

Geopolitical Risks and Economic Sanctions in Multinational Enterprises

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ABSTRACT: This paper seeks to critically address how geopolitical risks and economic sanctions affect the strategic decision of multinational enterprises (MNEs), particularly the location, market entry, and exit strategies, and the responsibilities of stakeholders. It follows a secondary research approach, which utilizes recent scholarly literature, industry reports, and reliable web-based materials to examine the existing trends and theoretical approaches.

The results suggest that geopolitical uncertainty has now emerged as a major factor in international business, so companies have switched to cost-focused strategies for risk management and resilience-based strategies. Sanctions and geopolitical risks have a profound impact on foreign investment decision-making, global supply chains, and add to the operational and compliance costs. Multinational enterprises are, in turn, taking the strategies of diversification, nearshoring, and operations restructuring. Moreover, the analysis also points to the increased significance of stakeholder expectations, in which organizations must make ethical decisions, follow regulations, and achieve profitability in geopolitically sensitive contexts.

However, the study is limited by its use of secondary data and its limited ability to keep up with the fast-changing geopolitical events. The future study might be aimed at firm-level analysis to give more practical recommendations. In general, this research paper will help improve the comprehension of the impact of geopolitical forces on the multinational strategies in the modern global business environment.

KEYWORDS: Geopolitical risks; Economic sanctions; Multinational enterprises; Market entry and exit; Stakeholder responsibility

1.0 INTRODUCTION

Multinational enterprises (MNEs) operate in an increasingly globalized economy characterized by diverse political, economic, and regulatory environments (Cui *et al.*, 2023). Globalization has not only provided companies with enormous opportunities to access international markets but has also increased their exposure to geopolitical risk. Geopolitical risk is the uncertainty and potential disruption to economic operations caused by political conflicts, diplomatic tensions, policy changes, or international sanctions (Ifraimu *et al.*, 2024). Over the past few years, geopolitical tensions have escalated due to trade disputes, local conflicts, and global power shifts, which have drastically transformed the global business environment and compelled companies to reconsider their internationalization plans (Sarfraz, 2025). One of the most significant impacts of geopolitical tensions on international businesses is sanctions. Sanctions are referred to as the actions of the government and international organizations that aim at restraining other countries, entities, or individuals from certain economic activity, including imposing trade regulations and restrictions, prohibiting specific industries and technologies (Cipriani *et al.*, 2023). Sanctions can pose a serious challenge for multinational companies working within the borders of such countries, as they would have to cope with complicated legislation, potential risks, disrupted supply chains, and even a negative reputation.

Operating in extremely contentious markets may prove cost-effective while at the same time resulting in unfavorable publicity from various stakeholders. Thus, multinational corporations are supposed to find a middle ground between satisfying the demands of the government, shareholders, consumers, and the community at large in their corporate strategy formulation processes (Sarma *et al.*, 2024). This research study critically evaluates the influence of geopolitics and economic sanctions on the strategies adopted by multinational corporations, particularly regarding location, market entry and exit considerations, and stakeholder accountability.

2.0 LITERATURE REVIEW

The literature review will provide an analysis of the available academic literature regarding geopolitical risks, economic sanctions, and multinational business strategies. As a result of changing political environments in recent years, the global geopolitical landscape has become more complex, making it difficult for firms operating across different nations (Akinsola and John, 2025). Literature suggests that, upon entering a new market, firms must consider political stability and stakeholder expectations. Therefore, the relationship between geopolitical risk and multinational enterprise (MNE) strategy must be understood through this literature (Iriani et al., 2024). In this section, the key concepts used in literature related to geopolitical risk, economic sanctions, MNE strategy, international investment decision-making theories, corporate governance, and geopolitical stakeholder relations will be analyzed.

2.1 The Geopolitical Risk in the Business World

Geopolitical risk has become a primary issue for multinational corporations operating in the global economy. Geopolitical risk is the occurrence of political events, international conflict, or government actions that can interfere with economic operations, international trade, or the flow of investments (Patsiaouras et al., 2026). SpecialEurasia (2025) also indicates that political tensions, inter-state conflicts, terrorism, sanctions, and diplomatic conflicts dictate geopolitical risks affecting the stability of the world economy. As companies go international, they are more susceptible to these risks since their operations rely on stable political climates, stable trade routes, and predictable regulatory systems (Pengfei et al., 2025).

