Hilco Global

Geopolitical Unit

Navigating Risk. Unlocking Opportunity.

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Geopolitical Implications of the U.S. House of Representative's Reconciliation Bill

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About Hilco Global's Geopolitical Unit

In today's volatile global landscape, geopolitical risk isn't a distant consideration, it's a strategic imperative. Geopolitics directly impacts business operations, asset valuations, and growth strategies. At the Hilco Global Geopolitical Unit, we empower clients to navigate this complexity with confidence and agility.

Our team of geopolitical experts, senior advisors, and subject-matter experts delivers real-time, actionable intelligence that informs your organization's critical decisions. Whether you're a C-suite executive, investor, or legal advisor, our insights help you mitigate risk, identify opportunities and strengthen your market position.

We offer a comprehensive suite of services designed to integrate seamlessly into your decision-making processes. This includes client-commissioned research, just-in-time briefings, annual outlook reports, and on-call advisory support, each service is carefully crafted to deliver the insights you need, exactly when you need them.

Our insights are not theoretical. They are designed for action. By embedding geopolitical intelligence into your daily operations and strategic planning, we help you:

- **Seize opportunities:** Move proactively into new markets or sectors with clarity.
- **Mitigate risks:** Anticipate disruptions, protect your assets, and maintain your competitive edge.
- **Enhance credibility and brand:** Position yourself as an informed market leader, ready to act in any environment.

The Hilco Global Geopolitical Unit is more than an advisory service—it's your strategic partner in navigating global complexity. We work alongside you to create insights that sharpen your decision-making and enhance organizational fortitude in a volatile world.

With the Hilco Global Geopolitical Unit you don't just react to the world—you stay ahead of it.

Disclaimer: Sources referenced for data and research in the following content are listed in section Appendix: Sources & References.

Geopolitical Implications of the U.S. House of Representative's Reconciliation Bill

Hon. Patrick J. Murphy is the **Chairman of the Hilco Global Geopolitical Unit**. He brings a wealth of expertise in public policy, military leadership, legal strategy, and innovation, honed through distinguished service in both government and the private sector.

Before joining Hilco Global, Patrick served as the 32nd United States Under Secretary of the Army, confirmed by the U.S. Senate in December 2015, three days after which he assumed duties as Acting Secretary of the Army. In this role, he provided strategic leadership for a Fortune 10-sized organization, driving initiatives including technology modernization, talent recruitment and management, and innovation within the Army, and was recognized for advancing veteran advocacy and digital transformation across the service. He was the first Iraq War veteran elected to the U.S. House of Representatives, representing Pennsylvania's 8th congressional district from 2007 to 2011, where he sponsored the repeal of Don't Ask Don't Tell, co-authored the 21st Century G.I. Bill, and served on the Armed Services, Select Intelligence, and Appropriations committees.

A decorated military officer, Patrick served as a judge advocate in the U.S. Army, including deployments to Bosnia and Iraq, where he was awarded the Bronze Star Medal for meritorious service. His leadership extended beyond the battlefield as a part of the military faculty at the U.S. Military Academy at West Point, where he taught constitutional law and mentored future leaders.

Patrick's legal and academic background includes earning a JD from Widener University Commonwealth Law School and a BA from King's College. He has also held roles at Cozen O'Connor, a leading national Am Law 100 law firm, and as a venture capitalist investing over $250 million in veteran-owned companies. His lifelong dedication to public service includes his current tenure as a faculty member at the Wharton School of Business and formerly as the Distinguished Chair of Innovation at West Point.

Throughout his career, Patrick has been recognized for his commitment to innovation, veterans' issues, and national security. He has advised organizations and institutions across sectors on governance, compliance, and leadership. He continues to engage in advisory roles and thought leadership, including his work as a TV contributor, podcast host, and public speaker.

In addition to the Bronze Star Medal, Patrick holds numerous awards and decorations from his military service, the Meritorious Service Medal, and the John F. Kennedy Jr 'Profile in Courage' Award from Brown University and the Dwight D. Eisenhower National Public Service Award from the Student Veterans of America.

