SIGNALS OF CHANGE

SUMMER 2026

BUSINESS FINLAND

WHY SIGNALS OF CHANGE PUBLICATION?

BUSINESS FINLAND

Signals are early indicators of potentially significant future developments. Signals are often subtle and may initially appear as random or insignificant, but they can provide valuable insights into emerging trends and disruptions. By identifying and analysing weak signals, organisations can anticipate changes and adapt their strategies accordingly.

Why does Business Finland collect signals?

For Business Finland's customers, weak signals can play a vital role in planning ahead. They help companies to

- **Identify emerging opportunities and risks:** Weak signals can highlight new market opportunities or potential threats that may not yet be apparent through traditional trend analysis. This allows companies to proactively address these changes and stay ahead of the competition.
- **Enhance strategic foresight:** Incorporating weak signals into strategic planning helps ensure that strategies are agile and future-proof. By regularly scanning for weak signals, companies can validate and adjust their strategic foresight plans to remain relevant and effective.
- **Improve decision-making:** Weak signals provide additional context and insights that can inform better decision-making. By understanding the potential implications of these signals, companies can make more informed choices about their future direction.
- **Foster innovation:** Weak signals often point to nascent trends or technologies that could drive innovation. By recognizing these early indicators, companies can invest in research and development to capitalize on new opportunities and drive growth.

For Business Finland, weak signals are an essential component of horizon scanning, enabling us to anticipate and navigate future changes, seize new opportunities, and mitigate risks effectively. In this quarterly publication, we want to share recent picks and share insights about recent foresight projects with customers.

STRATEGIC CONVERGENCE OF DEFENCE, TECHNOLOGY AND ECONOMIC SECURITY

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Defence is now radiating from the military domain across economic policy, technological development, and market entries. These domains are increasingly intertwined, and taken together, the signals point to four reinforcing development paths:

1. **Systemic techno-geoeconomic bifurcation; bipolarisation is accelerating**. US–China rivalry is becoming structurally embedded through export controls, localisation drives, and competing AI ecosystems. This fragmentation increasingly shapes global standards, supply chains, and access to high-end compute.
2. **The securitisation of markets and industrial policy is deepening**. From the EU's move towards enforceable exclusion of "high-risk vendors" to emerging "clubs" in steel and critical minerals, security criteria are defining market access. Economic policy is evolving into a tool of resilience-building.
3. **Alliance-based industrialisation and minilateralism are reshaping manufacturing geographies**. Japan–US cooperation in AI shipbuilding, alongside EU–US and EU–Japan resource partnerships, demonstrates how allies are embedding defence, technology, and supply chains into tightly coupled blocs. This extends deterrence into industrial capacity.
4. **China's comprehensive state-driven model is scaling,** combining technological and all-around self-reliance, AI diffusion across the economy, and coercive tools to prevent China-based industries from decoupling. This creates a parallel governance and market system designed to retain, and even increase, foreign dependence while limiting foreign leverage.

The development paths these signals form are not linear but entangled. Notably, grey zones emerge at the intersection of cooperation and competition: allies seek alignment yet diverge on cost-sharing and sovereignty (e.g., critical minerals), while firms face compliance traps across jurisdictions with conflicting legal expectations. Likewise, "de-risking" and "decoupling" remain politically distinct but operationally blurred.

For Europe, the implication is clear: economic, technological, and defence policies are converging into a single strategic domain, where choices on supply chains, standards, and partnerships carry enduring geopolitical consequences.

This signal package has been compiled from Business Finland Foresight's monthly signals between March and May 2026.

RAPID HARDENING OF US–CHINA TECHNOLOGY AND GEOECONOMIC COMPETITION

PREMISE

Spring developments signal a sharp escalation in techno-strategic rivalry:

US licensing reversal allowing Nvidia's H200 sales to China after a 10-month freeze. Despite appearing permissive, the licensing reversal is not a softening; it is part of a deeper structural tightening of US technological leverage, as it strengthens US supervisory power by making every sale of an advanced AI chip contingent on US review and approval.

Ongoing draft US rules would require approval for exporting AI chips anywhere outside the US, indicating a shift towards globalised controls.

Export controls are accelerating China's semiconductor localisation and industrial policy drive.

IMPLICATIONS

- Decoupling deepens: Both sides build parallel semiconductor and AI ecosystems.
- Supply chain reconfiguration: Firms face long-term uncertainty across compute, chips, and advanced manufacturing inputs.
- Geostrategic leverage: Tech dependencies become tools of statecraft, affecting Europe's digital sovereignty aspirations.
- European firms must evaluate exposure to US regulatory jurisdiction, China's localisation demands, and future fragmentation in AI standards, compute access, and IP regimes.

DATA POINTS: Nvidia Restarts H200 Chip Sales to China: Inside the Policy Reversal Reshaping the AI Chip War, TechInsider, 22.3.2026; US reportedly considering sweeping new chip export controls, TechCrunch, 5.3.2026; China's Localization Drive in Semiconductors Gains Impetus from Allied Chip Export Controls, CSIS, 24.3.2026

EUROPE MOVING FROM GUIDANCE TO ENFORCEABLE EXCLUSION OF CHINESE “HIGH-RISK VENDORS”

