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Understanding Geopolitical Risk.

Perspectives for Corporate Decision Makers

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Introduction

The term "geopolitics" has increasingly permeated both specialized discourse and popular media. Often used interchangeably with diplomacy and international relations, it carries a subtly ominous undertone. Geopolitics is intrinsically linked with the notion of "tensions," suggesting a potential fracturing of international relations that could destabilize the delicate machinery of the global economy.

This concept extends to the nuanced idea of "geopolitical risk," a term that remains somewhat elusive. Typically, geopolitical risk refers to disruptions in the global political and economic landscape, but it can also zoom in on specific countries or regions where multinational corporations encounter heightened challenges. Moreover, it encompasses potential threats to business operations stemming from the actions of political entities—whether deliberately antagonistic or inadvertently disruptive.

As geopolitical risks increasingly command attention, they are now more frequently deliberated in boardroom discussions. However, the response to such risks often betrays a glaring lack of genuine expertise and preparedness, as starkly illustrated by the bewildered reactions of international companies during the recent Russia-Ukraine conflict.

Why this short textbook

This textbook aims to demystify complex terms like geopolitics and geopolitical risk. It seeks to illuminate the intricate relationship between geopolitical tensions and global economic disruptions. Specifically, the book introduces the concept of geopolitical risk, with a laser focus on its implications for corporate strategic decision-making (termed corporate geopolitical risk, or CGPR). It further explores methodologies to identify, evaluate, and mitigate CGPR through an innovative tool: the CGPR Matrix ©.

Readership

Crafted as a comprehensive tool for understanding, reflection, and critical analysis, this booklet primarily targets students pursuing international management and global strategy courses. Its scope extends to practitioners, corporate decision-makers, consultants, and policymakers eager to comprehend the profound impact of politically-driven decisions on corporate landscapes.

Chapter 1

Defining Globalization and Geopolitics

Since global companies, by definition, operate within the global economy, it is imperative to comprehend the intricate relationship between geopolitical events and the global economic landscape. Specifically, we must delve into the directionality of this relationship and its potential far-reaching consequences.

The first step is definitional: What precisely do we mean by globalization, and what is the contemporary understanding of "geopolitics"?

1.1. What is Globalization

In abstract conceptualization, globalization can be defined as a state of profound mutual interconnectedness—a complex, dynamic web of material and immaterial exchanges. When this interconnectivity accelerates beyond typical patterns, it is often characterized as hyper-globalization. Conversely, when the density of these connections diminishes, the term "slow-balization" emerges; in instances of severe disruptions or an actual decline in the absolute values of these flows, we encounter the phenomenon of de-globalization.

The concept of globalization itself is multifaceted, manifesting across various domains. It can be cultural, social, demographic, intellectual, and fundamentally economic. In its most prevalent interpretation, global integration is synonymous with international trade in goods and services, cross-border investment flows and stocks, and global financial mechanisms. A more nuanced—some might say "esoteric"—approach to measuring global integration focuses on the ongoing process of international labor division, commonly encapsulated by the term Global Value Chains (GVCs).[1]

1.2 What is Geopolitics

While globalization is a multifaceted topic with relatively well-defined components, the identity of the term "geopolitics" remains more enigmatic. One approach to unraveling this complexity is to examine its synonym, "space-politics," which emerged in the late nineteenth century. Originally, this term encapsulated two pivotal conceptual dimensions:

1. The Darwinian-inspired premise that a political entity (or polity) must expand geographically to ensure its survival, potentially at the expense of other polities. Consequently, states must strategically manage their expansion and security—both in tangible physical dimensions and more intangible realms, such as "soft power." This concept intimately intertwines geopolitics with a fundamental aspect of modern "statecraft," which represents the nuanced art of national governance.

2. Expansion, security, and power are fundamentally achieved through strategic control of critical geographic "realms." One

[1] See Veronica Binda and Andrea Colli, *Globalization. A Key Idea for Business and Society*, Routledge, London 2024

seminal geopolitical thinker, British geographer Halford Mackinder, introduced the provocative term "pivot" in the early 20th century to describe a geographic region whose control would confer unprecedented global dominance and strategic influence.[2]

*

A highly distilled definition of geopolitics can thus be articulated as the mechanisms through which political actors—predominantly sovereign states—establish control over pivotal realms of power. Naturally, this definition implicitly assumes a nuanced comprehension of state structures, both in theoretical and practical dimensions, along with their inherent strategic objectives.

1.3. The Four Timeless Principles of Geopolitics

The concise intellectual genealogy of geopolitics outlined previously illuminates several persistent and recurrent features, both historical and contemporary:

1. States and political entities exist in a perpetual state of competition, fundamentally driven by survival instincts or, at minimum, the imperative of securing their own strategic autonomy.

2. This competition, in its most extreme manifestation, represents a quintessential zero-sum game where one actor's gain is intrinsically linked to another's loss.

3. Consequently, the system's degree of entropy—or systemic disequilibrium—is directly correlated with the number of players, their relative power (encompassing both hard and soft dimensions), their aspirational drive for dominance, and their willingness to

[2] Halford. J. Mackinder "The Geographical Pivot of History", *The Geographical Journal*, Vol. 23 (4), 1904, pp. 421-437

challenge and potentially restructure the existing global power hierarchy.

4. Geopolitics fundamentally diverges from diplomacy, which is traditionally understood as the art of managing inter-entity relations. While diplomacy emphasizes cooperation and multilateral engagement, geopolitics is resolutely centered on competition and power dynamics. It represents international relations in their most unvarnished, "realist" configuration.[3]

1.4. Globalization and Geopolitics

The relationship between geopolitics and globalization is inherently complex and fraught with tension.

A widely shared and deeply consolidated perspective views economic integration as the most sophisticated "mechanism" to contain, mitigate, and potentially neutralize geopolitical tensions. According to this paradigm, conflicts between closely integrated trade partners are statistically improbable, given the intricate web of mutual economic interdependencies.

For many scholars and practitioners, geopolitical realism (as previously delineated) functions as a fundamentally disruptive force capable of decelerating—or even abruptly interrupting—the nuanced dynamics of global integration, which are fundamentally predicated on principles of international cooperation and multilateral engagement.[4]

Geopolitical tensions can, therefore, cascade their influence across multiple systemic layers, simultaneously reverberating through the global economy, reshaping national competitiveness, and profoundly impacting

[3] In the discipline of International Relations, realism is a school of thought that emphasises the competitive and conflictual side of international relations.
[4] Martin Wolf, “Is Geopolitics the biggest threat to globalization?”, *Financial Times*, 2 November 2022

companies operating both on global and domestic stages. Ultimately, these tensions ripple outward, directly and indirectly affecting the intricate ecosystem of corporate stakeholders—with consumers experiencing the most immediate and tangible consequences.[5]

The following chapter explores long-term trends in global integration, introducing the idea that, among other factors, great power competition plays a role in either promoting or hindering the dynamics of globalization.

[5] Elisabeth Braw, "Companies Thought They Could Ignore Geopolitics. Not Anymore". *Foreign Policy*, April 19, 2023

Chapter 2

Globalization and World Orders in Time

2.1 Globalizations in Time

In comprehending the nuanced dynamics of globalization outlined in Chapter 1, historical perspective offers profound insights. As illustrated in Fig. 2.1, trade globalization—quantified through merchandise exports as a percentage of GDP—has traced a complex, undulating trajectory over the past two centuries. A pronounced surge in global integration emerged between the 1840s and 1870s, followed by a period of notable stagnation until World War I's outbreak. Globalization then experienced a dramatic contraction between 1914 and 1945, only to resurrect shortly after World War II's conclusion, accelerating dramatically post-1989 and maintaining its robust momentum into the contemporary era.

2.2. What Drives Global Integration?

Historians, economists, and political scientists have methodically dissected the propulsive forces behind the two seminal waves of globalization across the past two centuries, consistently emphasizing the transformative role of technological progress alongside expansive free-market ideological frameworks. Cultural historians, conversely, illuminate the subtle yet profound influence of cosmopolitanism in cultivating an ideological ecosystem conducive to integrative processes.[6]

Fig. 2.1

2.3 Geopolitics as One Driver of Globalization

Another potent yet underexplored driver of integration is geopolitical competition, as delineated in Sections 1.2 and 1.3. When the historical evolution of world orders is intricately linked to the trajectory of global integration (quantified through export trade as depicted in Fig. 2.1), six distinct phases emerge, each distinguished by a unique configuration of power hierarchies (see Fig. 2.2).

