

Geostrategic analysis

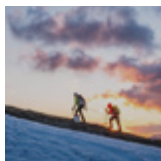
The EY-Parthenon Geostrategic Business Group's monthly analysis explores key geopolitical developments and their business impacts.

July 2026 edition



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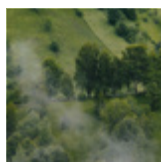
Top development:

EU industrial competitiveness policies are likely to raise tensions with China and pose operational and compliance challenges.



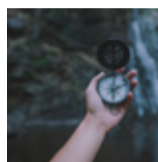
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Geostrategic indicator of the month:

World Cup highlights how governments seek to use global sporting events to boost tourism and economic activity.

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Top development

EU industrial competitiveness policies are likely to raise tensions with China and pose operational and compliance challenges.

What happened: EU-China relations face renewed tensions amid growing recognition in the EU that the bloc needs to move quickly to protect its rapidly eroding industrial base. A surge in imports from China,¹ along with Chinese restrictions on rare earth exports introduced in response to US tariffs, has prompted the European Commission (EC) to seek to strengthen economic security and protect domestic industries.

These debates and announcements have drawn criticism and discussion of potential countermeasures from Beijing. In fact, China already introduced its regulations on Industrial and Supply Chain Security in April, which centralizes supply chain oversight into a single framework and expands regulatory reach.

What's next: As Ireland² takes over the presidency of the Council of the European Union in July, one of its focus areas is competitiveness. The EU is discussing three main initiatives: introducing tariffs and import quotas on Chinese goods more systematically at the sector rather than product level; toughening its trade defense toolkit as part of a review of existing measures due later this year; and strengthening the bloc's resilience and competitiveness, including through its proposed Industrial Accelerator Act,³ which would introduce stricter oversight of inbound investment, EU-origin requirements in public procurement and input diversification requirements for certain industries. A revised Cybersecurity Act could also require EU countries to reduce reliance on ICT suppliers from countries posing cybersecurity risks.

The adoption and implementation of tougher measures on trade policy will depend on political will among EU member states. While several member states, including France and Italy, are pushing for tougher measures on China, more cautious member states, such as Germany and Spain, may curtail these measures. A compromise will likely be less ambitious than some ideas recently floated by the EC, but the EU's overall policies on China are likely to become more restrictive.

China would likely respond to a tougher use or expansion of the EU's trade defensive and investment screening powers in a calibrated way, intending to signal resolve against measures it views as discriminatory without putting access to EU markets at risk. Measures could include export restrictions and regulatory pressure on politically significant EU sectors, including automotive, agriculture, luxury consumer goods, and some energy-transition industries. Beijing may also tighten management of critical inputs and China-controlled supply chain nodes, such as critical minerals, and consider expanding legal and regulatory instruments to enable more targeted responses.

Business impact: Major sectors affected include Power & Utilities,

Mining & Metals, Oil & gas and Chemicals, Industrial Products, Mobility, and Government & Public Sector.

An escalation in EU-China relations could affect all goods-trading sectors, with particularly high exposure in trade-sensitive and strategically important ones. In China, [industrial products](#), [clean tech manufacturing](#), dual-use technologies, and chemicals are most at risk of EU trade action, especially tariffs and quotas. In the EU, politically sensitive and economically significant sectors, such as [automobiles](#), industrial products, and certain consumer products, are likely most at risk of being targeted by Chinese action, which could come in the form of tariffs on their exports to China or a restriction of access to Chinese inputs these sectors rely on.

Companies are encouraged to monitor EU trade action, evaluate potential Chinese responses, their business impacts and consider actions to minimize potential disruption. With the expectation that EU-China trade will become more challenging over time, businesses in both markets should explore alternative suppliers and customers to build resilience.

European businesses operating in sectors subject to input diversification requirements under EU regulations, such as the proposed Industrial Accelerator Act (which targets the industrial products, [chemicals](#), and power and utilities sectors) will likely face increased scrutiny of their sourcing strategies. To comply with forthcoming origin requirements, companies may need to adjust procurement, sourcing and supply relationships, potentially increasing cost and operational complexity.

Similarly, companies with exposure to China should monitor the implementation of the new regulations on Industrial and Supply Chain Security. Actions that may now trigger penalties include complying with foreign sanctions, moving supply chains away from China, gathering supply chain data, or engaging in supply chain due diligence. Multinational firms may face increasing difficulty balancing home-country requirements with Chinese regulations. This includes challenges in supply reconfiguration, data collection and governance structures. Legal and compliance teams will need to work closely with their C-suite and board of directors on these matters.

