

Geopolitical risks in global business operations

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In the contemporary global business environment, companies face a multitude of challenges when managing international operations. One of the most pressing and problematic issues of international business activity is the increasing role of geopolitical risks, which refer to the uncertainties and instability in the international political environment that can impact business structures and their activity.

Geopolitical risks arise in the process of development geopolitical relations between countries or regions within the appropriate interactions in the form of the relative unity or struggle of various countries. These risks exert impact on businesses, national economies, and international relations.

An indicator of the possible emergence of geopolitical risks is regarded as violation of the state of strategic stability in a certain geostrategic region. Thus, geopolitical risks stem from the actions of national political institutions that could lead to political instability of the concrete country, particular region and the global community and respective international relations.

In this context geopolitical risks are connected with instability of political environment on the global level driven by the political instability of the concrete economic system at the macro level or the whole region if two or more countries involved at the regional level.

Geopolitical risks are primarily driven by political events, conflicts, or policy changes that affect the stability of national economic systems, region or the global economic system and the subjects of economic activity as the integral components of the respective economic systems. Consequently, the instability of economic system at macro level leads to the instability of the respective business structures and their activity at the micro level.

These risks can disrupt trade flows, investment decisions, supply chains, and market stability.

As the world becomes more interconnected, international managers must navigate shifting political landscapes, trade tensions, regulatory differences, and risks posed by conflicts and sanctions predetermined by appropriate geopolitical situation.

The geopolitical risks can arise from:

- political instability and military conflicts (risks that are associated with civil wars, revolutions, and political turmoil in a country or region). Political unrest in particular regions can threaten the safety of the regions and the whole global economic system. These can lead to disruptions in trade, damage to infrastructure, disruption of local operations and cause market volatility and reduce investor confidence. The Russia-

Ukraine war disrupted energy supplies and caused significant economic consequences worldwide.

- trade wars (risks that are stemming from strained diplomatic relations). These can result in tariffs increase, embargoes, or trade restrictions that hinder international business. The trade disputes, such as those between the U.S. and China, can disrupt supply chains, increase costs, and force companies to rethink global sourcing and market strategies.

- global alliances changes and power shifts (risks that are arising from changing alliances and power dynamics between countries or blocs). These can lead to shifts in trade flows, supply chain reconfiguration, and economic realignment. Brexit reshaped trade relationships between the UK and the European Union.

- economic sanctions (risks are linked to changes in fiscal or monetary policies or international sanctions imposed on a country). These can limit access to markets, restrict currency flows, or lead to retaliatory measures. Countries like Russia, Iran or North Korea face sanctions that restrict business dealings. Companies operating in these regions or connected industries must comply with complex regulations, leading to operational and legal challenges.

- nationalism and protectionism. Rise of nationalist movements, protectionist policies in various countries leads to increased regulations, tariffs, and restrictions on foreign business activities.

- natural disasters and climate policies (risks where geopolitical issues intersect with environmental concerns, such as climate-induced migration or resource scarcity). These can exacerbate existing tensions and lead to policy shifts or international disputes with appropriate actions of the parties involved. There are disputes over the management of the Nile River between Egypt, Ethiopia, and Sudan.

Geopolitical risks are complex and multifaceted, requiring business structures to identify and assess these risks thoroughly, as well as to react properly through the development and implementation of appropriate comprehensive strategies aimed at prevention of risky factors and minimization of losses from their occurrence in the business activity.

Key words: geopolitical risks; global business; business operations.

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