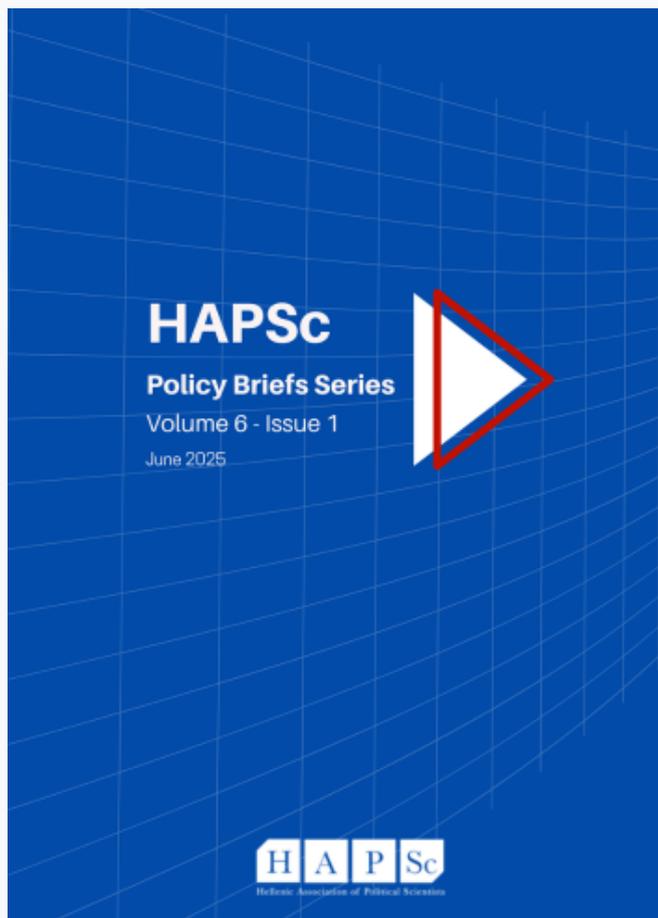


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Georgios Vousinas

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Business Strategies in the Context of Modern Geopolitical Landscape: Incorporating Geopolitical Risks into Business Planning¹

Georgios L. Vousinas²

Abstract

The ongoing global geopolitical tensions have brought back to the fore the necessity of preventing and successfully dealing with such risks by modern firms. In the current period key events are taking place on the global geopolitical chessboard such as the Russia-Ukraine war and the US-China trade relationship, the rise of Artificial Intelligence and the intensifying climate change. As a result of these ever-increasing geopolitical risks, companies are facing a constant threat that can dramatically affect their healthy future economic course and consequently their own sustainability. It is therefore considered imperative that the business world gain a deeper understanding of these risks and integrate them into their corporate planning within the framework of optimal risk management and effective corporate governance. By doing so, organizations can better prepare for potential disruptions and enhance their resilience in a dynamic and complex world environment.

Keywords: Geopolitics, Tensions, Corporate strategy, Business plans, Risk.

Introduction

The current global geopolitical developments, with the intensifying competition between powerful states, but also the simultaneous emergence of new strategic players, as well as those that will influence the world in 2026 and will largely determine the near future, are at the center of the international community. The current year is pivotal in the global geopolitical chessboard based on a series of events that will dramatically affect the future course of the world at the political, economic and social level. More specifically, the strategic duopoly of the USA and China is expected to monopolize developments in the 21st century, while the emergence of global strategic players such as India and Brazil will change the geostrategic balances. Additionally, the catalytic influence of Artificial Intelligence (especially in the defense sector) will cause the transformation of the military approach and will push an arms race that will lead states to compete with the aim of achieving a global innovation advantage in this sector (Meleouni and Efthymiou, 2024). Another important factor is the response to climate change, as its dramatic effects (temperature rise, extreme weather events, etc.) are already having a negative impact (high economic costs, shortages of basic goods, wave of migration flows, etc.) that is expected to intensify in the coming years, making it imperative to take

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² National & Kapodistrian University of Athens, Greece.

immediate measures at the local and international level. Finally, the importance of supply chains and their financing has returned to the fore after the coronavirus pandemic (Covid-19) and the Ukraine-Russia war. Thus, the ultimate goal of this article is, through the analysis of current and upcoming geopolitical developments around the world, as well as the associated risks, to highlight their ever-increasing influence on corporate strategies and to highlight the necessity of integrating them into modern business plans through appropriate proposed policies and procedures.