Given preexisting exposure to US and EU restrictions, companies in the semiconductors, green tech and dual-use technology spaces face higher uncertainties driven by geopolitical developments. Furthermore, firms that rely on globalized supply chains such as consumer goods, apparel and automotives may face greater difficulties in securing essential industrial materials and higher political pressure to onshore manufacturing processes.

For more information, contact [Famke Krumbmüller](#), [Simon MacAllister](#), [Anna-Carina Hamker](#) and [David Li](#).

Additional reading: [Five forces shaping foreign direct investment in Europe](#)

¹ Imports from China | Eurostat, <https://ec.europa.eu/eurostat/web/products-eurostat-news/w/ddn-20260410-2>

² Programme of the Irish Presidency | Council of the European Union, <https://irish-presidency.consilium.europa.eu/en/programme/programme-of-the-irish-presidency/>

³ Industrial Accelerator Act | European Commission, https://single-market-economy.ec.europa.eu/publications/industrial-accelerator-act_en

2 Sector in focus: Media and entertainment

World Cup showcases multilateralism and technology-related growth opportunities.

What happened

The FIFA World Cup is an increasingly rare multilateral moment: it is essentially a series of bilateral relations (matches) that take place within a globally agreed-upon architecture and rules-based order (tournament). The general appeal of certain teams and players beyond their borders also underscores the continued influence of globalization.

The World Cup also enables the three host countries – the US, Mexico and Canada – to showcase soft power assets such as infrastructure, quality of life, culture, person-to-person ties and technology – with the latter being particularly salient, given its centrality in geopolitical competition. Fans, teams, vendors and industry stakeholders are seeing new technologies in action and will benchmark their own capacity and access to what they have seen in North America.

What's next

The World Cup's multilateral moment may not extend beyond the final match, but it could add momentum to recent efforts by Canada and Mexico to expand global trade partnerships. In the past 12 months, Canada has reached new trade deals with Indonesia, the UAE and Germany (for LNG), and has restarted or launched talks with Türkiye, India and ASEAN, among others.⁴ Mexico signed a landmark free trade agreement with the EU earlier this year and is seeking to conclude other deals in Europe and Asia.

Notably, Prime Minister Carney is hosting the first-ever Canada Investment Summit,⁵ scheduled for September, which some analysts are pointing to its World Cup co-hosting as generating momentum for that event.⁶ With a target of CAD \$1 trillion in investment over five years, the summit will signal policy priorities and investor sentiment in Canada's economy.

For more information, contact [Rich Golik](#), [Charlie Smith](#) and [Martiza Pardinás](#).

The hosts for the next FIFA World Cup in 2030, Morocco, Portugal, and Spain, will likely seek to learn from this year's co-hosts regarding cross-border global event organization, infrastructure needs and how to use the World Cup to boost broader investment opportunities.

Business impact

Borrowing technological [innovations from major theme parks \(via EY.com US\)](#), this year's World Cup utilizes digital twins, dense 5G deployment and AI-assisted operations management. The ability to integrate real-time event data improves management, safety and revenue opportunities for stakeholders. Media and entertainment executives are encouraged to consider studying these technological deployments when designing their own [technology transformations](#).

The latest [EY Media and Entertainment poll](#) underscores rising consumer demand for experiential, live entertainment. For fans, a digital identity and mobile app provide better access to tickets and payments, as well as the possibility of an improved in-person experience. Mobile apps and AI-driven technology also enable broader revenue opportunities by extending the fan experience from the stadium to surrounding entertainment districts in new ways.

More broadly, Mexico and Canada are widening and deepening trade ties beyond the North American context as uncertainty around the renegotiation of the United States-Mexico-Canada Agreement (USMCA) continues (as noted in last month's Geostrategic Analysis). This could provide investment and growth opportunities across sectors. Executives should monitor evolving trade and investment ties to identify potential opportunities.

