

## Constants and Variables in International Business' Political Risk Assessment (2010–2020s)<sup>1</sup>

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### Abstract

*About a decade ago, the global community came to the realization that progress toward sustainable development would depend largely on the successful mobilization of private capital. However, business has not yet proved willing to assume the leading role – especially in fragile contexts – largely due to increased political risks.*

*This article identifies constants and variables in business' assessments of political risks over the 2010–20s based on selected serial reports summarizing the results of annual surveys of business representatives – Risk Barometer, by a global insurance company, Allianz, and How Leading Companies Are Managing Current Political Risks, produced by Oxford Analytica for Willis, Tower & Watson (WTW).*

*The article first examines long-term patterns and trends in business perceptions that manifested throughout the 2010s. The article then studies the impact that the COVID-19 pandemic and the increased global turbulence following Russia's special military operation in Ukraine in February 2022 had on these patterns.*

*The research confirms the hypothesis about the existence of “constants” in the perception of political risks, despite the volatile changes in their geography, and identifies three consistent, yet paradoxical patterns: first, the clear underestimation of political risks in comparison with other risk categories; second, deprioritization of extra-legal risks and risks of escalation of interstate conflicts over non-military legal-governmental risks; and third, business' limited ability to foresee the most significant political risks of any type. Neither the COVID-19 pandemic nor the escalation of conflict in Ukraine have reversed these patterns. This can be explained by the lack of in-house experience and insufficient use of external expertise in political risk assessment, as well as by an overrepresentation of developed countries (and underrepresentation of the developing world) in expert pools. Improvements in political risk management and a broader use of political risk insurance (and guarantees) might increase the effectiveness of private sector resource mobilization for international development. However, in a much more competitive global environment, a higher propensity of companies from the competing powers to invest in high-risk jurisdictions would create additional zones of tension in the Global South – in the same way as do the official development finance flows.*

*The article concludes by suggesting various possibilities of scaling-up fundamental and applied research in political risks (including their complex interactions with international development policies) based on regular business risk surveys to get results of high importance for Russia's current foreign and foreign economic policies.*

**Keywords:** political risks, international business, development finance, survey, political violence, conflicts, pandemics

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## Introduction

About 10 years ago, the global community reached a consensus that genuine progress toward sustainable development could only be possible in case of a dramatic increase in financing through private capital mobilization. However, getting "from billions to trillions" proved to be difficult. International business has not yet shown a willingness to assume a lead role, especially in fragile contexts. This reduces the chances for the achievement of the United Nations' sustainable development goals, already shaken by the shocks of recent years [Larionova, 2020]. One of the obvious reasons for such caution is political risk, both of extra-legal and legal-governmental origin (borrowing the terminology of C. R. Kennedy [1987]), which has diversified noticeably since the 2010s [Bordovskikh, 2020, 2022; Nechkin, 2018].<sup>1</sup>

Interest in political risk analysis has been growing steadily. This process has resulted in the proliferation of specialized consulting agencies (such as The PRS Group, AON, Control Risks, Verisk Maplecroft, and Eurasia Group); some of them (including Marsh McLennan and GeoQuant, among others) have started experimenting with data analytics. Analytical products offered by such organizations, including indices [Bratersky, 2010, pp. 137–44] have been cited extensively in academic literature. However, the business community's assessments, as well as the ability of companies of various sizes and specializations to capture and interpret signals emanating from the international environment in time, are rarely subject to a rigorous scholarly analysis, despite a large number of suitable sources such as corporate reports of the international companies, transcripts of their leaders' statements at various public events, their interviews with the media, and so on. But insights from business people themselves (including top executives), often presented as part of serial analytical reports, has a very special value.

This article identifies constants and variables in international business' political risk assessment over 2010–20s based on illustrative serial business risk surveys. This is achieved through the identification of long-term patterns and trends in political risk assessment that manifested in the 2010s to determine the impact of the COVID-19 pandemic on these patterns and to assess the influence of the escalation of the Ukrainian conflict and its consequences on business perceptions of global turbulence-related risks.

Our working hypothesis is that, despite volatile changes in the risk geography, it is possible to detect certain patterns in businesses' political risks assessments ("constants") that are very resistant to any, even the most unexpected, shocks coming from the international system.

Achievement of the stated purpose and testing of the working hypothesis is carried out mainly by analyzing the numerical data from risk surveys, as well as by studying the texts of the respective reports. The identified trends and patterns will be explained primarily through logic and intuitive methods.

As for sources, we have chosen the Allianz Risk Barometer reports [Allianz, n.d.] from 2012 to 2024<sup>2</sup> and the Oxford Analytica reports, *How Leading Companies Are Managing Current Political Risks?*, produced for the insurance company Willis, Tower & Watson (WTW) from 2017 to 2023 [Oxford Analytica, n.d.]. We selected these materials from more than a dozen regular and irregular reports based on surveys of business representatives (see Appendix, Table A1).<sup>3</sup>

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<sup>1</sup> Risks of legal-governmental origin are restrictive (to international business) decisions made by government entities. Risks of extra-legal origin are generated mainly by non-state actors and are related, one way or another, to social conflict manifestations.

<sup>2</sup> The Allianz Risk Barometer survey was conducted by the Allianz Global & Corporate Specialty SE between 2012 and 2023, and by the Allianz Commercial in 2024.

<sup>3</sup> At the same time, we decided to exclude surveys based on a qualitatively different understanding of risk, in particular, the well-known World Economic Forum "Global Risk Reports" containing results of a survey of more than 12,000 business executives from more than 120 countries since 2022 [WEF, n.d.], because their respondents chose top-five risks for their country and not for their business (from the closed list).

These two reports represent different categories and complement each other perfectly.

The Allianz Risk Barometer is a common type of report in which political risks are included in a general hierarchy of risks significant to business. Risk Barometer is compiled by one of the leading global insurance companies, which manages the assets of more than 122 million private and corporate clients in 70 countries. The survey has been conducted by Allianz annually since 2012 among corporate clients worldwide (involving brokers and industry specialists), as well as risk management consultants and insurance experts working in the company's own divisions.

We selected the Risk Barometer for several reasons. First, this survey is characterized by the greatest breadth of the expert pool in terms of the number of respondents (second among all selected surveys), a wide geographical and sectoral scope, and a fairly long time span (more than 10 years). Nonetheless, it is worth highlighting right away an apparent overrepresentation of respondents from Europe and the Western Hemisphere, which on average account for at least two thirds of the expert pool,<sup>4</sup> as well as the limited number of countries in Asia, Africa, and the Middle East that are represented by a significant number of respondents—a factor which we take into account at all stages of our research.

Second, the Allianz surveys provide information on differences in risk assessment depending on the region, country, sector, and size of the company represented by a respondent.

The Oxford Analytica reports for WTW, in turn, belong to an extremely narrow cohort of surveys dealing with political risks specifically. The surveys of the same type by the Multilateral Investment Guarantee Agency (MIGA) conducted in partnership with the Economist Intelligence Unit were truly pioneering, but because the last report came out in 2014 [MIGA, 2014] this series is unsuitable for the tasks at hand.

The consulting agency Oxford Analytica has produced this analytical product since 2017 for one of the leading insurance companies, WTW. Initially, only a few dozen large companies were engaged—clients from both organizations participated in the surveys as respondents, with some answering closed-ended questions and others participating in a panel interview. In 2023, the pool of respondents became more representative in terms of regional and sectoral coverage and company size.