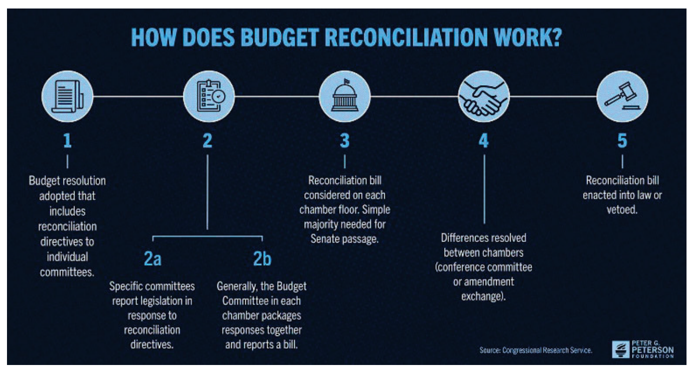
Geopolitical Implications of the U.S. House of Representative's Reconciliation Bill

Introduction

During the second quarter of 2025, the United States' House of Representatives passed the *One Big Beautiful Bill* (H.R. 1). The legislation extends and expands on the tax and economic provisions of 2017's "Tax Cuts and Jobs Act", removes clean energy incentives, increases defense spending, tightens immigration policy, and introduces tax countermeasures on foreign entities.

While the bill is now undergoing amendment in the Senate, its current form offers an early window into the direction of U.S. economic and foreign policy over the next four years. For middle-market companies that have operated for decades in a post-NAFTA pro-globalization environment, this bill signals a strong pivot towards a new and distinct geopolitical order.

Hilco Global's Geopolitical Unit was created to help clients navigate these types of moments. Moments in which policy becomes a catalyst for macroeconomic shifts and market realignment. This report dissects the legislation through a geopolitical lens and provides insight into the implications of the bill and its posture for middle-market companies across sectors including manufacturing, technology, energy, and infrastructure. The goal of this, and future reports from Hilco's Geopolitical Unit, is to arm leaders with intelligence that enables them to act decisively, mitigate risk, and capture opportunity in an evolving global landscape.



Bill Overview & Key Statistics

The "One Big Beautiful Bill" is a sweeping transformation of the fiscal, regulatory, and geopolitical stance of the United States. While subject to revision in the Senate, the House version contains several major provisions with far-reaching consequences for middle-market firms.

1. **Tax Reform and Fiscal Policy**
    a. **Extension of 2017 TCJA Provisions:** Makes permanent key components of the Tax Cuts and Jobs Act, including lower corporate and personal tax rates.
    b. **Enables Retaliatory Tax Structure:** Empowers the U.S. to impose higher taxes or withholding requirements on foreign companies whose home countries enact in "discriminatory taxes" (e.g., digital service taxes).
    c. **SALT Deduction Cap Increase:** Raises the State and Local Tax deduction cap from $10,000 to $40,000.

d. **Debt Limit Increase:** Raises the U.S. federal debt ceiling by $4 trillion.

2. **Energy Policy**
    a. **Repeals Inflation Reduction Act Incentives:** Eliminates or phases out tax credits for wind and solar energy projects, electric vehicles, and zero-emission port technology.

    b. **Energy Permitting:** Expedites oil and gas drilling approval processes and reduces royalty rates for fossil fuel extraction on public lands.
    c. **Foreign Entity Restrictions:** Bans projects involving "foreign entities of concern" from receiving federal clean energy tax incentives.
3. **Defense and Immigration Policy**
    a. **$150 billion** added to the Pentagon's budget to expand the naval fleet, develop next-gen aircrafts, the Golden Dome missile defense program, nuclear arsenal modernization, and additional munitions stockpiles.
    b. **$140 billion** in border security funding for the construction of border barriers, projected 1 million annual deportations, and advanced surveillance and biometric systems.
4. **Technology and Cybersecurity Policy**
    a. **$500 million** allocated to modernize federal IT and deploy commercial AI and automation.
    b. **$380 million** allocated to the Department of Defense for AI-enabled financial audit systems and cybersecurity upgrades.