Additional reading: [Nine top drivers shaping the future of fun in media and entertainment](#)

⁴ Foreign investment promotion and protection agreements | Government of Canada, <https://international.canada.ca/en/services/business/trade/agreements-negotiations/investment-agreements>

⁵ Prime Minister Carney announces first-ever Canada Investment Summit | Prime Minister of Canada, <https://www.pm.gc.ca/en/news/news-releases/2026/04/17/prime-minister-carney-announces-first-ever-canada-investment-summit>

⁶ Statement by Prime Minister Carney at the opening of the 2026 FIFA World Cup | Prime Minister of Canada, <https://www.pm.gc.ca/en/news/statements/2026/06/11/statement-prime-minister-carney-opening-2026-fifa-world-cup>

3 Other issues we are watching

The Strait of Hormuz, the war in Ukraine and US trade investigations remain key sources of uncertainty, with implications for energy flows, defense investment, tariff exposure and supply chain planning.

Strait of Hormuz uncertainty points to a prolonged recovery period

In June, the US and Iran signed a Memorandum of Understanding (MoU), opening a 60-day negotiations period to resolve major issues underlying the conflict that began on 28 February. Crucially, the MoU includes Iran's reopening of the Strait of Hormuz and Washington's removal of its naval blockade, but the process has faced initial hurdles due to sporadic hostilities among the combatants. The MoU also appears to recognize Iran's authority in administering the transit of ships and leaves the door open for fees in the future – despite their explicit prohibition in the 60-day period. The negotiations period will be critical in determining the future of the Strait, as well as Iran's nuclear program. Continued volatility and uncertainty are likely in both geopolitical relations and the status of the Strait.

Business impact: The reopening of the Strait of Hormuz is likely to restore transit gradually, but the pace of recovery might be shaped by several constraints: De-mining of the Strait could take several months and shipowner re-entry remains gradual as confidence hinges on the fragility of negotiations and the risk that vessels require naval escorts. Even as energy exports resume, disruptions are expected to cascade across sectors, including mining and metals, technology, industrial products, agribusiness and consumer products. A return to pre-crisis conditions is unlikely into the medium term, as the Strait is expected to remain a higher-risk corridor, with lasting implications for energy infrastructure and resilience. Gulf exporters are accelerating alternative routes⁷ and importers, particularly in Asia and Europe, are seeking to reduce their exposure to the Strait and to oil more broadly, with both coal and renewables benefiting.⁸ Executives are encouraged to continue to monitor negotiations and plan for alternative scenarios, including a continued easing of tensions and a potential return to active conflict, with implications for finance officers, investment committees, corporate security teams and others.

For more information, contact [Courtney Rickert McCaffrey](#), [Nour Eid](#), [Ben-Ari Boukai](#).

War in Ukraine likely to persist amid renewed military activity

The war frontlines in Ukraine continue to shift.⁹ Kyiv has made recent modest territorial gains driven in large part by increased drone strikes targeting Russian supply lines and a rapid expansion in domestic defense production. Looking ahead, Ukraine is likely to continue to conduct long-range drone strikes targeting critical infrastructure deeper inside Russian territory, signaling an expansion of the operational theatre. As a result, near-term scenarios are expected to oscillate between a managed low-intensity conflict and a persistent high-intensity conflict.

While still unlikely, an escalation scenario is becoming more plausible as Russia may respond to growing external military pressure and domestic economic strains by seeking to signal strength. A sustainable peace scenario remains even less likely: although potential openings for talks or exploratory negotiations may emerge, these are unlikely to translate into durable outcomes, as both sides appear willing to continue the conflict despite mounting internal pressures. Political leaders at the 7-8 July NATO summit¹⁰ are expected to agree on strengthening sanctions on Russia while reaffirming support for

Ukraine, with Europe expected to remain the main source of external aid.¹¹

Business impact: The likely continuation of the war, alongside efforts to strengthen European defense capabilities and preparedness, is expected to sustain high demand and industrial policy support for European defense industries, accelerating investment and partnerships across defense and dual-use sectors (e.g., advanced manufacturing, mobility, technology, energy and critical infrastructure). Deeper integration between EU and Ukrainian defense industries is expected to drive innovation spillovers and reshape European supply chains, supported by early joint ventures, co-production and technology transfer initiatives, such as those in France¹² and Germany.¹³ At the same time, Russian hybrid actions in NATO countries will likely continue to pose risks to EU-based companies (especially in countries close to the Ukrainian borders), reinforcing the need for scenario-based planning to anticipate future trajectories of the conflict and their impacts.

For more information, contact [Famke Krumbmüller](#), [Jay Young](#), [Alessandro Faini](#).