The Oxford Analytica reports for WTW, which focus exclusively on political risks, complement the Allianz Risk Barometer perfectly. On the one hand, they use a much more detailed typology of political risks. On the other hand, they provide important information for understanding the real impact of political risks on business, including detailed information on the location of actual losses experienced. The analysis of these reports adds important elements to the description of the risk landscape.

The novelty of our research is determined by the specificity of the research tasks and hypothesis, as well as by the particularities of the source base. Business risk surveys are sources of information the value of which has not been exploited in full.

References to risk surveys are also present in the works of both western [Beasley, Branson, Pagach, 2023; Fathi, 2022; Gatzert, Reichel, 2022] and Russian scholars [Belozyorov, Sokolovskaya, 2023; Cenina, 2021; Goryushina, 2017; Nebolsina, 2021; Shilkina, Varakina, 2019]. However, they are mostly used in a very limited way to illustrate the increased attention to specific risks and are not accompanied by source criticism or analysis of survey methodology, composition of the expert pool, and so on, with very few exceptions [Beasley, Branson, Pagach, 2023; Goryushina, 2017]. At the same time, our research differs considerably from these exceptions. Unlike the work of E. M. Goryushina [2017], our research focuses not on methodological but on substantive aspects of business

<sup>4</sup> In the 2022 survey, the top five countries in terms of the number of respondents were the U.S., Germany, the United Kingdom, Romania (!), and South Africa, with two key western countries—the U.S. (292 respondents) and Germany (384 respondents)—accounting for 63% and 30% of the relevant regional pools, respectively, and almost 25% of the total number of respondents [AGCS, 2023b]. In the latest survey (2023), the top five was as follows: Germany (454), the U.S. (252), South Africa (179), Spain (141), and UK/India (141) [AGCS, 2024b]. China was ranked sixth in both years (the only other country represented by more than 100 respondents).

risk surveys, covers a significantly wider time range, and uses different sources. Unlike the team of researchers from the University of North Carolina [Beasley, Branson, Pagach, 2023] affiliated with the Enterprise Risk Management Initiative that has studied the results of surveys conducted in partnership with the consulting company Protiviti [Protiviti/NC State, 2013–23], we focus specifically on political risks and complete this task using different set of sources.

## Patterns and Trends in the 2010s

The identification of long-term patterns in international business' political risk assessment requires the use of the Allianz Risk Barometer given its coverage over 12 years.

The organizers of this survey use risk categories that differ from the most commonly used types. For example, the category "changes in legislation and regulation" covers legal-governmental risks only partially. Interstate conflicts, which also imply decisions on the use of force by state authorities, are included in the category "political risks and violence," which also includes all traditional extra-legal risks. The methodology of the Allianz Risk Barometer reports makes it possible to determine the place of political risks in a general hierarchy of risks (taking into account the share of respondents who included them in their personal top three) and to track significant ranking changes over time.

An analysis of the aggregated numerical data on two macro categories of risk (legal-governmental and extra-legal) that we are interested in (see Annex, Table A2) reveals the following:

1) Political risks are marginalized—over the 2010s, neither of the two categories even made it to the top three, let alone took the top spot, unlike many other non-political risks such as cyber incidents or business interruption (including supply chain disruption).

2) Legal-governmental regulatory risks have consistently ranked much higher than extra-legal risks and interstate conflicts, which did not even enter the top 10 in the 2012 and 2013 surveys.<sup>5</sup> Meanwhile, in the case of the legal-governmental regulatory risks the variations were minuscule—they mostly ranked fourth or fifth, second only to a narrow number of risks such as cyber incidents, business interruption, market developments, and natural catastrophes. For the extra-legal risks and interstate conflicts, the spread between the lowest (18th in the 2013 survey) and the highest ranking (eighth in the 2016 survey) was one of the widest. In certain years, the risks of the latter type were displaced from the top 10 by such categories as "theft, fraud, corruption," "loss of reputation or brand value," "new technologies," and "climate change."

Neither pattern stems from an uneven representation of respondents from different regions (which is characteristic of the Allianz Risk Barometer), because they were observed almost everywhere (see Annex, table A3).

At the same time, it is important to pay attention to some variations. For example, respondents from western countries attached little importance to political risks. The top 10 based on the answers given by respondents from the Western Hemisphere in the 2010s never included extra-legal risks or interstate conflicts. European and Asian experts did not prioritize them either (there were only three entries in the top 10 over the decade, in 2014–15), unlike representatives of the companies from the most conflict-prone macro region—Africa and the Middle East—who ranked them very high almost all the time. Only by experts in Africa and the Middle East region were risks associated with political violence considered to be in the top five, and as high as the top three in certain years (2018–19),

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<sup>5</sup> Allianz Risk Barometer surveys are conducted in the autumn, and reports summarizing their results are published at the beginning of the next (forecast) calendar year. Hereinafter, in the text of the article the year of the survey is indicated, while the publication year is indicated in the citation.

gaining more importance than legal-governmental risks.

Certain regional variations in the dynamics of business assessments of particular risks, which manifested in the 2010s, are also indicative. For example, companies operating in the European, Asian, and African countries (and relevant brokers) clearly felt an increase in non-military risks of legal-governmental origin—this was especially noticeable in the Asia-Pacific region, which can be explained by the increasing U.S. pressure on China.

In the Western Hemisphere, however, a similar trend was not observed—risks in this category were ranked fifth or sixth most of the time. Changes in the assessment of extra-legal risks and interstate conflicts are seen only in Africa and the Middle East region, where their significance increased until 2019.

Meanwhile, if we consider the most influential countries of the world (members of the Group of 20 (G20)) (see Annex, Table A4), there are very few cases of political risks breaking through to the first or second positions in the assessments of representatives of companies doing business there.

Over the decade, such a breakthrough occurred only with non-military risks of a legal-governmental nature in the responses of business representatives from Great Britain (immediately after Brexit, in 2017–19), Australia (in 2018–19), and Russia (in 2015 and 2018–19), but this change was short-lived. As for the developed countries, business took extra-legal risks and interstate conflicts seriously in the 2010s only in the UK, France, and Japan, while these risks most often did not make it to the top 10 in other countries. Company representatives operating in the countries of the Global South (Argentina, Brazil, India, Turkey, and South Africa) mentioned this category of risks much more often, but not as the most concerning (except for Turkey).

The two identified patterns are also present in the texts of the reports. The assessments provided, in our opinion, are not the “inventions” of their authors but rather reflect the sentiment of business representatives with whom the AGCS interacts on a permanent basis.

An excellent illustration of the marginalization of extra-legal risks can be found, for example, in the 2012 report that came out right after the Arab Awakening. Although a series of uprisings in the Arab world redrew the map of a huge and extremely important (in geopolitical and geoeconomic terms) region, these turbulent events were not even mentioned in the report. The entire segment on political risks was devoted to the traditional risks of legal-governmental origin, mainly related to regulatory changes and the rise of protectionism [AGCS, 2012, pp. 3–4], and mentioned only Europe and the Asia-Pacific region. This cannot be considered a one-off aberration—the following year’s report mentioned only regulatory changes in the renewable energy sector, pharmaceuticals, and chemicals [AGCS, 2013, p. 6].