Geopolitical risks may be instigated in various ways, including political instability, economic sanctions, and trade restrictions (Smyrnov et al., 2025). These risks usually cause uncertainties in the international markets and may greatly influence business decision-making. As an example, Taheri Hosseinkhani (2025) stated that geopolitical tensions can disrupt the global supply chains, restrict access to foreign markets, or cause the introduction of new regulations that would raise operational costs. As a result, companies should keep track of geopolitical changes and evaluate how they can affect international business (SpecialEurasia, 2025). In order to measure geopolitical uncertainty, scholars have come up with measurement instruments like the Geopolitical Risk Index (GPR). Caldara and Iacoviello (2022) proposed the GPR index to quantify geopolitical risk and observe it through the frequency of the geopolitical-related terms in international news sources. The index gives a systematic approach to monitor changes in geopolitical tensions. Their results show that geopolitical risk is closely linked with a decrease in investment and economic activity, since firms tend to postpone or cut investment at such times of increased political uncertainty (Han et al., 2025).

Moreover, political stability is closely associated with geopolitical risk. According to Topcu and Can (2025), financial systems are susceptible to political instability and geopolitical tensions, especially in the banking industry. The heightened geopolitical uncertainty will increase financial risks, reduce investor confidence, and discourage cross-border financial transactions (Sharma et al., 2025). This underscores the issue of political stability in promoting sustainable economic growth and international investment.

2.2 Economic Sanctions and Their Impact on Businesses

Economic sanctions are among the most popular geopolitical instruments of international relations. Sanctions are mandatory acts that governments use to compel another nation, company, or individual to alter their actions (Bogdanova, 2022). Such actions may include trade embargoes, financial sanctions, asset freezes, or restrictions on technology transfers. Sanctions are usually employed to fulfill political or diplomatic goals without direct military action (Radcliffe, 2025).

Economic sanctions have become widespread in recent years because of geopolitical disagreements and human rights issues (Rodríguez, 2024). In the case of the United States, the country has restricted imports of products from the Xinjiang region in China because the region has committed human rights abuses (de Pinieux and Bernaz, 2023). Likewise, the sanctions applied by the United States and the European Union to Russian officials and industries were created in response to the annexation of Crimea in 2014 and the invasion of Ukraine in 2022 (Singh, 2023). These sanctions had severe impacts on global trade relations and posed new challenges for multinational corporations operating in the affected regions.

Economic sanctions may have significant effects on business. Companies that are in the related markets might be limited by law, reputational risks, and supply chain disruptions (Raynor, 2022). According to a study conducted by Lastauskas et al. (2023), organizations tend to modify their activities according to the sanctions by restructuring their supply chains, shifting production, or exiting the impacted markets. But such strategic adaptations might be expensive and can lead to diminished competitiveness of firms.

Moreover, sanctions pose complicated strategic issues to multinational companies. Firms have the responsibility to reconcile both the international laws and their financial well-being (Logvinskyi, 2024). Otherwise, companies can decide to withdraw from sanctioned markets to eliminate legal risks, and some can even attempt to change their operations to different regions (Aliasghar and Rose, 2023).

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2.3 Multinationals' Strategy and Global Expansion Frameworks

To help them stay competitive in the global market, multinational companies need to employ efficient mechanisms of dealing with the effects of geopolitical risks (Gamso *et al.*, 2024). The concept of multinational strategy is defined as the way companies align operations in various countries while optimizing efficiency and responsiveness to the domestic market environment. According to Anderson *et al.* (2025), companies that conduct their business across nations must take into consideration the political, cultural, and economic differences between states carefully when formulating their strategies.

The CAGE Distance Framework is one of the key frameworks applied to analyze international expansion (Boateng Ohene, 2025). In this framework, the differences between countries are examined based on four dimensions, including cultural, administrative, geographic, and economic distance (Nguyen *et al.*, 2024).

The CAGE model assists multinational corporations in eliminating potential international expansion barriers. Nations that have a high administrative or political disparity can be more geopolitically risky to business (Meissner, 2025). Consequently, companies must take these factors into serious consideration before venturing into new markets.

The other framework that is popular is the Integration-Responsiveness Framework. This model underscores the conflict between worldwide integration and local responsiveness in multinational business (Ahmad and Martin, 2024). Global integration is about the standardization of operations between nations to generate cost efficiency and economies of scale. Instead, local responsiveness involves concerns about the ways in which goods and strategies are made more suitable for local requirements (Anderson *et al.*, 2025). When there is high-geopolitical risk, multinational companies could emphasize local responsiveness to cater for local needs in terms of regulatory and political needs (Guo *et al.*, 2025).