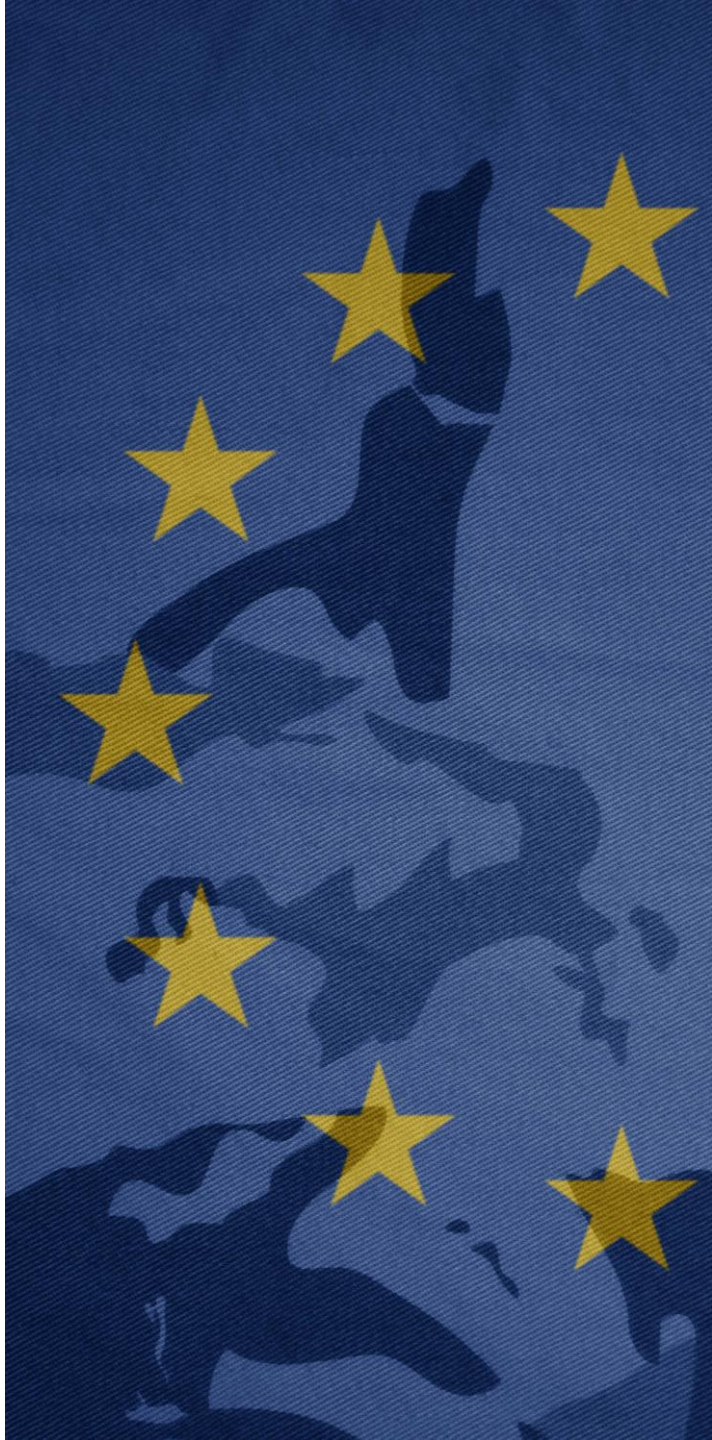
PREMISE

The European Union (EU) has proposed a new Cybersecurity Act that would restrict Huawei and ZTE, two Chinese telecom vendors, from operating in critical telecom networks within the EU. The Commission took this action after previously asking national capitals to voluntarily restrict these vendors. The proposal was expectedly slammed by Beijing.

Cybersecurity Act incoming: The new rules will be part of an updated version of the EU’s Cybersecurity Act, which will set out a method for assessing risk in other sectors – likely to begin in sensitive areas where China dominates, such as solar inverters, connected cars, wind energy, and security equipment.

IMPLICATIONS

- Even before full implementation, procurement behaviour, vendor risk scoring, and cross-border compliance expectations start shifting.
- If the European Union moves from non-binding recommendations to a legally binding Cybersecurity Act that restricts Huawei and ZTE from critical telecom networks, this would mark a significant step-change in EU economic security policy: 1) harden the bloc’s telecom security posture; 2) convert “de-risking” from political language into enforceable market exclusion; and 3) create a template for screening Chinese suppliers across other strategic sectors such as solar inverters, connected vehicles, wind energy and security systems.
- China will likely retaliate, and trade frictions will follow, even a trade war.



DATA POINTS: Brussels plans to force governments to block Huawei from 5G, Politico, 19.1.2026; Virkkunen reveals her Huawei plan, Politico, 20.1.2026; China Blasts EU Plan to Ban ‘High-Risk’ Telecom Vendors, CAIXIN, 22.1.2026; Europe Readies Law to Eject Chinese Equipment From Telecoms, BankInfoSecurity, 20.1.2026

CHINA'S NATIONAL PEOPLE'S CONGRESS: ARMED TO CHALLENGE USA AND PUSH FOR SELF-RELIANCE

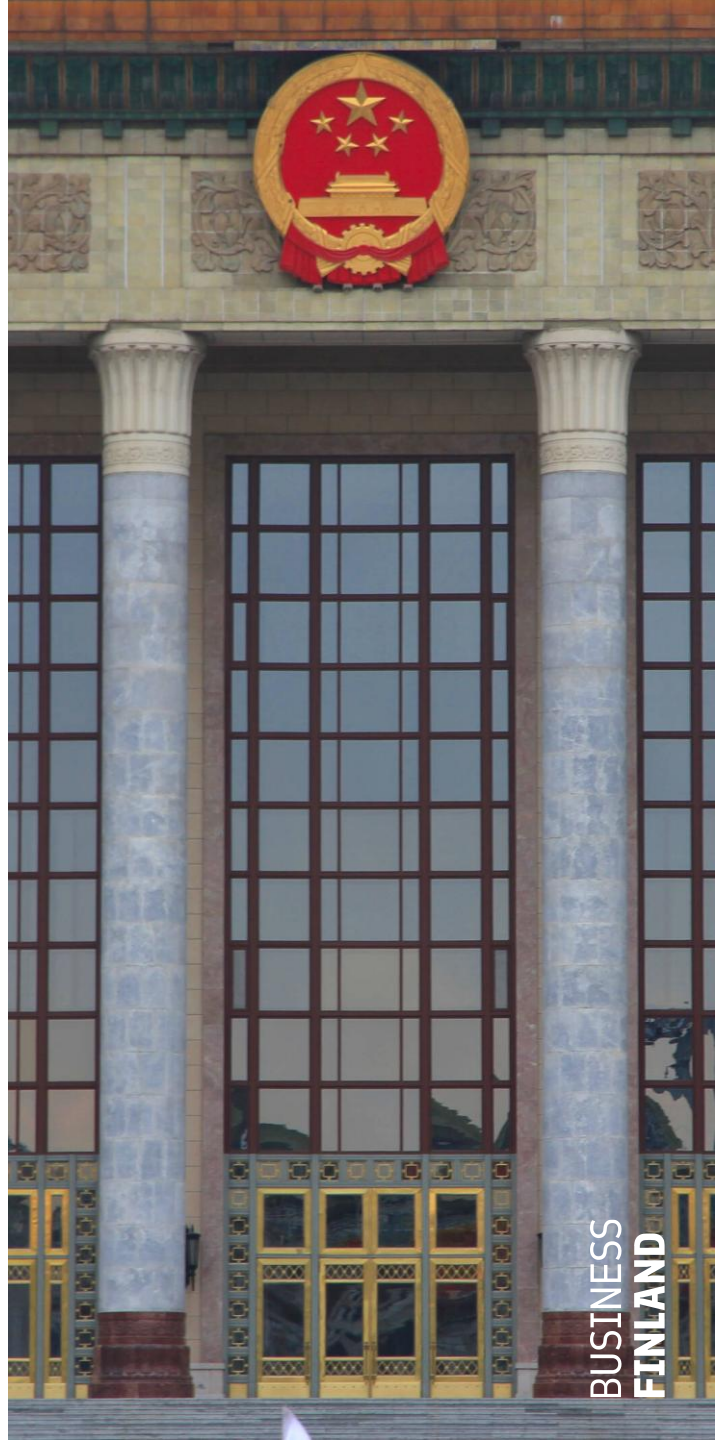
PREMISE

The National People's Congress (NPC) annual session in March 2026 (China's "Two Sessions") concluded with several key outcomes, including the Government Work Report, and the 15th Five-Year Plan (FYP), budget decisions, and policy statements with notable global implications.

IMPLICATIONS

- Economic Growth and Development Targets: The GDP growth target for 2026 is 4.5% to 5%, down from 5% in prior years, indicating a move towards sustainable growth, potentially reducing China's demand for commodities and impacting global supply chains. It aligns with the goal of achieving a GDP per capita of USD 20,000 by 2035.
- 15th FYP (2026–2030): technological self-reliance, advanced manufacturing, AI, quantum computing, and high-tech sectors to secure "commanding heights" in S&T. It also stresses domestic demand expansion (seriousness debatable), social services investment, food security and environmental goals → push for tech dominance and supply-chain resilience, intensifying competition with the US and others in critical technologies, rare earths, EVs, and semiconductors. It could reshape global innovation landscapes and trade in high-tech goods.
- Defence and Security: World's 2nd largest military budget at 1.7% of GDP, 7% increase. Rhetoric hardened on Taiwan, and improved combat readiness.
- Foreign Policy and External Environment: Concerns over European protectionism and emphasis on trade diversification.
- Law on ethnic unity (promoting minority groups' assimilation, Uyghurs, Tibetans, etc., including Mandarin use). Reinforces internal control.