Current and Future Global Geopolitical Developments

The last decade has been characterized by increasing geopolitical tensions and significant policy changes and the global environment is expected to remain unstable and volatile in the near future. Thus, the modern business world is forced to prepare itself appropriately in order to be able to face the multidimensional nature of the geopolitical environment and the multitude of associated risks that lurk. The most important of these geopolitical risks that are expected to shape the agenda in the years to come are presented as follows:

- **US-China relations:** China's increased military presence in the South China Sea, technological developments, and ongoing trade tensions with the US have caused geopolitical tensions (Steinbock, 2018). Despite the multidimensional relationship between the US and China, particularly in the areas of trade, supply chain, and economy, US-China relations have become even more complex in recent years. The recovery of trade and the overall commercial relationship between the US and mainland China likely remains the default direction of Chinese policy in the short term (one year), despite the potential risks of diplomatic disruption. This is because China and the US are committed to pursuing a policy of responsible competition with each other, but the risk of a deterioration in their relations remains. Trade tensions escalated in 2018 when the US imposed tariffs on Chinese imports to reduce its trade deficit with China (Bown, 2019). This sparked a further trade conflict between the two countries, which in turn has significantly and manifoldly affected global trade. In December 2018, the US and China engaged in trade negotiations, but the talks broke down in May 2019. The nations eventually signed the Phase One trade deal in January 2020³, which took effect a month later. Under the deal, China agreed to expand purchases of certain US goods and services by \$200 billion over the two-year period from January 1, 2020, to December 31, 2021, above 2017 baseline levels. Since then, the US has imposed export restrictions on China, particularly technology, due to heightened concerns over intellectual property issues, which has contributed to escalating trade tensions. The nations also have areas of overlapping interests and conflict, as China has threatened to sell US Treasury bonds

³ For further details see: <https://ustr.gov/phase-one>

and the US has blacklisted some Chinese technology companies. As a direct consequence of the aforementioned events, there is growing concern that US-China trade tensions could escalate further, causing an economic conflict of such magnitude that it would cause significant disruption in global financial markets and could be the beginning of a new global crisis as we refer to the two largest economies in the world.

- **Tensions between Russia and NATO:** The Russia-Ukraine conflict continues to pose a significant geopolitical risk in 2025 and is expected to continue to be a factor of international destabilization in the near future. The conflict has caused a serious humanitarian crisis and has led to greater exposure to risks in global capital flows, trade and commodity markets at the international level. Geopolitical tensions have been common between NATO and Russia for some time, but with Russia's invasion of Ukraine, relations between the two sides have reached their worst point since the Cold War (Qaisrani et al., 2023). These relations continue to be tested by economic sanctions imposed on Russia and support from NATO member countries for Ukraine in the form of economic and military assistance, as well as at the diplomatic level. With neither side likely to achieve a definitive victory in the near future and a ceasefire or settlement unlikely, the war continues with a multitude of risks, including accidental or deliberate escalation. A direct global conflict, while unlikely, would have devastating consequences.

- **Energy Security:** The availability and accessibility of energy resources is crucial for a country's economic development. Geopolitical risks around the world have raised concerns about global energy security, making it one of the top geopolitical risks not only for 2025, but also for the upcoming years (Bradshaw, 2009). Europe, for example, faces a huge challenge after losing access to a secure reservoir of abundant and cheap Russian natural gas for its households and industries. European energy security, as a whole, has been threatened since the start of Russia's invasion of Ukraine in February 2022, with European gas prices reaching historic highs in August of that year due to the relentless effort to secure supplies. The 2022 turmoil has brought coal-fired power plants back to the fore in some countries that had previously closed or were scheduled to close, posing a serious threat to the clean energy transition. While implementing climate change reforms is on the European Union's (EU) long-term transition agenda, securing affordable energy is an immediate priority for many countries to address short-term challenges. It is also noted that the digitalization of the energy sector has made energy infrastructure vulnerable to cyberattacks, which could cause significant damage to critical infrastructure and disrupt energy supplies thus, being one of the top current geopolitical risks.