Too much emphasis on adapting could complicate the running of business processes in an unnecessary way. Businesses need to find a delicate balance when doing international business.

2.4 Theoretical Foundations of Multinational Business Decisions

A variety of theoretical frameworks can be used to understand how multinational organizations make business decisions in a foreign environment. One of the key theoretical frameworks that could help is the Eclectic Paradigm or OLI framework. As per this theory, organizations will consider investing in foreign direct investments when they fulfill three factors, which include ownership advantages, location advantages, and internalization advantages (Batschauer da Cruz *et al.*, 2022).

Several approaches can provide an explanation for the multinational enterprises' investment decision-making processes in uncertain geopolitical environments. The Eclectic Paradigm or OLI Framework is one of those important approaches. In the framework, firms can invest in foreign direct investment if three conditions are present, namely ownership advantages, location advantages, and internalization advantages (Batschauer da Cruz *et al.*, 2022).

Ownership advantage means any firm-specific benefit such as technology, brand reputation, and managerial knowledge (Adarkwah and Malonæs, 2022). Location advantages are the advantageous conditions found in the host nations where firms conduct business, which could be the existence of huge markets, rich natural resources, or cheaper labor costs. The advantage of internalization is when firms opt to internalize their effort rather than rely on external linkages (WallStreetMojo, 2023).

The disadvantage of location advantages could come from geopolitical threats, where political instability due to uncertainties regarding regulatory actions or sanctions could make certain locations unattractive for foreign investments (McLean *et al.*, 2024). Consequently, MNEs can move their operations to other economies that are relatively safe. Secondly, the other applicable theoretical perspective will be that of transaction cost economics (TCE). According to this perspective, the firm will organize itself such that it lowers its transaction costs, including negotiation costs, monitoring costs, and enforcement costs (Tate *et al.*, 2022). High risk associated with the transaction costs in the uncertain geopolitical context can largely be attributed to regulatory complications and political uncertainties (Chu *et al.*, 2023).

2.5 Corporate Governance, Ethics, and Stakeholder Consideration

In addition to the economic factors, there are also ethical considerations involved in relation to the stakeholders in situations where MNEs are undertaking operations in geopolitically sensitive contexts (Sakyi *et al.*, 2024). According to the theory, organisations are expected to take the interests of all stakeholders, such as employees, customers, investors, governments, and communities, to make strategic decisions (Atlassian, 2026).

Stakeholder expectations may differ greatly among countries in geopolitical settings. Indicatively, companies that are based in politically unstable areas can be pressurized by other international stakeholders to cease operations on ethical grounds (Gomez-Trujillo *et al.*, 2024). These issues could undermine corporate reputation and decrease the level of consumer trust unless tackled. Corporate social responsibility (CSR) also has a significant role to play in dealing with geopolitical challenges. CSR underlines the fact that businesses must work in an ethical way and contribute to social and environmental sustainability (Fedotova *et al.*, 2023). As Fernando (2024) says, the CSR initiatives commonly encompass ethical labor practices, environmental protection, and

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responsible supply chain management. Such practices assist the firms to retain their legitimacy and trust by the stakeholders, especially in unpredictable political settings.

Furthermore, environmental, social, and governance (ESG) reporting has become increasingly significant over the last few years. The ESG frameworks also necessitate firms to share information on how they will deal with the sustainability risks, the governance risks, such as geopolitical tensions, and regulatory compliance (Alnafrah, 2024). There is more transparency in ESG, which indicates that the world is becoming more demanding on responsible corporate behavior (QIMA, 2026).

3.0 DISCUSSION

Multinational enterprises (MNEs) have undergone an extreme transformation in terms of strategic decision-making due to geopolitical tensions and economic sanctions (Virta, 2024). The growing globalized business world requires firms to not just consider the conventional aspects of business like the cost-effectiveness and market size as factors, but also the geopolitical risks that may influence the sustainability of the firm's investment and operations (Duca *et al.*, 2025). Based on the theories and models examined in the literature review, this section critically assesses the effects of geopolitical risks and sanctions on the location choices of multinational corporations, market entry and exit strategies, and the role of the stakeholders. Moreover, the strategic framework discussed includes the CAGE Distance Framework, the Integration-Responsiveness Framework, the Eclectic Paradigm (OLI), and the transaction cost economics (TCE) to analyze the strategic behavior of multinational firms (Brát, 2024). The SWOT analysis is also applied to analyze the internal and external forces that influence multinational operations in high-risk geopolitical environments.