[6] Binda and Colli, *Globalization*, cit.

2.4 World Orders and Global Integration

1. *1820-1870*. The five decades spanning from the conclusion of the Napoleonic Wars to the French-Prussian War (marking the ascendance of the German Reich) coincided with a remarkably rapid process of global integration. This period was characterized by a notably cooperative diplomatic atmosphere among European powers, epitomized by the Concert of Europe—a diplomatic framework that sought to maintain a delicate balance of power and prevent large-scale conflicts,[7] stabilized by the British hegemonic power leveraging on a superior power over naval technology.
2. *1871–1918*. The slightly more than four decades preceding the Great War's outbreak coincided with a deceleration in global integration's rate (technically termed "slow-balization"), though it remained consistently above the 1870 level. Geopolitically, this period was characterized by a persistent cooperative diplomatic stance among European powers under British economic and military hegemony. Simultaneously, it was an era of ascending German economic and military power, which inevitably set the stage for a confrontation with the established hegemonic order.
3. *1919–1949*. The two interwar decades (or three, if one includes the global hegemonic conflicts) witnessed a simultaneous phase of deglobalization and multipolar disequilibrium among great powers, with no singular hegemonic leader emerging at the global level.
4. *1950–1989*. The four-decade-long Cold War period was distinguished by a process of re-globalization and escalating trade integration, albeit within a context now resonant with the widely

[7] See https://ehne.fr/en/encyclopedia/themes/international-relations/organizing-international-system/concert-europe (last access January 2025)

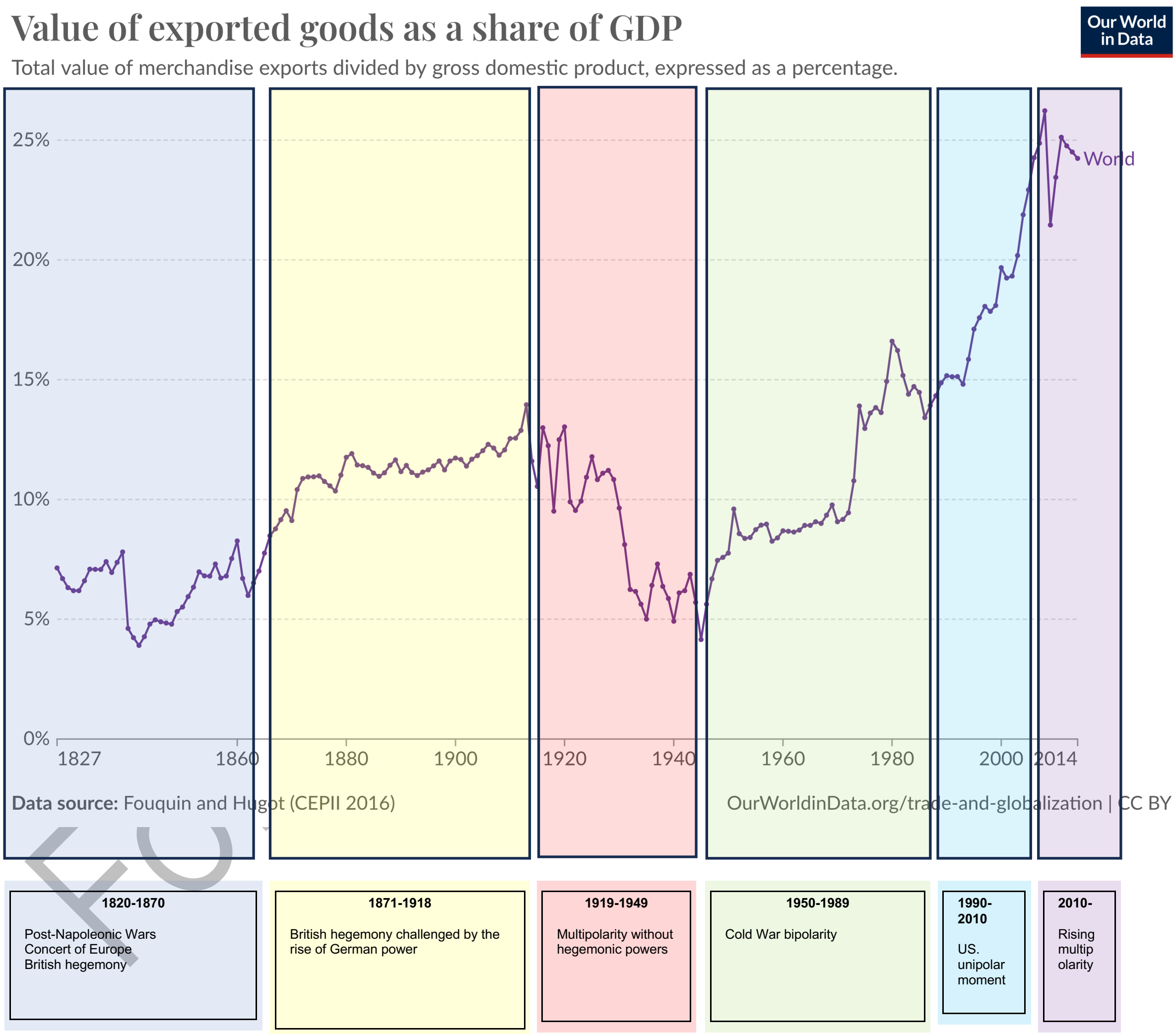
used term "decoupling." The Western "hemisphere" played a pivotal role in global integration's resurgence, occurring within a carefully balanced bipolar equilibrium. This re-established order was substantiated by robust global governance institutions, notably those conceived during the Bretton Woods Conference.

5. *1989-2010*. The following phase, lasting around two decades until 2010 is commonly known as the "unipolar" moment characterized,[8] at the international level, by a situation of hegemonic leadership exerted by the US., whose interests were considered as coincident with those of the rest of the World, and whose control over the institutions of global governance was almost full and complete. This phase has been also coinciding with a process of hyper-globalization similar, in relative terms, to that described above at point #1.
6. *2010- today*. The years following the 2007–2008 financial crisis have coincided with a phase of "slow-balization." Even prior to Covid-19's seismic disruption—which delivered a devastating blow to the global integration process—available data already signaled a clear deceleration of globalization. In February 2019, months before the pandemic's outbreak, The Economist published a provocative article titled "Globalization Has Faltered," featured in an issue aptly named Slowbalization, with a symbolically telling cover depicting a snail. The article illuminated a compelling narrative: all major indicators of global economic integration—spanning foreign direct investment (FDI), global corporate profits, financial integration metrics, and trade in both final and intermediate goods—were either decelerating or experiencing a pronounced decline. According to the influential British liberal magazine, the initial signs

[8] See Charles Krauthammer "The Unipolar Moment" *Foreign Affairs* Vol. 70 (1), (1990/1991), pp. 23-33

of this systemic slowdown had emerged in 2008, immediately subsequent to the global financial crisis. Moreover, this economic contraction coincided with escalating international tensions, propelled by growing critiques of the global power hierarchy traditionally anchored in Western dominance.

Fig. 2.2



2.5. Slowbalization, Deglobalization or persistent Globalization?

Notwithstanding the cyclical nature of globalization as described in the previous paragraphs, and its evident connection with geopolitical structures, at present, not everyone is conceding that a transition between an (hyper)globalization phase and one of slow-balization or, worse, de-globalization. The good health of globalization is instead emphasized by authoritative commentators and think-tanks.[9]

Pessimists, however, are equally prevalent. The vulnerabilities of globalization have been attributed to a multifaceted array of factors, including systemic crises within global governance institutions—most notably the WTO—persistent economic imbalances, escalating inequality, and a growing antipathy toward integration that has catalyzed the rise of populist governments and their protectionist agendas. Exogenous disruptions, such as the COVID-19 pandemic, further compound these challenges. Among these destabilizing forces, geopolitical tensions are increasingly recognized as a pivotal determinant, and irrespective of globalization's future trajectory, they will unquestionably remain a transformative influence.

The following chapter will meticulously explore the emergence of contemporary great power rivalries, the strategic spheres where this competition unfolds, and its profound implications for the broader business ecosystem.