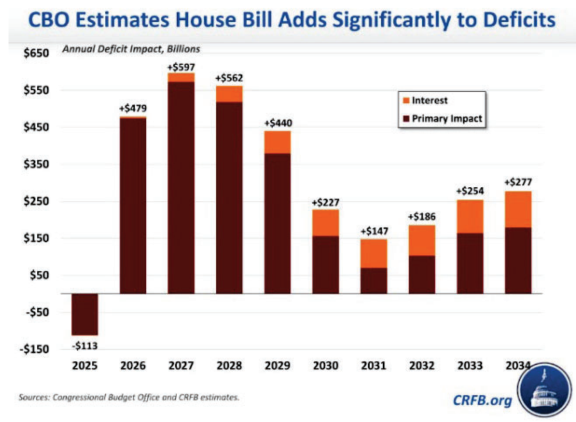
Geopolitical Implications

H.R. 1 and its provisions have significant implications for three major geopolitical forces posing both risks and opportunities for middle-market firms. These three areas are: **(1) U.S. Fiscal and Financial Policy (2) Trade and Industrial Policy (3) Defense and Security Policy**. The below sections offer an overview of the bill's implications for these three vital geopolitical forces.

U.S. Fiscal and Financial Policy

Budget and Tax Policy

The permanence, and the expansion of, the provisions in the 2017 Tax Cuts and Jobs Act will provide increased predictability in long-term financial planning for American businesses. With the increased SALT deduction cap (from $10k to $40k) offering a benefit to firms headquartered in high-cost states. However, as discussed in the following section, these provisions will further widen the already large and increasing federal budget deficit.



Sovereign Debt and Credit Market Tensions

The non-partisan Congressional Budget Office estimates that H.R. 1 will increase deficits $2.8 through 2034. Without correlated cuts in federal spending or rapid GDP growth in the 3-4% range, such an increase poses a large risk to the fiscal position of the United States and has important implications for the U.S. credit markets. Most importantly, increasing debts could lead to a declining confidence in the U.S. dollar and higher interest rates on Treasury securities. For middle-market firms, these trends will translate into a tighter credit market and expensive repricing of floating-rate debt. Firms capitalized without adequate equity levels, sustainable coverage rations on debt, or floating-rate debt could face pressure.

Trade and Industrial Policy

Retaliatory Tax Regime

As noted, H.R. 1 enables the U.S. Treasury to impose retaliatory taxes on foreign companies whose home countries enforce digital service taxes. This provision is in alignment and an extension of the confrontational disposition the Trump Administration has with respect to trade policy. By enabling the Treasury Department to engage in combative tax mechanisms with foreign nations deemed to be engaging in unfair trade with the United States, the administration is continuing to emphasize its view that the existing trade structure is punitive to the United States and its multinational corporations, both in physical goods, and now digital as well. This provision could affect the revenue and regulation of firms with such international digital platforms, including in the Software-as-a-Service (SaaS), fintech, and digital marketing sectors.

Supply Chain and Consumer Realignment

The bill's elimination of the Inflation Reduction Act's clean energy tax incentives, combined with its ban on federal subsidies for projects involving "foreign entities of concern", fundamentally realigns international supply chains, consumer trends, and business plans for firms across the world. Projects reliant on Chinese critical minerals may face disruptions and could require a reconfiguration of their long-term business strategy. Furthermore, the slight consumer trend toward non-gasoline powertrain vehicles may revert.

