GEOECONOMIC STRATEGY UNIT

Thinking Geopolitically - Navigating Today's Volatile World Order

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Executive Summary

Geopolitics is no longer a specialist subject that sits outside corporate strategy. It now shapes market access, supply continuity, compliance exposure, financing conditions, and reputational risk, often faster than firms can adjust through normal planning cycles.

Global economic uncertainty has amplified in the first week of 2026, as new hotspots emerge for trade and supply chain disruption. Geopolitical competition between great powers has intensified, with the United States, Russia, and China reasserting their spheres of influence in pursuit of regional dominance. Quantitative indicators suggest uncertainty remains a structural feature of the global business environment. The Global Economic Policy Uncertainty Index was 389.43 in October 2025, with multiple spikes throughout the year. Uncertainty has become more frequent and geographically dispersed, impacting a larger share of stakeholders on a recurring basis.

This white paper stresses the need to think geopolitically and adopt frameworks to connect events across regions, map their effects on business outcomes, and act early to reduce downside and capture upside.

The Necessity of Thinking Geopolitically

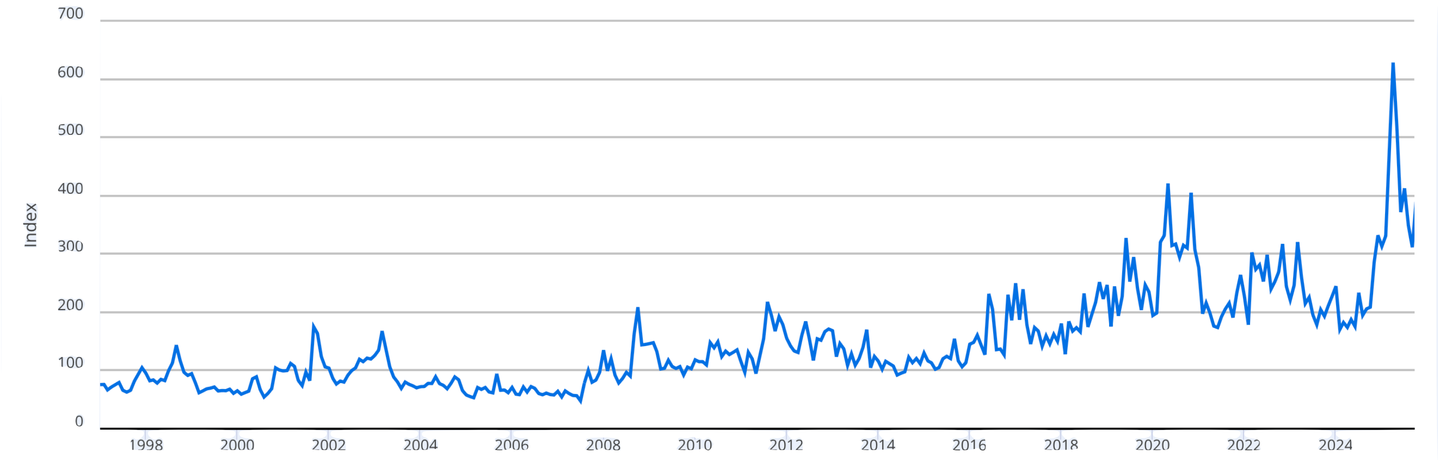
Thinking geopolitically does not mean mastering international relations theory or predicting state behavior with certainty. It means adopting a disciplined way to translate political developments into economic exposure and business decisions.

The cost of treating geopolitical shocks as occasional disruptions has steadily risen over the past few decades. Competition between countries is no longer confined to the military domain, instead operating through channels businesses rely on for their fundamental functions, including technology, capital flows, shipping corridors, and trade regulations. Moreover, these channels act as transmitters of geopolitical shocks, elevating spillover risks for several industries.