[9] See for instance the historian Adam Tooze's talk at Davos WEF in 2024, at https://www.weforum.org/stories/2024/08/globalization-dying-economic-historian-evidence-adam-tooze/.
Particularly relevant in this respect are the findings of the DHL Global Connectedness Tracker which stress how global integration levels are holding over time, while concede that the World economy is quite distant from the status of full integration, and that geopolitical tensions, while far from being disruptively leading to a decoupling of the World economy, are in any case seriously damaging the integration among the World's leading economies. See https://www.dhl.com/global-en/microsites/core/global-connectedness/tracker.html

Chapter 3

Great Powers rivalry and the new meaning(s) of Geopolitics

3.1 The Return of Geopolitics

In the May/June 2014 issue of *Foreign Affairs*, the influential magazine published a seminal article by international relations historian Walter Russell Mead, titled *"The Return of Geopolitics"*, with the evocative subtitle *"The Revenge of Revisionist Powers."* The central argument of that article remains clear and, a decade later, largely valid.

In summary, following the end of the Cold War, the shared foreign policy goal of the "winners" (the U.S. and its allies) was to focus on addressing transnational issues—such as climate change—while moving away from the territorial logic that had characterized the postwar bipolar confrontation. In this context, the political geography of the world seemed to converge toward the U.S.'s unchallenged, unipolar dominance. This was interpreted as the "End of History," echoing both Hegel and Fukuyama. Sustained by the ideological promise of the Washington Consensus and its one-size-fits-all policies, this status quo persisted for at least two decades, until a challenging vision emerged from a group of "revisionist powers" such as Russia, China, and Iran.[10]

3.2. Identity and strategies of the "revisionist powers"

A common characteristic of "revisionist" powers is their shared disdain for the current global order and their firm intention to radically alter it. These ambitions have manifested in various ways, one of which involves efforts to regain control over different "spaces of power."

In his analysis, Russell Mead primarily focused on a revisionist competition driven by territorial claims and the extension of power and influence over physical geography, influenced by the geopolitical dynamics of the Cold War. While acknowledging the continued relevance of territorial control, many contemporary scholars in geopolitics have increasingly argued that the competition must be understood in broader terms. They contend that, in the modern context, geopolitics should extend beyond a purely territorial or spatial logic to include new "realms" of power, control over which could reshape global power hierarchies.[11]

The competition among great powers has indeed taken both traditional and new forms. On one hand, there is the "old" contest over physical geographical spaces—sometimes laden with symbolic significance and serving as powerful political messages, as exemplified by Russia's recent claims over territories that were once part of the Soviet Union. On the other hand, there are new strategies aimed at achieving a superior position or at keeping rivals at bay in the race to reshape global power

[10] The Washington Consensus refers to a set of liberal-oriented free market economic policies, supported by international organisations including the IMF, the European Union, the United States, and the World Bank. The Washington consensus supports a free trade, free market, macroeconomic and fiscal stability, liberalizations and privatizations

[11] See for instance Francis P. Sempa, *Geopolitics. From the Cold War to the 21st Century*, New Brunswick, 2002, particularly chapter 8, titled "Geopolitics in the Twenty-First Century"

hierarchies. Recently, a term has gained broader use following the publication of a book on U.S. statecraft: *"War by Other Means."*[12]

Realms of power and geopolitical competition therefore range from the control over classic geopolitical physical spaces as land and sea routes (for instance, the new Northern Sea Route connecting Europe to Asia through the Arctic Circle, canals, even territories giving access to other strategic areas, as for instance the North Pole)[13], chokepoints, corridors and non-conventional territories (as, for instance, the Deep Sea or the Outer Space), to realms of power of slightly different nature.

In a recent article published on the *Financial Times*, the historian and commentator Alan Beattie offers a list of sectors in which, in his words, "at present, the great power rivalry is taking the form of lower-level (meaning non-conventional, n.d.r) conflict".[14] The list includes, for instance, 5G technology, electric vehicles and related technologies, critical raw minerals and materials (CRM), infrastructures, among which submarine optical fiber cables, and satellite systems. In the list are not mentioned other (indeed, more immaterial) areas of competition, included, for instance, the technology of advanced semiconductors for artificial intelligence. From the list is also excluded another vast realm of power, concerning soft power, persuasion, through propaganda but also by means of much more concrete strategies involving the management of aid and loans.

3.3. From Cooperation to Competition in International Affairs

[12] Robert D. Blackwill and Jennifer M. Harris *War by Other Means: Geoeconomics and Statecraft*, Belknap Press, 2016

[13] Land control is attractive for strategic purposes, as the December 2024 Mr. Trump's statements about the US. willingness to buy, or extend its control, over Canada, Greenland and the Panama Canal, which prompted the usual public outcry: https://edition.cnn.com/2024/12/23/politics/trump-us-expansion-panama-canada-greenland/index.html

[14] "Can globalisation survive the US-China rift?", *Financial Times*, 6 September 2024

As outlined in Chapter 1, one direct consequence of emerging geopolitical competition is the transformative shift in great powers' approach to international relations. What was once characterized by a collaborative diplomatic stance has progressively evolved into an environment marked by pervasive assertiveness across multiple global domains. This escalating aggressiveness is further amplified—and starkly reflected—in the mounting fragility of global governance institutions that were instrumental during the post-Cold War era of hyperglobalization.

3.4. Geopolitical Risk: A Definition

In essence, the emerging status quo is distinguished by an escalating intensity of systemic entropy, manifesting as a comprehensive global disorder that can be succinctly defined as Geopolitical Risk—specifically, "the risk encountered by diverse actors (states, organizations, companies, individuals) as a consequence of competition among great powers".

Chapter 4 will delve deeper into the nuanced concept of Geopolitical Risk, with a particular focus on its strategic application to companies navigating the complex global arena (Corporate Geopolitical Risk).

Chapter 4

Assessing Corporate Geopolitical Risk. The GPR Matrix ©

4.1 Geopolitical Risk in the Boardroom

Geopolitical risk (GPR – see above, §3.4. for a definition) is another category of risk which adds to the whole spectrum of risks which companies active in the global economy are facing.[15] Probably the most relevant feature of geopolitical risk is its growing pervasiveness. According to a survey conducted by Oxford Analytica, in 2023 93% of global companies analyzed lamented losses due to political instability. In 2020, this percentage barely reached 35 per cent.[16]

Geopolitical risk can manifest across diverse dimensions and emerge from multiple sources. It may directly target specific companies through political actors' interventions (direct geopolitical risk), or indirectly influence the broader operational landscape by escalating the systemic cost of conducting business (indirect geopolitical risk).

[15] A comprehensive analysis is depicted in Mark Casson and Teresa da Silva Lopes, 2013. "Foreign direct investment in high-risk environments: an historical perspective," *Business History*, vol. 55(3), pp 375-404.

[16] The research is available at https://www.wtwco.com/-/media/WTW/Insights/2023/04/2023-political-risk-survey-report.pdf

A quintessential example of direct geopolitical risk is the comprehensive series of bans imposed by the U.S., EU, and numerous global authorities on the Chinese company Huawei, particularly concerning alleged security vulnerabilities in 5G infrastructure.

Conversely, an illustration of indirect geopolitical risk would be the widespread disruptions to global supply chains for critical rare minerals (CRM), precipitated by China's politically motivated export restrictions. While these constraints do not explicitly target individual companies, they comprehensively impact all CRM users.

A critical insight to emphasize is the prevalent misconception that geopolitical risk exclusively concerns globally operating enterprises. Contrary to this belief, even businesses seemingly insulated from international geopolitical threats and operating exclusively within domestic markets remain vulnerable to this increasingly complex risk category.

Although global and national-level geopolitical risk indexes are progressively emerging, corporate leaders currently lack sophisticated instruments for comprehensively assessing geopolitical risks specific to their organizational context. In the subsequent sections of this chapter, we introduce a self-assessment tool—the GPR Matrix © —alongside potential mitigation strategies.

4.2. Assessing Geopolitical Risk

One way to better understand the typology and origins of corporate geopolitical risk is to consider two main dimensions, which provide a simplified conceptual framework for assessment:

1. **The Geographic Scope of Corporate Activities** (Domestic vs. Global): Geopolitical risk exposure can vary significantly depending on a company’s area of operation, its integration with the global

economy, and the structure of its value chains. This dimension can be broadly defined as a company's *area of activity*, encompassing the geographic reach of its operations, including the most strategic stages of its value chain, as well as the depth and complexity of its interconnectedness.