In the 2014 report, the authors decided, surprisingly, to mention the Arab Awakening but emphasized that concerns about its long-term impact take a back seat, causing extra-legal risks to fall to a record low (18th!) place [Allianz, 2014, p. 6]. Taking into account the subsequent developments, and especially the seizure of vast territories in Syria and Iraq in the summer of 2014 by the Islamic State of Iraq and the Levant—to which many groups from regions far from the Mesopotamia have sworn allegiance—it is pertinent to say that the AGCS customers participating in the survey were not very far-sighted. Moreover, being focused on eurozone risks, fraud, and cyber risks, they did not anticipate any risks coming from the post-Soviet space, and only in the following year (against the backdrop of the Ukrainian crisis that shook the whole region, as well as the events in Hong Kong and Thailand [AGCS, 2015, p. 8] and their consequences) did political risks of extra-legal origin and interstate conflicts return to the top 10, rising nine places at once.

As if to justify neglecting the latter type of risk, the section on political risks in the 2016 report was almost entirely devoted to it and emphasized the need to monitor the security situation and develop contingency plans for various scenarios. It was stressed that not all companies at that time

had such plans, but more had started “working with specialist crisis and risk consultancy firms which provide analytical information and local security experts” [AGCS, 2016, p. 5].

Over the second half of the 2010s, extra-legal risks—terrorism and political activism—were consistently mentioned in the text of the AGCS reports but were rather peripheral. Risks associated with the rising protectionism and other regulatory changes in the wake of Brexit and the ascension of Donald Trump, whose trade policy had a multidimensional impact on the global economy and accelerated de-globalization trends. At the same time, it is indicative that authors of the report did not outline the military-strategic component of the growing geopolitical tensions as a factor in provoking conflicts and crises. It is also important that even in 2019, right before the COVID-19 pandemic, they focused mainly on the growth of protest activity in different parts of the globe—Bolivia, Colombia, France, Chile, and Hong Kong, as well as on the the growing U.S.-China rivalry, changes in the EU trade policy, and the environment, social, and corporate governance (ESG) agenda.

A similar pattern is observed in the sectoral dimension. In the three years prior to the pandemic, the only sector whose representatives included extra-legal risks and interstate conflicts in the top five was hospitality, leisure, and tourism. Furthermore, the deprioritization of such risks was typical for all three categories of companies—large, mid-size, and small.

Here, we can ask whether the patterns we have identified—a deprioritization of extra-legal risks and interstate conflicts and a low ability to anticipate significant changes in the risk landscape—are also present in the Oxford Analytica surveys and reports for WTW, which are devoted exclusively to political risks. Even a quick glance at the table with changes in the top 10 risks compiled on the basis of these surveys (see Annex, Table A4) reveals two similar patterns.

First, in the 2010s, the ratings were unambiguously dominated by risks of legal-governmental origin: they occupied between seven and eight places out of 10 (see Annex, Table A2). Among the specific factors of extra-legal risks and interstate conflicts that made it into the top 10, we can mention only "Middle East regional stability," "succession in Central Asia," "migrant and refugee crises," and "South Asia instability."

Second, most of the risks on the experts' radar were in one way or another related to the policies of developed rather than developing countries, primarily the United States but also the EU countries. At the same time, the focus in the 2010s was on the U.S.' international actions, including President Trump's trade wars and sanctions policies, as well as on the U.S.-China strategic competition, which topped the Oxford Analytica rating even before the pandemic.

The disproportionate attention to paid non-military risks of legal-governmental origin is reflected in the breakthrough of ESG-related risks into the top 10, which also occurred before the pandemic (appearing in fourth place in a survey conducted in the autumn of 2019). Oxford Analytica reports for WTW also allow the correlation of assessments of the risk significance with the estimates of the actual losses experienced. The questionnaire used by Oxford Analytica contains both relevant risk categories, but the degree of their disaggregation is not the same. Non-military legal-governmental risks are represented by four risks (sovereign non-payment or contract frustration, expropriation or creeping expropriation, trade sanctions or import/export embargo, and restrictions on currency withdrawal), whereas all extra-legal risks and interstate conflicts are combined in the macro category "political violence or forced abandonment" (see Annex, Table A5).

In the pre-pandemic years, the latter category regularly ranked high, in sharp contrast to what we have seen in the Allianz reports. It seems to prove that transnational business has clearly underestimated the political risks of extra-legal origin and the escalation of interstate conflicts. Relegating them to a peripheral position, a business repeatedly experiences significant losses as a result of their materialization (even if the company does not have a direct presence in those external markets where the risks are materialized). This paradoxical pattern has revealed itself even more

prominently in the 2020s.

## Impact of the COVID-19 Pandemic

The outbreak of the SARS-CoV-2 coronavirus came as a surprise to international business, as the entrepreneurs obviously did not take this kind of risk seriously in the 2010s. In the Allianz Risk Barometer, global epidemics did not rise above 16th place, but in 2020, they immediately rose to second place (see Appendix, Table A2). The start of the pandemic, in turn, led to supply chain disruption risks deposing cyber risks from the first place they had occupied earlier and also increased the level of concern about macroeconomic challenges (which was entirely logical against the backdrop of the global and extremely deep COVID-19 crisis).

Nonetheless, no dramatic changes in the political risk assessment occurred during the pandemic years (2020–21) compared to the 2010s. The place of political risk in the general risk hierarchy remained peripheral. The prioritization of non-military legal-governmental risks over extra-legal ones and risks of escalation of international conflict remained and became even more noticeable.

In 2020, however, the upsurge in protest activity against the backdrop of lockdowns in western countries deserved a separate mention in the text of the relevant report [AGCS, 2021, p. 25]. In addition, its authors expected that social unrest, as well as separatism and nationalism, would play a key role in the future. They noted that the “pandemic has led to some countries taking tougher stances on refugees/asylum seekers and cutting back on development” and that “such conditions only further fuel incidences of separatism/nationalism, religious extremism and xenophobia” [Ibid., p. 25]. However, in 2021, as the world adapted to pandemic realities, all the aforementioned risks fell off the radar as the focus shifted to regulation of cross-border data exchange, innovations in European regulation of green technologies, and other perceived risks. All geopolitical risks were reduced to the growing U.S.-China competition, “contaminating all sorts of economic activity, from trade to technology and investment” [Ibid., p. 22].

Variations in risk assessment by respondents from different regions are also worth noting. For example, in the responses of business representatives from all regions except the Asia Pacific, the legal-governmental regulatory risks were ranked lower and were replaced by the more urgent risks of cyber-attacks, supply disruption, macroeconomic difficulties, and others. In the case of the Asia-Pacific region, they increased, mainly due to a change in the assessments by respondents from China (represented the best in the pool of respondents) who began to place this risk in first or second place (see Annex, Table A4). This, though, is explained not only by the impact of the pandemic, which strongly affected China, but also by the intensification of the U.S.-China rivalry, which continued after the victory of the Democratic Party’s candidate Joseph R. Biden Jr and the change of power in Washington.

As for the extra-legal risks and threats of interstate conflict escalation in three regions—Europe, the Asia-Pacific, and the Western Hemisphere—there were no changes; these risks remained outside the top 10, which was predetermined by the views of business representatives from the countries with a disproportionately large number of respondents: the United States, Germany, and the UK. As for Africa and the Middle East, extra-legal risks and threats of interstate conflict escalation soared from ninth place to the top five, which can be explained, in particular, by the increasing civil commotion amidst the COVID-19 crisis (see Annex, Table A3).