3.1 Geopolitical Risk and Multinational Location Decisions

Geopolitical risk is increasingly becoming a critical factor in determining multinational investment decisions. Traditionally, firms have selected areas of foreign investment based on certain economic factors such as wage rates, market size, infrastructure development, and natural resource availability (Alharthi *et al.*, 2024). Nevertheless, the Geopolitical Risk Index (GPR) developed by Caldara and Iacoviello (2022) reveals that international disputes and political tensions may strongly disrupt foreign investments since they introduce greater uncertainty into the global marketplace. With escalating geopolitical tensions, multinational organizations are likely to defer their investments, reduce their foreign exposure, or relocate to non-political conflict environments (Rana and Debata, 2025).

The Eclectic Paradigm (OLI framework) offers a suitable theoretical lens for examining the situation at hand. In accordance with this theory, an organization can engage in international business activities by taking part in direct foreign investments where the firm possesses ownership advantages, the destination market holds location advantages, and internalization outweighs the externalization benefits (Persson and Axelsson, 2025). Nonetheless, political turbulence may ruin the location advantage of certain destinations. For instance, political turmoil, sanctions, or regulatory risks present in a specific country may undermine its attractiveness to foreign investors despite having lower wages or high consumer demand (Wang and Ni, 2025).

The recent trends in the global supply chains demonstrate this tendency. Geopolitical friction and trade conflict between major world powers have caused many MNCs to implement China+1 strategies to make production diversification beyond China (Taqi *et al.*, 2026). Other countries, such as Vietnam, India, or Mexico, have benefited from this strategic change because companies seek to reduce dependence on a single geopolitical climate, which is quite risky (Li, 2025). Diversification could cost more to operate, but it will minimize political disruptions and boost supply chain resilience.

The CAGE Distance Framework also illustrates the role of geopolitical risks in the location choices (Chamchati and El Mabrouki, 2025). The administrative distance that encompasses variations in the legal systems, political institutions, and regulatory frameworks is especially particular when geopolitical turbulence (Bostan, 2025). In the case of high administrative or political distance among nations, the firms experience more uncertainty over new policies, trade barriers, and compliance with regulations (Charoenwong *et al.*, 2023). Therefore, multinational corporations can favor those countries where their institutional setting is similar or even close to their diplomatic ties, a process termed “friend shoring” by Maihold (2022). It signifies that geopolitical considerations have become an increasingly powerful influencing factor for cross-border investments.

3.2 Economic Sanctions and Market Entry or Exit Strategies

Economic sanctions are one of the most direct ways in which geopolitical tensions influence international business. Sanctions can restrict trade, financial flows, technology transfers, and investment activities, which present serious challenges to multinational corporations (Combes *et al.*, 2025). The literature indicates that any sanctions that are implemented by major economies such as the United States or the European Union could have a global impact because most multinationals rely on global financial systems and international supply chain networks (Guenette *et al.*, 2022).

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One of the notable cases is that of sanctions against Russia after it invaded Ukraine in 2022. This means that multinationals can choose countries with institutional settings that are closer to, or even friendly towards, them diplomatically. This phenomenon has been called friend-shoring (Maihold, 2022). The example above clearly shows that geopolitical factors increasingly become a strong determinant for cross-border flows of investments.

Big tech corporations, energy producers, retailers, and many other types of multinational companies exited the Russian market or put their businesses on hold (Zkharchuk Zkharchuk, 2025). Some companies had to abandon their businesses there because of reputational risks. They were even legally obliged to exit (Lu et al., 2022). It is clear from the case that multinational enterprises must balance legal responsibilities and profitability in such situations.

From the theoretical perspective, the Transaction Cost Economics approach can be used as an explanation for the fact that sanctions lead to additional expenses for companies operating internationally (Hennart and Verbeke, 2022). When sanctions take place, higher transaction costs can occur. The measures include regulation, surveillance, and legal implications. These costs can exceed the advantages of being present in a licensed market (Meyer et al., 2023). As a result, organizations may either restructure their supply chain network, shift manufacturing plants, or exit the market completely.

However, not all multinationals react to the imposed sanctions in the same manner. Some try to cope with sanctions through the process of restructuring their business processes or relocating production facilities to nearby regions (Luo, 2025). For instance, the business entities may establish regional centers for goods distribution or alternative production sites that would help them stay within the market while adhering to the sanctions (Itskhoki and Ribakova, 2024). Nonetheless, although such approaches help organizations survive, they often entail high costs and low efficiency.