DATA POINTS: Full text: Report on the Work of the Government, Global Times, 14.3.2026; A pragmatic shift toward high-quality growth: Key takeaways from the Chinese NPC annual session, JP Morgan, 10.3.2026; Tech, Trump, targets: 5 takeaways as China's NPC draws to close, Nikkei, 12.3.2026; Economy: China's plans to boost consumption, IISS. 19.2.2026



JAPAN–US AI SHIPBUILDING ROBOTICS COOPERATION: ALLIANCE-BASED RE-INDUSTRIALISATION OF STRATEGIC SECTOR

PREMISE

Japan and the US are moving to jointly develop AI-powered industrial robots for shipbuilding, framed both as an industrial policy move (revitalising US shipbuilding, a Trump pledge) and a technological cooperation initiative (AI, robotics, digitalised shipyards).

This is about dual-use industrial capacity, not just commercial shipbuilding. It embeds AI and advanced manufacturing into the alliance's maritime power base. It is one more step in re-wiring global production toward "friendshored" defence-relevant supply chains.

IMPLICATIONS

- Alliance industrial policy as a tool of power balancing: shipbuilding is central to naval power projection, logistics, and maritime trade security. A Japan–US AI-shipyard initiative directly supports their ability to build and maintain warships, auxiliaries, and commercial hulls relevant for surge capacity.
- Geoeconomic competition in shipbuilding: countering China and South Korea (and Finland?).
- Technological competition in AI + robotics moves into "heavy" industries. Most AI geopolitical debates focus on chips, cloud, and software. This signal shows AI geo-competition entering heavy industrial domains: welding, hull assembly, inspection, and maintenance.
- Alliance industrialisation without Europe at the core.

DATA POINTS: Japan, US eye joint development of AI shipbuilding robots, Nikkei, 17.3.2026; Japan, U.S. to deepen cooperation in shipbuilding, AI, next-gen tech, DredgeWire, 17.10.2025; US Navy Deploys Wall-Climbing Robots to Inspect Warships in $71M AI Upgrade, eWeek, 20.3.2026

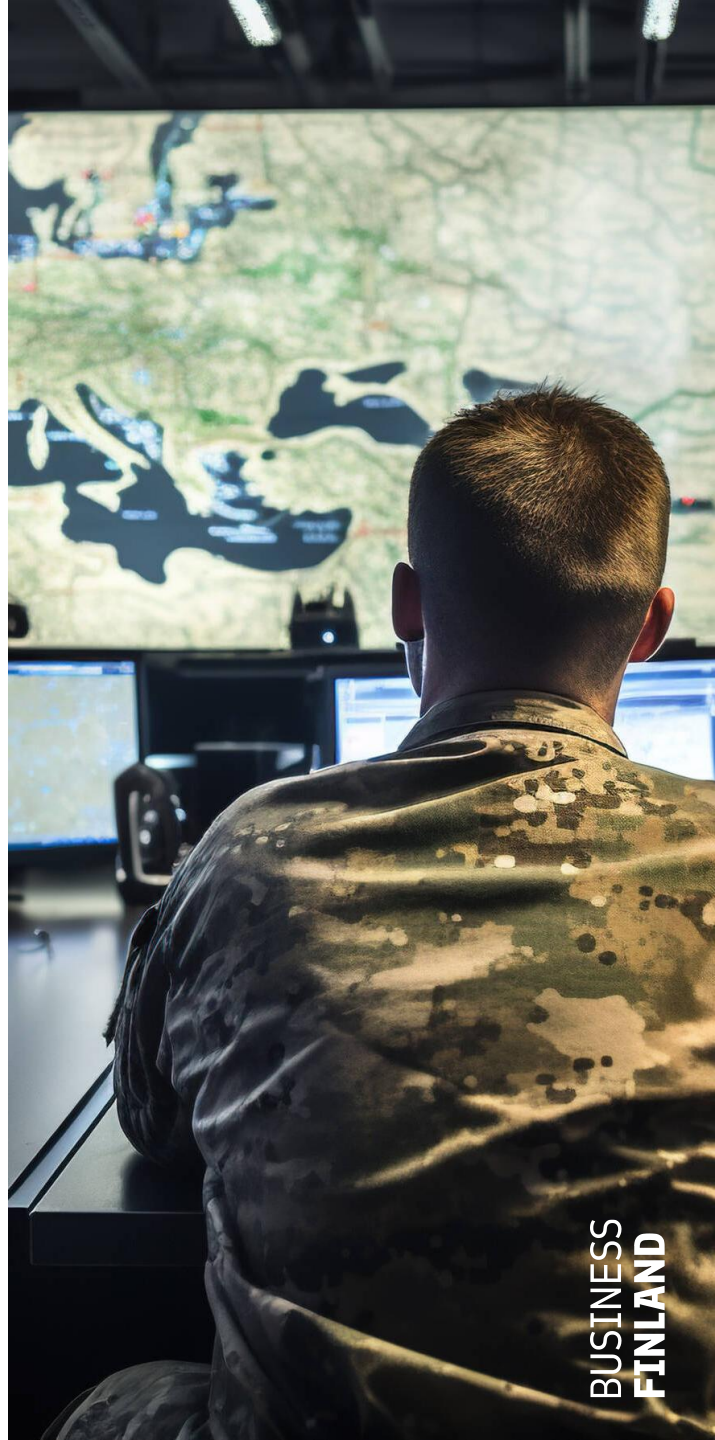
GERMANY PUSHES NEW MILITARY COOPERATION DEAL WITH JAPAN

PREMISE

Germany proposes a Reciprocal Access Agreement (RAA)-type defence pact with Japan, signalling a shift toward structured Indo-Pacific military cooperation: Germany is aiming to strengthen its defence ties with Japan, with Defence Minister Boris Pistorius proposing an agreement to simplify troop deployment between the two countries. Such agreements allow for easier troop deployment for training or operations by streamlining legal processes. Japan has similar deals with countries such as the UK and Australia to enhance security partnerships amid rising regional tensions. This proposal marks a shift from Germany's recent Indo-Pacific engagements, which focused on joint exercises, toward more structured military cooperation in the region.

IMPLICATIONS

- Signalling to China: A Germany–Japan troop mobility agreement sends a strategic message: Europe is not neutral in Indo-Pacific security issues.
- This move positions Germany, and by extension the EU, in the evolving network of Indo-Pacific security partnerships that includes Japan's RAAs with the UK, Australia, France, Canada, India and the US. It signals European willingness to align with US-led and Japan-led Indo-Pacific security frameworks, strengthening collective deterrence in the region. It places Germany directly in the emerging lattice of minilateral security agreements designed to balance China's influence.
- Japan diversifies its security partnerships amid rising regional tensions.
- Strengthening Western defence-industrial interlinkages.