The analysis of the surveys that Oxford Analytica produced for WTW provides a much more nuanced view of the pandemic’s impact on the political risk assessment.

First, some new, context-specific risks appeared in the interviewees’ responses—“political aftershocks of COVID-19” (2021 and 2022 surveys) and “pandemic debts” (2022 survey). The first was a risk of extra-legal origin and depicted manifestations of internal destabilization triggered by the pandemic. The second appeared only in 2022, but business had already recognized the aggravation of the debt problem in 2021. Whereas in 2018–19, the risk of sovereign defaults and fiscal crises was

mentioned by one and two respondents, respectively, in the context of the pandemic the number of concerned respondents increased given that, in 2020, five countries declared default—more than during the global financial crisis of 2008–09 [Oxford Analytica, 2022, p. 8].

At first glance, both pandemic-specific risks disappeared as quickly as they emerged. In the 2023 report, "debt crisis in the emerging world" was already included in a special reserve category called "below-the-radar," which included risks that were not currently prioritized, but could rapidly become so. The decision to put the debt problem in the below-the-radar category seems quite odd considering that the problem has worsened, partly due to the very actions taken by developed and developing country governments during the pandemic.

We would also like to highlight the results of the assessment of the long-term impact of the pandemic on the seven geopolitical trends selected by the survey designers, as presented in the 2022 Oxford Analytica survey (see Annex, Table A6).

The survey designers arranged the impacts of the pandemic in a hierarchical order, summing up the number of experts viewing a given trend as either "strengthening" or "greatly strengthening." All three top lines in this mini-rating were occupied by trends with a quite similar meaning—"intensified geostrategic competition (e.g. US, China, Russia)," "intensified economic decoupling between China and the West," and "intensified economic nationalism and deglobalization more generally," none of which was explicitly associated with risks of extra-legal origin.

Attention should also be paid to business' gradual realization that political risks of legal-governmental origin are not a consequence of the particular U.S. administration headed by Donald Trump (whose coming to power prompted WTW to launch this project as such) but are systemic in nature. In just a couple of years, a very precise formula "US-China strategic competition" (2020 survey) gradually turned into "the West vs. China" (2021 survey) and, a little later, in 2023, into a vague "decoupling from China". At the same time, the private sector began to see risks both in U.S. actions on the international stage and in its domestic environment (such as "US democracy in crisis" or "uncertainty, USA"). This, in our understanding, was a reaction to a drastic decline in the resilience of American democracy in the wake of the disputed 2020 presidential election and the unthinkable storming of the Capitol on 6 January 2021.

Meanwhile, the trends generating traditional extra-legal risks (see Annex, Table A6, items 4–6) were predominantly located in the lower half of the rating. Particular attention should be drawn to the trend of "greater frequency and intensity of protests/riots/social unrest." While almost 59% of experts saw this trend strengthen, only 9% regarded it as "greatly strengthening." Thus, there was no break in the pattern observed in the pre-pandemic years.

Three key, long-term consequences of the pandemic might be considered: an appearance of such risks as "rich-world social instability" and "bigger, and broker, governments" in the ranking; an almost complete disappearance of specific risks associated with developing regions ("Middle East conflict," "South Asia instability," and "emerging market fiscal crises") from the list; and certain changes in political risk management strategies: the growing share of business using political risk insurance (from 44% of all respondents in the 2019 survey to 48% in the 2021 survey) and scenario analysis (from 25% in the 2019 survey to 58% in the 2021 survey), and the active use of practices such as "identify and proactively monitor geopolitical issues likely to have strategic impacts" (from 64% to 71%) and "enterprise risk management framework formally includes geopolitics" (from 45% to 51%) already during the pandemic (in the 2020 and 2021 surveys) [Oxford Analytica, 2022, p.15].

Changes in the lists of countries where respondents' companies experienced losses should also be mentioned (see Annex, Table A7). Whereas before the pandemic (2019 survey) this list consisted almost entirely of developing countries, including countries under sanctions (Iran, Venezuela, and Zimbabwe) or affected by armed conflicts (Libya), during the pandemic it began to feature developed countries (the United States, the UK, the EU member states), as well as other large developing countries that had not previously been on the list—for example, Turkey and Saudi Arabia. The



representation of the African continent in these lists has also decreased dramatically.

Besides that, just as in 2013, in the 2021–22 reports we did not find any indications of business' awareness of the risks associated with rising tensions in the post-Soviet space. Against this background, the start of the Russian Federation's special military operation in Ukraine was a genuine strategic shock for business, which changed its perceptions of the significance of political risks as such and forced many companies to reconsider risk management strategies.

## Impact of the Ukrainian Conflict's Escalation

As in the case of the COVID-19 pandemic, international business has demonstrated an almost complete lack of foresight vis-a-vis the Ukrainian conflict. Numerous participants in the AGCS surveys and the authors of respective reports for many years did not see the need to mention the large-scale risks associated with the situation in the western part of the Commonwealth of Independent States (CIS). Oxford Analytica survey respondents also proved unable to locate the main zone of turbulence. Although, in 2019, Ukraine was included among the countries from which respondents' companies either had to leave due to political risks (one mention) or postponed/did not make new investments (one mention), this country was outside the top 10 of such risk-prone situations. In March 2021, Ukraine was not mentioned at all within the segment describing the risk called "instability in Russia/CIS" [Oxford Analytica, 2021, p. 10]. The next survey was conducted at the end of 2021, already in the context of a visible rise in tensions between Russia and the West over Ukraine, but it was published shortly after the start of the special military operation. The only risk affecting the post-Soviet space (called "Russian interventions") took the last (!) place in the top 10, mentioned by only five experts. Respondents considered even the political consequences of climate change to be more significant (this risk was chosen by six people).

This paradoxical underestimation of the paramount risk required detailed justifications from the authors in the subsequent report. In fact, two main reasons were provided: first, that business was aware of the risk as such, but questioned Russia's readiness to opt for a military solution and, second, that the interviewees were predominantly from the western countries and thus had an insignificant direct financial exposure to the conflict due to Russia's small share in outgoing foreign direct investment (FDI) from United States (0.2%) and Europe (2.9%) [Oxford Analytica, 2022, pp. 22–3].

From our point of view, these arguments are not convincing, especially given Russia's role in supplying a number of critical resources such as energy, non-ferrous metals, food commodities, fertilizers, and others. Anyway, the representatives interviewed by Oxford Analytica were "rehabilitated" in the 2023 survey published in March, a year after the start of Russia's special military operation: the risk of "Ukraine complications and escalations" topped the ranking, displacing "decoupling from China."

But it is also interesting to know whether business' political risk assessments in general have changed after the start of Russia's special military operation in Ukraine, and if so, how exactly?

If we analyze the Allianz Risk Barometer data, the position of political risks in the overall hierarchy of risks has not changed dramatically—"regulatory" risks remained in fifth place, and while extra-legal risks and risks of international conflict escalation returned to the top 10, where they featured occasionally in some pre-pandemic years, they appeared in last (!) place.

However, the deprioritization of extra-legal risks and risks of interstate conflict escalation was replaced by a sharp increase in their significance, and this was true for all macro regions except Africa and the Middle East.