In addition, sanctions can lead to strategic opportunities for some firms (Aliasghar and Rose, 2023). In a situation where rivals pull out of a sanctioned market, neutral country firms may seek to occupy the available gaps (Jena et al., 2024). Nevertheless, such opportunities are usually associated with long-term political and reputational risks. Multinational companies must therefore be very critical in seeking to determine whether the short-term gains are more worthwhile than the long-term consequences. Thus, multinational companies should critically consider whether the short-term benefits are worth more than the long-term implications.

3.3 Strategic Adaptation Through Global Integration and Local Responsiveness

The Integration-Responsiveness Framework, on the other hand, identifies a strategic dilemma for multinational organizations operating between global and local accommodation. When the geopolitical environment is stable, firms usually focus on global integration to ensure economies of scale and efficiency due to their standardized products and processes (Blind et al., 2024). On the contrary, in a politically sensitive environment, companies may have to focus on being responsive to the local environment due to policy and political pressure.

For example, multinational organizations that operate in jurisdictions where governments impose strict policies may have to restructure their value chains or even introduce certain products to accommodate the local environment (Hughes et al., 2025). The strategy will help firms sustain their market position while minimizing political risk. Nonetheless, localizing too much might make operations difficult and less efficient (Dissanayake, 2024).

The problem that multinational organizations must address, therefore, is finding a balance between international integration and local sensitivities (Jain, 2024). Organizations operating in a geopolitically risky environment can consider hybrid strategies involving centralization and flexibility. As an example, multinational technology firms frequently have global research and development subsidiaries and adjust their market approaches to fit regional requirements (Chabowski et al., 2025). These tactics illustrate why international companies should constantly reform organizational frameworks to adapt to changing geopolitical trends.

3.4 Ethical Responsibilities and Stakeholder Considerations

In addition to the economic factor, multinational companies are also faced with ethical obligations when conducting business in geopolitically sensitive regions (Doronina, 2025). According to the stakeholder theory, companies are encouraged to consider the interests of various stakeholders, such as employees, customers, governments, investors, and local communities (Gutterman, 2023). These stakeholder groups can possess conflicting demands when it comes to corporate behavior when geopolitical tensions are involved.

As an illustration, when multinational firms are in countries that are suspected of human rights violations, international stakeholders may pressure them to pull out (Addo et al., 2024). Consumers, investors, and advocacy groups are increasingly holding companies to ethical account and responsible business practices. Inability to meet such expectations may harm the corporate reputation and decrease consumer trust (Nardella et al., 2023).

Corporate social responsibility (CSR) and environmental, social, and governance (ESG) frameworks have thus emerged as significant management tools in dealing with geopolitical risks (Reyad et al., 2024; Domina, 2024). When implemented in strategic decision-

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making processes, companies that incorporate the concept of ESG tend to be better able to handle reputational risks as well as to retain stakeholder confidence. Transparent ESG reporting also helps firms to indicate adherence to international standards and responsible governance practices (Agbakwuru *et al.*, 2024).

Nevertheless, there is a possibility of ethical considerations posing complex strategic dilemmas to multinational corporations. In other instances, exiting a politically sensitive market can help a firm to secure its reputation, but at the same time cause huge financial losses and loss of employment among the local workers (Hasayotin *et al.*, 2023). On the other hand, staying in such markets can sustain profitability but be subject to criticism by international stakeholders (Spanuth and Urbano, 2024). This is the conflict between morality, law, and profitability, which is perhaps one of the most problematic areas of multinational strategy in modern global business.

3.5 Swot Analysis of Multinational Enterprises in Geopolitically Risky Environments

Strengths

The capability of multinational enterprises to diversify international operations in various regions is one of their most important strengths (Qiao *et al.*, 2024). Geographic diversification enables firms to minimize reliance on a particular market and spread risks in a more efficient manner (Godbole and RL, 2024). Moreover, huge MNCs usually have huge financial resources and comprehensive risk management skills, which allow them to respond rapidly to any alterations in geopolitical situations (Rushkovskyi and Rasshyvalov, 2023). Global experience and international networks also offer them a strategic competitive edge in negotiating complicated regulatory environments.

Weaknesses

Along with these advantages, there are multiple internal weaknesses associated with multinational enterprises in geopolitically unstable regions. The global supply chains are also complex, which makes them vulnerable to any disruption by sanctions, trade restrictions, or political conflicts (Kelmendi *et al.*, 2025). In addition, the bureaucratic nature of large multinational organizations tends to delay the decision-making process, thus making them less responsive to geopolitical changes (Leivonen, 2025). The cost of compliance in terms of sanctions regulations and international legal frameworks is also high, which imposes additional operational burdens (Karliuha, 2024).