DATA POINTS: Germany pushes new military cooperation deal with Japan, PoliticoPro, 22.3.2026;
Germany and Japan are strengthening military cooperation – seeking to sign a treaty on mutual deployment of troops, Babel, 22.3.2026
Germany steps up Indo-Pacific push, eyeing visiting-forces pact with Japan, The Japan Times, 23.3.2026

MACRON ANNOUNCES DEFENCE, ENERGY DEALS WITH JAPAN

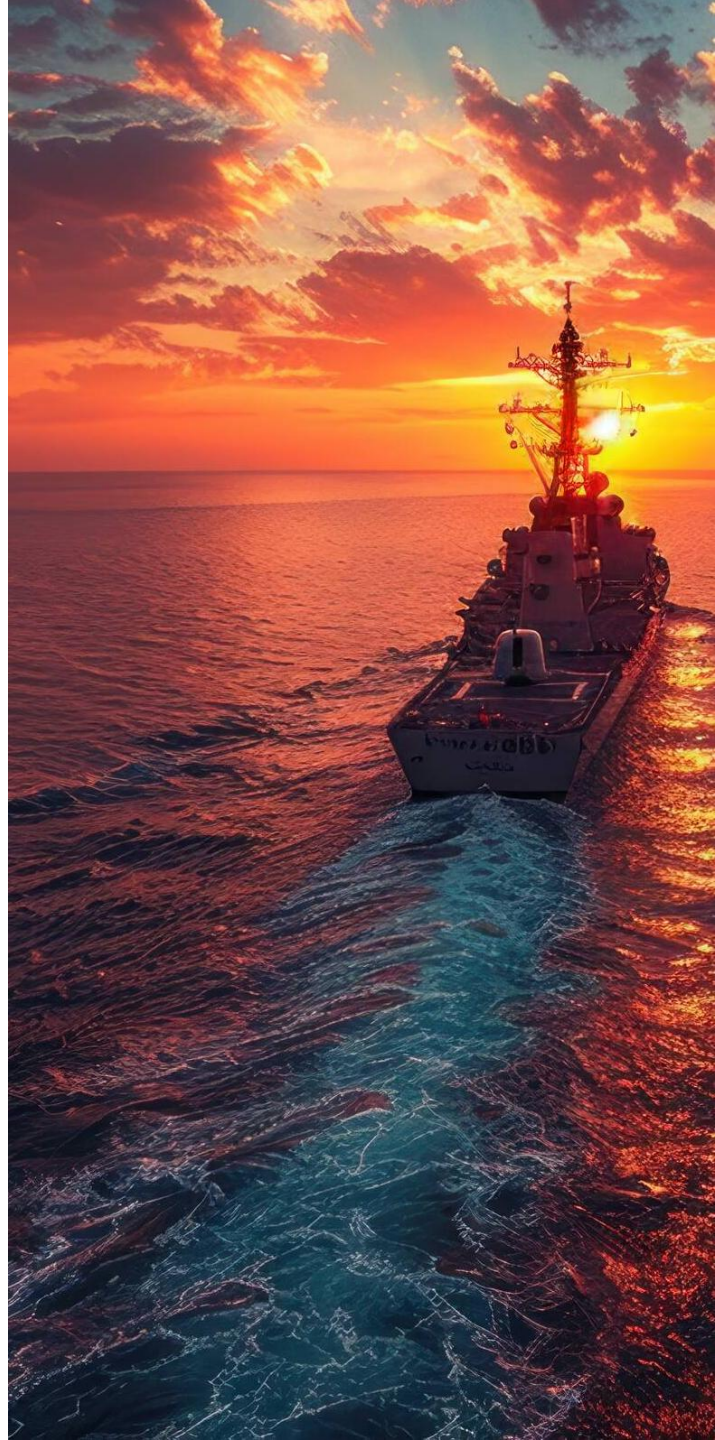
PREMISE

French President Emmanuel Macron announced in early April new “partnerships” with Japan in defence and energy, as he signed bilateral agreements with Prime Minister Sanae Takaichi. The deals were announced against the backdrop of the U.S.-Israeli war with Iran and the resulting closure/disruption of the Strait of Hormuz, pledging closer coordination on energy security. Nuclear energy cooperation was elevated:

Macron’s summit with Japanese PM Takaichi (and the accompanying 2+2 foreign/defence ministers’ meeting) marks a concrete step in the ongoing realignment of “middle powers” — democratic states seeking greater strategic autonomy amid great-power competition, supply-chain weaponisation, and global instability.

IMPLICATIONS

- Critical minerals and economic security: explicit hedging against China: The centrepiece was the Japan-France Roadmap on Critical Minerals (plus a joint declaration on supply-chain resilience). Goal: reduce dependence on China.
- A new defence cooperation roadmap was signed, building on existing joint exercises, French naval port calls in Japan, and space/cyber/intelligence ties. Both reaffirmed the “Free and Open Indo-Pacific” and opposition to unilateral changes by force (standard diplomatic language for concerns over China in the East/South China Seas and Taiwan Strait).
- The deeper strategic shift: middle-power coalitions and strategic autonomy. Analysts frame this as part of Macron’s long-standing push for a “coalition of independents” — pragmatic partnerships among middle powers that reduce overreliance on the U.S. or China while remaining broadly aligned with the Western democratic camp.



DATA POINTS: Macron announces defense, energy deals with Japan, PoliticoPro, 1.4.2026; Japan, France Elevate Economic Security Amid Energy Shock, The Diplomat, 2.4.2026; Macron calls for ceasefire in Mideast during visit to Japan, APNews, 1.4.2026;
Eighth Japan-France Foreign and Defense Ministers’ Meeting ("2+2"),. MOD 1.4.2026

CHINA: AI OF EVERYTHING FROM "DIGITAL ECONOMY" TO "SMART ECONOMY"

PREMISE

Beijing has moved from treating AI as a priority technology to treating it as a general-purpose national operating layer for the economy. In the March "Two Sessions" – especially the 2026 Government Work Report presented to the National People's Congress – the message was not simply "develop AI," but deepen and expand "AI+" so that AI is embedded across almost every major sector, workflow, and product category. The emerging policy idea is that AI should move from isolated pilots into commercial-scale, economy-wide deployment.

IMPLICATIONS

- The most important formulation from the March Government Work Report was that China should "deepen and expand 'AI+'", accelerate the rollout of next-generation intelligent terminals and intelligent agents, and push commercialised, large-scale AI applications in key industries, while fostering AI-native new business formats and business models. That is the core official language behind the idea of integrating AI into "everything."
- What has changed: Earlier, Chinese policy viewed AI as a strategic industry. The 2026 framework positions AI as a transformative layer essential for reshaping manufacturing, services, and infrastructure, with a mandate for its broad application across nearly all sectors.
- A significant consequence: China is signalling that AI should be integrated into the user-facing layer: phones, PCs, vehicles, robots, and other smart terminals. AI integration thus also becomes a governance architecture. When deploying AI at scale, it will operate within a politically safe, controllable, auditable, and responsive regulatory model that is state-defined and responsive to content and security rules.

DATA POINTS: Liu Liehong: AI is deeply integrated into production and daily life, and security and compliance have become the focus of governance, China Development Forum, 界面新闻 23.3.2026; A Comprehensive Look at the Two Sessions, Strengthening the Foundation of "Intelligent Manufacturing": Delegates and Members Discuss the "Intelligent Economy", Eeo.com, 19.3.2026; Column: Xi's vision and China's 15th Five-Year Plan, Xinhua, 19.3.2026

CHINA IMPOSES NEW RULES TO BLOCK FOREIGN COMPANIES FROM ‘DECOUPLING’

PREMISE: SECURITIZATION OF SUPPLY CHAINS

Beijing is trying to make it legally and operationally harder for foreign companies to reduce their dependence on China if that reduction is seen as politically motivated or as harming China’s industrial and supply-chain interests. In business terms, China is signalling: if you “de-risk” or “decouple” from China too aggressively, especially under pressure from your home government, China may treat that as a punishable act rather than a normal commercial decision.

China introduced new regulations in April 2026. One set, effective April 7, gives authorities power to investigate foreign companies, governments, or organisations, accused of taking “discriminatory measures” that undermine China’s industrial and supply chains. Another set, effective April 13, expands China’s ability to counter what it calls unjustified foreign extraterritorial laws, such as secondary sanctions or other “long-arm” jurisdiction measures.