- **Supply chain disruptions:** The pressing issue of supply chain resilience and financing is crucial in the face of a variety of multidimensional disruptions and risks, including geopolitical tensions, natural disasters, and operational issues (Vousinas, 2018). Strategies for building supply chain resilience include stronger agreements with labor unions, geographic diversification, close monitoring of environmental profiles, and renewal and improvement of terms with suppliers with a strong commitment to properly manage tariffs and address geopolitical risks. Technological advances, such as artificial intelligence and machine learning, are also important for improving resilience. In the wider Asia-Pacific region, on the other hand, governments are implementing various strategies to secure access to critical minerals vital to the energy transition and the smooth operation of their industrial activities. The desired collaboration in supply chains is also expected to intensify through appropriate initiatives such as bilateral partnerships between states or agreements between companies and suppliers on a global scale. In conclusion, building resilience in the supply chain requires comprehensive due diligence processes, stronger supplier relationships, technology investments and sustainable practices. Firms must address uncertainties and ensure that their supply chains remain resilient, adaptive and competitive in a rapidly changing global environment.

- **Ocean geopolitics:** About half the world's population lives within 100 miles of the sea, at least 95% of the world's data flows through undersea cables, and a third of energy production is offshore. Recent events, including the Nord Stream 2 disaster, have highlighted the significant role of geopolitical tensions in the ocean sector. Competition for control and access to the world's oceans will intensify in 2025, with adverse consequences for supply chains, data flows, food supplies and energy security, and the geopolitical risk of maritime transport disruptions is visible. According to a recent study, approximately \$7.4 trillion in trade is at risk from supply chain disruptions in East Asia alone (Pratson, 2023). Ongoing military operations in the Black Sea, increased naval and air operations in the wider South China Sea region, and attacks on ships in the Persian Gulf have already increased shipping insurance rates and have the potential to disrupt critical international shipping lanes. The energy transition will accelerate interest in deep sea mining for critical minerals. In fact, according to a relevant study by the US Geological Survey, it is estimated that deep sea mining could represent 35 - 45% of available critical minerals by 2065 (Hein and Mizell, 2022). The Arctic Ocean will also be an arena where all of these trends converge as warming climate expands access to the region through melting ice. The International Waters Treaty signed by 193 countries at the UN headquarters in 2023 to protect the oceans is considered crucial to achieving the "30 by 30" goal agreed in Montreal in December 2022, namely, to place 30% of the planet's land and seas under protection by 2030. However, the growing complex of geopolitical risks leaves no room for complacency, as the margin

until 2030 is not large, especially considering that 11 million square kilometers of ocean must be placed under protection every year.

The Key Geopolitical Risks

The geopolitical disruptions mentioned in the previous section have a significant impact on the global socio-economic-political environment and are associated with a multitude of risks that significantly and in various ways affect modern business. The most important of these risks are the following:

- **Financial risk:** Geopolitical risks have a significant impact on the global economic outlook, affecting key macroeconomic indicators such as economic growth, inflation, the functioning of financial markets, and supply chains (Asadollah et al., 2024). The global economic outlook for 2025 suggests that central bank interest rate cuts in the US and Western Europe may be overstated, with key interest rates expected to be above pre-COVID-19 lows⁴. Consumer price inflation is expected to decline but remain above pre-pandemic levels in advanced economies. Government bond yields are also projected to remain well above pre-pandemic levels. Expansionary fiscal policy in China is expected to support short-term economic growth, but on the other hand, a continued downward trend is forecast in the long term. Various uncertainties are also expected to affect global growth in the coming years, with the Asia-Pacific region being the driver of long-term growth. Weaker US growth and narrowing interest rate spreads suggest a possible depreciation of the US dollar, but its dominance in the international financial environment and as a global reserve currency is expected to continue (albeit with reduced intensity). Geopolitical risks, such as conflicts in Europe and the Middle East, are a permanent source of risk to financial stability⁵.

- **Climate Change Risk:** Climate risk is one of the greatest geopolitical risks not only in the current period but also in the near future and is also a point of friction between nations due to its economic and political implications (Jin et al, 2023). The risk associated with climate will have far-reaching implications for national security and global stability, while the impacts of climate change are already evident in the form of extreme weather events, species extinction, rising sea levels, global warming and increasing poverty in developing countries. This impact is understood from the following data from the World Meteorological Organization (WMO⁶):

⁴ For further details see: <https://www.imf.org/en/Publications/WEO/Issues/2025/04/22/world-economic-outlook-april-2025>

⁵ For further details see: https://www.ecb.europa.eu/press/financial-stability-publications/fsr/special/html/ecb.fsrart202405_01~4e4e30f01f.en.html

⁶ For further details see: <https://wmo.int/news/media-centre/climate-change-indicators-reached-record-levels-2023-wmo>

- 2023 was the warmest year on record, with the global average near-surface temperature at 1.45 degrees Celsius
- The global average temperature in 2019 was 1.1 degrees Celsius above pre-industrial times
- 30% of the world's population is exposed to deadly heatwaves more than 20 days a year
- Based on current insufficient global commitments to reduce emissions, the post-pandemic rebound in greenhouse gases could push 2030 emissions even higher – by up to 60 GtCO₂e⁷.