US trade investigations perpetuate tariff uncertainty

The US Trump Administration's response to the February Supreme Court decision invalidating its earlier tariff approach using the International Emergency Economic Powers Act (IEEPA) authorities is taking shape. With the 10% global tariffs imposed under Section 122 that were introduced in February set to expire on 24 July, the US executive branch is preparing to use section 301 forced labor findings¹⁴ to impose 10%-12.5% tariffs on all 60 jurisdictions investigated, including China and the EU. Section 301 authority is also being used for investigations on manufacturing overcapacity,¹⁵ which are targeting 16 countries and industries. Any new tariffs imposed as a result of these investigations would be additive to pending and existing 232 tariffs (e.g., steel, aluminum, pharmaceuticals, copper, autos), although the final outcomes likely will include a number of tariff exemptions for products subject to section 232 actions. Simultaneously, the review of the USMCA free trade agreement has started, which raises questions about tariff rates and market access within North America (see the June edition of *Geostrategic Analysis*, linked at the bottom of this article, for more details).

Business impact: Targeted sectors under the 301 investigations include autos, steel, batteries, chemicals, semiconductors and pharmaceuticals in 16 significant trading partners, including China, the EU, Japan and South Korea. Uncertainty remains high, though, as new legal challenges may be introduced for tariffs in the future. These efforts, and the resulting complications they are likely to pose to existing bilateral framework agreements, will further exacerbate tariff and supply chain uncertainty for companies. As explored in the [2026 Geostrategic Outlook](#), executives should build endemic trade uncertainty into planning. Executives need to confirm that all affected functions are collaborating on their tactical and strategic responses. In particular, companies are encouraged to integrate their [trade and tax policy functions](#) with one another to more efficiently comply with new tariffs (and indirect tax) and more effectively plan for the future.

For more information, contact [Shauna Steele](#) and [Courtney Rickert McCaffrey](#).

⁷ ADNOC to accelerate growth and delivery of its strategy with AED200 billion in project awards | ADNOC, <https://www.adnoc.ae/en/news-and-media/press-releases/2026/adnoc-to-accelerate-growth-and-delivery-of-its-strategy-with-aed200-billion-in-project-awards>

⁸ Impacts of Middle East conflict set to reshape energy investment plans as disruptions put focus on security | IEA, <https://www.iea.org/news/impacts-of-middle-east-conflict-set-to-reshape-energy-investment-plans-as-disruptions-put-focus-on-security>

⁹ War frontlines in Ukraine continue to shift | ArcGIS StoryMaps, <https://storymaps.arcgis.com/stories/36a716a6f5a9448496de641cf64bd375>

¹⁰ NATO summits | NATO, <https://www.nato.int/en/what-we-do/introduction-to-nato/nato-summits>

¹¹ Ukraine Support Tracker | Kiel Institute, <https://www.kielinstitut.de/topics/war-against-ukraine/ukraine-support-tracker/>

¹² Agreement on security cooperation between Ukraine and France | President of Ukraine, <https://www.president.gov.ua/en/news/ugoda-pro-spivrobitnictvo-u-sferi-bezpeki-mizh-ukrayinoyu-ta-89005>

¹³ Declaration on strategic partnership between Ukraine and Germany | President of Ukraine, <https://www.president.gov.ua/en/news/deklaraciya-pro-strategichne-partnerstvo-mizh-ukrayinoyu-ta-103837>

¹⁴ USTR makes findings and proposes action in Section 301 investigations | United States Trade Representative, <https://ustr.gov/about/policy-offices/press-office/press-releases/2026/june/ustr-makes-findings-and-proposes-action-60-section-301-investigations-relating-failures-take-action>

¹⁵ USTR initiates Section 301 investigations relating to structural excess capacity and production | United States Trade Representative, <https://ustr.gov/about/policy-offices/press-office/press-releases/2026/march/ustr-initiates-section-301-investigations-relating-structural-excess-capacity-and-production>

