Geopolitics in a Multipolar World

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In a world defined by disruption, directors are steering through unprecedented change. From shifting global alliances to the relentless pace of digital transformation, boards must lead with strategic foresight, agility and innovation.

Many corporate boards now recognise that geopolitics must be part of their oversight. Long before Donald Trump's second presidency, geopolitics were relevant, but since his return and the US "Liberation Day" tariffs, the stakes have sharpened.

As nations scramble to respond to US tariffs – renegotiating terms, diversifying markets and rethinking alliances – businesses can no longer afford to watch from the sidelines. How, then, should boards and senior management meaningfully integrate geopolitical risk into their decision-making? It is not enough to subscribe to the *Financial Times* or a specialist feed. What matters is recognising which political shifts will affect the business mission, and then building systems to respond.

This becomes especially important now that globalisation appears to be receding and a multipolar world is emerging. Some commentators have described this as a move by the great powers to divide their spheres of influence: the US over the Americas, China over Asia, and Russia over Europe. But this view underestimates the complexity of the change.

This shift is not just about one dominant power being replaced by another. Nor is it a single "rulebook swap." Rather, the world seems to be entering a phase of multiple competing powers and influences, with shifting rules, ebbing and flowing alliances, and, above all, uncertainty.

Even if multipolarity eventually stabilises, the transition is being contested and filled with tension.

Geopolitical challenges and uncertainty

Seen this way, key geopolitical considerations are less about long-term end states than about what policy shifts and tactical decisions are being made now.

Take "Liberation Day" tariffs. These have consumed governments' attention, disrupted supply chains and altered market access. Many countries (and businesses) were caught off guard and scrambled to recalibrate their approach and alliances. While most expected Trump to increase tariffs, few anticipated how steep they would be, or how they would apply to different countries.

Japan, despite being a close US ally, rushed to recast its diplomacy after a shock announcement of a 25 per cent tariff on imports of its automobiles and auto parts. Subsequently, however, relations between the countries received a huge boost from the close personal dynamics established between Trump and the newly-elected Japanese Prime Minister. Trade negotiations are now taking a more upbeat tone.

Even India, initially viewed as a stalwart US supporter and a counterbalance to China, as well as a potential lynchpin in global manufacturing, was dealt a heavy blow. Many did not expect the bruising 50 per cent tariffs imposed by the Trump administration. As trade talks continue, however, it is evident that the US wields enormous influence in eking concessions and rebalancing power dynamics in this climate of uncertainty.

Then there is the big question mark over US-China tariffs. The bilateral trade issues that began under Trump's first term in office have led to speculation that the US is pushing for a sweeping "big, beautiful" deal with Beijing. If tariffs on China are less severe than those on India, Japan, South Korea or ASEAN, that gap will be significant for businesses in those markets.

Uncertainty is the overarching and defining issue. It is not just about which power is ascendant, but how the policy shifts by players are constantly in flux. What counts as "strategic" has broadened in definition – encompassing military domains, commercial ports, semiconductor supply chains, data centres, automobiles and consumer goods.

A longer-term geopolitical question is whether China's technology will outpace America's, particularly in artificial intelligence. But the immediate pain point is how states use sanctions versus incentives – and which industrial lobbies they support. Both the Biden and Trump administrations have intervened in chip manufacturing and export. But how they have done so makes a huge difference for manufacturers and users alike.

Tools, processes and frameworks

For corporate boards, geopolitics should not be treated as a one-off risk report. It demands ongoing attention, tools and adaptation.

Boards should begin by evaluating their preparedness: Do they have processes and tools in place to monitor and respond meaningfully to geopolitical changes? Most are not well prepared, and this is not surprising. Strategy discussions often focus on market growth, cost, and competition – and frequently neglect geopolitics.

Boards are presently structured to oversee commercial risk, governance and oversee decisions on the basis of price and quality, often within existing legal and regulatory frameworks. Counsel and compliance teams tend to interpret rule changes after they happen, rather than anticipate shifts.

When politics is discussed, it is usually domestic or localised, and even tied to individuals in power. Except for major multinationals and long term global investors, few companies demand geopolitical foresight of their boards or management. For many CEOs, big forums like Davos are seen more as a platform for networking than a source of strategic insight.

Similarly, access to geopolitical insights can be shallow or misaligned with business needs, and often not in a format that a board can act on. It is rarely systematised like financial forecasting or sustainability metrics. There is no dedicated board committee for geopolitical risk, nor is there a specific senior executive leadership team focused on such issues. The concept of risk is usually folded into general audit or board risk matters.

Corporations and advisory firms can build this capacity. The first step is to recognise that geopolitics is permanent, not just an episode fuelled by one administration or external shock. Once leaders accept the unpredictability and risk of misreading politics and policy, they can evolve practices and procedures. Boards that anticipate political shifts, integrate them into strategy, and move fast to respond will enjoy a comparative advantage.

Value, trust and agility

Another way to manage geopolitical risk is to build resilience. As firms improve their understanding and response to external shocks and regional/ global trends, they should also aim to become more "geopolitics-proof". This will help build organisational resilience.

First, diversification across markets is crucial. Firms should avoid dependence on any single country, market or supplier. While scale and familiarity often win out, investing in smaller or distant markets offers real insurance against turbulence.

Second, there should always be a Plan B (and Plan C, and so on) for resource allocation, manufacturing and investment. For instance, while China's appeal for low costs and strong infrastructure remains, sourcing for strategic alternatives is increasingly important. "China Plus One" can work, so long as it's genuine and not just re-labelling Chinese output ("China washing"), which can breach trade regulations.

Third, businesses must build trust across more markets. A firm should be perceived as a market-based decision-maker, not a proxy for any government (even if government ownership or shareholding exists). Trust can ease negotiations and help buffer against politicisation.

Businesses can take a leaf from the way the Singapore government has positioned itself in this fast-evolving landscape. Amidst ongoing US-China tensions, Singapore has earned trust from both sides through its rational and objective approach. We have built strong stakes in both camps and resisted being co-opted by the agendas of great powers.

Moreover, Singapore has emphasised partnerships with other countries and regional blocs (including ASEAN, Australia, New Zealand, South Korea) and is exploring ties with Latin America and Africa. While these combined efforts may not offer immediate or large-scale returns, they put Singapore in a better negotiating position as a more credible partner in a multipolar and complex world.

Companies can ride on this by leveraging trade agreements and developing multilateral ties, expanding their regional and global networks. In a world dominated by a single power, these matters might have seemed secondary. In a world of uncertainty, the reach and diversity of relationships and markets become strategic infrastructure that firms ignore at their peril.

Boards should study these agreements not just for compliance, but also for insight: They help reveal which geopolitical alignments matter and where potential risk is growing.