Defense and Security Policy

Pentagon Budget

With an additional $150 billion allocated to defense, the U.S. is accelerating the global trend of remilitarization. Expanding and modernizing the navy amid rising naval conflicts with Houthi rebels in the Red Sea and the looming threat of a Chinese invasion of Taiwan, accelerating nuclear readiness, and enhancing missile defense capabilities are strong signals that the U.S. seeks to continue and expand its military primacy. Similar trends can be seen in the remilitarization of Europe in nations such as the U.K. and Germany, due to uncertainty around the strength of alliances and a global emphasis on reshoring or nearshoring critical defense supply chains to bolster national defense against trade and allegiance disruptions

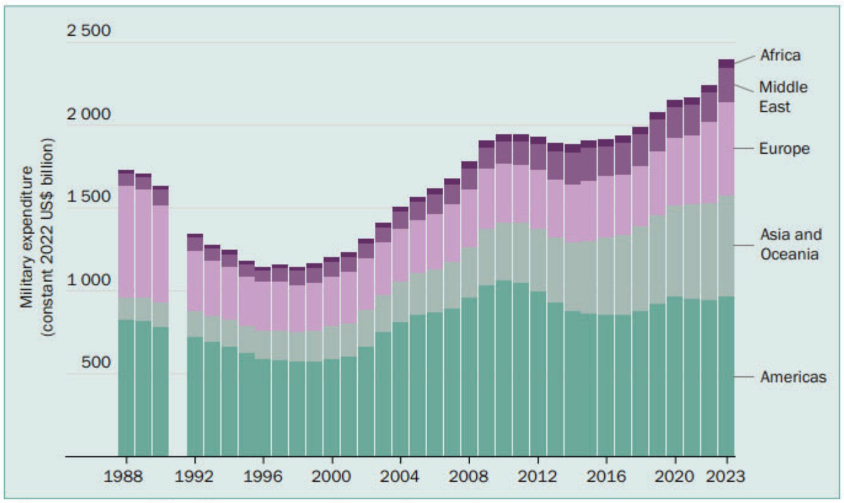


Figure 1. World military expenditure, by region, 1988–2023

Note: The absence of data for the Soviet Union in 1991 means that no total can be calculated for that year.

Source: SIPRI Military Expenditure Database, Apr. 2024.

Homeland Security and Immigration

$140 billion in funding for biometric systems, surveillance, and border security (including deportations and wall construction) mark a hard pivot toward stricter immigration and internal security enforcement. These funds will be a boon for surveillance technology, AI-driven tools, and physical infrastructures vendors while simultaneously being a potential disruption in the labor force from the aggressive deportation efforts, particularly in the agriculture, hospitality, and logistics sectors.

Technology & Cybersecurity

$880 million in funding for AI-enabled audits and DoD cybersecurity modernization is a stark indication of the administration's belief in technology's capability to transform government by digitizing and automating key administrative and security operations. Early and agile movers in AI, cybersecurity, and automation solutions will be well positioned for federal partnerships. Firms such as Palantir, Anduril, and SpaceX are already seeing the benefits of this newfound appreciation for more agile firms and shift away from the legacy federal suppliers. Additionally, these efforts could see increased scrutiny and regulation of the models and systems used in these efforts, with potential pushback from the public, Congress, and the courts.

Fiscal and Financial: Impacts

As noted in previous sections, The *One Big Beautiful Bill* extends and expands on several key provisions of the 2017 *Tax Cuts and Jobs Act*. For businesses the most notably aspects include full expensing for capital investments, interest deductibility, and reduced obligations for pass-through entities. For middle-market firms, this sustains and slightly amplifies an environment with low effective tax rates, increasing post-tax cash, and is particularly beneficial for capital-intensive, asset-heavy, and leveraged firms. These effects are aligned with the administration's goal of reshoring targeted sector's manufacturing facilities to bring jobs back to the United States and strengthen key technology, defense, and critical mineral supply chains against military or trade disputes.

Yet, these effects also come with a steep cost to the national debt. The bill is estimated to add more than $4 trillion to the national debt in the coming decade. This accelerates an increasingly troubling fiscal trajectory: U.S. debt-to-GDP is now forecasted to exceed 103% by 2035, and interest costs are projected to surpass defense spending within the decade as well. This fiscal situation raises systemic risks that directly impact the operating and financing environment for middle-market firms.