Three structural shifts underscore the necessity for thinking geopolitically today:

1. Structurally higher uncertainty: policy uncertainty remains elevated, as reflected in the Global Economic Policy Uncertainty index. Higher uncertainty tends to raise the option value of waiting, delaying investment, tightening credit, and raising insurance costs.

Global Economic Policy Uncertainty Index



Source: FRED

2. Geopolitical shocks transmit faster than before: the interconnectedness of global value chains and the concentration of transport corridors precipitate domino effects of regional disruptions on businesses worldwide. The effects can first be felt in the form of frictions (customs delays, additional compliance requirements, higher premiums, and rerouting) and then as constraints (blocked payments, canceled shipments, and supply bottlenecks). During the 2023–2024 Red Sea disruptions, for example, attacks on commercial shipping drove many carriers to reroute around the Cape of Good Hope, and the IMF estimates Suez Canal trade fell by roughly 50% in the first two months of 2024 compared with a year earlier.

3. Economic tools are now instruments of power: states increasingly pursue strategic goals using sanctions, export controls, investment restrictions, industrial policy, and standards. This precipitates permission risk: sudden changes in what is legally or practically possible.

These shifts are being driven by a more competitive distribution of power and a wider use of economic tools.

The Rise of Multipolarity - Amplified Contestation Between States

Post-World War II, the international system has been defined by periods of unipolarity (where one country dominated the world order) or bipolarity (where two major powers competed with each other, such as the U.S. and USSR). Contemporary geopolitics is markedly different, characterized by the emergence of multipolarity, a state where multiple powers compete for influence. This power struggle involves advanced economies including the United States, China, and Russia, and increasingly, middle powers such as Saudi Arabia, Turkey, India, and Brazil, attempting to dominate their respective regions. In practical terms, this results in:

- Differing rulebooks as competing players seek to affirm their standards, compliance expectations, and technology regimes on the world's stage.
- Transactional alignment as countries shift positions to advance their immediate foreign policy interests even if they are counterintuitive in the long term.
- Uncertainty about enforcement as rules can differ by jurisdiction and evolve quickly, given amplified volatility in the geopolitical arena.

Competing Spheres of Influence

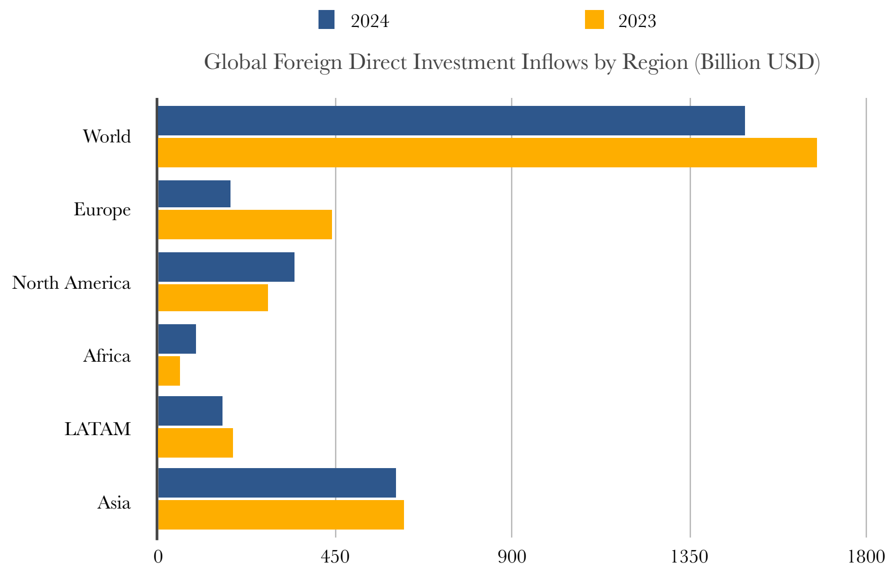
A sphere of influence is a space, geographic or functional, where a major power has enough leverage to shape outcomes. Today, spheres of influence are often issue-based, not purely territorial. A country may sit in different spheres depending on the domain. Hence, global operating conditions can feel inconsistent. Increasingly, even markets that are 'open' for trade may intervene and restrict foreign investment in critical sectors such as technology, strategic infrastructure, or finance.

