

Geopolitics: A Critical Agenda for the Boardroom



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The recent US presidential elections have injected new uncertainty into the global geopolitical landscape, particularly in US relations with China, Europe, and the Middle East. For Singapore companies, these shifts present both risks and opportunities.

Rising US-China tensions, involving the world's two largest economies, threaten to disrupt trade flows and create new compliance challenges for businesses operating in the region. However, Singapore's role as a neutral hub positions it as a bridge between East and West, enabling companies to access diverse markets and capital pools.

The Ukraine war has driven up energy and commodity prices, disrupted supply chains, and heightened regulatory and cybersecurity risks for companies with regional exposure. Similarly, the Middle East conflict has strained energy markets, increased trade route vulnerabilities, and amplified reputational and compliance risks for firms with global presence.

Resolution of these conflicts under a Trump administration could ease energy costs and trade disruptions. Yet the nature of such measures may create uncertainties around geopolitical alignments and sanctions, requiring companies to navigate cautiously.

Potential policies favouring high tariffs could reignite trade wars, increasing costs for Singapore companies reliant on US-China trade or global supply chains. Companies may need to reassess sourcing strategies, diversify markets, or absorb higher operational costs to remain competitive.

For boards, the imperative is to continuously monitor these developments, adapt strategies to capture emerging opportunities, and proactively safeguard against potential threats.

Geopolitics in a complex world

Traditionally, companies have focused on the political climate in their countries of operation as part of their risk management strategy. Today, however, geopolitical dynamics are more complex and pervasive, extending well beyond national borders to influence global supply chains, consumer behaviour and investment strategies.

In the past, boards could navigate such crises by relying on historical data and experience. Now, in a "BANI" (brittle, nonlinear, anxious, incomprehensible) world, past performance and experiences may be less reliable predictors of future outcomes. Events and their impacts are increasingly nonlinear, with small triggers potentially leading to outsized, unpredictable effects.

Additionally, the convergence of climate change and technological advancements has moved beyond mere strategy to demand significant board focus. As nations implement policies to address climate risk and digital transformation, corporate strategy and governance must evolve to consider these intersections. Boards must adopt flexible, agile approaches, embedding scenario planning into their governance frameworks to respond swiftly to disruptions.

Singapore-washing

The recent shifts in US-China relations illustrate how

geopolitics can alter the corporate landscape. Companies that relied heavily on Chinese manufacturing have been caught in the crossfire of tariffs and trade wars, leading many to reconsider their supply chain strategies.

Singapore, a potential focus of attention in the current geopolitical climate, could find itself in an awkward situation in what has been dubbed as “Singapore-washing”. This occurs when foreign companies, particularly from the Global South and emerging markets, use Singapore-incorporated companies and partners as a base to gain credibility or access to Western markets and capital, while potentially engaging in practices that may not align with international standards.

Singapore boards must ensure that their companies do not become unwitting participants in this practice, which can expose them to significant risks, including sanctions and reputational damage. This is especially pertinent as global regulatory scrutiny tightens around money laundering, terrorism financing and compliance with international trade laws.

Directors should prioritise rigorous due diligence, transparent business practices, and robust compliance frameworks to safeguard against such risks. Ensuring alignment with Singapore’s stringent regulatory standards and maintaining a clear ethical stance will help companies navigate these challenges without compromising their reputational integrity.

Moving from talk to action

Geopolitical risks may not seem as imminent nor tangible as financial or operational risks, making it easy to defer concrete action. However, political disruptions can swiftly upend even the most stable markets. This requires a robust approach to scenario planning and the development of actionable plans that go beyond speculative discussions, allowing companies to prepare for and navigate unexpected shocks effectively.

Effective governance of geopolitical risk requires a structured approach, starting with incorporating



these risks into the mandate of relevant committees, such as the risk committee or sustainability committee.

Boards should conduct thorough scenario planning exercises, establish clear risk mitigation strategies, and ensure management is equipped to respond promptly to emerging threats. For example, boards may need to regularly review their enterprise risk assessments and reassess the likelihood and severity of geopolitical impacts such as tariffs and supply chain disruptions, terrorism and fundamentalist attacks, cyber security breaches and ransomware, and policy and regulatory changes.

Boards must move beyond surface-level conversations and implement frameworks that facilitate proactive identification, mitigation and transfer of risks – including adequate insurance strategies. This could include setting up a dedicated task force or integrating geopolitical analysis into the regular risk assessment process.

In navigating geopolitical currents, perhaps the best way to predict the future is not to create it, as suggested by management consultant Peter Drucker, but rather to rigorously plan for different scenarios. By projecting and anticipating the implications of global events, boards can steer the company toward sustainable success. ●

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