

Risk Navigator

Navigating uncertainty through expert risk insight, building resilience along the way

A realigning world order: The case for strategic readiness

Instability defines today's world order. The transition from a unipolar to a multipolar world is eroding trust in and reliance on global institutions, largely established in the post-Second World War era, to promote peace, security, and prosperity.

Gradual fragmentation in reliance upon global institutions, including the United Nations, NATO, and the World Bank, has already contributed to, and is likely to continue encouraging, the emergence of new power alliances shaped by economic, military, and technological interests, as well as shared threat perceptions and ideological alignment. The post war norms that underpinned the longest period of relative peace in modern history are now under severe stress as established rules are eroded or replaced by new, competing institutional standards. For business leaders, this geopolitical fragmentation presents immediate and tangible risks, including disruptions to global supply chains from shifting alliances, regulatory divergence, changing trade routes, and the potential issuance of new tariffs or sanctions. Regulatory unpredictability and divergent standards could complicate market access, whilst new alliances and competing institutions can create conflicts in compliance requirements across jurisdictions. This fragmentation is being driven by a growing number of influential actors, including regional and middle powers, whose interactions are shaping a new era of global systemic uncertainty.

Today, no single country asserts dominant power across all axes of geopolitical competition. Whilst the United States has long been the pre-eminent military and economic power since the Second World War, the rapid industrialisation of China has fuelled decades of sustained growth, evidenced by its 2024 real GDP of US\$18.74 trillion (around 65% of US GDP, compared with just 12% in 2001 when it joined the World Trade Organisation). In this period, China has successfully transformed its military capabilities, underpinned by significant expansion and modernisation of the People's Liberation Army. Coupled with the advent of the Fourth Industrial Revolution, distinguished by significant advances in intelligent systems and their integration across the digital economy, alongside shifting national and

regional demographics and intergenerational effects on societal norms, these forces are fundamentally reshaping the balance and distribution of the global hegemony. As mentioned above, however, geopolitics is no longer defined solely by economic or military might; instead, it now rests on a broader, more complex set of balances encompassing (among others) economic, military, technological, social, and regional dynamics.

The 2025 World Peace Index shows that 35 countries are now deemed to have significant influence over another country, up from just 8 in the 1970s. Further, data from the Stockholm International Peace Research Institute (SIPRI) indicates that global military expenditure has risen sharply, increasing by 36% over the ten years to December 2024, with 53% of the additional US\$721 billion spent in 2023–24. Whilst rising military expenditure does not, in itself, make a large-scale war imminent, it does underscore the escalating risks associated with intensifying power rivalries and the growing potential for miscalculation between nation-states and their alliances.

Early warning indicators are flashing

In its rawest sense, war describes a force that is used to reshape nations and societies. It describes a conflict between two entities, often political, but also between rival groups, factions, proxies, or alliances. What eventually triggers a war is the subject of considerable debate, but research shows that wars often emerge from power transitions, perceived threats to security, unresolved territorial or ideological disputes, and miscalculations between rivals. Wars start not only from deliberate decisions but from misjudgements or perceived threats that cannot be resolved peacefully. In the context of the shifting tectonic plates underscoring the re-distribution of the world order, whether militarily, economically or

technologically (or otherwise), we are now facing a very real set of interconnected scenarios that each carry the prospect of war. And some scenarios are becoming increasingly likely with each passing week.

Underscoring this assessment is the UN's 2024 Global Risk Report, which found that 34% of member states, business, and academic representatives from around the world anticipate a large-scale war in the next 1-7 years. The World Economic Forum's Global Risks Report 2026 cites geoeconomic confrontation as the highest ranking global risk over the next two years, with state based armed conflict rising to fifth place, compared with ninth and third respectively in the previous year's report.

No one can predict when a war involving the world's major powers might erupt, although the competition for military, economic, and technological prominence is escalating rapidly. Recent statements from political leaders underscore the shifting reality. In June 2025, Sir Keir Starmer announced the UK was moving to "...war-fighting readiness". This was followed by Mark Rutte, NATO's Secretary General, in December 2025, warning European countries to prepare for war "...on the scale our grandparents and great-grandparents endured." These warnings come amid the fourth anniversary of the war between Russia and Ukraine, ongoing violence between Israel and Palestine, and growing tensions across several regions. The US military operation in Venezuela in early 2026 demonstrates the growing intersection of national security and international trade. For global firms, this highlights the necessity of real-time monitoring for sanctions, trade route stability, and the legal complexities of operating in regions where sovereign status is actively contested.

Building strength through preparedness

How should leaders prepare for war? The onset of war can have profound consequences for companies. The impacts will be felt differently across industries, for instance: manufacturers may face severe delays in sourcing war

materials and transporting goods as trade routes are altered or closed entirely; financial institutions could encounter heightened volatility, increased risk of cyberattacks targeting payment systems, and greater regulatory scrutiny of cross-border transactions; technology firms could face heightened export controls, restrictions on access to critical infrastructure, and data residency challenges as digital infrastructure becomes fragmented. For each sector, understanding these distinctive vulnerabilities is central to effective preparation.

Business leaders should prepare proactively for organisational resilience. Effective approaches include tabletop exercises, where teams discuss their tactical responses to simulated crises in a structured format, and red teaming, which involves role-playing crisis situations to identify weaknesses and blind spots in organisational readiness. Alternative methods, such as matrix games or simulation-based drills, provide more advanced, pressure-based testing of organisational resilience, enabling leaders to explore multiple potential sources of escalation or disruption. Scenarios should be realistic and accurately reflect the company's exposure across supply and demand channels, including interconnected operational dependencies. They should account for sensitivities to demand shocks, capital and liquidity flows (including the potential for capital recalls), movements in interest and foreign exchange rates, inflated supply costs, fluctuations in materials availability, and sudden changes in resource capacity. These exercises will test the board's and management's readiness and ability to make critical decisions, navigate fast-evolving events and highly interconnected risks, and prioritise resource alignment. Importantly, by conducting wargaming scenarios today, leaders should set expectations to strengthen early warning indicators, diversify critical supplies, enhance organisational defences against sophisticated and targeted cyberattacks, put in place financial contingencies, and improve internal governance systems to promote leadership awareness and organisational preparedness.

In a world where geopolitical shocks are no longer unexpected, preparedness is not pessimism; it is leadership.

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