2. **The Sources/Instigators of Geopolitical Risk**: A common misconception is that geopolitical risk is primarily associated with external threats from foreign powers. In reality, the geopolitical risks posed by domestic political actors are often overlooked. However, these domestic sources of risk are becoming increasingly significant, as governments may either align the interests of domestic companies with their own geopolitical objectives or implement techno-nationalist policies that directly affect the operations of domestic firms.[17]

4.3. Introducing the GPR Matrix@

With a deliberate embrace of strategic simplification, these two dimensions can be mapped into a matrix (the GPR Matrix©), which enables a preliminary yet insightful assessment of geopolitical risks confronting companies (or corporate groups) operating across diverse geographic landscapes, while comprehensively accounting for both external and domestic threats.

The matrix serves as a diagnostic tool to identify primary geopolitical risk domains for organizations active simultaneously in domestic and international markets. Critically, a company may simultaneously occupy multiple matrix quadrants, thereby necessitating a nuanced, multi-dimensional evaluation of its operational frameworks, logistical networks, and competitive strategies.

[17] "How national security has transformed economic policy", *Financial Times*, 4 September 2024

An essential methodological caveat is that the GPR Matrix© is fundamentally designed to streamline the process of assessing geopolitical risk sources, while only partially providing actionable guidance for mitigating their potential impacts.

Fig 4.1 The GPR Matrix © (Version January 2025)

		Instigator of Geopolitical Risk	
		Domestic Political Actors	Foreign-based Political Actors
Prevailing Geography of Company's Operations and Value Chain	Home	Quadrant #1 "Friendly Fire"	Quadrant #3 "The Troy Syndrome"
	Abroad	Quadrant #2 "Global Villains"	Quadrant #4 (a, b, c) "The Valley of Josaphat"

Chapter 5

"Friendly Fire". Companies active domestically under geopolitical threats from Domestic Political Actors (Quadrant #1)

Fig. 5.1

		Instigator of Geopolitical Risk	
		Domestic Political Actors	Foreign-based Political Actors
Prevailing Geography of Company's Operations and Value Chain	Home	Quadrant #1 "Friendly Fire"	Quadrant #3 "The Troy Syndrome"
	Abroad	Quadrant #2 "Global Villains"	Quadrant #4 (a, b, c) "The Valley of Josaphat"

5.1. "Domestic" companies and geopolitical risk

Quadrant #1 encompasses companies predominantly active in domestic markets yet significantly impacted by geopolitical risks emerging from their own government's techno-nationalist policies. Despite primarily operating within national boundaries, these organizations can encounter substantial threats from "friendly fire"—their own governmental institutions.

The most profound consequence is frequently a dramatic curtailment of strategic autonomy. These companies may face severe restrictions due to governmental concerns regarding potential acquisitions by hostile or sanctioned entities. A compelling illustration would be an infrastructure company—managing a port or tunnel within its country of origin—that holds strategic significance through its critical resource management or sensitive data handling. Such enterprises are subjected to intense governmental scrutiny, which can dramatically constrain their strategic maneuverability.

Increasingly, domestically focused companies find themselves unable to pursue mergers and acquisitions (M&A) strategies or even partially divest their capital. The U.S. government's Committee on Foreign Investment in the United States (CFIUS)—an interagency body authorized to review foreign investments—exemplifies this trend by meticulously assessing transactions' potential national security implications and retaining the power to block them.

A particularly unconventional intervention occurred in 2023 when the liberal-oriented Canadian government mandated Chinese companies to divest their stakes in Canadian lithium mines, explicitly citing national security concerns.[18]

[18] https://www.ft.com/content/6ca9a470-59ee-4809-8a5b-35f6073c9907

Incident

DiDi Global Inc and the troubles of a sensible data collector

One telling example of domestic geopolitical backfiring is provided by the Chinese DiDi Global, known as DiDi, the World's largest mobility platform, mainly based on ride hailing services and other mobility services, all connected through apps running on customers' mobile phones. Formally a global company, in 2021 still 94% of revenues were generated in China, where DiDi monopolized the market with an outstanding 87% market share. Since its foundation in 2012 the company has experienced a stellar growth, which brought its leadership to finally opt for the listing of the company through an IPO on the New York Stock Exchange, on June 30, 2021. The IPO's success was outstanding. The company raised $4.4 bn, being valued by the market not less than $70bn. Two days later the Cyberspace Administration of China (CAC) communicated it had launched an investigation into DiDi to protect national security and the public interest, and that DiDi was not allowed to register new users during the probe. On July 4 the CAC issued an order to Chinese app stores to stop offering DiDi's app claiming that the company had illegally collected users' personal data. This move resulted in a massive devaluation of the company's stocks. During the following weeks other Chinese providers of services of various nature cancelled their planned IPOs on the US. stock market. Finally at the end of November 2021 Chinese regulators put under heavy pressure DiDi to delist from the New York Stock Exchange due to concerns about data security. On December 3, 2021, DiDi announced plan to delist from NYSE while seeking instead a Hong Kong listing. Currently, the company is back to the market, has restored its market approach and is struggling to regain its lost market positions, largely accommodating the Chinese authorities' requests.[19]

5.2. "Limited Freedom"

Companies in Quadrant #1 are often unaware that their businesses, even if geographically confined to the domestic market, can fall into new strategic categories. As mentioned earlier, physical assets like ports,

[19]See https://www.reuters.com/technology/didi-globals-short-lived-journey-us-listed-company-2021-12-03/; "Didi's removal from China's app stores marks a growing crackdown", *The Economist*, 5 July 2021

tunnels, channels, and even land—whether owned privately or publicly—are no longer freely tradable on the market. More importantly, the companies that manage these assets also become part of a new category of non-freely tradable assets.

A case in point: In late November 2024, the Australian government prevented Northern Minerals, an Australian mining company, from securing additional funding from its investor, China's Yuxiao Fund. This decision was made to block the increase in Yuxiao Fund's stake in the company, which produces dysprosium—a critical component for magnets used in electric vehicles. The move reflected concerns about the strategic implications of foreign control over key industries tied to critical resources.[20]

[20] See https://www.straitstimes.com/asia/australianz/australia-blocks-chinese-investment-in-rare-earth-firm-citing-national-interest

Chapter 6

"Global Villains". Domestically-originated troubles for global companies (Quadrant #2)

Fig. 6.1.

		Instigator of Geopolitical Risk	
		Domestic Political Actors	Foreign-based Political Actors
Prevailing Geography of Company's Operations and Value Chain	Home	**Quadrant #1** **"Friendly Fire"**	**Quadrant #3** **"The Troy Syndrome"**
	Abroad	**Quadrant #2** **"Global Villains"**	**Quadrant #4 (a, b, c)** **"The Valley of Josaphat"**

6.1. Global Companies and Domestic Governments: From Champions to Villains

Quadrant #2 encompasses companies with robust global commercial and investment footprints, deriving competitive advantages from intricate, deeply integrated global value chains. Historically, these organizations were celebrated as national champions, proudly embodying their country's international competitive prowess. While domestic political actors occasionally criticized their overseas operations—citing concerns about job and investment displacement—the prevailing sentiment remained fundamentally supportive.

Today, this landscape has dramatically transformed. When operating globally, these companies can inadvertently trigger national security risks, potentially metamorphosing from celebrated champions to perceived villains in their home governments' perspective.

The challenges confronting domestically headquartered companies with extensive international operations or complex global supply chains are increasingly nuanced. A pivotal concern is governments' growing inclination to disrupt the post-World War II free trade system, historically represented by institutions like GATT and the WTO. Initiatives such as reshoring or "friend-shoring"—often incentivized through mechanisms like the U.S. Inflation Reduction Act—epitomize this emerging trend. Companies operating in strategically critical industries must now acknowledge that their operational scope is progressively constrained by geopolitical considerations.

6.2. Political Guardrails and Global Business

Domestic governments have transcended mere interference with global companies' market operations; they are now actively engineering potentially efficient business strategies by imposing political guardrails that companies—willingly or not—are compelled to navigate. Governments are explicitly scrutinizing foreign investments in sectors and regions potentially compromising national security—a scenario inconceivable merely a few years ago.

Incident

Nvidia: when geopolitics pollutes a global leader's strategies[21]

Nvidia is an American company based in Santa Clara, California, specializing in semiconductors (SC). Founded in 1993, its initial ambition was to bring 3D graphics to the gaming and multimedia markets. In its early years, Nvidia focused primarily on the gaming industry. However, in 2006, the company made a groundbreaking move by introducing CUDA (Compute Unified Device Architecture), a parallel computing platform and programming model. This innovation allowed microprocessors—originally designed for specific tasks—to be repurposed for general-purpose computing, opening the door to a wide range of new applications. Recent developments in artificial intelligence (AI)—such as autonomous driving, generative AI, pattern recognition, and language models like OpenAI's ChatGPT—are all products of this new technological frontier. Nvidia's role in these advancements has solidified its position as an industry leader.