1. Higher Cost of Capital

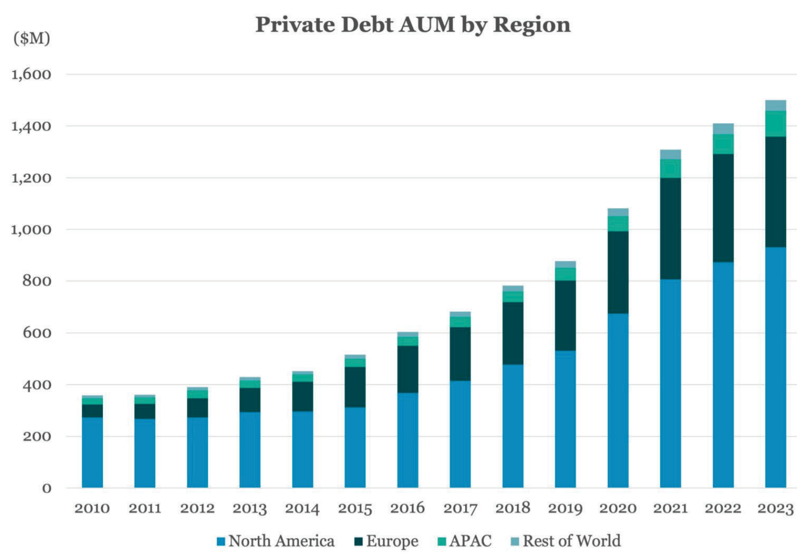
As federal debt increases so too does upward pressure on interest rates. As middle-market firms are typically more exposed to floating-rate debt, private credit, and regional bank loans, they face a structurally higher cost of capital. Furthermore, refinancing becomes more expensive, and access to credit may be tight, particularly for firms with weaker balance sheets or less predictable and less stable cash flows. For capital-intensive sectors such as manufacturing, logistics, and construction, these dynamics threaten investment capacity and reduce operating leverage.

At the same time, the continued availability of interest deductibility offers a partial offset by helping firms preserve after-tax borrowing efficiency. Firms with near-term capital plans may benefit from the current tax shield, mitigating some of the financing cost pressures.

2. Shifts in the Credit Market

As investors adjust their capital allocation plans due to a growing federal deficit and trade uncertainty, traditional lenders may tighten their belts further than they already have due to post-2008 Great Financial Crisis regulations. In recent years, middle-market borrowers have been increasingly turning to private credit markets to fill this gap. For well-capitalized, stable cash flow businesses, this presents an even greater opportunity to tap flexible funding sources as lenders seek yield through turbulent markets.

Even with the strong inflows of capital into the private credit markets, firms with inconsistent performance or limited performance history may face strong trade-offs in financing: higher interest rates, asset-backed deal structures, and nuanced covenants. With increasing questions about the soundness of more private credit firms chasing fewer deals, and the potential systemic implications of such deals when stress-tested, the availability of cheap and covenant-lite debt appears to be shrinking. Firms must be prepared to negotiate their financing more aggressively and present stronger fundamentals in their search for attractive terms.



Source: Fitch Ratings, Preqin.

3. Portfolio Realignments in Pension and Insurance

Institutional capital allocators are rebalancing their fixed-income portfolios and their allocation to alternative investments including private-equity and venture capital as interest rates rise and long-duration assets are repriced. This shift may reduce liquidity in certain structured products and mezzanine instruments often used by middle-market firms; it could also shift more capital into private credit strategies.

Higher interest rates are improving funded status and return assumptions for pension and insurance allocators, which ultimately frees up more capital for the alternative credit allocation. For borrowers, the impact will be highly dependent on their sector, deal profile, and the sophistication of their capital strategy. All firms seeking financing or preparing for recapitalizations must monitor these shifts in capital flows closely.

4. Currency and Trade Effects

The bill's expansion of the budget deficit, when combined with a re-normalization of rates at around 4% for an extended period, could strengthen the U.S. dollar. For middle-market companies dependent on exports this presents a significant risk to global competitiveness and foreign consumer demand. On the other hand, a stronger dollar would benefit firms heavily reliant on imported goods as they possess increased purchasing power, reducing input costs and improving gross margins. It is important to note that, even in the event of a stronger dollar, the importers purchasing power benefit could be offset the Trump administration's tariffs on imported goods that are not addressed in this bill.