IMPLICATIONS

- For a foreign company, the practical implication is that moving sourcing, production, procurement, or investment away from China may no longer be treated as just a supply-chain optimisation decision. If Chinese authorities conclude the move was done under foreign political pressure, or that it damages China’s supply-chain security, they may launch investigations and impose restrictions.
- Reporting indicates regulators can question employees, inspect company records, and in some cases bar individuals or companies from leaving China during investigations.
- The business risk: Caught between two legal systems; the central problem is a compliance trap.

DATA POINTS: China Imposes New Rules to Block Foreign Companies From ‘Decoupling’, The New York Times, 14.4.2026
Under cover of trade truce with Trump, China expands economic pressure toolkit, The Straits Times, 27.4.2026
How China has expanded its economic toolkit during its trade truce with the US, Investing.Com, 26.4.2026

EU'S ŠEFCOVIC CONFIRMS PUSH FOR WESTERN STEEL CLUB WITH USA AND UK

PREMISE

The EU is exploring the creation of a Western steel alliance with the US and the UK to counter China's industrial overcapacity so that Western producers are less exposed to what Brussels sees as the same core problem: China's large, state-supported steel overcapacity and the resulting flow of low-priced exports into global markets. The immediate policy idea is a coordinated trade and industrial arrangement: protect each other's steel sectors, trade more freely or on preferential terms among themselves, and align defensive measures toward third-country imports. EU Trade Commissioner Maroš Šefčovič said the next step is to work with the US on "steel ring-fencing" and a "defensive mechanism" against subsidised steel and global overcapacity.

The EU views China's subsidised overcapacity as distorting global steel prices and trade flows and argues that Europe cannot protect its steel industry alone if allied markets remain fragmented.

IMPLICATIONS

- Coordinated Western market management would make trade inside the bloc easier, create stricter barriers and traceability outside it, and common rules for origin, subsidies, and possibly clean-steel standards.
- The trade-off is that steel users – automotive suppliers, machinery makers, construction firms, appliance manufacturers, and metal processors – may face higher domestic steel prices and tighter supply. That is the classic consequence of stronger trade protection.
- More friction with China, including possible retaliation
- This may spread beyond steel into a broader industrial-security model

DATA POINTS:

EU's Šefčovič confirms push for Western steel club with US and UK, PoliticoPro, 28.3.2026; EU and US deepen cooperation on critical minerals amid concerns over China's dominance, Euronews, 24.4.2026; Commission welcomes political agreement on new EU steel measure, Eureporter, 16.4.2026

THE EU PILOTING ENERGY AND RAW MATERIALS PLATFORM

PREMISE

The EU has launched the critical minerals window of its Energy and Raw Materials Platform on April 13. That platform is designed to connect buyers and suppliers for 17 strategic raw materials, effectively supporting demand aggregation. Separately, EIT RawMaterials and Metalshub are working on a European trading and benchmark-pricing platform for critical minerals, with a pilot targeted within 12 months. Reuters notes the goal is to create regional benchmark prices independent of China-dominated pricing structures.

IMPLICATIONS

- Taken together with the US initiatives, the US is pushing a security premium and floor-price logic, while the EU is building the market plumbing—aggregation, benchmarks, and procurement channels—that could make such a partnership operational. These two tracks are complementary, even if not yet seamlessly aligned.
- The EU and the US agree that China's dominance in critical minerals—especially rare earth processing—is a structural vulnerability. China's grip on pricing and processing is the central challenge for Western supply chains.
- Rare earths and other critical minerals are essential for EVs, batteries, semiconductors, wind turbines, grid equipment, and defence systems. Material autonomy is increasingly important and is embedded in industrial policy, energy transition strategy, and national security logic simultaneously.

DATA POINTS: EU Energy and Raw Materials Platform, EU Commission, 13.4.2026; Exclusive: EU-funded agency working with Metalshub on European critical minerals trading platform, Reuters, 22.4.2026

USA AND EU: MOU ON PARTNERSHIP ON CRITICAL MINERALS

PREMISE

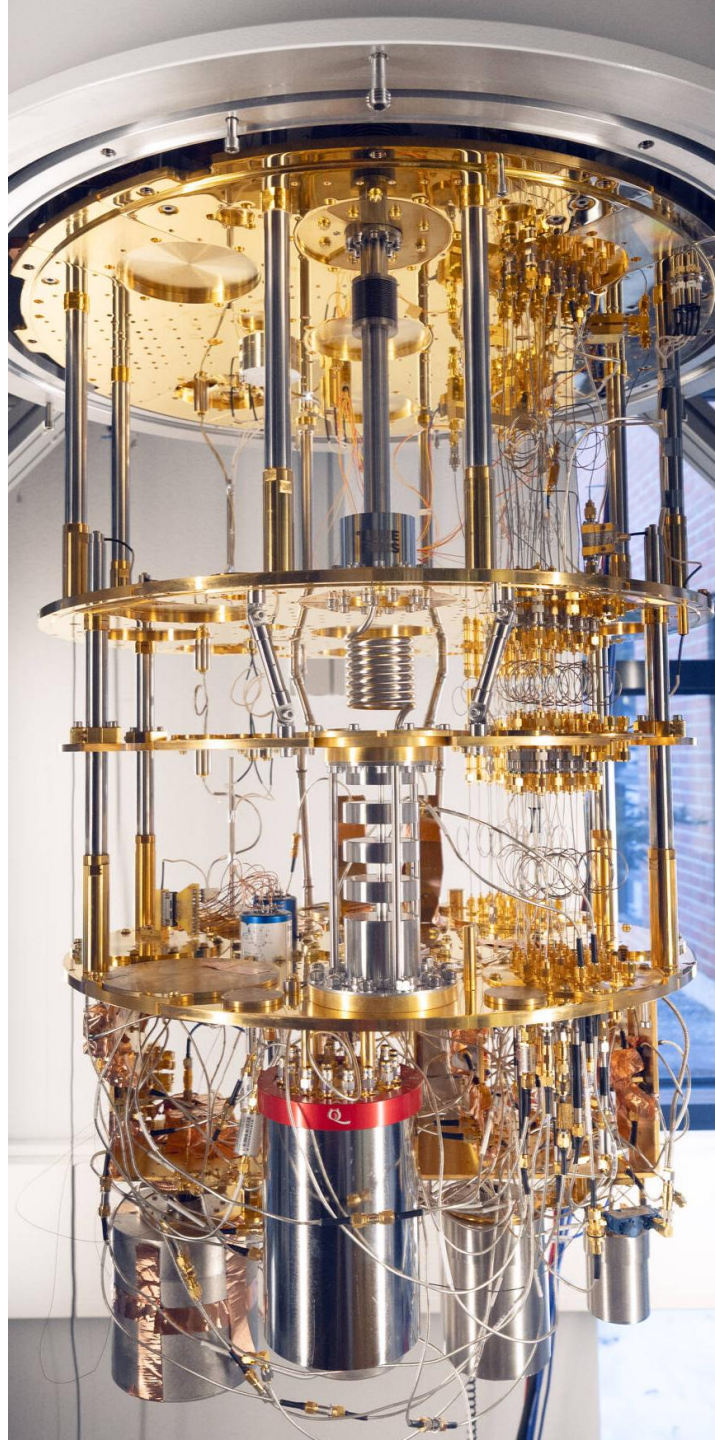
The EU–US critical minerals partnership is becoming real and strategically important, but it remains more coherent in terms of shared direction than in fully institutionalised execution. The most important recent development is that Washington is openly pressuring European partners to accept higher costs (the National Security Premium) for non-Chinese supply, while Europe is simultaneously building its own pricing, procurement, and project-financing architecture. In practical terms, the partnership is shifting from political alignment to market design, but unresolved tensions persist over cost-sharing, trade tools, and industrial sovereignty.