As AI continues to grow, governments around the world are increasingly aware of its strategic importance and are keen to avoid dependency on foreign powers. In response, Nvidia has built a division to engage directly with governments, offering its technology to meet their computing needs. CEO Jensen Huang has met with foreign leaders to discuss their AI infrastructure requirements, encouraging investment in data centers powered by Nvidia chips. Smaller countries, no longer willing to rely on cloud computing giants like Microsoft and Google, are now

[21] This section is based on the Case NVIDIA and the Geopolitics of AI, by Andrea Volpe, Sara Casotti and Andrea Colli, *Bocconi Geopolitics and Strategy Cases and Incidents*, version June 2024 and on "Nvidia's Booming A.I. Business Collides With U.S.-Chinese Tensions", *The New York Times*, December 19, 2024

seeking to build their own computing capabilities, often turning to Nvidia for support.
Here is where geopolitics enters the picture. As more countries began purchasing Nvidia chips, the U.S. governments implemented regulations to monitor these sales. Not all Nvidia customers are treated equally. While some countries can purchase Nvidia systems without restrictions, others require a special license. These licenses are typically granted on the condition that countries sever their ties with China's AI industry and refrain from investing in Chinese computing and telecommunications technologies, such as Huawei's 5G systems.
Nvidia now finds itself in a precarious position: it is the undisputed leader in a rapidly growing, highly regulated global market. At the same time, it serves as a powerful instrument in advancing U.S. geopolitical interests, navigating the delicate balance between business expansion and compliance with American foreign policy.

6.3. Domestic Governments and moral suasion

Governments employ various "suasion" tools to influence corporate behavior, characterized by differing levels of intensity. Reputation, for instance, remains a powerful lever. A growing number of European companies, for example, have come under scrutiny and pressure for their investments in the politically sensitive Chinese province of Xinjiang, particularly in light of human rights concerns. This scrutiny is not limited to public opinion and civil rights organizations; increasingly, it comes from the governments of these companies—especially when the government is also a minority shareholder.[22]

6.4. Limited Sovereignty

Beyond moral persuasion, governments can profoundly influence corporate behavior by constraining companies' freedom to invest in the global economy. Even traditionally liberal institutions like the European

[22] See for instance "Firms With Deep Roots in China Reconsider Their Xinjiang Ties", *The New York Times*, 18 February 2024

Union are contemplating enhanced controls over trade and investments by European companies, including foreign capital deployments.

Capital-intensive investments can rapidly transform from strategic assets to potential liabilities when positioned in geopolitically sensitive territories, as exemplified by Apple's extensive production ecosystem in China. During his initial presidential term, President Trump threatened a comprehensive wave of tariffs targeting Chinese-manufactured products—a move that would have directly and dramatically impacted the U.S. tech behemoth.

Looking forward, the trajectory of another major U.S. corporate entity with substantial capital-intensive investments in China—electric vehicle manufacturer Tesla—presents a fascinating case study. CEO Elon Musk has adeptly navigated this complex geopolitical terrain by strategically engaging both the Chinese government and the incoming second Trump administration, maneuvering through escalating trade tensions and increasingly fierce geopolitical competition.

6.4. Value Chain Manipulation

Another increasingly probable—and politically appealing—"distortion" is the strategic manipulation of value chains, particularly within techno-nationalist frameworks. A compelling illustration is the controversial "Buy European Act" (BEA), which aims to reduce European dependence on external sources of critical raw materials, semifinished, and finished goods—such as electricity storage batteries—by fostering production among companies located within the Union's territory, including those originating from foreign investments.

The politically-driven distortion of supply chains can potentially profoundly disrupt the decision-making processes of global companies, which have historically operated under the assumption of a frictionless, politically neutral environment.

*

Quadrants #1 and #2 have illuminated the less-intuitive insight that geopolitical tensions for companies can be instigated by domestic political actors, rather than foreign political entities. In the subsequent chapters, Quadrants #3 and #4 will comprehensively analyze the threats confronting companies active both domestically and internationally, emanating from hostile political actors located beyond their country of origin.

Chapter 7

The Troy Syndrome. Geopolitical disruptions of domestic markets (Quadrant #3)

Fig. 7.1

		Instigator of Geopolitical Risk	
		Domestic Political Actors	Foreign-based Political Actors
Prevailing Geography of Company's Operations and Value Chain	Home	**Quadrant #1** **"Friendly Fire"**	**Quadrant #3** **"The Troy Syndrome"**
	Abroad	**Quadrant #2** **"Global Villains"**	**Quadrant #4 (a, b, c)** **"The Valley of Josaphat"**

7.1. Geopolitical disruptions at home

For a company primarily active in the domestic market, regardless of its size, it may seem difficult to consider geopolitical threats originating from entities outside its home country. Indeed, "geopolitics" is often viewed as a concern primarily for companies operating in the global arena, where cross-border threats are more pronounced and the protection offered by domestic institutions is weaker, in an environment where global governance structures are increasingly perceived as weakening.[23]

To a considerable extent, the perception that companies primarily operating in domestic markets are largely insulated from external geopolitical risks holds partial validity. Small and medium-sized enterprises (SMEs) producing goods for local consumers—including distributors and service providers—can generally be viewed as somewhat protected from international geopolitical events. For many such businesses, global developments exert limited impact, often readily absorbed by consumer markets—such as disruptions in international energy markets frequently stemming from geopolitical tensions.

Yet, as the legendary tale of Troy reminds us, an external threat can always breach seemingly impenetrable walls, bringing devastation and desolation.

A critical domain where geopolitical tensions can penetrate apparently immune companies is the supply chain ecosystem. Even businesses predominantly anchored in local/domestic markets can be severely impacted by supply chain disruptions generated by geopolitical events and tensions. These disruptions can range from piracy affecting

[23] See Stewart Patrick, "Rules of Order: Assessing the State of Global Governance", *Carnegie Endowment for International Peace*, 12 September 2023, available at https://carnegieendowment.org/research/2023/09/rules-of-order-assessing-the-state-of-global-governance?lang=eng

component and material supplies to unexpected impacts on agricultural production and critical material procurement.

The so-called "weaponization of supply chains" can affect companies operating both globally and domestically with equal intensity. Fundamentally, the vulnerability of domestically focused enterprises lies in their supply chains—a soft spot largely underestimated by local producers.

Chapter 8.

The Valley of Josaphat. Geopolitical threats and global companies (Quadrant #4)

Fig. 8.1.

		Instigator of Geopolitical Risk	
		Domestic Political Actors	Foreign-based Political Actors
Prevailing Geography of Company's Operations and Value Chain	Home	**Quadrant #1** **"Friendly Fire"**	**Quadrant #3** **"The Troy Syndrome"**
	Abroad	**Quadrant #2** **"Global Villains"**	**Quadrant #4 (a, b, c)** **"The Valley of Josaphat"**

According to the Bible, in the Old Testament's Book of the Prophet Joel, the Valley of Jehoshaphat is the symbolic site of the final judgment, where sinners will face terrible punishment, with no mercy granted—only the chosen few will be spared.

Similarly, companies that are globally active are most exposed to geopolitical risks instigated by external political actors. However, this remains a general assessment, as the sources, motivations, and triggers of these risks can vary widely from case to case. Broadly speaking, at least three common scenarios can be identified: (4a), (4b), and (4c).

8.1. Geopolitical threats in host countries turning hostile (4a)

A common—and historically recurring—scenario is when a company has invested in a country that suddenly turns hostile due to geopolitical tensions. Business historians, for example, are well-acquainted with cases where companies face trouble simply because of their foreign status, whether due to being perceived (rightly or wrongly) as agents of foreign governments or, more generally, as convenient targets for retaliation, such as sanctions. The temporary or permanent seizure of foreign-owned assets is a prime example of this type of geopolitical risk. A recent instance of this occurred when the Russian government expropriated assets from Western companies, citing national interest as the justification.[24]

Seizures are, indeed, quite an extreme move under special circumstances. More frequent are other situations in which geopolitical risks derive from the specific characteristics of the location of the business activity.