Nevertheless, a strengthening dollar could prompt retaliatory trade practices and further amplify the existing geopolitical trade tensions with other nations, most notably China. These trends have significant implications for firms dealing across borders for both their consumer base and their supply chain. Companies need to evaluate their foreign exchange risk profiles, consider hedging such risk, and evaluate the strength of their supply chain sourcing and diversification strategies.

Fiscal and Financial: Strategic Considerations

1. Re-evaluate Capital Structure

> *With federal debt levels increasing and upward pressure being placed on long-term interest rates, firms with significant and variable leverage may face higher borrowing costs in the next decade.*

- **Action:** Firms should stress-test their balance sheets under extreme case-scenario assumptions about fiscal developments.
- **Opportunity:** Companies with strong balance sheets, solid credit, and stable cash flows may be able to secure favorable terms and be ready to deploy strategic capital during times of uncertainty and fiscal pressure.

2. Hedge Against Currency Volaitlity as U.S. Fiscal Risks Influence Dollar Dynamics

> *Sustained fiscal deficits could gradually weaken confidence in the U.S. dollar, and its role as the reserve currency, over time. Particularly if paired with a reduced appetite for Treasuries resulting from fears about U.S. debt policy.*

- **Action:** Firms with foreign suppliers, consumers, or assets should reaffirm their assumptions about foreign exchange exposure by stress-testing said assumptions against what may have previously been considered extreme case scenarios about the dollar's strength or weakness.
- **Opportunity:** Intelligent and well-prepared firms can adequately hedge their foreign exchange exposure and bolster their cost structures to create an all-weather currency strategy that positions them to capture value in periods of deep volatility over the long term.

3. **Build Fiscal Risk into Long-Term Strategic Planning**

> *If the status quo persists, it will force federal retrenchment or austerity containing significant implications for spending, tax policy, and interest rate dynamics.*

- **Action:** Firms should analyze their exposure to government-related funding, cross-border supply chains, and elasticity of their pricing.
- **Opportunity:** By integrating fiscal implications into strategic planning, firms can create action plans for increasing debt levels, decreased discretionary spending, and price shocks both in their procurement of goods and sale of products.

Trade & Supply Chain: Impacts

The *One Big Beautiful Bill* is just one aspect of a shifting policy landscape that is drastically changing international trade and will carry material implications for middle-market companies reliant on globally integrated supply chains. The direct and indirect effects of energy investments and policy, reshoring pressure and incentives, and increasing tensions between the U.S. and China are likely to force a reconstruction of sourcing approaches, cost structures, and geopolitical risk exposure.

1. Increased Domestic Content Requirements and Reshoring Incentives

The bill reinforces the current administration's prioritization of promoting domestic production. This prioritization is specifically amplified in perceived critical sectors such as semiconductors, pharmaceuticals, electric vehicle components, and defense-related technologies. Through procurement preferences, funding, and regulations the bill has strong implications for middle-market firms participating in federal contracting or supply chains labeled as critical. Middle-market firms already positioned domestically could see a boost in their market competitiveness, benefitting both from procurement preferences from the government, but also from their cost-structure remaining unaffected.

Conversely, firms that are operating in the identified critical supply chains could face rising costs from regulatory requirements, market restrictions, and onshoring aspects of their supply chain. Furthermore, the increasing trade may constrain, or increase the cost, of firms' access to critical minerals. In some cases, these costs may be too great for middle-market firms to endure if their profit margins are not wide enough to tighten or if management deems their supply chains impossible to onshore without a change in regulation or easier access to capital.

2. Customs, Tariff, and Infrastructure Bottlenecks

The infrastructure provisions and port modernization elements of the bill, while modest, may bring incremental benefits in reducing customs delays and digitizing cargo tracking. For middle-market importers and exporters who face high costs from delays, these investments propose a path to further operational efficiency.