- **The Geopolitics of Artificial Intelligence:** The rapid technological development of artificial intelligence (AI) has also increased its importance for national security and geopolitical competition (Horowitz et al., 2022). From a geostrategic perspective, the race for innovation and management of AI is underway at the international level, with the US currently leading this informal “race”, but several other countries are ready to accelerate their efforts such as China, which will continue to invest in research, in an attempt to achieve self-sufficiency in AI. Furthermore, the United Kingdom will keep the regulatory framework at the minimum possible levels in order to promote innovation and expand it, as it has already managed to make its technology sector the largest market in Europe, while accounting for more than a third of global investment in venture capital, surpassing India. In conclusion, governments seek to design a regulatory framework to reduce the likelihood of macroeconomic risks as AI performs more work functions, increases political instability due to disinformation campaigns and the associated risks to national security, as well as data security in cyberspace.

Proposals for Optimal Management and Response to Geopolitical Risks as an Integral Part of Modern Corporate Strategies

From the above analysis of current and future geopolitical developments, as well as the associated risks, it is clear that the modern business world is exposed to a multitude of challenges to which it must more than ever respond appropriately in order to be able to cope successfully and continue its activity without interruption. In order to make this possible, it is necessary to integrate geopolitical risks into the strategic planning of businesses, as an integral part of their business plans. In this direction, a series of strategies are proposed that will assist companies in achieving this critical goal as follows:

Geopolitical Risk Management Framework. The race for technological and innovation leadership across companies, industries, countries and continents is becoming increasingly competitive at all

⁷ For further details see: <https://www.unep.org/facts-about-climate-emergency>

levels. In this context, national and international bodies are developing and implementing regulatory rules and appropriate governance frameworks in an attempt to keep up with the rapid pace of change, which has a huge economic impact at both the business and national levels. For this reason, boards of directors must develop timely action strategies in key areas that integrate national and global factors, while maintaining the required flexibility. And to achieve this, a comprehensive geopolitical risk management framework is required that will enable them to identify, assess, understand and manage this important category of risks at the corporate level.

Development of a crisis management system and crisis response capability. Having a defined crisis response process, with appropriately trained personnel, is a key differentiator for organizations responding to high-impact events such as geopolitical tensions. The ability to react quickly using an established process can help manage a chaotic situation and return the organization to a first-time response and ultimately protect its reputation and interests from irreparable damage.

Scenario planning to anticipate potential geopolitical disruptions. This process involves developing detailed scenarios that will help anticipate and mitigate the impacts of political instability and prepare for any outcome, acting proactively. In particular, the process of creating possible future scenarios is a necessary condition that will help build resilience. Scenario planning is an effective technique for investigating and addressing the potential impacts of a geopolitical event and works complementary to the risk management framework.

Conclusion

The world is plagued by a multitude of geopolitical disturbances with the accumulation of military conflicts and tensions such as the Russia-Ukraine conflict, which have a negative impact on both global structures and relations, as well as on the business field, affecting the way companies operate and increasing the degree of uncertainty for the immediate future. These concerns are well-founded, as evidenced by the significant losses that large multinational companies have suffered due to geopolitical events that have caused, among other things, increased production costs and disruptions in supply chains. As a direct consequence, the ongoing geopolitical tensions at the international level have brought back to the fore the necessity of preventing and successfully dealing with such risks by modern businesses. making it imperative to have a deeper understanding of them and to integrate them into their corporate planning. To achieve this goal, specific strategies are proposed for proper management and dealing with geopolitical risks within the framework of the best corporate governance principles and as an integral part of modern corporate strategies. In conclusion, as geopolitical risks play an increasingly important role in the global business environment, it is crucial

for companies, now more than ever, to have geopolitical risk analysis integrated into their strategy and governance framework.

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