[24] See for instance "Russia moves to seize 'naughty' western companies", *Financial Times,* 15 June 2023

Under relatively "normal" circumstances, global companies have been, and are, quite "skilled" in managing the relationships with host governments, often through a creative mix of bargaining techniques, lobbying, networking, sometimes bribing and even corruption. This has been a standard practice, for instance among international mining companies, particularly those of Wester origin which established (sometimes, never rescinded) their relationships in countries – often, former colonies – endowed by natural resources. During the last years, however, the ongoing revolution in the global market for critical rare minerals has deeply shaken these consolidated practices. In addition, geopolitical competition among countries interested in securing themselves the supply of strategic natural resources has added further tensions and risks into the system. As recently reported by the *Financial Times*, ("The 'terrifying' crackdown on mining companies in Africa's coup belt", 14 January 2025), global mining companies are increasingly under threat by in the African Sahel region in States in which military regimes have gained power through coups. Leaders in Mali, Niger, and Burkina Faso are recurring to strategies ranging from legal disputes, seizures, and nationalizations in order to achieve, or better re-assert, control over rare minerals as gold, uranium, and lithium. The regimes have unilaterally amended mining laws, requested higher taxes payments and imposed local ownership and joint ventures. Some have restricted companies' operations, issuing arrest warrants and detaining employees. The French state-owned nuclear company Orano (former Areva) has been stripped of mining rights dating back to several decades ago by Niger. For Orano, troubles started when the former presidential guard deposed pro-western president Bazoum in 2023. The French authorities not only criticized the coup, but decided not to recognize the new authorities. As reported by the Financial Times, Colonel Abarchi Ousmane, Niger's minister of mines, told Russian state newswire RIA Novosti: "Does it seem possible to you that we, the state of Niger, would allow French companies to continue extracting our natural resources?"

Of course, in this behavior is not difficult to trace the careful exploitation of anti-colonial sentiments, but also an ongoing geopolitical realignment of these countries to other emerging powers as Russia and China.

Some companies have been able to set up agreements with the new regimes, but at a high price and with a high level of risk. While Western companies are suffering, new opportunities emerge for other international groups whose governments are close to those in power. Ganfeng Lithium, China's largest lithium producer and

the world's third biggest, opened a mine in southern Mali last month. Junta leader Assimi Goïta described China as a "strategic and sincere" partner.

Another example allows a better understanding of this issue, that of the Arctic LNG 2 Project.

Incident
Doing Business in the Arctic. When Geopolitics meets Environment and Legislation: the case of TotalEnergies in the Arctic LNG2 project.[25]

Located on the Gydan Peninsula in Siberia, the Arctic LNG 2 is a Russian-led strategic energy initiative announced in 2017, still under construction, aimed at tapping into vast natural gas reserves in the Arctic. The project brings together global companies and countries interested in importing LNG. Key shareholders include Russian energy leader Novatek, French TotalEnergies, China's National Petroleum Corporation (CNPC) and National Offshore Oil Corporation (CNOOC), and the Japan Arctic LNG consortium, comprising Mitsui & Co. and Japan Oil, Gas and Metal National Corporation (JOGMEC).
The project faces significant logistical and operational challenges, including extreme Arctic conditions, limited infrastructure, and sanctions. The ability of Arctic LNG 2 to

[25] This incident is derived from Hannah Kim, *Business Risks and Security Implications of a Shifting Arctic Geopolitical Landscape for Global Companies: The Arctic LNG 2 Project*, MSc Thesis, Bocconi University, 2024, Advisor Prof. Andrea Colli

meet global LNG demand is uncertain, impacting all participants to varying degrees. For TotalEnergies, this evolving situation has prompted careful financial and strategic recalculations.
In response to growing Western scrutiny, TotalEnergies adopted a cautious approach. This included halting further capital contributions to the project. In Q1 2022, the company quickly addressed the impact of sanctions by booking a $4.1 billion impairment related to its stake in Arctic LNG 2. Additionally, TotalEnergies moved to distance itself from the sanctioned Novatek, writing off its entire 19.4% stake in the company. These write-offs were part of broader strategic decisions, including declaring force majeure on Arctic LNG 2 after the U.S. imposed additional sanctions in early 2024. This declaration allowed TotalEnergies to exit its contractual obligations without penalty.
TotalEnergies not only made financial adjustments but also took steps to reduce its operational involvement. By February 2024, CEO Patrick Pouyanne confirmed that the company had fully removed itself from the governance of the Arctic LNG 2 project, aiming to protect itself from secondary sanctions and further complications.

8.2. Geopolitical threats from hostile third parties (4b)

Companies operating abroad are not merely exposed to geopolitical risks directly instigated by host governments, but also to indirect geopolitical risks—those emerging when third parties' aggressive actions threaten their foreign market operations. Two illustrative examples illuminate this increasingly prevalent risk typology.

In mid-June 2017, a joint venture involving PetroVietnam (the state-owned Vietnamese oil company), Spain's Repsol, and the UAE's Mubadala Sovereign Wealth Fund commenced offshore drilling in a block within Vietnam's national waters. The three companies had committed substantial resources, totaling tens of millions of dollars. Merely weeks later, the Vietnamese government announced the drilling's suspension—a direct consequence of intense pressure from China, which claimed the area under its controversial "nine-dash line"—a maritime demarcation disputed under international law. By 2021, Repsol announced its intention to divest all exploration and production assets in Malaysia and Vietnam.

A parallel scenario unfolded in February 2023, when Warren Buffett's Berkshire Hathaway revealed its decision to reduce its multimillion-dollar investment in Taiwan's premier semiconductor foundry, TSMC. The company cited "growing geopolitical concerns" as a pivotal factor, strategically avoiding explicit mention of the potential Chinese invasion threat. While the divestment resulted in some financial losses, they remained relatively insignificant.

8.3. Geopolitical threats from (apparently) friendly third parties (4c)

Companies operating internationally can sustain substantial business disruption through foreign government actions, even when not directly targeted. The Foreign Direct Product Rule (FDPR), originally introduced in 1959 to regulate U.S. technology trading, exemplifies this complexity. The rule's core principle is that products manufactured using American technology—including design or software—can be restricted from sale by U.S. governmental intervention.

While technically applicable to U.S.-based companies, the FDPR's most profound implications extend to foreign enterprises. Historically dormant, the rule has recently become a potent geopolitical instrument, particularly in constraining chip and chipmaking equipment exports to China. Enforcement mechanisms span from financial penalties to potential imprisonment, though much relies on diplomatic persuasion. For software domains, the mere threat of license suspensions or update cessations represents a formidable deterrent. The enforcement landscape predominantly operates within a nuanced "grey zone" of international relations.

A compelling illustration emerged in early 2024 involving ASML, the Netherlands' premier chipmaking equipment manufacturer. The company found itself navigating complex diplomatic pressures, with the U.S. administration and Dutch government simultaneously advocating export restrictions to China. This intervention provoked significant domestic debate, with the Dutch parliament critically examining the extent of U.S. influence over its domestic corporate ecosystem.[26]

[26] "Netherlands to weigh ASML's interests in China export restriction decision, PM says", *Reuters*, August 30, 2024. https://www.reuters.com/markets/netherlands-weigh-asmls-interests-china-export-restriction-decision-pm-says-2024-08-30/

Chapter 9

Sailing across dangerous Quadrants: The very unlucky (or very smart) ones.

An increasingly critical dimension of corporate geopolitical risk involves scenarios where companies simultaneously navigate multiple quadrants of geopolitical complexity. These intersectional situations, more prevalent than traditionally recognized, demand sophisticated risk assessment strategies. Companies frequently encounter simultaneous geopolitical pressures from divergent sources, creating intricate operational challenges.

The most archetypal scenario emerges when sensitive technology producers find themselves strategically positioned between conflicting governmental interests—experiencing simultaneous "friendly" pressures from their home government and hostile interventions from foreign counterparts. Such circumstances particularly manifest for organizations straddling multiple geopolitical quadrants, especially Quadrants 2 and 4.