USTR materials indicate critical-minerals cooperation with the EU and Japan, and recent reporting references a broader “plurilateral” or trusted-partner trade initiative involving price coordination and purchase agreements.

This matters because the future architecture may look less like a classic free trade agreement and more like a coordinated bloc for offtake, subsidies, price floors, and screening of outside supply.

IMPLICATIONS

- Finland, by joining the Pax Silica, has already chosen its side.
- The opportunity is substantial: a more bankable ex-China supply chain for rare earths, battery materials, and strategic metals.
- For businesses, the practical implication is clear: critical minerals are no longer just a sourcing issue; they are now a board-level geopolitical exposure.



DATA POINTS: US, EU to sign preliminary partnership deal on critical minerals on Friday, Reuters, 24.4.2026; US, EU to Establish Partnership for Critical Minerals Supply on Friday, Global Banking and Finance, 24.4.2026; USTR Greer urges US allies to pay more for critical minerals, FT reports, Reuters 22.4.2026

MATCH ACT

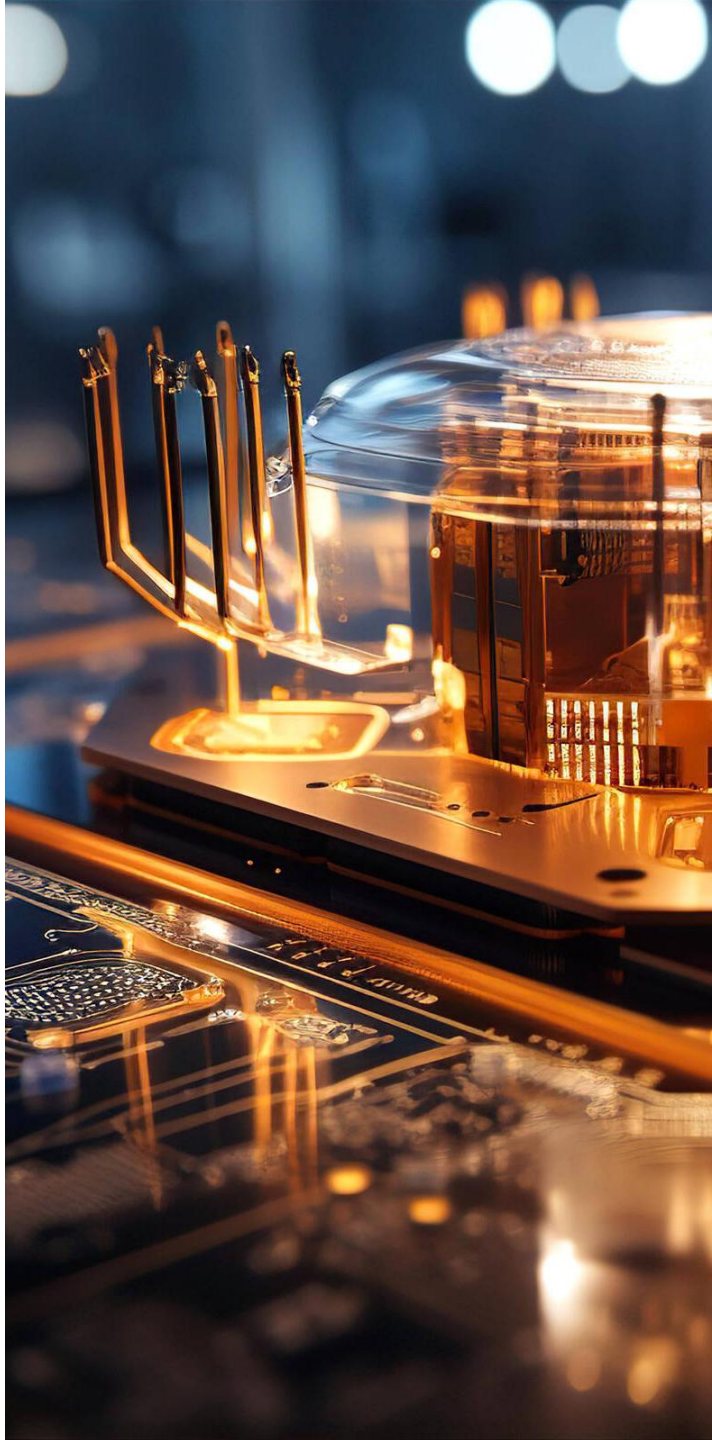
PREMISE

US lawmakers introduced the bipartisan MATCH Act on April 2, 2026, to tighten export controls on semiconductor manufacturing equipment to China. The bill aims to close loopholes in DUV lithography and servicing. By aligning with allies like Japan and the Netherlands, the Act seeks to safeguard US technological leadership in AI.

It is part of a broader congressional push to tighten export controls on China after criticism that the Commerce Department's Bureau of Industry and Security, or BIS, has been inconsistent, slow, or overly reliant on administrative discretion. One House staffer described the current package of export-control bills as the biggest legislative push in this area since the Export Control Reform Act of 2018. On April 22, the House Foreign Affairs Committee advanced the MATCH Act along with a wider set of related export-control measures. That is an established fact; however, committee passage is not the same as becoming law.

IMPLICATIONS

- Tighten controls on semiconductor manufacturing equipment: The bill seeks to close loopholes in current controls on chipmaking tools sold to China.
- Restrict maintenance and servicing: The bill would require licenses for foreign companies to service equipment at covered Chinese fabs.
- Pressure on allies to align.
- Shift power from the executive branch toward statute: MATCH aims to embed more of the framework in law, making it harder to unwind and reducing executive discretion.



DATA POINTS: Baumgartner Introduces Bipartisan Bill to Tighten Controls on Sensitive Chipmaking Equipment, Michael Baumgartner, 2.4.2024
Chairman Mast, HFAC, Advances MATCH Act, House Foreign Affairs Committee, 22.4.2026

SPOTLIGHT: GEOPOLITICS

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GEOPOLITICAL FORESIGHT: NO LONGER EXTERNAL TO BUSINESS

In many strategy discussions, geopolitical change is treated as important to understand but as something that cannot be influenced. That view is risky because it can lead to wrong strategic conclusions and choices.

The global operating environment is fragmenting, and geopolitics has made a loud comeback into business and innovation. It is a key force in determining where markets emerge, which partnerships are viable, how technologies scale, and how supply chains are organised. Yet many companies continue to treat geopolitics as something external or uncontrollable. This leads to vulnerability.

Rather than standing still, businesses should prepare for a range of future scenarios. Geopolitical foresight is not about anticipating the next crisis or choosing sides in global power struggles. It is about preparedness, strategic insight, and action: understanding how global power shifts translate into concrete constraints and opportunities for companies, ecosystems, and innovation, and acting early enough to shape outcomes rather than just react to them.

“CHOKEPOINT DIPLOMACY” BECOMES STABLE PHASE OF STATECRAFT

PREMISE

The Gulf developments are the clearest signal of an emerging doctrine: states can inflict strategic disruption without fully shutting trade. In the Hormuz case, the market signal is that ceasefires do not restore normality. There were renewed clashes between US and Iranian forces, with missiles and drones.