Opportunities

Multinational firms can also have new opportunities created by geopolitical changes. As an example, firms can diversify into emerging economies that have an advantage through the supply chain diversification strategy (Wang *et al.*, 2024). The increased focus on ESG practices also enables companies to build better reputations through exemplary leadership and conduct in a responsible manner (Kandpal *et al.*, 2024). Moreover, technological innovations, including data analytics and digital supply chain management, allow companies to track geopolitical risks in a more efficient way and enhance strategic planning (Belhadi *et al.*, 2024).

Threats

Economic sanctions, trade barriers, regulatory uncertainty, and reputational risks are the most serious threats that the multinational corporations face in geopolitically unstable environments (Kuzina and Steiner, 2025). The increasing geopolitical tensions may be followed by some abrupt modifications in policy, confiscation of assets, or prohibition of international financial transactions (Verdier, 2025). These developments may cause disruptions to global operations and greatly raise operational expenses. Furthermore, any publicity on the corporate conduct on sensitive geopolitical fronts can put companies at risk of reputational losses and customer retaliation (Taylor, 2024).

In general, the SWOT analysis shows that multinational enterprises have great potential to deal with geopolitical risks, but they need to adjust their strategies constantly to be competitive and sustainable in an unpredictable global environment.

4.0 CONCLUSION

The paper will discuss the impact of geopolitical risks and economic sanctions on the location decisions of multinational enterprises (MNEs), market entry and exit strategies, and stakeholder responsibilities (Teece, 2022). The results indicate that geopolitical uncertainty has been a major consideration in international business, and decision-making has changed towards cost efficiency, risk management, and resilience (Bozonelos and Tsagdis, 2023). Geopolitical risks make the investment destinations less appealing because location advantages are undermined by political instability and uncertainty regarding the regulations under the Eclectic Paradigm (OLI) concept (Ren, 2024). In the same way, the CAGE framework underlines that administrative and political variations contribute to the diversification, nearshoring, and friend-shoring strategies by firms (Judijanto, 2025). Economic sanctions also create legal and operational limitations, which create higher compliance costs and uncertainty, as discussed by Transaction Cost Economics (TCE), forcing firms to leave or reorganize (Lee *et al.*, 2023; McManus, 2023). The paper also highlights the role of

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stakeholders, in which CSR and ESG models demand companies to balance ethical, legal, and profitability issues (Kim, 2025; Tariq, 2024). In general, the study focuses on the transition between efficiency-based globalisation and resilience-oriented approaches, and even though it uses secondary sources, it fulfills its purpose and recommends further studies at a firm level.

5.0 RECOMMENDATIONS

Based on the weaknesses and threats identified in the SWOT analysis, several recommendations can help multinational enterprises (MNEs) effectively address geopolitical risks.

To begin with, firms ought to develop effective geopolitical risk surveillance systems. A major weakness noted is the inability to react quickly to dynamic political situations (Jooss, 2024). To monitor geopolitical changes, firms should invest in data analytics, scenario planning, and risk assessment tools to always track the situation (Dugbartey, 2025). Such a proactive attitude helps organizations to foresee such disruptions and react better to threats in the form of sanctions.

Secondly, multinational enterprises should diversify their supply chains and investment locations. Reliance on one country makes firms vulnerable to extreme geopolitical risks such as trade barriers and political unrest (Xie, 2024). Diversification strategies such as nearshoring or friend-shoring can help firms become less vulnerable and enhance their supply chain resilience, although this might incur higher operational costs (Wu, 2025).

Third, organizations should integrate ESG and stakeholder-oriented strategies into their operations (Sharma, 2026). With the ever-growing demands of the stakeholders, companies are expected to exhibit ethical conduct. This entails the protection of the welfare of the employees, responsible sourcing, and transparent ESG reporting practices (Moreira *et al.*, 2025).

Overall, developing effective risk management skills, improving flexibility, and emphasizing ethical governance might assist multinational firms in coping better with geopolitical uncertainty, thus fostering sustainable development and competitive advantage (Mayienga *et al.*, 2024).

