

Geopolitical Risk in 2025

The international economic and political environment is highly volatile, and recent years have seen a move away from the more open globalization, dominant since the 1990s, toward more nationalist trade policies and more selective alliances. Combined with other disruptive forces, including technology transformation, demographic shifts, and climate change, this move is creating unprecedented challenges for companies that have become accustomed to operating in a stable, open global business environment.

TRENDS & EMERGING ISSUES

Company leaders and boards are monitoring developments in selective globalization (or de-globalization); the EY Geostrategic Business Group found that “the more a sector is viewed as strategic by the government, the more governments are seeking to de-risk supply chains and production in that sector.” This leads to more restrictive policy conditions that significantly impact companies’ operations, including supply chain, mergers and acquisitions, alliances, human capital, and more.



“In uncertain times, focus on no-regrets moves. Identify the actions that will position the company favorably across a range of global scenarios.”

—Donoghue Clarke

IMPACT

Ninety-eight percent of CEOs report that they are planning to alter their strategic investment plans as a result of geopolitical challenges, but more than half believe their companies need to improve to a moderate or even a great extent in integrating geopolitical risks into strategic and investment decision-making. The highly uncertain outlook for the future direction of globalization, coupled with companies’ potential lack of readiness to navigate geopolitical challenges, could leave firms exposed to unanticipated shocks and risks. The board’s role in providing active, engaged strategy and risk oversight is more important than ever.



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HOW TO MITIGATE RISKS

- Engage in **scenario planning** that test the firm’s responses to geopolitical, economic, and other events.
- **Identify and monitor** early-warning indicators, such as election outcomes, tariffs and trade restrictions, commodity price shifts, and regulatory developments.
- Build **resilience and agility** into company operations.
- **Focus** on managing costs and improving process efficiencies for changing geopolitical landscape, capture opportunities, and fund future transformation.

QUESTIONS FOR YOUR NEXT BOARD MEETING

- What if we’re wrong? How is the company considering what it would do differently if a low-probability, high-impact scenario were to emerge?
- How is the company developing a resilient strategy that is nimble enough to navigate a world in which demand will ebb and flow more significantly than in the past decades?

ADDITIONAL RESOURCES

- [Prepare Now for the Era of Selective Globalization](#)
- [Global Economic Outlook: Strategies to Thrive in a New Normal](#)
- [America's Board Priorities 2024](#)