

Risk in Context Podcast

Episode 126

Tackling geopolitical risks in an era of higher friction

Angela Duca:

Welcome to *Risk in Context*, which features conversations with Marsh Risk colleagues, risk professionals, and others intended to help you better understand key risks, build more effective insurance programs, and think creatively about risk.

I'm Angela Duca, Marsh Risk's Global Head of Credit Specialties.

We're operating in an era of heightened geopolitical friction, where the rules that once underpinned global trade, finance, and digital connectivity have and continue to change, reshaping how businesses operate globally.

According to our [*Political Risk Report 2026*](#), over 80% of S&P 500 firms acknowledge that geopolitical uncertainty is impacting their financial performance, a clear sign that geopolitical risk is no longer a peripheral issue.

Political changes, leadership choices, and regional disturbances, among others, have the potential to impact a company's operations and financial position. This evolution demands organizations rethink their risk management strategies to not only protect their operations but also seize emerging opportunities.

In this episode of *Risk in Context*, I'm joined by Christopher Coppock, Credit Specialty's Head of Geopolitical and Economic Risk Analysis, and Stuart James, Global Leader of Credit Specialties' Multinational Client segment and Leader of global

trade credit placement activities. We will discuss some of the findings from our *Political Risk Report 2026*, the risks that organizations should be aware of, and share risk management strategies that organizations should consider.

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Angela Duca:

Welcome, Stuart and Christopher. I'm excited to have this conversation with you today. And I'd like you to start by introducing yourselves. Christopher, if you can please share a little bit about yourself.

Chris Coppock:

Sure. Hi Angela. Hi, Stuart. Nice to be here. So, as you said, Angela, I lead the geopolitical and economic risk analysis team within Credit Specialties, where we do exactly what it sounds like — we're focused on helping clients that are trading internationally or investing and facing the geopolitical challenges that we all know and read about every single day. We try to provide insight and perspective and quantification of those risks so that they can take the best information possible into their decision-making process around their risk mitigation strategies.

Angela Duca:

Thank you. And Stuart.

Stuart James:

Yeah, thanks, Angela. [I have] 30 years of experience, in trade credit predominantly, straight from the university. [I was] head underwriter and I've been a broker now for 10 years at Marsh. I've been focused totally on the multinational segment. So, we're very much engaged in supporting clients to structure programs, the best use of their capital to design those programs. And then we do the ongoing servicing of clients around the world.

Angela Duca:

Great, welcome. And again, I'm Angela Duca, the Global Head of our Credit Specialties Practice. I've been in the industry for over 20, almost 25 years, also specializing in political risk and structured credit, which is, of course, helping companies invest overseas. But [within] credit specialties, I'm delighted that our team helps companies identify, manage, transfer, and mitigate credit performance and investment risk.

What I'd like to do is start with introducing some of the concepts that we bring forward in the *Political Risk Report 2026*. In this report, we've highlighted the geopolitical transition that's underway. It's a multi-decade story. The global system that we're used to, that once prioritized open economic growth, is giving way to a more fragmented and certainly contested environment.

Governments are becoming more assertive. They're prioritizing national security and their own competitive advantage. And that's reshaping the trade, finance, and digital infrastructure in profound ways. And in this report, we've selected the word *friction*, which I love. Because it describes the trading and investment environment, which still continues, but there's pushes and pulls from policy, geography, conflict, scarcity.

And looking back at prior reports, we see that our 2026 [report] is building upon what we said in 2024,

where we highlighted that there was going to be over 60 elections worldwide, including in major economies. And that we were expecting a different impact once those governments settled after the election cycle in 2024.

In 2025, we highlighted that there was the rise of connector countries, and we also looked at what are some of the additional frameworks or areas that companies could assess in order to understand or anticipate policy shifts. And that includes looking at the new leaders, their beliefs, their values.

And now in 2026, we're experiencing that accelerating transition and that geopolitical friction.

So Christopher, as you think about the big picture political risks that organizations are facing right now and what you and your team have outlined in the *Political Risk Report* — and as a note, we'll be leaving a link to the report in the show notes — what are some of the highlights that you want to bring forward as far as the risks that you've assessed for 2026 that companies should be concerned with?