Middle Powers and Regional Volatility

Multipolarity elevates the role of middle powers, states that are not superpowers but can shape regional orders through diplomacy, energy policy, security partnerships, and trade. Middle powers often pursue strategic autonomy, which can create both periods of stability

and volatility. Instances such as the recent confrontation between Saudi Arabia and the UAE over Yemen illustrate that geopolitical competition between regional powers may even result in inflection points, pitting countries against each other.

Diminishing capital flows reflect this heightened fragmentation risk. UNCTAD reports global FDI fell 11% in 2024, with developed economies down 22% and Europe hit particularly hard with inflows down by 58%. Weak long-term investment indicates constrained business confidence precipitated by political and regulatory uncertainty.

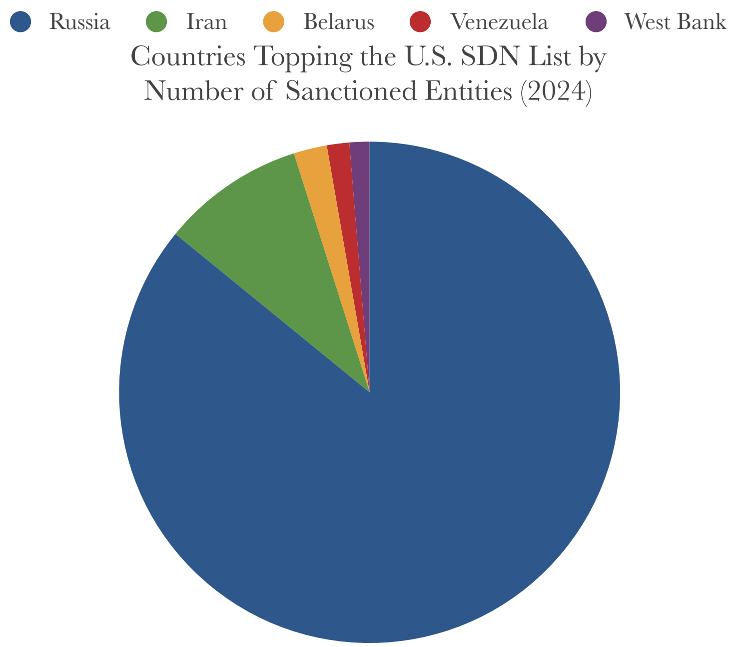


Source: UNCTAD

Economic Statecraft as a Geopolitical Tool

Economic statecraft is the use of economic and regulatory tools to pursue strategic goals. These tools include:

- sanctions and asset freezes
- export controls and technology restrictions
- investment screening and outbound controls
- tariffs, quotas, and procurement rules
- industrial policy and subsidy competition
- standards, data governance, and licensing



Source: CNAS

The rising use of economic statecraft creates amplified supply chain shocks driven by sudden changes in what is legally permissible, insurable, financeable, or reputationally acceptable. A sanctions trend analysis reported that the United States added 3,135 persons to the SDN List in 2024, up from 2,502 in 2023. These economic tools are directed towards a country's strategic opponents, targeting their trade infrastructure, financial institutions, key individuals, and entities. These changes directly impact fundamental business activities such as onboarding, payments, shipping, counterparties, and contracts.