9.1 Multiple cross-firing

CATL, the Chinese electric vehicle (EV) battery global leader, represents a quintessential example of this geopolitical crossfire. The company currently experiences intense scrutiny from both outgoing and incoming

U.S. administrations regarding its American investments. While recently blacklisted by U.S. authorities, CATL simultaneously confronts underlying tensions with the Chinese government concerning its international battery technology export strategies.[27]

There are even cases where companies, quietly operating and investing in one country, find themselves simultaneously threatened by both the host country—suddenly turning hostile—and external forces. A notable example is AVZ Minerals, an Australian mining company that, after years of successful operations in the lithium sector in the Democratic Republic of Congo, has been forced to reevaluate its investment strategy. This shift was prompted by simultaneous pressure from both the Congolese government and Chinese competitors, who were openly supported by the Chinese government.[28]

Incident

War under the sea: Oceanic Cable Companies amidst Geopolitical tensions

One recent, interesting example is provided by the complex geopolitical struggle involving companies in the business of submarine cables technology, an industry strategically essential in the telecommunication sector and in particular in the transmission of internet data.[29] At present, nearly 99% of the traffic on the internet alimenting cloud computing flows through an impressive network of fiber optic cables. Just to give an idea of how impressive and capital intensive are these realizations, the longest such underwater linkage, the Asia-America Gateway (fig. 9.1), completed in 2009 and costed around $600 million, runs an incredible 20,000 kilometers and connects Southern California – where the behemoths as Meta,

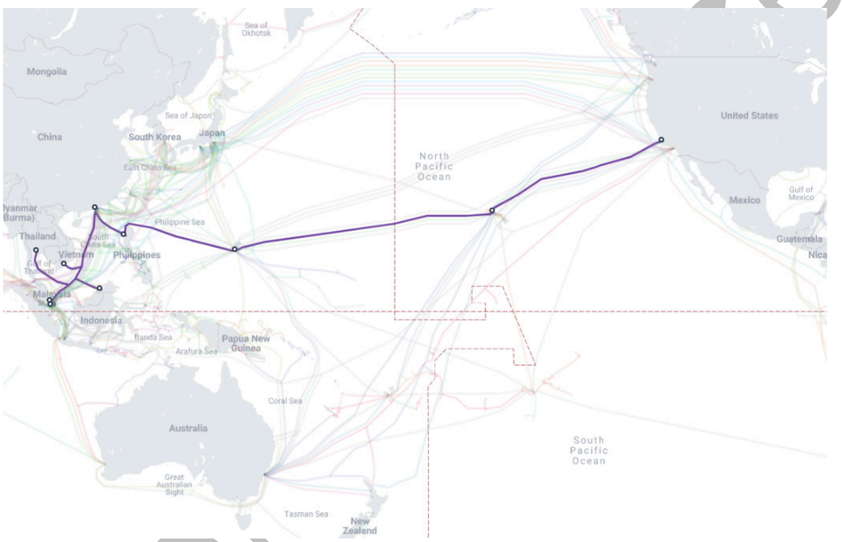
[27] See Andrea Colli, "A Clay Pot Between Steel Pots: Geopolitical dilemmas of CATL Group", *Bocconi Geopolitics and Business Cases and Incidents*, version February 2024
[28] See Sara Casotti and Andrea Colli, "Heart of Darkness. AVZ Minerals in Congo and the Geopolitics of Lithium", *Bocconi Geopolitics and Business Cases and Incidents*, version August 2024
[29] See Alex Capri, "The new geopolitics of undersea cables" HINRICH FOUNDATION, 2024

Google, Amazon are headquartered - to landing points in Hawaii, Guam, the Philippines, China, Vietnam, Brunei, Malaysia, and Vietnam.

So far, the structure of this technologically complex and essential business has been characterized by a relatively international harmonious division of labor among companies of different countries. The resulting value chain was, indeed, roughly composed by companies producing the technologically sophisticated cables, those laying the cables on the ocean seabed, those repairing and maintaining cables and, of course, the telecom commercial companies – included those giants mentioned above.

The oceanic cables are not only the backbone of the third and fourth industrial revolution. They carry an enormous amount of sensible information, and the control over the value chain, once left to pure market forces, is increasingly weaponized.

Fig.9.1 The Asian American Gateway



First of all, the composition of the "consortia" – the joint ventures laying the cable – has become an issue. Since 2020 the Chinese HMN Technologies, for instance, has been increasingly cut of the ongoing projects under the pressure of the US. Administation. The latter does not even spare its own tech titans. Amazon, Google, Meta, and Microsoft have been driving the diffusion of undersea cable networks. These firms have unlimited resources for funding new projects, but when it comes to choosing partners, they avoid to consider geopolitical issues, which sometimes creates tensions with Washington, which in sum views them as strategic partners when it comes to playing for the home team, but as security risks when they team up with the wrong consortium partners.

Then, geography comes into the framework. As figure 9.1 makes it clear, undersea cables projects cross the Pacific Ocean, and, after landing several hotspots, reach the relevant markets in South East Asia, and China. The fact that cables are laid under the disputed waters of the South China Sea is no longer passively accepted by the Chinese authorities, which have become slower and slower in granting permits citing national security concerns. As a result, some projects have been suspended; others are experiencing significant delays, while others, in order to avoid problems, have been re-routed with relevant additional costs.[30]

9.2. Transitioning Among Quadrants

Uniper, a German energy company, exemplifies the complex dynamics of global corporate geopolitical risk. Spun off from E.ON in 2016 to manage fossil-fuel-related activities, the company underwent a significant ownership transformation in 2017 when Fortum, a Finnish state-owned energy giant, acquired a relative majority stake. This strategic shift positioned Uniper as a German enterprise with a nuanced ownership structure involving the Finnish government and various institutional investors.

Prior to 2022, Uniper operated effectively, specializing in global LNG (Liquefied Natural Gas) procurement and distribution, with Russia as its primary supplier. The Russian invasion of Ukraine in February 2022 dramatically altered this landscape. Subsequent sanctions precipitated a severe market valuation collapse, compounded by the interruption of Russian gas deliveries. In a decisive intervention, the German government, collaborating with its Finnish shareholder, orchestrated a comprehensive bailout, ultimately acquiring 99% ownership of the company.

[30] See "Asia's internet cable projects delayed by South China Sea tensions", *Nikkei Asia*, 19 May 2023

Initially categorized within Quadrant #2 of the geopolitical risk matrix—characterized by risks stemming from the German government's sanctions against Russian entities like Gazprom—Uniper's situation rapidly evolved. A critical inflection point occurred in 2024 when the Russian government seized the company's Moscow power-generation assets. This action triggered substantial financial repercussions: a €4 billion asset loss, dramatically amplified by a €14 billion court fine for alleged LNG supply agreement breaches. Consequently, Uniper's risk profile transitioned from Quadrant #2 to the more complex Quadrant #4a.

The company's geopolitical challenges further intensified as CEO Mike Lewis grew increasingly apprehensive about potential seizures of Uniper's tanker fleet by Russia-aligned or other hostile third parties—effectively positioning the organization within the precarious Quadrant #4b of the geopolitical risk matrix.

"We have vessels around the world," he told in an interview to the Financial Times. "So the question is, if you dock in a country and you are discharging gas into that gas system, could there be a challenge there?"[31].

Currently, Uniper sources LNG from Azerbaijan, Australia, and the United States, with its tankers transporting gas worldwide. In addition to its standard due diligence practices, the company is meticulously assessing the geopolitical risks associated with the countries it does business with, particularly the potential threat of action against its fleet by nations sympathetic to Moscow.

While analysts are somewhat less concerned, the global outlook remains bleak, offering little optimism for the company's prospects. This

[31] "Uniper Strives to protect LNG fleet from risk of Russian seizure", *Financial Times*, 5 january 2025

uncertainty is compounded by reports that Uniper is planning to return to private ownership.

9.3 Camouflaging or hiding in very complex geopolitical conditions

Global companies exhibit remarkable diversity in their geopolitical risk exposure. The intensity, predictability, sources, and triggers of these risks are not uniform but dynamically shaped by multiple interconnected factors. These include geographic and business domain, organizational specialization, the "contractual power" derived from strategic essentiality, market orientation (business-to-business or business-to-consumer), value chain resilience, and the organization's ethical positioning.

Business historians have long documented sophisticated corporate survival strategies within politically hostile environments. Some organizations adopt "camouflaging" tactics—strategically obscuring their true identity behind more palatable personas that resonate more effectively with consumer perceptions. This approach represents a nuanced adaptation mechanism in complex geopolitical landscapes.

Conversely, certain companies leverage their unique organizational characteristics—whether through exceptional strategic value, irreplaceable service provision, or domain-specific expertise—to navigate challenging environments seamlessly. These organizations can often operate smoothly even within theoretically hostile contexts, particularly when providing essential services that transcend immediate political tensions.

The intricate interplay of these factors creates a complex geopolitical risk ecosystem where corporate survival depends not just on traditional business acumen, but on sophisticated geopolitical navigation skills.

Companies must continuously recalibrate their strategies, balancing operational imperatives with geopolitical sensitivities.

Incident

Morality and Law in business. Schlumberger in the Russian Oil Market.