Chris Coppock:

Yeah, so you alluded to it, Angela, but it goes into really two different buckets. One is this long-term process of transition. And then within the year 2026, there's some ways in which that transition process is going to manifest across a few different sectors. And I'll come to that in just a second. But for this accelerated geopolitical transition, you can kind of pick your starting point in history. You probably go back to 1945, 1950 as the [time] where decisions started to be made that ultimately led us to some of the developments and changes. If you even look just at this century, the last couple of decades, China joining the World Trade Organization in 2001, the invasion of Iraq in 2003, the invasion of Georgia and the financial crisis in 2008, the Arab Spring in 2011, Crimea in 2014, the list kind of goes on and on and on. You can start to see these things build up over

time. And what we try to do in the geopolitical transition portion of this report is suggest a way that businesses and leaders can start to approach the question of: How is the world changing potentially and what might it mean for us? Because if you look at the data from the [World Economic Forum's Global Risk Perception Survey](#), 94% of the executives and government officials they surveyed said that the global political order, however you want to term it, is going to be different in 10 years' time than it is now.

So, if you accept that, or even if you're open to that possibility, we suggest that you, as a business, think about: What are the components, what are the tenants of the system that we've all grown up in and conducted most of our working lives in? And then: How is the United States approaching those tenants? Things like perpetually more open trade, promotion of democracy, dollar hegemony, and stable alliances, among others. And then also think about: In the areas of the world that we operate in or the geographies that we're exposed to, are there other countries that are promoting alternatives that are trying to challenge those particular characteristics of the US-led system?

And by putting those in a bit of a matrix, you can start to form a more structured view about how the world might change so that you're not so reliant just on whatever the dominant kind of news narrative of the day happens to be.

So that's one component. And then, as I said, within 2026, we'd look at some of the ways that we think this transition might manifest across trade, security, conflict, finance, and then digital infrastructure.

And I'll just really quickly tick through those four and some of the things we point out.

You alluded to higher friction. That, I think, is most especially borne out in the trade environment. Governments are eager to insert themselves more than in recent decades into shaping economic

activity, and that's going to take the form continually of barriers to trade, export license usages, using tools like unreliable entity lists to make it difficult to trade with various businesses and so forth. And that sort of friction is, in our view, going to remain just a part of the reality of trading internationally going forward.

But of course, some of the really dramatic policy changes we saw in 2025 also unlocked trade deals that in some cases had been gridlocked for decades, literally. The EU deal with India is one great example; they have been 20-plus years in the process of being negotiated. They finally got across the line in the beginning of this year, in large part due to the sort of upsetting of the apple cart that happened in 2025 that caused India and the EU, respectively, to go back and say: How can we figure out the barriers that have been holding this up so far?

On the conflict side of things, I think one piece of evidence that really points to this being a period of geopolitical transition is the fact that there is a greater frequency of conflicts now than there have been in the last 70-odd years. They are also on average lasting quite a bit longer than they have over recent decades.

And because of that, we have these three main conflict risks or ongoing conflict areas that I think take a lot of corporate attention: in Eastern Europe, in the Middle East, in Asia. The amount of attention being drawn by those particular conflicts might be pulling attention, in our view, away from this sort of long list of other potential conflicts that might be lower visibility, might be less newsworthy on a global scale, but for a particular business might be particularly impactful. You know, the sort of border flare up that turned into a multi-month conflict between Thailand and Cambodia in 2025 is a good example of that because for a decent number of the businesses — some of which are from China, Malaysia, Japan — that operated on both sides of that border in 2025,

they had to shut down, they had to reroute supplies, sometimes at a 40% premium, among other things. And that conflict, I think, wasn't something that was on a lot of people's radar before it broke out and kind of even after it broke out, it took a while to break through.

And then on the finance side, there's what Oliver Wyman has referred to as ongoing regulatory fragmentation in different parts of the world. And this has to do with the Basel regulations and a bunch of other things. For corporates, I think, the main influence and significance is that this affects who's willing to lend and to whom and how much they're willing to lend and at what rates and the availability of credit and things like this. And where previously there was so much concerted effort 10-plus years ago to create as globalized a system of financial regulation as possible, that's a trend that's beginning to reverse now, which means businesses need to start thinking about: What are the different regulations in the different regions? How does that affect our financial strategy, our borrowing strategies, and so on and so forth? And also: Who are the political actors that are influencing how these regulations are developing? And what is the direction that they might want to take these regulations?

