. Deportations of immigrants who are allegedly in the US illegally are also likely to continue, although increasing public concerns and legal challenges about how this policy is carried out could slow the pace of deportations.

President Trump has vowed to permanently extend the tax cuts in the 2017 Tax Cuts and Jobs Act, some of which are set to expire at the end of 2025. Congress has advanced a budget agreement to pave the way for tax reform, but uncertainty remains on the timing and specifics of this reform. Debates are likely to heat up in the coming weeks and months, centered around how to calculate the cost of any tax cuts, which cuts are most important and whether to cut any government spending as an offset. Republicans' slim majorities in Congress could complicate reaching agreement on these debates.

Business impact

Major sectors affected include automobiles, mining and metals, energy, technology, life sciences, industrial products, consumer goods, financial services, agriculture and education.

Specific policy actions — such as tariffs — and more general policy volatility and uncertainty have contributed to downward pressures on US financial assets. At their lowest point during the administration's first 100 days, US equity indices fell more than 12% and the US dollar declined by about 9% against a basket of international currencies — although both rose again by the end of the period. Business leaders should explore how different policy scenarios could impact markets in the coming months and seek to build financial resilience.

Higher tariff rates — particularly the bilateral tariffs between the US and China — could cause persistent supply chain disruptions and heighten inflationary pressures. In the short term, executives should assess supplier impacts, consider negotiating cost sharing, and conduct wargaming for pricing strategies. In the medium term, they should explore demand outlook scenarios and determine whether and how to proceed with capex and investment plans.

As debates unfold on trade, tax and other policies, there are opportunities for business leaders to help shape the agenda. As with any change of administration, executives should engage with stakeholders — including policymakers, regulators, civil society groups, employees, investors and customers — to inform policies and shape business strategy. Executives should continue engagement with industry associations or other groups on common policy topics.

Significant policy changes are likely to have long-term ripple effects across sectors and markets; and further policy shifts are expected in the coming months. The range of policy outcomes and business implications will therefore continue to expand, creating a volatile and uncertain global operating environment. Executives should use strategic foresight methodologies, such as scenario planning and tabletop exercises, to systematically manage this uncertainty to build resilience and have more confidence in their strategic decisions.

For more information, contact Courtney Rickert McCaffrey and Bridget Neill.

Additional reading: What Trump's second term could mean for cross-border businesses

1. Litigation Tracker: Legal Challenges to Trump Administration Actions https://www.justsecurity.org/107087/tracker-litigation-legal-challenges-trump-administration/

2

Sector in focus: Oil and gas

Price volatility prompts oil and gas companies to rethink strategy

What happened

In April 2025, the oil markets were roiled by two major disruptions. First was the sweeping tariffs announced by the US on 2 April, followed by escalating tariff rates between the US and China.

The second was a day later, when OPEC+ announced its members would accelerate planned output increases.

This triggered significant price volatility. Brent crude prices fell from above $75 per barrel to a low of just below $63 on April 8[2].

What's next

The drivers of volatility remain fluid. A 90-day pause on most US tariffs may have contributed to short-term stability, but trade policy uncertainty remains.

Significant withdrawals of capital in oil markets may persist, as funds still invested have moved to new positions and strategies. Investors will likely seek investments deemed lower risk until there is greater clarity on trade dynamics as well as OPEC+ intentions.

US liquified natural gas (LNG) demand, however, may increase as some countries may increase US LNG imports as part of negotiations with the White House to reduce bilateral trade surpluses.

Business impact

EY modelling of the tariffs in effect in mid-April suggests global real GDP growth could be reduced by 0.5 percentage points in 2025 and 0.7 percentage points in 2026. The modelled impact of the resulting lower oil demand and weakened market sentiment could exert downward pressure, with a price decline of 25%. Actual price setting will incorporate myriad factors, though, and OPEC+ actions will be critical in setting market sentiment in a period of weakening demand fundamentals.

Volatility is likely to persist until there is greater clarity on economic performance or OPEC+ policy. In response, oil and gas companies are expected to prioritize cost optimization, operational efficiencies, and supply chain reassessment. Capital spending on projects may be reviewed as project costs rise and downside price risks increase.