Map of Global Conflicts as of June 2025

Source: Council on Foreign Relations, Center for Preventive Action

However, these investments are long-term commitments, with their benefits seemingly 5+ years in the future. Conversely, the impact of recent years geopolitical developments such as the Russia-Ukraine war, the United States battles against the Houthis in the Red Sea, and China's increasing build-up in the South China Sea are immediate impediments to global trade, supply chains, and critical minerals. Firms dealing in dual-use, export-controlled goods, or heavily reliant on global supply chains through these regions are exposed and hampered by increased regulatory inspections, longer lead times, and general instability.

3. Trade Retaliation and Non-Tariff Barriers

While the bill does not impose new tariffs, its nationalistic posture may draw retaliation from affected trading partners. Once again, for middle-market firms engaged in exports to Europe or Asia, this risk may manifest in reciprocal tariffs, currency manipulation, local content requirements, and further regulatory approvals that make access to foreign markets constrained. In addition to explicit countermeasures from foreign governments, the confrontational nature of the bill and its nationalistic bent could have an impact on American soft power globally that make foreign markets and consumers more hostile towards American middle-market firms.

Trade and Supply Chain: Strategic Considerations

1. Prepare to Bolster and Restructure Supplier Networks Through Onshoring, Nearshoring, and Ally-Shoring Models

> *Geopolitical instability and national industrial policy are accelerating the decline of globally fragmented supply chains, increasing exposure for firms dependent on adversarial regions.*

- **Action:** Develop contingency plans that evaluate the operational and financial implications of transitioning away from suppliers in geopolitically contentious regions such as China, Taiwan, and the Middle East. This plan should include viable nearshoring (e.g., Mexico, Canda) and ally-shoring (e.g., Europe, India) options, and testing alternative sourcing strategies against a multitude of geopolitical variables.
- **Opportunity:** Firms that build optionality into their supply chains will be better positioned to respond rapidly to geopolitical shocks, trade restrictions, or broad-based policy shifts. This planning can position firms to escape volatility stronger and capture the opportunities that arise from the asymmetrical impacts of geopolitical developments across industries.

2. Position Your Firm for Federal Procurement and Infrastructure-Aligned Opportunities

> *The bills reinforcement of domestic content rules and sector-specific funding creates an opportunity for middle-market firms to secure public-private revenue streams.*

- **Action:** Meet new "Buy America" and federal procurement requirements. Update sourcing certifications, ensure domestic content alignment, and build internal capacity to capitalize on RFPs. If properly aligned, identify opportunities to support robust technology and infrastructure opportunities resulting from the bill.
- **Opportunity:** The bill presents an opportunity for middle-market firms with properly aligned supply chains and sectors to support federally funded infrastructure and manufacturing projects.

Defense and Technology: Impacts

1. Pivot Away from Legacy Technology and Defense Contractors

The bill, and the administration supporting it, while nominally expanding spending, also mark a more intrinsic shift in the defense-industrial landscape. Behind the topline appropriations and amongst the DoD's communications is a dissatisfaction with legacy procurement timelines and large defense contractors. This momentum is supported by a larger shift towards actors creating disruption, reinforcing the trend toward leaner, software-centric, dual-use technology firms that promise faster deployment and more entrepreneurial structures.

Nonetheless, the implementation of this procurement and integration strategy's timeline is unknown. Technological changes are notoriously difficult to implement in the government and take an equally notorious amount of time and funding to complete. Whether the Palantirs and Andurils of the world will succeed in upending DoD procurement guardrails fully remains to be seen. However, recent developments suggest a growing receptiveness to agile technology providers. For instance, Palantir has secured a significant expansion to its DoD contract, increasing its total value to nearly $1.3 billion through 2029.

Software-Centric Defense Contractors

OpenAI

ANDURIL

Palantir

The shift towards nimble, software-centric solutions is further underscored by recent events on the global stage. Ukraine's Operation Spiderweb, a coordinated drone attack deep within Russian territory, demonstrated the strategic impact of low-cost, AI-enhanced drones. This operation highlighted the effectiveness of agile, decentralized warfare tactics and exposed vulnerabilities in traditional defense systems. The bill's language and the administration's early signs show an awareness of this trend and attempt to align the U.S DoD with it. Whether it will be successful is yet to be seen.