By May, the US–Iran confrontation had settled into a persistent dual blockade of the Strait of Hormuz, with shipping restrictions treated as bargaining leverage rather than a prelude to war. Naval escorts were paused and resumed tactically, indicating acceptance of prolonged disruption as a baseline rather than an emergency deviation. This marks a shift from crisis management to managed coercion.

IMPLICATIONS

Why this matters (early-warning):

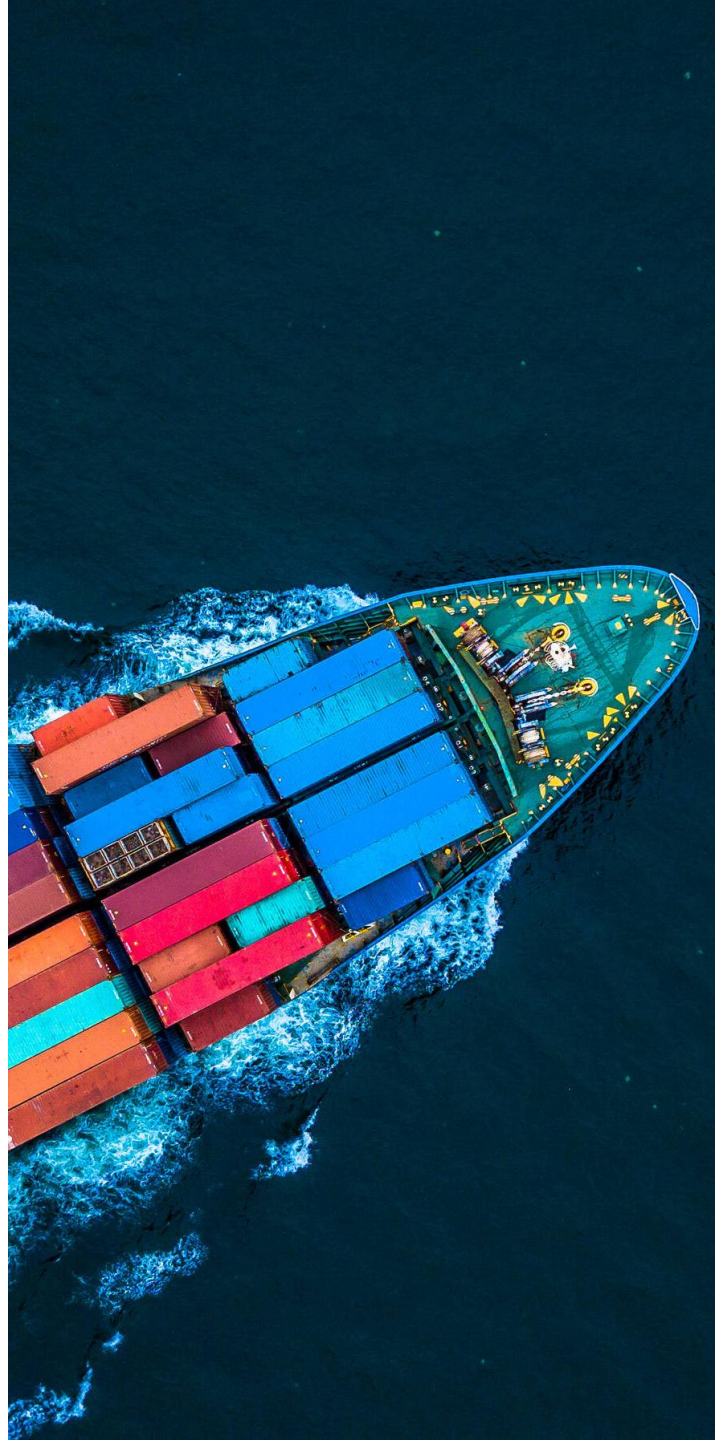
This quietly lowers the political threshold for chokepoint coercion globally. If blockades can persist without escalation, other actors (in the Red Sea, the Strait of Malacca, and Bab el-Mandeb) gain a validated template.

Strategic implications:

- Maritime security norms erode without formal conflict.
- Insurance, freight and energy markets price in chronic disruption.
- Naval power becomes a bargaining chip rather than a deterrent.

Relevance for European businesses:

Europe’s trade-to-GDP exposure makes it highly sensitive to “slow violence” at chokepoints; therefore, in addition to episodic crises, firms must plan for long-duration disruption. Risks can be mitigated to some extent by diversification of supply chains.



DATA POINTS: Monthly Geopolitical Report: May 2026, ZEROFOX Intelligence, 1.5.2026; Blockade diplomacy, energy as leverage and other geopolitical stories to know this month, WEF, 13.5.2026

FAREWELL TO PREDICTABILITY

Finnish companies, or even Finland, cannot influence the course of global power politics. But those who invest in anticipation and strategic positioning retain far more room for manoeuvre than those who treat geopolitics as an uncontrollable source of shocks. Lack of preparedness shows up as fragile supply chains, missed growth markets, or delayed responses to regulatory and security shifts. It also means missed opportunities for partnerships and timely positioning in emerging ecosystems.

Organisations that integrate geopolitical foresight into strategy are better positioned to

- identify where future demand and investment are likely to concentrate,
- understand how trade, technology, supply chains and security policies interact,
- anticipate new standards, restrictions and incentives, and
- build resilient ecosystems that can operate across different political and regulatory environments.

BECOMING AN ACTIVE PLAYER

The global operating environment is undergoing a structural shift. The world is becoming multipolar and fragmented, characterised by overlapping power centres, competing norms and selective cooperation. Long-standing assumptions about open markets, predictable rules and efficiency-driven supply chains no longer hold universally. Uncertainty has become the new normal.

Several developments reinforce this change. Strategic competition between the United States and China influences technological, economic and security choices far beyond their borders. Both Russia's war against Ukraine and the US–Iran war have shown how trade, energy, and financial markets are tightly intertwined with military conflict. At the same time, middle powers are finding one another, seeking greater strategic autonomy, and assuming a more pragmatic approach to alliances and market access.

For Finland and Europe more broadly, this means operating in an environment where economic interdependence can be weaponised and where political decisions can quickly alter market conditions. At the same time, these shifts also create new opportunities, investment flows and technology pathways. Geopolitics has become a permanent feature of the business landscape.

US REGULATOR QUIETLY TIGHTENS TECH SECURITY CRACKDOWN ON CHINA

PREMISE

Despite a broader US–China trade thaw following the Trump–Xi summit, **the FCC is intensifying security-driven restrictions on Chinese technology**.

Key actions by the FCC: bans/restrictions on Chinese drones and internet routers are already in place. Proposal to exclude Chinese labs from testing electronics for US certification. Under consideration: Potential ban on Chinese “cellular modules” (critical for IoT connectivity).

IMPLICATIONS

Why it matters:

- Espionage and cyber risk concerns: Software updates and supply chain access seen as potential surveillance backdoors
- Systemic dependency risk: Chinese firms control approx. 70% of the global cellular module market. Seen as a more critical dependency than rare earths
- Certification vulnerability:~75% of US electronics currently tested in China → concerns over tampering, IP theft, and trust.
- Institutional dynamics: FCC acting as a “low-visibility but powerful” security actor, has more room to act because White House is restraining other agencies to preserve trade truce.
- Tech security not a top presidential focus. Uses tools such as the “covered list” to block risky firms/products.
- Broader pattern. Reflects a selective decoupling: Public diplomacy = stabilization.
- FCC action aims to Shift testing to the US or trusted allies.
- Regulatory practice = continued securitisation of tech supply chains.
- China’s response. Beijing opposes the restrictions, viewing them as discriminatory, and retaliates by default.