4 Geostrategic indicator of the month

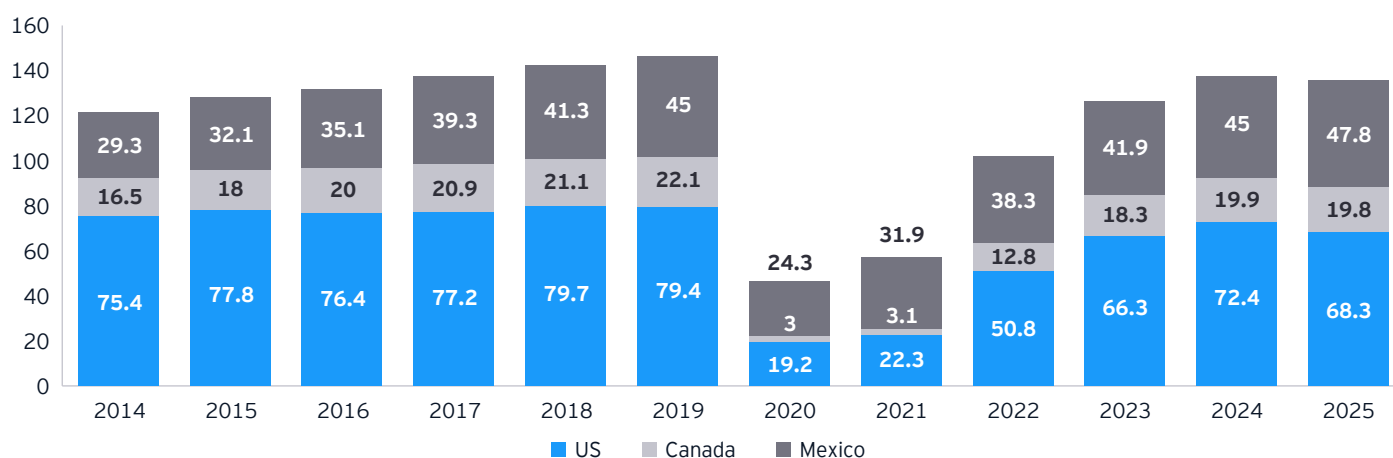
World Cup highlights how governments seek to use global sporting events to boost tourism and economic activity.

The indicator

Inbound tourism levels reflect the international perceptions of a country. Of the three co-hosts of the FIFA 2026 World Cup, Mexico has already exceeded pre-pandemic levels of international tourist arrivals, while the US and Canada are still recovering. The event will therefore be a test of converting global interest in “the beautiful game” into arrivals. While FIFA estimates¹⁶ that more than five million people are expected to visit the host countries, estimates at the national level point to more subdued inflows. More than 1.2 million international visitors are projected¹⁷ to arrive in the US during the event, with almost 750,000 incremental travelers. However, this projection remains uncertain, given the tightening of visa policies, security issues and the current elevated cost of travel. Affordability pressures extend to tickets as well, with some 2026 final seats nearing US\$11,000,¹⁸ compared with US\$1,550 in the original bid book and US\$1,600 for the top priced seat in Qatar 2022.

World Cup co-hosts Canada, Mexico and the US are seeking more international tourists this year to boost economic activity

Inbound tourism arrivals (millions)



Source: UN Tourism

Business impact: In the short term, the uncertain visitor arrival volumes will require demand planning and flexible workforce and capacity deployment from businesses in the hospitality, aviation, retail and mobility sectors. Executives are encouraged to account for this uncertainty in their short-term operational decision making and in communications with investors and other stakeholders. In the medium to long term, media and entertainment executives are encouraged to consider how soft power and hard currency affect revenue opportunities. For instance, the US dollar has appreciated against major currencies in recent years, reinforcing a shift to higher-value tourism, with less appeal for budget or short-stay visitors. While the Mexican peso has appreciated in recent years, local prices remain more affordable compared to the US or Europe. Recent data reflects these trends, with a lower volume of visitors but higher spend per person for the US, and higher volume of visitors but lower per-person spend for Mexico^{19, 20}.

Additional reading: [Nine top drivers shaping the future of fun in media and entertainment](#)

¹⁶ 500 days to go: milestone excitement builds | FIFA, <https://www.fifa.com/en/tournaments/mens/worldcup/canadamexicousa2026/articles/500-days-to-go-milestone-excitement-builds>

¹⁷ World Cup set to kick off US inbound travel rebound | Oxford Economics, <https://www.oxfordeconomics.com/resource/world-cup-set-to-kick-off-us-inbound-travel-rebound/>

¹⁸ 2026 World Cup final seats nearing \$11,000 | BBC Sport, <https://www.bbc.com/sport/football/articles/ce8ljz0rprpo>

¹⁹ International Travel Receipts and Payments Program | International Trade Administration, <https://www.trade.gov/international-travel-receipts-and-payments-program>

²⁰ Indicadores de la Actividad Turística | INEGI, <https://www.inegi.org.mx/temas/itat/>

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