2. Advanced Manufacturing, AI, and Autonomy

The bill's implicit support for defense modernization and industrial resiliency is accelerating investment and policy interest in advanced manufacturing, artificial intelligence, and autonomous systems. While much of the bill's language targets "resilience" and "readiness," the practical effect is a growing incentive for technologies that reduce cost, compress development cycles, and support decentralized deployment. This favors middle-market companies that are agile and can deliver commercial-grade solutions with defense applications, particularly in aerospace components, battlefield logistics, predictive maintenance, and autonomous ISR (intelligence, surveillance, reconnaissance) platforms.

Ukraine's aforementioned use of autonomous drones has amplified the impact of inexpensive, decentralized, and tech-enabled battlefield tools. Middle-market firms that can integrate machine learning into legacy platforms, cybersecurity solutions, and/or industrial robotics will find growing demand from both government and prime contractors.

However, their success will also be contingent on the existing complex procurement pathways and these procurement pathways' appetite for change.

3. Downstream Capital Formation, Workforce Demands, and M&A

H.R. 1's implications for the defense and technology sectors only enhance the existing trend of venture and growth equity funds increasing allocations to defense and defense-adjacent sectors in AI, cybersecurity, autonomous systems, and advanced materials. Early-stage companies with dual-use potential are now more likely to attract initial and follow-on funding, while middle-market firms aligned with these large trends could see themselves as viable targets for strategic acquisitions. At the same time, we could see such capital squeeze the labor markets in areas like systems engineering, drone autonomy, and defense-grade manufacturing where skilled labor is not readily available to fill excess demand.

Defense and Technology: Strategic Considerations

1. Evaluate Firm Positioning with Respect to Capital Flows, Dual-Use Technology, and Agility

> *The bill's embrace of defense innovation accelerates trends of capital towards firms that can deliver dual-use solutions with speed.*

- **Action:** Conduct an evaluation of your firm's offerings in the broader national security ecosystem and its trends. Identify core offerings with dual-use potential and align yourself with proper capital flows that are targeting defense innovation.
- **Opportunity:** Firms well-positioned to deliver mission-relevant technology to lead the technological revolution of the defense sector will be increasingly attractive to public and private capital.

2. Build Technology and Talent Capabilities

> *The elevation of AI, autonomy, and advanced manufacturing as strategic imperatives require middle-market firms to expand technical depth and compete for top-tier talent.*

- **Action:** Build relentless and elite-level recruitment and retention programs for engineers, AI/ML talent, and successful program managers. Simultaneously upskill existing teams and align your firm's incentives to meet the defense sector trends.
- **Opportunity:** Firms with strong talent and technical infrastructure are ready to capture markets in the new era of defense. Intelligent investment in these two areas of expertise will allow firms to move quickly and produce results faster than the legacy providers before them. These firms will shape the future of the defense sector.

Conclusion

The *One Big Beautiful Bill*, although subject to revision and not yet law, is a signal that middle-market firms can use to extract valuable information about future geopolitical shifts to help them fortify their firm against risks and capture market opportunities. The bill's fiscal, industrial, and defense provisions underscore the profound shift occurring the United States' economic posture. A posture that moves away from globalization and towards both strategic decoupling and domestic capacity buildup. For middle-market companies these changes present acute challenges and large opportunities.

As policymakers look to rewire supply chains, bolster national security, and stimulate economic growth through tax and spending levers, the operating environment for middle-market firms will become increasing complex. Interest rates, the availability of labor, technological competition, and international exposure must be addressed by management teams that pursue both financial discipline and geopolitical agility.

Firms that fortify their capital strategies, strengthen their supply chains, and get to the edge of technological development in their sector can find themselves not only surviving these transformations, but thriving amongst them.

Hilco Global's Geopolitical Unit will continue to monitor, interpret, and advise firms on these tectonic geopolitical shifts. When macroeconomic, trade, and defense policy create impactful shifts in the geopolitical environment, middle-market leaders must ensure their organizations are informed, responsive, and prepared to act.

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