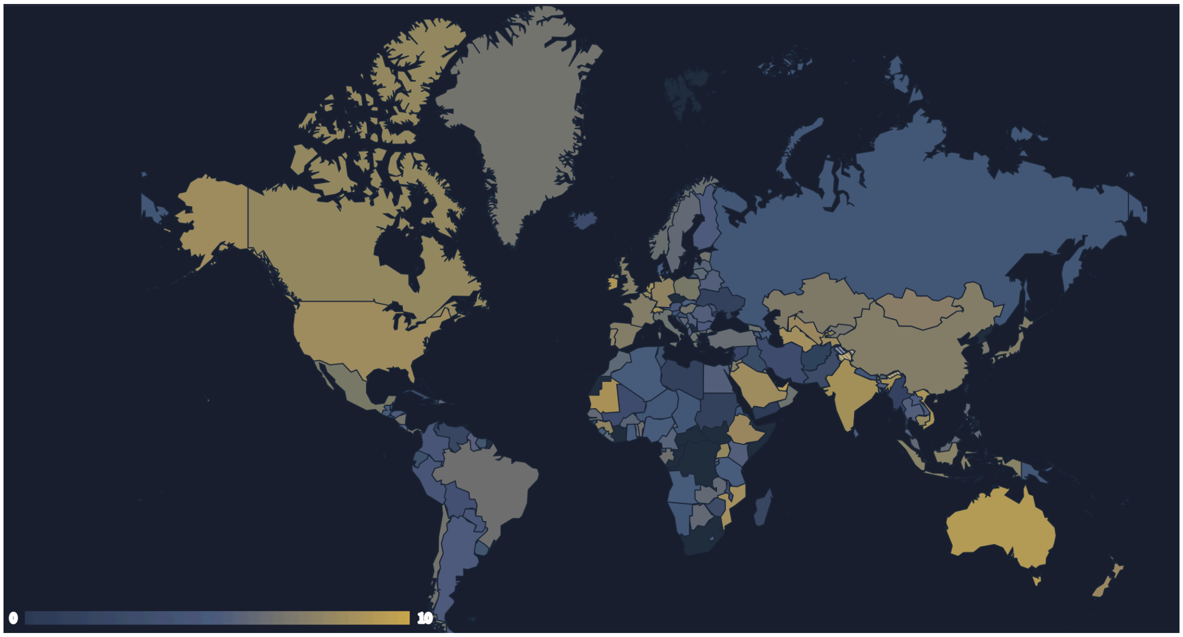
Effectively Navigating Geopolitical Uncertainty

Thinking geopolitically becomes useful to stakeholders only when it is translated into actionable terms, not abstract analysis. A structured approach can convert geopolitical developments into decision-ready insights that inform market prioritization, risk appetite, corridor choices, and capital allocation.

This is achieved through three linked steps:

- Translate politics into business exposure: identify stakeholders' vulnerabilities and advantages by mapping critical dependencies across geographies and themes.
- Quantify trade-offs using structured scoring: tools such as the Risk-Adjusted Opportunity (RAO) framework help leadership teams compare markets on a like-for-like basis by weighing opportunity drivers (growth, demand, policy tailwinds) against constraint drivers (instability, policy unpredictability, corridor fragility, compliance exposure). This empowers leaders to rank options and make risks explicit. Markets are scored on a 0-10 scale based on the risk-adjusted opportunity they offer and are then classified into four regimes:
    - Robust Opportunity: countries with positive mean scores and low volatility. Opportunity is high and outcomes are stable.
    - Fragile Opportunity: countries with high mean scores but elevated volatility or downside risk. Opportunity exists but is exposed to shocks.
    - Stable but Low Opportunity: countries with low volatility but weak or negative mean scores. Conditions are stable but growth potential is limited.
    - Structural Risk: countries with negative mean scores and material downside risk. Fragility dominates opportunity.
- Convert insight into preparedness and optionality: continuously monitor global developments and update our strategies in real-time to develop practical responses that prompt action before disruption becomes a headline.

Visualization of GSU's RAO Scores (Darker regions indicate structural risks, while gold highlights areas of high opportunity)



Source: Geoeconomic Strategy Unit

Thinking geopolitically is a leadership discipline: it converts global events into decision-relevant insight early enough to protect continuity of core business functions and capture opportunity. In a world characterized by multipolarity, contested spheres of influence, and expanding economic statecraft, geopolitical literacy is not an optional capability; it is a core executive competency.