And then finally on digital infrastructure, I mean, this is everything from data centers to artificial intelligence and everything else. Because of the view that is pretty widely shared that artificial intelligence and cloud storage and all these other things have such enormous potential to be transformative in this era of competition that we are now in, governments are exceptionally interested in who has access to the data. Who is funding these things? Who's investing in them? And conducting more investment screening — 120% more countries are doing investment screening now than 10 years ago.

And ensuring that the risks of cyber intrusions and things like that are being managed. This is a sector

that from just kind of shovel to grave is right at the heart of a lot of governments' strategies and that they're going to continue to be involved in. So, we talked about some of those things as well.

Angela Duca:

I mentioned that we looked at prior *Political Risk Reports*, [dating back to] 2024. But when you really look back at some of the data points you've presented and true even in our careers, back 20, 25, 30 years, we've been following geopolitics, trade, investment for a long time, and whether it was currency crises, wars, pandemics, risk has not gone away.

And Stuart, despite these risks that Chris has outlined, what was interesting that we uncovered is in the [2025 report by Oliver Wyman](#), it suggested that CEOs view geopolitics as a short-term risk — around 89% of New York Stock Exchange-based CEOs that were surveyed and 74% of Europeans. And the majority are not seeing opportunities in geopolitics, which seems to clash a bit with the risks that we've been talking about for the last five minutes or so.

How are these risks impacting multinationals, the organizations that you're speaking to, both operationally and commercially?

Stuart James:

Interestingly, all clients have impacts. And if you overlay all the geopolitical aspects that Chris has just outlined, we've huge input costs that we've seen over the last two years because of inflation. And everything's squeezed. And some companies are very good at passing those costs on. Some find it more of a struggle.

But I think what we have seen is there's been a reorder. So, yeah, I think there's more inter-trade block trades. So, the traditional routes from the US have been impacted because of the tariffs, but that

does mean that there's been a bit more activity in the Europe-to-Europe markets.

I think the best way I heard it described recently is: Trade finds a way. It's like water. It kind of levels out and it finds new ways. Companies find new ways of doing business.

And we are certainly seeing very much upside as well. Potential. So, it's very easy to focus on this is terrible, but businesses still trade. They still find a way. And the ones that are looking at new routes and some of these new trade deals that are coming out do present an opportunity.

But there's no doubt that some businesses are impacted more than others. We saw in the UK, a very high-profile luxury car manufacturer reduced 20% of the workforce. And what was cited as being one of the key reasons was the US is their biggest market. The tariffs have caused that re-look at their costs.

So, as I said, the products that people want and desire do find a way of finding revenue. But trade rebalances.

I wouldn't say it's been an astonishing growth period but you do see this leveling up of inter-block trading that perhaps wasn't there before the tariff talk.

Angela Duca:

And my reflection also has been that as companies have explored these risks, data becomes more important in that framework of how to assess risk. What do you do with this risk? Do you manage? Do you mitigate? Do you transfer this risk? It's important.

So Chris, I know in the report we talk about some frameworks or data that companies should be using to truly understand and even prioritize the risks that matter to their organizations to help them continue to trade, to find those holes that the water might go through, as Stuart just referred to. What are we advising clients in the report?

Chris Coppock:

I suppose I want to start by making the observation that if you approach managing the sort of geopolitical and politically influenced economic risks that we're talking about here the same way as and organizationally as you did five, 10 years ago, it's probably worth thinking about whether that's still appropriate because, as I think pretty much everyone agrees, the world has moved on. And there's a lot of people drawing analogies these days to the 1920s and the 1930s and those may or may not prove correct, but given what we know now about that period, it would, in hindsight, seem a bit silly for an organization then to say, you know what, we're going to not put a bit of resource towards trying to understand what the structural changes that might be coming. And that's sort of where the suggestion that now is a good time to put a bit of resource to those questions as well makes sense.