For companies in the US unconventional space planning to further consolidate positions or for players looking to replenish reserves through acquisitions, M&A may become more complex to execute as volatility may widen bid-ask spreads, potentially slowing deal activity.

For more information, contact Pat Jelinek, David Kirsch, Marek Rozkrut, Daksh Tyagi.

Additional reading: How tax and trade leaders can prepare for global tariff disruption

2. Trading Economics: Brent crude oil https://tradingeconomics.com/commodity/brent-crude-oil

Other issues we are watching

EU and China’s efforts to repair relations, Xi Jinping's Russia visit, Middle East developments

EU and China’s efforts to repair relations could create opportunities

Chinese and European leaders have sought to improve bilateral ties to offset higher uncertainty in global markets. Various recent meetings – including between Chinese President Xi Jinping and Spanish Prime Minister Pedro Sanchez and between European Commission president Ursula von der Leyen and Chinese Premier Li Qiang – have highlighted bilateral willingness to work together to provide stability to the global economy. President Xi is planning to meet with EU leaders in July, likely to advocate for more cooperation amid US trade disputes. However, structural issues may stall material progress in resolving bilateral differences, in particular EU allegations of unfair state subsidies, which will likely be further exacerbated by fears of dumping as Chinese companies seek new export markets as alternatives to the US.

China is likely to accelerate pro-business policies such as expanding market access and addressing some of the EU’s operational concerns such as IP rights and regulatory uncertainties. This will probably improve policy predictability, especially for European businesses in China. It could also limit downside risks of additional tariff or non-tariff barriers as both sides seek to signal positive business environments, particularly in previously targeted sectors such as manufacturing and agriculture. If progress can be made on resolving bilaterial differences, the appetite for Chinese investments in Europe is also likely to recover, particularly in strategic industrial sectors such as advanced manufacturing and technology.

For more information, contact Famke Krumbmüller and David Li.

Chinese president Xi Jinping's visit to Russia likely to accelerate economic cooperation

Chinese President Xi Jinping met with Russian President Vladimir Putin in Moscow during the Victory Day celebrations to mark the 80th anniversary of the end of World War II. In a signed article in Russian state media, President Xi celebrated the “enduring friendship” between Russia and China, highlighting Russia’s support for China on key issues such as Taiwan and objecting to “third countries' influence” on domestic affairs. Even as China invests in its bilateral relations with Russia, it will likely seek to avoid derailing ongoing China-EU dialogues (see previous topic).

China and Russia are likely to leverage their bilateral friendship to promote Global South narratives, such as setting up new financial systems that expand the use of emerging market currencies, financial platforms and banks in international transactions. These efforts could accelerate the diversification away from the US dollar. It is also likely that China will seek to advocate additional economic cooperation, including bilateral trade and investment agreements between emerging markets. Companies in sectors likely to benefit, such as energy, agriculture and infrastructure, are likely to see higher demand for new investments in emerging markets. These opportunities may be accompanied by elevated currency and regulatory risks.

For more information, contact David Li.

Middle East developments to complicate business environment

Conflicts continue to simmer and intensify throughout the Middle East. While a return to a Gaza ceasefire remains elusive following its March breakdown, US-backed negotiations between Israel and Hamas continue. Meanwhile, the Trump Administration has turned its attention toward Tehran, with negotiations around Iran’s nuclear capabilities kicking off for the first time since 2022. In Yemen, intensified coalition military strikes against the Houthis amidst continued missile attacks against Western targets will lead Riyadh and Abu Dhabi to potentially realign regional priorities. And Syria could see renewed unrest as its new government struggles to assert full control and press for a lifting of economic sanctions.

Elevated volatility within the Middle East heightens the importance of strategic scenario planning around various conflict scenarios. There are both upside and downside scenarios to consider. An Iran nuclear arrangement could lead to reduced sanctions and an expansion of commercial opportunities there. The US-led coalition’s bid to reestablish freedom of navigation in the Red Sea could ease global supply chain pressures in the future. And energy producers are likely to continue facing pricing volatility due to the potential risks to Saudi and Iranian supply while regional conflicts evolve. Employing financial hedging strategies may therefore be prudent.

For more information, contact Jay Young and Ben-Ari Boukai.