After the Russian invasion of Ukraine in February 2022 and the subsequent sanctions imposed by the West, many companies decided to withdraw from the aggressor. Others suspended, or scaled down their operations. Schlumberger (SLB), maybe the largest oil services company in the world, declared it has no intention of leaving Russia despite international pressure. "When we make a decision, we will make it public if necessary", the company's CEO Oliver Le Peuch said in an interview with the *Financial Times*, pointing out that the team currently operates autonomously in Russia and the company's priority is to protect its assets and employees, and to honour present contracts with its customers.

SLB operates in over 120 countries worldwide and its main office locations are in Houston, Texas. The company is a world leader in services to support oil and natural gas extraction activities. Its main activities include the development, implementation and supply of technologies for the extraction, production and processing of oil and gas. In general, oilfield services providers (a handful of companies of global dimension and reach) carry out the grunt work for the global oil and gas industry — everything from building roads and laying pipes to drilling wells and pumping crude. They also provide access to sophisticated technologies that are vital to support exploration and development of complex drilling operations.

Since the fall of the Soviet Union, SLB has built up a significant business in Russia. Formally, after the Russian military operation started, SLB officially suspended new investments and technology implementation; in July, 2023 the company announced the interruption of equipment and technology shipments to Russia due to the conflict in Ukraine.

However, unlike its rivals, SLB still has a presence in the country. The company is currently under pressure from the Ukrainian government and human rights groups, blaming SLB as a direct supporter of Putin's government.

Indeed, all oil services groups were not happy at the idea of leaving Russia after the invasion of Ukraine, but eventually, in 2022, Baker Hughes and Halliburton, the second and third largest Western oil services companies, announced they would leave Russia.

Instead, by the end of 2022, SLB had added around 70 employees in Russia, indicating that its business there is not slowing down: Russia accounted for 6% of SLB's total turnover ($1.21 billion) in the first nine months of last year.
One quite obvious reasons SLB is having so much success in Russia is precisely because its biggest rivals have left the country. In fact, with fewer rivals, SLB has been able to get price increases and better terms and conditions, further consolidating its presence in the country.
According to the Financial Times ("Top US oil group expands in Russia as rivals pull out", *Financial Times*, 16 August 2024) in December 2023 SLB's Russian branch signed a contract with the Russian oil and gas institute Vnigni. With this, the company to help it build models of oil and gas deposits that can be used to develop projects. According to the same source, despite its public statements, the company also continued to import materials from other sources, bringing in $17.5mn of equipment. Of this, $2.2mn was declared as having been originally manufactured by SLB or its subsidiaries.
In January, 2025 the Biden Administration issued a further order that prohibits the provision of US petroleum services to persons located in Russia from February 27, 2025. According to some analysts, if SLB was forced to pull out of Russia it would "rattle the Kremlin" due to the increased cost it would impose on the country's oil sector, he said. "Russia has relied heavily on state-of- the-art western reservoir modelling technology to design efficient, low-cost development plans. It's something they've struggled to replicate, and won't find elsewhere. Now, for the first time in 30 years, they'll be on their own," said the experts.
Indeed, SLB is not new in violating sanctions: the company is part of the Russian Sakhalin-3 project to help produce more natural gas, and the company continued to work there in 2014 after the US imposed sanctions on Rosneft, a partner in the project.
Furthermore, in 2015, a unit of SLB pleaded guilty to violating sanctions relating to Iran and Sudan, paying a fine of $237.2 million to the US Department of Justice.
Finally, in 2021, SLB paid $1.4 million for violations of Ukraine-related sanctions by its subsidiary Cameron International Corp for providing services to Russian energy company Gazprom-Neft Shelf.
While the violation of sanctions is now out of question, there are other reasons which may incentivize the company to maintain its commitment to the Russian market.
One is the weak investor reaction against companies that continue to operate in Russia despite sanctions and warnings from human rights groups that such companies could be considered complicit in Russia's war crimes.
Furthermore, the SLB's decision not to leave Russia has so far been a success in economic terms, due to a steady increase in the company's revenues.

Additionally, for SLB, the total abandonment of the Russian market would entail significant economic losses, particularly considering the fact that it has made relevant investments in infrastructure and human resources training in Russia over the last years.
Another plausible reason why SLB remains in Russia is that exit from the Russian market could harm its long-term trade relations with Russian partners and authorities, resulting in an obstacle to future trade agreements.
Not everyone, however, share such an opportunistic view. Interviewed by the Financial Times, Peter Voser, chair of Swiss-based ABB, which also left in 2022, said: "We accept that some others will maybe not follow that and hence, they may have a competitive advantage. But I think that's a short-term viewpoint and that will bite them at some stage."
According to the *Financial Times* ("Oilfield services group SLB resists rising pressure to exit Russia", 17 January 2025 "Oil industry experts say SLB is reluctant to leave Russia because it will probably be rewarded by the Kremlin with contracts when the war against Ukraine ends and western sanctions are lifted".

Chapter 10

The (uncomfortable) consultant's seat. The design of mitigation strategies in an evolving geopolitical framework.

The growing relevance of geopolitical risk perception among global companies has prompted the diffusion of new consulting services, both provided by independent companies and internalized by the largest global operators.[32] Roughly, one can distinguish between "macro" geopolitical analysis, which is basically providing information at the level of country-risk with peculiar focus on geopolitical dimensions, and/or assessing the level of geopolitical risk at the global level,[33] and more fine-grained suggestions on how to assess and mitigate geopolitical risk at the level of the single company.

The strategic management of geopolitical risk remains in its nascent stages of development. Despite an expanding landscape of analytical resources, specialized academic offerings, and emerging evidence, corporate capabilities to anticipate, comprehend, and mitigate subjective risk are still evolving. This ongoing developmental process underscores the complexity of crafting effective risk mitigation strategies,

[32] See for instance "Inside the secretive business of geopolitical advice", *The Economist*, 5 October 2023

[33] See above, footnote 16

which must be meticulously customized to each organization's unique contextual landscape.

Contemporary approaches to geopolitical risk management predominantly reside within the domain of emerging strategic methodologies—characterized by adaptive, fluid, and context-sensitive frameworks rather than rigid, universally applicable protocols.

Drawing from the previously discussed case studies, we aim to delineate several critical business domains where geopolitical risks could potentially precipitate substantial, potentially uncontrollable organizational losses. The following compilation represents a suggested "framework for thinking" rather than an exhaustive prescription. It is intentionally designed to provoke strategic reflection among decision-makers at both executive and middle management levels, encouraging a more nuanced exploration of potential geopolitical impacts across diverse business activities.

The proposed framework invites organizational leaders to systematically contemplate geopolitical risk dimensions, their potential manifestations, and prospective mitigation strategies. Its primary objective is to stimulate strategic imagination and preparedness rather than to provide a definitive, one-size-fits-all solution.

Tab. 10.1

#	Critical Realm	Potential impact of geopolitical threats	Example of instigator	Assessment	Mitigation strategies	Example
1	Market share	Sudden reduction/substitution by competitors	• Sanctions by home government; • Hostile actions by host government	How much the company is dependent from that market share or from a specific brand?	• Market/country diversification; • Headquarter transfer in "neutral" countries; • Brand fragmentation	Heineken in Russia
2	Investment strategies	• Growing/high level of returns at risk • Reputational issues	• Sanctions • Hostile actions by host government • Public opinion pressure • Stakeholders' pressure	How much in terms of resources the company has committed to the project?	• Write-offs • Careful communication strategies to stakeholders/investors/ public opinion	Totalenergies in Russia CATL in the US.
3	Supply chain scale and geographic diversification	• Risk of interruption • Risk of weaponization	• Terrorist acts • Actions by hostile governments • Reputational issues	How much is the shape of the value chain "rigid"?	• Geographic diversification • Componets diversification • Communication campaigns • Lobbying for protection by domestic governments	Huawei Nvidia
4	Investments in R&D	• Risk of domestic government interference • Restrictions to knowledge transfer abroad	Foreign Direct Product Rule	• Is corporate R&D immune to the risk of techno-nationalist policies? • Is corporate R&D falling in the area of dual-use technologies for civilian-military purposes?	• Diversification of research • Elimination of dual-use technology products	Semiconductor producers
5	Reputation/Public Image	• Loss of reputation • Legal consequences	Situation in which reputation of the company is at risk	• Is reputation relevant for the company? • Is the company known to the wide public? • Is reputation a relevant component of the strategic advantage?	• Campaigns of information about reaction strategies • Disguising of actions	Carlsberg in Russia
6	….	….	….	….	….	….