The trend reversal is best illustrated by the first questionnaire survey since the launch of the Allianz Risk Barometer, devoted specifically to political risks. The first place in this mini-ranking was taken by "war," bypassing all other risks including "change of government and regulatory changes," which had dominated the rating all the previous years. The retention of such a high position

(second place) by non-military legal-governmental risks can be easily explained by the increasing sanctions pressure on Russia and China from western countries, the increased likelihood of new regulatory changes, and the remaining risk of abrupt policy changes in case of party-political reconfigurations (in both developed and developing countries).

The focus on war, however, is explained by the fact that the escalation of the Ukrainian conflict has led to an accelerating inflation, the energy crisis in Europe and related shortages, and volatility in the prices of key commodities, including due to anti-Russian sanctions [AGCS, 2023, pp. 9, 33]. An Allianz Group functionary described the changes as follows: "The war in Ukraine has been an eye opener for many, demonstrating how a conflict can result in shortages and price increases for raw materials, raising awareness of the need to be more sophisticated in understanding which components and materials are critical, where they are sourced, as well as how to secure them" [Ibid., pp. 9, 33].

According to the Allianz Risk Barometer, the combination of the Ukrainian conflict's escalation and the effects of the COVID-19 pandemic has catalyzed several significant changes in business' risk assessment:

- increased concern about volatility in the economy and financial markets;
- return of macroeconomic risks to the top three (in third place) for the first time since 2012;
- aggravation of the energy crisis risk, which had never featured in the rating before but has now taken the fourth place;
- the risk of natural disasters receding into the background, losing three rank positions at once;
- an increase in the significance of traditional risks of extra-legal origin, including protests (the authors of the report envisaged possibility of protests, such as the Black Lives Matter movement in the U.S. or protests in South Africa, which erupted against the background of the imprisonment of former President Jacob Zuma in 2021);
- increased risk of large-scale cyber-attacks;
- increased concern about the possible escalation of conflicts between other states [Ibid., pp. 11, 17–9, 32–3].

However, while the risks associated with the Ukrainian conflict have been prioritized, some other long-term patterns continue to manifest themselves. For example, the "decoupling" (which topped the Allianz Risk Barometer ranking before the pandemic and held the first place throughout) was only slightly behind (in terms of the number of respondents who chose it) "Ukraine complications and escalations." This indicates both the long-term tendency to prioritize this risk and the fact that its cumulative scale was determined not only by high probability, but also by a truly planetary scope. In part, the same can be said of the "impact of environmental, social, and governance (ESG) issues" (fifth ranked in the 2023 Allianz Risk Barometer), which are significant mostly for western countries.

No less interesting information can be extracted from the Oxford Analytica reports for WTW. Some of the changes are identified in the texts of the reports themselves, whereas others can be identified analytically.

First, there was a dramatic surge in attention to political risks as such. Many business representatives called the Ukrainian conflict a "paradigm shift," a "watershed moment;" one of the respondents, an executive of the automotive sector, expressed the same idea as follows: "Business and politics have lived in two different realities. The events of the past year have now aligned realities" [Oxford Analytica, 2023, p. 2]. More than 90% of the companies surveyed reported a political risk loss (up from 35% only a few years ago) [Ibid., p. 2].

Second, a business' perception of the escalation of the Ukrainian conflict was not unequivocally negative and depended largely on the crisis' impact on the financial posture of the company. Despite the predominance of negative assessments (60%), it should be noted that every fifth representative of the private sector regarded this impact as "positive" or "material positive."

However, a disaggregation of data by the location of the company headquarters paints a more complex picture: European and African companies were the most affected by the crisis, while in other

regions of the Global South—the Middle East, Latin America, and the Asia-Pacific—at least 25% of respondents regarded the impact as mostly positive. This can be explained by the significant restructuring of trade and investment flows following the special military operation and the imposition of large-scale sanctions on Russia by western countries. Even more interesting is the information on companies with headquarters in North America (six in total), among which there were more beneficiaries than firms that suffered losses. Among the beneficiaries were representatives of the energy sector, including companies specializing in the supply of liquefied natural gas, and agribusiness, which benefited from price increases in their market segments (see Annex, Table A9). This once again confirms that the main beneficiary of the escalation in Ukraine was the United States. The U.S. was able to take advantage of the situation to strengthen its position in Western Europe, which, on the contrary, lost from an almost complete breakdown of economic relations with Russia.

Third, transnational business has demonstrated a realization that the Ukrainian conflict has had and will continue to have a systemic impact on other political risks. On the one hand, this pertains to risks of global scope, such as an increasing economic fragmentation of the world, which is largely perceived as inevitable. For example, according to an executive from a European industrial firm, "Global decoupling, which to some extent has been accelerated by the war, has meant that we have had to, or are in the process of, decoupling everything, including HR systems, production systems, and so on. Personal data, for example, can no longer be shared or handled globally." Another European executive put it even more succinctly: "We have operated as a globalized company, but the new reality is local" [Oxford Analytica, 2023, p. 11].

Business representatives note other effects as well. In particular, due to the fact that many European companies have suffered multi-billion dollar losses due to the curtailment of operations in Russia, the importance of the ESG agenda's implementation has sharply increased for them [Ibid., p. 23]. The growing importance of the "Taiwan issue" should also be noted (in 2020–21, it was mentioned in the responses among other issues in the Asia-Pacific region, but now it is being considered separately). Finally, the indirect consequences of the conflict in the form of higher oil prices have contributed to the aggravation of the "debt crisis in developing countries" [Ibid., p. 29].

Fourth, all companies surveyed have improved their political risk management practices in one way or another since February 2022. In particular, they have increased the frequency of regular discussions on key issues, such as the situation around Ukraine or Taiwan, and the use of a scenario analysis. Nearly 54% of respondents noted "increased use of political risk insurance or financial hedges." The share of respondents who purchased political risk insurance rose from 48% in 2022 to 68% in 2023 (almost trebled (!) from 25% in 2019) [Oxford Analytica, 2023, p. 2].

Along with global changes, it makes sense to trace certain variations in political risk assessments among representatives of companies from different sectors, since Allianz Risk Barometer surveys make it possible to do so.

First, political risks have become relevant to more industries: the number of sectors whose representatives include political risks in the top five has doubled in 2022 (from four to eight). However, the practice of paying attention to this type of risk is not yet widespread, with only one in two industries considering them important. This indicates a certain lag in business' understanding of the scale of global transformations.

Second, the representatives of the absolute majority of sectors pay attention predominantly to non-military legal-governmental risks, while political risks of extra-legal origin and risks of interstate conflict escalation only appear in the responses by experts in the aviation, aerospace, and defence industry (the only industry where the corresponding type of risk tops the ranking), consulting, and telecommunications. The presence of the information and communications technology (ICT) sector, which has been singled out by other scholars [Beasley, Branson, Pagach, 2023], points to the need to study it in greater detail in the future.

The durability (sustainability) of the aforementioned effects of the escalation of the Ukrainian

conflict deserves special attention. So the results of the Allianz Risk Barometer 2023 surveys, which were published in mid-January 2024 [Allianz, 2024], in our view, can also be regarded as somewhat paradoxical.

At first glance, there was an increase in the significance of political risks in both categories: extra-legal risks rose by two ranks, and the share of respondents who included them in the top three risks tied the record in 2017 (14%, +3% compared to 2022); legal-governmental risks moved to fourth place, although the share of respondents who picked them remained the same at 19%.