In terms of data, one of the things that I always encourage people to use, despite their imperfections, is a country risk model, especially if you're operating internationally. And the value of this is not that it is going to be a perfect source of information or an all-encompassing source of information. But the models typically are influenced by a broad range of underlying quantitative inputs. And you can take these models and compare them to all of the other information you're getting from elsewhere in your business and your own narrative understanding of the risk environment in the country. And maybe what the model says aligns with your other data points and your narrative understanding of political risk in a country. In which case, great, fine. However, we see pretty regularly that people's narrative understanding of risk in a country conflicts with what the model says.

And that's an opportunity to say: Hey, we have some disagreement here. This is a place and a way that we can kind of separate out the countries that we

operate in, but maybe we don't need to focus extra time on, from the places where we should do a bit more research and a bit more examination of what the risks truly are to make sure that either we are comfortable that our view is correct and the model is wrong. Or actually the model here is pointing us in a direction and towards some information that we had missed, that we had overlooked. And we're going to take some operational decisions on the back of that. So, I think having that as a data point is really important.

And the other thing, given that we're speaking about the long-term accelerating geopolitical transition here, is I think people are really scared. Maybe scared is not the right word, but people don't see very readily the value in trying to think too much about these structural changes because you can't possibly know what's going to happen in five or 10 years.

And that is correct. But I think you can form a view and you can have an opinion that isn't reliant entirely on what's in the news every single day. And by having a view on what you think is going to happen, you can start to look through some of the short-term volatility and the stuff that does end up in the headlines as a business, but also align it with your organization's five- and 10-year strategic plans.

Because if this is a geopolitical transition that we're going through, where the world order that exists today is not going to be the one that exists in 10 years, that's something you've got to apply as a lens to your strategic plans, or you very well could end up trying to execute a plan that's relying on customers or trade routes or relationships that become increasingly untenable as the world is evolving around you.

Angela Duca:

I also think it's important inside that framework and that model to be looking at second and third order

impacts and go deeper into the data or go deeper into your supply chains as an example to understand tier two, tier three suppliers, even understanding how supply chain risk could be affecting your customer base. What are the inputs and outputs that are pressuring them that you hadn't looked at before when you're assessing even portfolio credit risk?

So, from your perspective, Stuart, I'm sure you've heard a lot from multinational companies about what they're doing with their modeling or data. What kind of strategies are they deploying to help them continue to drive results and operate in an environment that's continuing to increase the pressure, increase the friction?

Stuart James:

Yeah, it's interesting listening to you, Chris about the world order change and planning for it. I think one thing that gets unnoticed in our market is the investment that the carriers have been doing in information. You talk about country risk, but actually from a corporate [perspective], they're going to be trading in new markets, they're going to be trading in existing markets, but who are they trading with?

And I think the investment the carriers have made to build data — and I'm not talking about just buying a status information report, I'm talking about putting people on the ground to build data, refining their scoring systems — that whole big data piece is critical because it offers guidance. And it's sometimes overlooked, I think, from the product side that it's not just about protection. It's about: How do we identify areas for growth?

And if we bring that back into the broking world, I think our role is to show that there is a path to these new markets that can be done in a smart way. It can be done in a capital-efficient way. And not only that, it could be an upside. So, you know, we talk very much about all these challenges as downsides, but there's so much upside potential as well.

And I think if you're doing the right things by your client and giving that guidance and doing the modeling through the data, then you can have some sensible discussions. And that's really the direction of travel we've been on for a while.

Angela Duca:

And I think that's really important when companies are considering, one, how to identify and analyze the risks that we have. And then what do we do about them? Are we going to retain them? Are we going to avoid them? Are we going to transfer them? Are we going to mitigate them? Are we going to add another partner to help us share in that risk, which is what we do every day in the insurance industry? And I think that level of data now has grown to a level where it's giving companies a better understanding of which one of those levers in managing risks is better for them from a capital efficiency perspective. And same also from the insurance company, it's giving them an opportunity to deploy their capital and their capacity in a way that's beneficial to companies to help them grow despite the challenges that exist in this external environment.

So, Stuart, I just want to stay with you. On the risk management side, what are you seeing organizations do? How are they using insurance risk capital to help them mitigate or manage some of these risks when they identify them?