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APPENDIXES

Appendix 1: The recent GRP index:

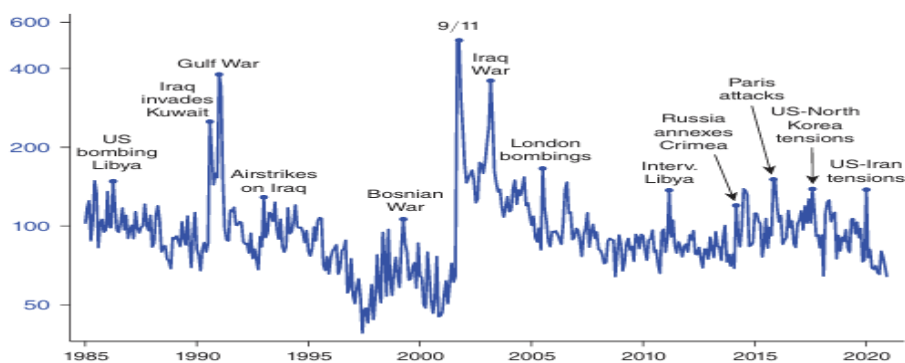


FIGURE 1. RECENT GRP INDEX FROM 1985

(Caldara and Iacoviello, 2022)

Appendix 2: The historical GRP index:

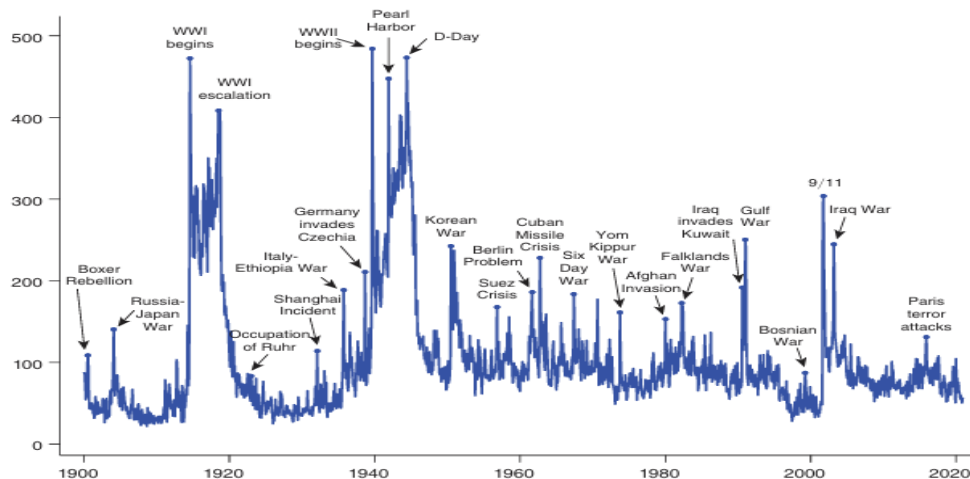


FIGURE 3. HISTORICAL GRP INDEX FROM 1900

(Caldara and Iacoviello, 2022)

Appendix 3: Country-Specific Geopolitical Risk:

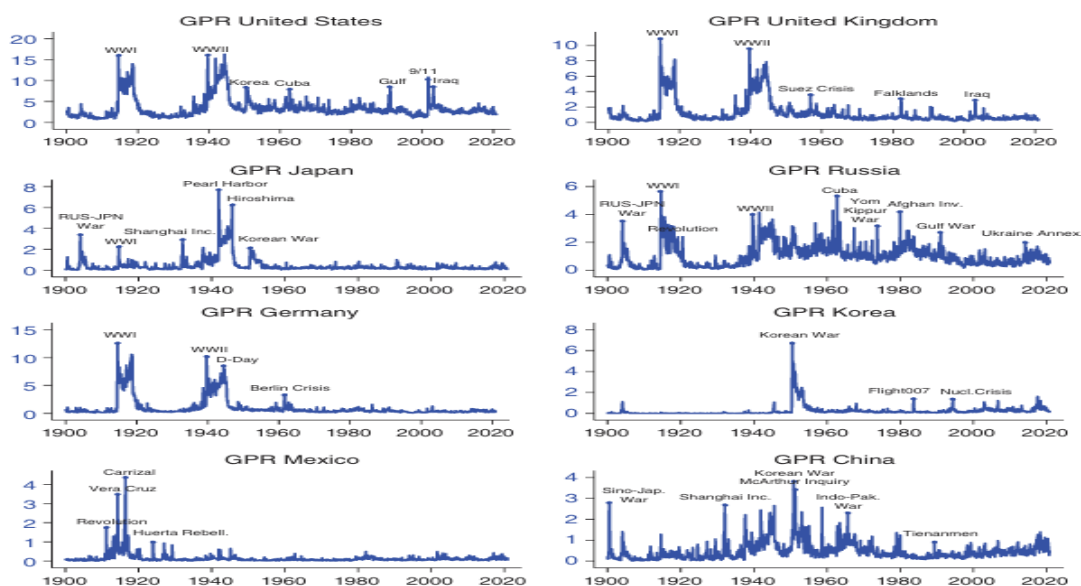


FIGURE 6. COUNTRY-SPECIFIC GEOPOLITICAL RISK

(Caldara and Iacoviello, 2022)