DATA POINTS: US communications regulator targets Chinese tech for security risks, FT, 12.5.2026; Inside the 'digital lockdown' for US officials as Trump arrives in China, MSN, 15.5.2026

FINDING OPPORTUNITIES IN DISRUPTION

A defining development of this decade is the growing role of geopolitics in both creating and transforming markets. States are intervening more actively through industrial policy, including export controls and subsidies, and procurement rules. At the same time, national security concerns and efforts to strengthen resilience and strategic autonomy are increasingly driving both public and private investments.

For a long time, supply chains were optimised solely for cost and efficiency. Now, security, reliability and political trust have become key considerations. Supply chains are increasingly vulnerable to geopolitical shocks, as was the case with the closure of the Strait of Hormuz.

As the competitive landscape changes, future growth markets often emerge at the intersection of technology, policy and security priorities. Identifying these intersections early helps Finnish companies position themselves as trusted partners in strategically important ecosystems.

GEOPOLITICAL FORESIGHT GIVES TOOLS TO PREPARE

Not every geopolitical shift or headline deserves equal attention. The value of foresight lies in focusing on structural dynamics that affect innovation capacity, competitiveness, and long-term growth. All companies should keep track of the following:

- **State interventionism and economic security policies**: These directly influence public funding, regulation, and market access in technology-intensive sectors, including EU de-risking and economic security frameworks.
- **Fragmentation of trade and investment.** Access increasingly depends on alignment with regulatory, security, and sustainability arrangements.
- **Critical materials and resource politics.** The competition over resources affects clean transition technologies, advanced manufacturing, and digital infrastructure.
- **Technological sovereignty and competition**. AI, data, semiconductors, quantum technologies, and cyber security are at the centre of global rivalry.
- **Regional re-balancing.** Europe is redefining its role between the United States and China, and technology ecosystems gradually polarise.

The focus is on understanding how these forces redefine where and how value is created, not on short-term volatility.

MANDATORY DE-RISKING: EU PLANS TO FORCE COMPANIES TO BUY PARTS FROM NON-CHINESE SUPPLIERS

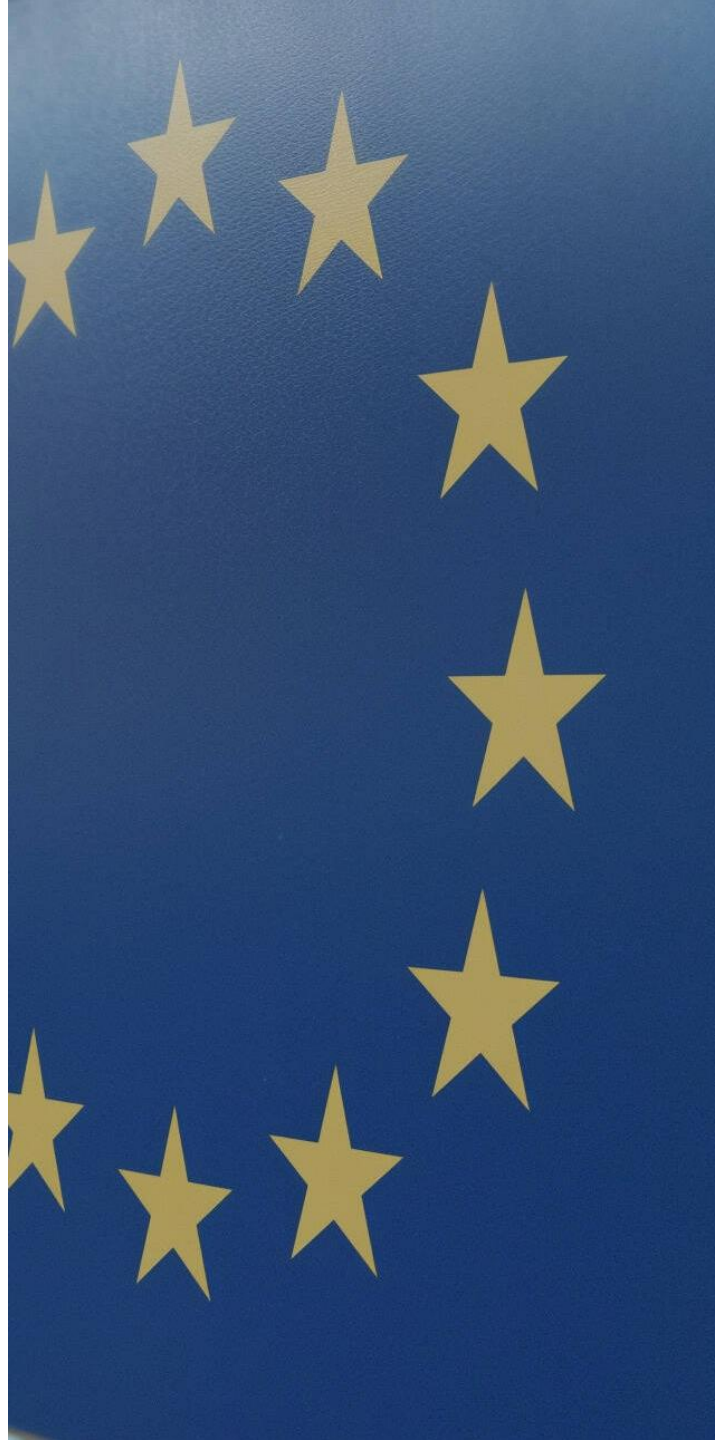
PREMISE

The EU is considering rules that would force companies in certain strategic sectors to diversify away from China for critical components. The reported model is that no single supplier could account for more than roughly 30–40% of supply, with the remainder split across at least three additional suppliers not all based in the same country. The idea is still at an early stage, with discussion reportedly expected in the Commission on 29 May and possibly at an EU leaders' summit in late June.

This is not full "decoupling" from China. It is better understood as mandatory de-risking: Brussels wants firms to be less exposed to a Chinese supply shock, export restriction, or politically motivated disruption. The policy is being driven by concern over China's ability to weaponise supply chains, especially in minerals, machinery, chemicals, batteries, and other industrial inputs.

IMPLICATIONS

- For companies, the immediate implication is higher compliance and sourcing costs. Businesses would need to qualify alternative suppliers, redesign procurement contracts, and in some cases re-engineer products to fit non-Chinese inputs.
- Greater resilience but lower short-term efficiency. Companies may pay more upfront, but they reduce the risk of a single-country choke point.
- This points toward a broader EU-China commercial confrontation with a real risk of Chinese retaliation and a trade war.



DATA POINTS: EU plans to force companies to buy parts from non-Chinese suppliers, FT, 18.5.2026; EU Commission plans new squeeze on Chinese trade, Politico, 15.5.2026; China's new rules give the West a new headache, DW, 13.5.2026

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TURNING FORESIGHT INTO GROWTH

Geopolitical fragmentation will not reverse anytime soon. We should expect continued uncertainty, overlapping regulatory regimes and competing standards. Growth and innovation will increasingly favour those who can navigate this complexity and embed geopolitical awareness into everyday work.

In practice, this means asking questions such as:

- Where are new markets being politically constructed?
- Where are the sensitive intersections that generate innovation?
- How are supply chains and partnerships being reconfigured?
- Which technologies are becoming strategically critical?
- And how can we position our capabilities early enough to matter?

Geopolitical fragmentation is here to stay. Companies that understand it, anticipate its implications and act on them early enough will out-innovate and out-grow those that do not.

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