The number of sectors whose representatives mentioned at least one of the political risk categories in the top five increased to 11, which is more than half of their overall number. In the vast majority of cases, prioritized political risks appeared to be legal-governmental and not extra-legal, the latter of which were mentioned only by representatives of three sectors (aviation, aerospace, and defence, consumer goods, and maritime and shipping). At the same time, the latest Allianz Commercial report acknowledges that extra-legal risks, first of all, concern large companies, while smaller companies are more focused on short-term (imminent) threats [Allianz, 2024, p. 48]; for representatives of small companies, extra-legal risks are not important enough to make it even to the top 10.

At the same time, non-political risks, which in 2022 were mentioned in conjunction with the escalation of the Ukrainian conflict, lost significance:

- macroeconomic risks remain in the top five, but fell to fifth place (the share of respondents who included them in the top three decreased by 6%);

- the energy crisis remained in the long list of risks, but fell out of the top 10, taking 11th place (only every 10th respondent included it in the top three risks).

However, text of the new report prepared by the Allianz Commercial based on the results of the 2023 survey adds a different colour to the picture. It should be noted that after only one year, the number of mentions of Ukraine (despite a high degree of conflict intensity and its omnipresence in the media) decreased considerably, from 31 in 2022 to two (!) in 2023, and the number of mentions of Russia decreased from 17 in 2022 to two (!). The Ukrainian conflict is mentioned exclusively in conjunction with the escalation of the Middle East conflict and rising tensions between China and the U.S. [Allianz Commercial, 2024, pp. 9, 41], Russia, where, among other countries, elections are to be held in 2024, and in the context of Europe's dependence on Russian gas supplies.

The report focuses mainly on:

- the risks associated with the Palestinian-Israeli conflict and its possible increase in the radicalization of certain populations in the region;

- the Houthi attacks on ships in the Red Sea and the military operation against them launched by the United States and the United Kingdom in January 2024, which had a serious impact on global shipping;

- an epidemic of coups d'état in sub-Saharan Africa—events with no direct connection to what is happening around Ukraine;

- the possible risks of election-related civil unrest (in 2024, elections will be held in countries making up half of the world's population).

There is no clear, indirect connection between the Ukrainian conflict, its global consequences, and the legal-governmental risks discussed in the report, such as tightening regulation of investment and trade flows, and certain high-tech industries such as artificial intelligence. Characteristically, Allianz Commercial representatives explain these regulatory changes by a growing state intervention in the economy after the pandemic [Allianz, 2024, p. 28].

Again, if we assume that the assessments in the text of the report reflect the sentiments of business representatives with whom the Allianz Commercial interacts on a regular basis, this leads to two conclusions. First, business sentiments indicate a decline in attention to the Ukrainian conflict as such. Second, the observed increase in the significance of both types of political risks in 2023 is

explained by the confluence of factors and events unrelated to this conflict. The fact that business reacts to immediate threats, as always—a posteriori—and is not fully aware of the scale of geopolitical transformations accelerated by the escalation of this conflict suggests that it is premature to talk about fundamental changes in risk perceptions.

## Conclusion

This research allows us to draw a number of significant conclusions and to formulate a number of recommendations for further research using the results of business risk surveys, which might have both theoretical and practical value.

### ***Key Findings***

The study has fully confirmed our working hypothesis. Business assessments of political risk are characterized by constant changes in their geography, but a number of consistent patterns can still be identified, which are independent of the survey type, common to most sectors, and appear somewhat paradoxical.

The first pattern is a clear underestimation of political risks in comparison with other risk categories.

The second is a deprioritization of extra-legal origin risks and risks of escalation of interstate conflicts over non-military legal-governmental risks.

The third is business' limited ability to foresee the most significant political risks of any type, as a result of which business representatives register regulatory shocks or escalation of conflict within or between states ex post and experience serious (sometimes multi-billion dollar) losses.

Neither the COVID-19 pandemic nor the escalation of the Ukrainian conflict reversed these patterns, although both phenomena were perceived by the business community as catalysts of profound changes. However, it cannot be excluded that the effect of Russia's special military operation and its international consequences will manifest itself in the medium and long term. From our point of view, the durability of the identified patterns can have two explanations. First, there may be a long-term lack of in-house experience and insufficient use of external expertise in political risk assessment, which has been repeatedly highlighted in the sources. Second, there is an underrepresentation of respondents from developing countries, which in general face extra-legal political risks, as well as risks of escalation of interstate conflicts, more regularly and tend to attach more importance to them.

The "mainstreamification" of political risk management at the corporate level and the increasing demand for specialized political risk insurance instruments (noted in the 2023 reports) could hypothetically facilitate progress in mobilizing private sector resources for international development. However, in a much more competitive global environment, a higher propensity of companies from the competing powers to invest in high-risk jurisdictions would create additional zones of tension in the Global South—in the same way as do the official development finance flows.

### ***Recommendations for Further Research***

The in-depth analysis of risk surveys of global business representatives convinces us that they should be used more widely in political risk analysis. Studying serial surveys can bring truly

interesting results on the mutual influence of political risks and international development assistance practices, in particular. This will require us to update our findings.

The value of the conclusions to be drawn from such reports will depend on the quality of the source criticism, including analysis of changes in the expert pool's composition in terms of the regional, country, and sectoral affiliation of the experts and the size of the company they represent. The more detailed the information is about the pool of respondents (and their companies) and the methodology used by the survey designers, the more interesting will be the conclusions the researchers can draw.

One of the most logical directions for further study would be an in-depth analysis of certain risk types or the whole palette of risks in a particular region, country, or sector. The success of this work will largely depend on the depth of the researchers' knowledge about developments in a given region and/or industry.

It seems expedient to scale up the research and compare the patterns and trends that we have identified in business risk surveys with those trends that are traced using more common sources such as political risk indices. This will allow us to test the hypothesis, which we developed spontaneously during our investigation, that business, unlike specialized consultancies, tends to systematically underestimate signals coming from the external environment.

The increased use of business risk surveys may have not only scientific but also practical significance and may be more widely used in Russia in applied studies of topical issues of foreign economic policy as well as foreign policy, especially in times of their drastic restructuring. The use of such sources should not, however, in any case replace our own analysis of political risks for foreign economic activity given that the need to improve the methods of such analysis has never been greater.

Risk surveys conducted by foreign organizations can certainly be useful for measuring the pulse of business. However, due to the fact that in recent years their organizers have stopped interviewing representatives of companies operating in Russia, it may be no less important to launch a Russian analogue of such surveys, in the development of which the expert community can take part. The results of this kind of survey can be used by state authorities, development banks, the Russian Agency for Export Credit and Investment Insurance (EXIAR), as well as private companies providing political risk insurance, and can improve the effectiveness of the Russian Federation's foreign and foreign economic policy in a new international context.