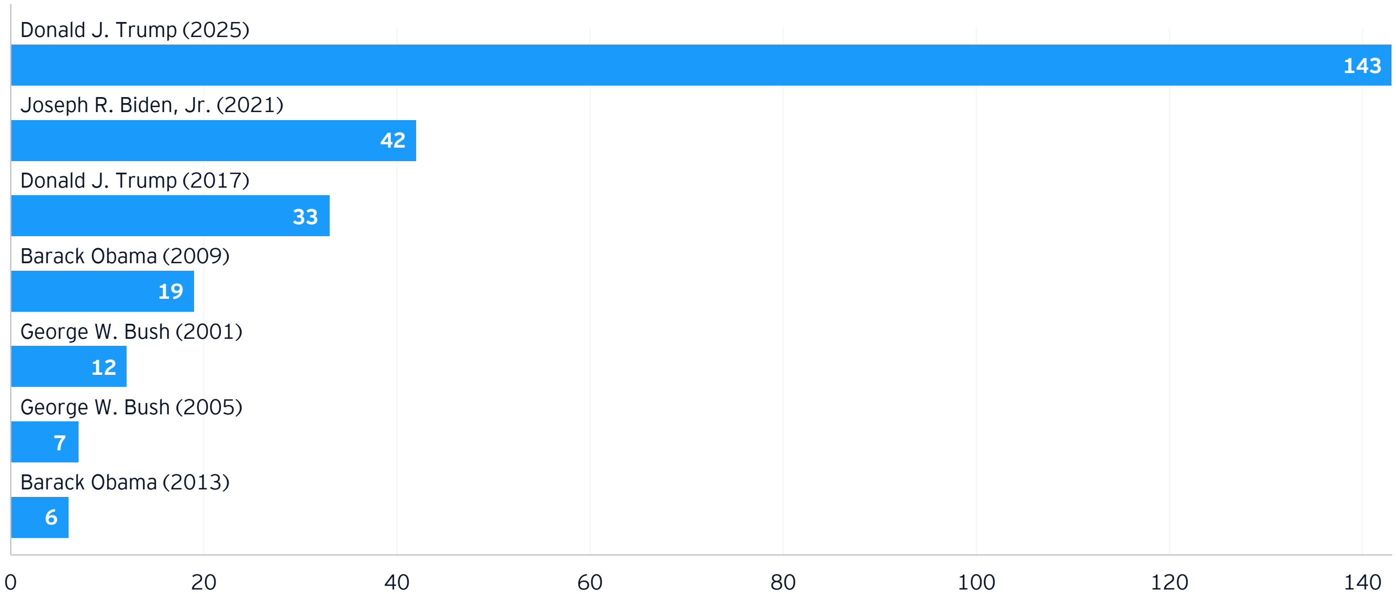
Geostrategic indicator of the month

Executive orders in first 100 days of US administrations

The indicator

In his first 100 days in office, President Trump issued more than 130 executive orders, which is more than any recent president within their first 100 days and far surpassing the 33 issued during the same period in his first term. While each of the last several US administrations have contributed to a trend of increasing reliance on executive orders, the current administration's scale and scope of executive orders is unprecedented. Major focus areas have included cutting federal spending and downsizing government, as well as trade policy. Several orders, including efforts to end birthright citizenship and freeze foreign aid, have faced legal challenges over concerns of executive overreach.

The second Trump administration has issued significantly more executive orders in the first 100 days than any president this century
Executive orders signed in an administration's first 100 days



Source: US Federal Register[3]
Note: The year after each president's name indicates the year in which that administration took office.

Business impact

The speed and number of executive orders, several of which are currently paused or undergoing judicial review, is contributing to an increasingly uncertain policy environment. This poses challenges for businesses seeking regulatory clarity and stability. As a result, executives are expected to take a cautious, wait-and-see approach, which may lead to delays in business investment and transactions. Tariff-related executive orders, in particular, are disrupting supply chains and are having a direct impact on operational planning, sourcing strategies, and financial decision-making.

Additional reading: Tariff troubles: Could protectionism revive stagflation?

[3] Federal Register : Executive Orders https://www.federalregister.gov/presidential-documents/executive-orders

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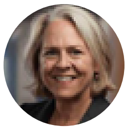

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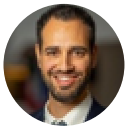

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