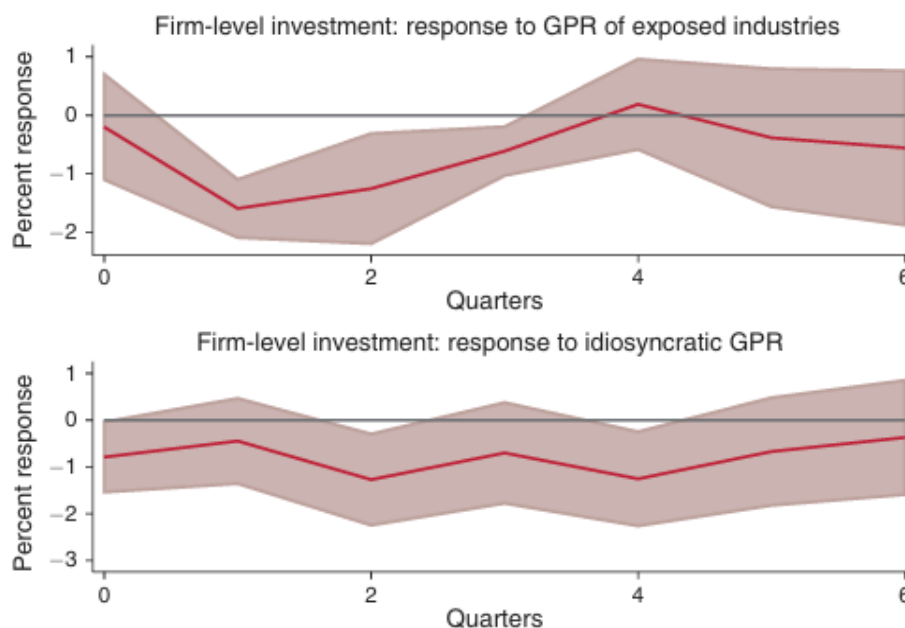
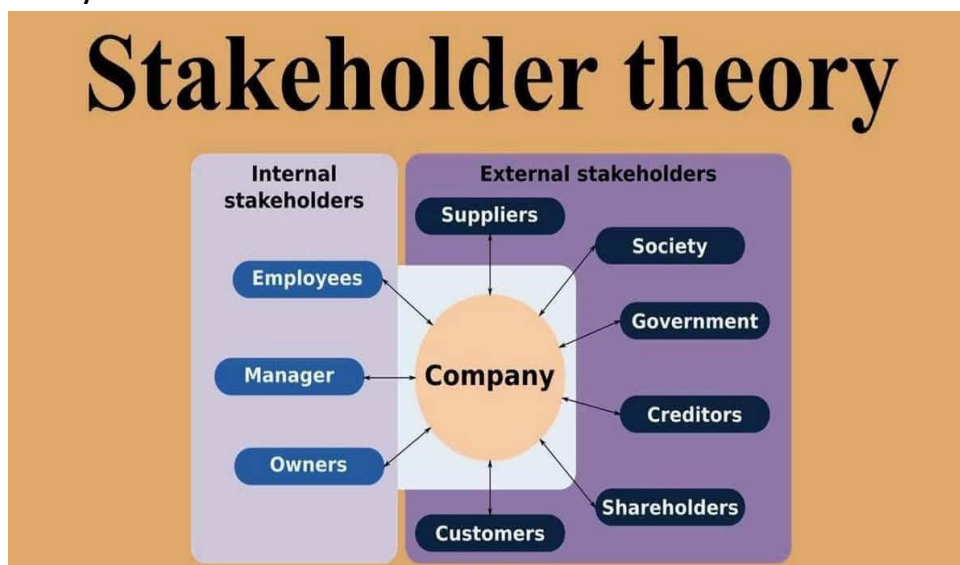


FIGURE 11. RESPONSE OF FIRM-LEVEL INVESTMENT TO GEOPOLITICAL RISK

(Caldara and Iacoviello, 2022)



(Atlassian, 2026)



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