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## Annex

Table A1. Selected Business Risk Surveys

No	Main Information					Composition of the Expert Pool (according to the latest available survey)			
	Survey organizer / Issuer of report (in alphabetical order)	Type of organization	Location of the headquarters	Title of the report	Years of publication	Number of respondents	Number of countries	Number of sectors	Regions
1	Association for Financial Professionals, Marsh & McLennan Insights	Professional association, Insurance company	U.S., UK	Risk Survey Report	2019–23	272	No data	19	Asia Pacific, Europe, Latin America, Middle East and Africa, North America
2	Allianz Global Corporate & Specialty*	Insurance company	U.S.	Allianz Risk Barometer	2012–24	3069	92	24	Africa and Middle East, Americas, Asia Pacific, Europe
3	AON	Insurance company	U.S.	Executive Risk Survey	2020–22	798	7	23	North America, UK and EU
4				Global Risk Management Survey	2007–23	2842	61	16	Africa and Middle East, Asia Pacific, Europe, Latin America, North America
5	Canadian Institute of Actuaries, Casualty Actuarial Society, Society of Actuaries	Professional association	Canada, U.S., U.S.	Emerging Risk Survey	2008–23	153	No data	No data	Africa, Asia, Europe, Middle East, North America, South America
6	Deloitte Insights	Consulting company	U.S.	Global Risk Management Survey	2006–21	57	No data	6	Asia Pacific, Europe, North America
7	Ernst & Young, Institute of International Finance	Consulting company, Professional association	U.S., U.S.	Global Bank Risk Management Survey	2011–2023	88	30	1	Africa and Middle East, Asia Pacific, Europe, Latin America, North America
8	Federation of European Risk Management Associations, PricewaterhouseCoopers	Professional association, Consulting company	EU, U.S.	European Risk Manager Report	2002–2023	764	34	4	Central and Eastern Europe, Northern Europe, Western Europe
9	Multilateral Investment Guarantee Agency, Economist Intelligence Unit	International organization, Consulting	U.S., UK	Political Risk Survey	2010–2014	459	51	28	Asia Pacific, Eastern Europe, Latin America, Middle East and Africa,

No	Main Information					Composition of the Expert Pool (according to the latest available survey)			
	Survey organizer / Issuer of report (in alphabetical order)	Type of organization	Location of the headquarters	Title of the report	Years of publication	Number of respondents	Number of countries	Number of sectors	Regions
		company							North America, Western Europe
10	PricewaterhouseCoopers	Consulting company	U.S.	Global Risk Survey	2022	3584	No data	12	Africa, Asia Pacific, Central and Eastern Europe, Latin America, Middle East, North America, Western Europe
11	Willis Towers Watson, Oxford Analytica	Insurance company, Consulting company	U.S., UK	Political Risk Survey	2017–2023	50	No data	9	Asia Pacific, Central and Eastern Europe, Latin America, Middle East, North America, Sub-Saharan Africa, Western Europe
12	Protiviti, North Carolina State University's Enterprise Risk Management Initiative	Consulting company, University	U.S., U.S.	Executive Perspectives on Top Risks	2013–2023	1143	No data	7	Africa, Asia, Australia/New Zealand, Europe, India, Latin America, Middle East, North America
Averages						1049	46	13	

Source: Compiled by the authors.

Note: \* The Allianz Risk Barometer 2024 was issued by the Allianz Commercial.

Table A2. Allianz Risk Barometer Rankings, 2012–24

No *	Risk	Rank and Share of Respondents (%)												
		2024	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
1	Cyber incidents	1(36)	1(34)	1(44)	3(40)	1(39)	2(37)	2(40)	3(30)	3(28)	5(17)	8(12)	15(6)	
2	Business interruption (incl. supply chain disruption)	2(34)	2(34)	2(42)	1(41)	2(37)	1(37)	1(42)	1(37)	1(38)	1(46)	1(43)	1(46)	2(14)
3	Natural catastrophes	3(26)	6(17)	3(25)	6(17)	4(21)	3(28)	3(30)	4(24)	4(24)	2(30)	2(33)	2(44)	3(9)
4	Changes in legislation and regulation	4(19)	5(19)	5(19)	5(19)	3(27)	4(27)	5(21)	5(24)	5(24)	4(18)	4(21)	4(17)	4(7)
5	Macroeconomic developments	5(25)	3(25)	10(11)	8(13)	10(11)	13(8)	11(9)	6(22)	6(22)	7(15)	5(19)	8(12)	1(21)
6	Fire, explosion	6(19)	9(13)	7(17)	7(16)	6(20)	6(19)	6(20)	7(16)	8(16)	3(27)	3(24)	3(31)	10(3)
7	Climate change	7(18)	7(14)	6(17)	9(13)	7(17)	8(13)	10(10)	14(6)	16(4)	15(6)	23(3)	22(2)	
8	Political risks and violence	8(14)	10(11)	13(9)	10(11)	11(9)	11(9)	9(11)	8(14)	9(11)	9(11)	18(4)	17(5)	
9	Market developments	9(13)	11(11)	8(15)	4(19)	5(21)	5(23)	4(22)	2(31)	2(34)	8(13)	7(14)	5(17)	6(5)
10	Shortage of skilled workforce	10(12)	8(14)	9(13)	13(8)	12(9)	10(9)	15(6)	15(6)	13(8)	13(7)	16(6)	16(6)	8(3)
11	Energy crisis	11(12)	4(22)											
12	New technologies	12(9)	14(6)	12(9)	11(9)	9(13)	7(19)	7(15)	10(12)	11(10)	19(3)	14(7)	13(8)	
13	Critical infrastructure blackouts	13(8)	12(7)	14(9)	15(5)	13(8)	17(2)	16(3)	18(2)	17(3)	22(2)	19(3)	21(3)	
14	Theft, fraud, corruption	14(7)	15(6)	16(5)	14(7)	15(7)	15(7)	12(9)	11(9)	10(11)	10(9)	9(10)	11(9)	
15	Loss of reputation or brand value	15(6)	16(4)	11(10)	12(9)	8(15)	9(13)	8(13)	9(13)	7(18)	6(16)	6(15)	10(10)	5(6)
16	Environmental risks	16(5)	19(2)	17(4)	17(5)	16(7)	14(7)	14(6)	17(5)	15(5)	18(4)	17(5)	20(3)	9(3)
17	Insolvency	17(5)	17(4)											
17	Product recall, quality management, serial defects	17(5)	18(3)	15(6)	16(5)	14(8)	12(9)	13(8)	13(8)					
19	Pandemic outbreak	19(4)	13(6)	4 (22)	2 (40)	17 (3)	16(3)	17(2)	19(1)	19(1)	23(2)	20(3)	19(3)	

Source: Compiled by the authors.

Note: \* The risks are listed according to their Allianz Risk Barometer 2024 rankings; “%” refers to the share of respondents who included a given risk in top three risks.

Table A3. Political Risks in Regional Top 10 Lists Represented in the Allianz Risk Barometer for 2012–24

Year	Europe				Americas				Asia Pacific				Africa and Middle East			
	R1		R2		R1		R2		R1		R2		R1		R2	
	Rank	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank	%
2024	4	21	10	15	7	15	9	13	6	17	10	11	5	21	7	17
2023	5	20	10	13	9	13	10	10	4	24	9	12	5	19	6	18
2022	6	20	-	-	9	12	-	-	5	22	-	-	5	22	4	23
2021	4	22	-	-	7	13	-	-	5	22	-	-	6	17	4	19
2020	3	33	-	-	5	22	-	-	5	22	10	9	3	27	9	17
2019	3	36	-	-	6	19	-	-	4	23	-	-	4	26	2	30
2018	3	27	-	-	6	17	-	-	6	18	-	-	7	21	3	28
2017	4	28	-	-	5	19	-	-	7	17	-	-	4	26	3	31
2016	4	39	10	17	5	28	-	-	7	25	10	12	3	32	7	27
2015	4	20	8	13	5	17	-	-	9	10	-	-	4	20	8	13
2014	5	22	-	-	5	15	-	-	4	22	-	-	5	22	-	-
2013	4	16	-	-	5	23	-	-	-	-	-	-	4	16	-	-
2012	4	-	-	-	4	-	-	-	5	-	4	-	-	-	-	-

Source: Compiled by the authors.