Stuart James:

I will take a moment just to make a plug for what we've been doing with our data strategy, because I think it's really important, and give some context here. We've spent over US\$12 million in our data capture for multinationals to help them build their programs. And what I mean by that is I think the traditional approach for multinationals was you would listen to your client, you would see where they're trading, you'd go to market and you get some quotes. We're spending probably six to 12 months with

multinationals, prospects as well as existing customers, at their renewal, really going through: What do you need? And actually our modeling is very much: Do you really need the solution at all? Is this the best use of your capital? Or is there [an opportunity to] keep it yourself, retain that risk?

And I think as more complexity comes in and you're looking at new markets and that new world trade order, then I think you overlay that with all of the other risks that are out there, which is your margin squeeze because of your input cost and all that. There's a good, strong value proposition to looking at the products.

I think the bit that we're doing quite well at the moment is we're just showing the client through a big data set not only that can we help you in terms of how you model that program from a capital efficiency point of view. But that US\$12 million investment has given us so much rich data to say: Actually, this is what your competitors are doing. This is what your peers are doing. And this is what we've actually executed in the market. And I think that has been a big shift for traditional broking approaches because it's a really sensible approach to look at trading in new markets, supporting program design, best use of capital, and actually the reality of what's out there in the market. So, that's really been a focus of ours, I think, for the last two to three years.

Angela Duca:

It's a really good point because over the years, what I've seen is data-driven decision-making has allowed companies to assess a risk unemotionally and more mathematically and decide how they want to manage, mitigate, transfer, retain the risks that they have.

Well, as we approach the end of our podcast, I'd like to turn it over to you Christopher, first. What is a key takeaway you'd like our listeners to have today?

Chris Coppock:

So, this might be a little bit out of left field, but I want to really encourage businesses to kind of identify the components of the existing system or pieces of regulation or whatever it might be that are important to your business, that are valuable to your business, and advocate for their continued existence. Or if you see an opportunity for things to change, advocate for that as well. Because, as you said, Angela, right at the top, this is a period where regulations, financing conditions, bilateral relations are going to evolve. And they will evolve in no small part on the basis of input from businesses.

And I think as a business, you want to be involved in shaping those and influencing those. And this is a unique opportunity in recent history to make pretty significant changes and pursue the opportunities that can come along with that. So, I think, recognize that that opportunity exists and speak to the regulators, speak to the politicians and ensure that you're supporting the things that you do care about because it's both an opportunity and a risk from that regard as well. And I think that's something that is from time to time a bit overlooked in the context of everything else that's going on right now.

Angela Duca:

Great point. Stuart, what would you like to leave the audience with today?

Stuart James:

Yeah, a good thing about turmoil is there's interest and we're seeing more and more interest from multinationals than we ever have. And I think, as I tried to explain through the modeling and the data set to try and guide customers for a better outcome than perhaps traditionally brokers were doing is something that is exciting. But what we are seeing is we may be at the peak of the opportunity window because we're

seeing coverage levels at the highest ever in the market.

We've seen [premium] rates fall year-on-year. So you've got this classic, I call it the crocodile's mouth. You've got the coverage at one end and you've got the rates at the other. But we are seeing a regrading of the portfolios. Part of the thing we capture in the data is the average weighted risk of the portfolios of all of the credit limits that we see. And you can see that shifted down over the last six months from 4.6 to 5.4, which on a grade one to 10, just for the listeners, one is good and 10 is default. That does give you the impression that the carriers are gearing up for something.

So, I don't think the window is closed. I think the opportunity is now. And I think we're just in a much better position to offer proper guidance through insight rather than, as I said, the traditional, let's just go to the market and get what we can.

Angela Duca:

And building from that point of view, we've been looking at risk for decades. We're not operating in an environment that is risk-free and we won't ever. And I agree that the opportunities that companies have, it's even more important that that data, that the frameworks, the models, that they're using those, that they're challenging those, that they're adding to those, because there are opportunities to continue to thrive in this environment, despite where the risks are flaring up day to day.

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Angela Duca:

That's all for this edition of *Risk in Context*. I want to thank our panelists today. We hope you enjoyed our discussion and thank you for listening.

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Until next time, thank you very much for listening.

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