Note: "R1" refers to non-military risks of legal-governmental origin, categorized in the Allianz Risk Barometer as "legislative and regulatory changes;" "R2" refers to risks of extra-legal origin and risks of escalation of interstate conflicts, categorized in the Allianz Risk Barometer as "political risks and violence." "Rank" refers to the ranking of a given risk based on survey results in a given region (in the case when this risk made it to the top 10); "%" refers to the share of respondents who included a given risk in the top three risks.

Table A4. Top 10 Political Risks According to the Oxford Analytica Reports for WTW, 2018–23

No	Top Risks 2023(April 2023)	Top Risks 2022(March 2022)	Top Risks 2021 (March 2021)	Top Risks 2020(December 2019)	Top Risks 2019(September 2018)
1	Ukraine complications and escalations (13; 72%)*	Decoupling from China (14; 93%)	The West vs. China (10; 71%)	US-China strategic competition (5; 50%)	Protectionism and trade wars (3; 30%)
2	Decoupling from China (12; 68%)	State cyber-attacks (10; 67%)	ESG shocks (8; 57%)	Middle East regional stability (5; 50%)	Emerging market crises (3; 30%)
3	Europe's crisis/ Europe's rules (10; 56%)	US democracy in crisis (10; 67%)	Uncertain US global role (7; 50%)	Populism and nationalism (5; 50%)	US sanctions policy (3; 30%)
4	Economic nationalism (7; 39%)	Economic nationalism (8; 53%)	Middle East conflict (6; 43%)	ESG shocks (5; 50%)	Populism and nationalism (2; 20%)
5	Serious ESG (6; 33%)	Turmoil in Asia/Pacific (8; 53%)	Weaponization of economic relations (6; 43%)	Migrant and refugee crises (4; 40%)	Middle East regional stability (2; 20%)
6	Uncertainty, USA (6; 33%)	Pandemic debt (7; 47%)	Debt and fiscal crises (5; 36%)	European de-integration (4; 40%)	Creeping expropriation (2; 20%)
7	Rich-world social instability (5; 28%)	Political aftershocks of COVID-19 (6; 40%)	Instability in Russia/CIS (5; 36%)	Protectionism (3; 30%)	Succession in Central Asia (1; 10%)
8	Contested geopolitical alignments (4; 22%)	Instability in Latin America (6; 40%)	Political aftershocks of COVID-19 (5; 36%)	US trade policy (3; 30%)	Disruptions from rising China (1; 10%)
9	The Taiwan question (4; 22%)	Political impacts of climate change (6; 40%)	Economic nationalism (4; 29%)	South Asia instability (3; 30%)	Sovereign default wave (1; 10%)
10	Bigger, and broker, governments (4; 22%)	Russian interventions(5; 33%)	Turmoil in Asia/Pacific (4; 29%)	Emerging market fiscal crises (2; 20%)	
"Below-the-radar"	Political impacts of climate change;Debt crisis in the emerging world				

Source: Compiled by the authors.

Note: \* Numbers in parentheses stand for the number of respondents who mentioned a given risk and the share of mentions in the total number of experts who participated in panel interviews.

Table A5. Types of Political Risk Losses Experienced According to the Oxford Analytica Reports for WTW, 2018–23

Year	Number of Respondents	Sovereign Non-Payment or Contract Frustration		Expropriation or Creeping Expropriation		Political Violence or Forced Abandonment		Trade Sanctions or Import/Export Embargo		Currency Transfer Restrictions or Inconvertibility	
		Rank	%*	Rank	%	Rank	%	Rank	%	Rank	%
2023	46	5	23	4	28	3	50	2	57	1	60
2022	32	4	18	5	21	3	12	2	43	1	52
2021	21	5	29	4	34	2	48	1	53	3	47
2019	28	5	8	4	29	1	54	3	46	2	50
2018	14	5	18	4	25	2	48	3	40	1	58

Source: Compiled by the authors.

Note: “%” refers to the share of the total number of respondents who reported financial losses due to political risks.



Table A6. The Impact of the Pandemic on Geopolitical Trends According to the 2022 Oxford Analytica Risk Survey and Report for WTW

Type of Impact	Greatly Weaken (%)	Weaken (%)	Strengthen (%)	Greatly Strengthen (%)	No Clear Trend (%)
Intensified geostrategic competition (e.g. US, China, Russia)	-	-	52	38	5
Intensified economic decoupling between China and the West	-	5	67	12	17
Intensified economic nationalism and deglobalization more generally	-	5	55	16	25
Greater political focus on inequality	5	2	43	21	29
Greater frequency and intensity of protests/riots/social unrest	-	7	59	9	25
More democracies shifting towards authoritarianism	-	26	30	12	33
More countries turning to populist politics	-	25	30	11	32

Source: Oxford Analytica [2022].

Table A7. Top Countries Where Respondents Experienced a Political Risk Loss According to the Oxford Analytica Reports for WTW, 2018–23

2023	2022	2021	2019	2018
Russia (7*)	Argentina (5)	Egypt (5)	Iran (4)	Russia (4)
China (7)	China (5)	Russia (5)	Venezuela (4)	Vietnam (3)
India (7)	United States (5)	Argentina (3)	Zimbabwe (4)	Egypt (2)
Brazil (7)	Nigeria (5)	India (3)	Angola (3)	India (2)
United Kingdom (6)	Venezuela (5)	Venezuela (3)	Russia (2)	Colombia (2)
Saudi Arabia (5)	United Kingdom (4)	United States (3)	China (2)	Ghana (2)
Ukraine (4)	Russia (3)		Indonesia (2)	Yemen (2)
France (4)	European Union (3)		Egypt (2)	Tanzania (2)
Italy (4)	Turkey (3)		Libya (2)	DR Congo (2)
UAE (4)	Saudi Arabia (2)		Argentina,Ghana,Nigeria,Tanzania (2)	Venezuela, Gabon, Iraq, Iran, Cyprus, China, Nicaragua, South Africa (1)

Source: Compiled by the authors.

Note: \* the number of country mentions by respondents.

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Table A8. The Types of Political Risks and Violence of ost conCcern for Business According to the Allianz Risk Barometer, 2023

Type of Risk	Share of Respondents (%)
War	47%
Government intervention/change	46%
Riots, civil commotion	39%
Cyber war	38%
Acts of terrorism	31%
Strikes/protests	30%

Source: AGCS [2023a].

*Table A9. “Financial Impact of the Russia-Ukraine War on Business” Depending on the Headquarters’  
Location According to the 2023 Oxford Analytica Risk Survey and Report for WTW*

Location of HQ	Financial Impact	
	Negative (%)	Positive (%)
Western Europe	87	0
Africa	85	15
Middle East	72	27
Latin America	50	25
Asia Pacific	50	24
Central and Eastern Europe	43	0
North America	33	50
<b>All</b>	<b>60</b>	<b>20</b>

*Source:* Oxford Analytica [2023].