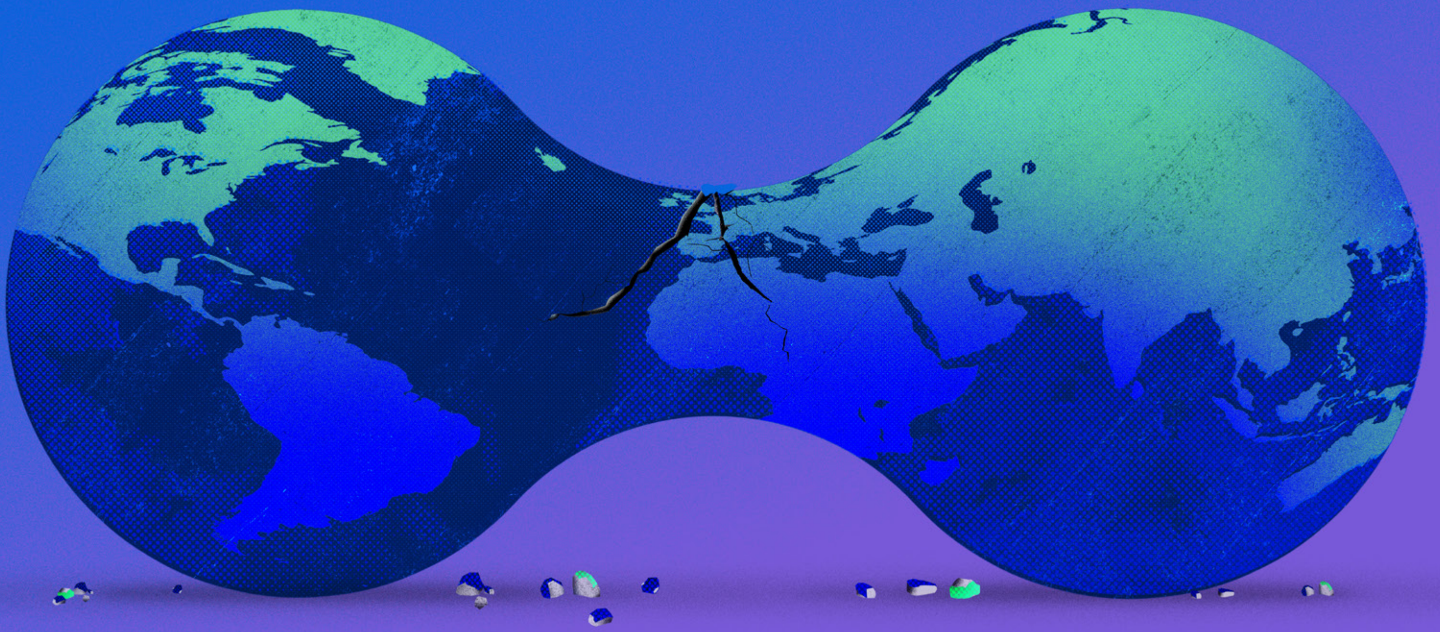
LexMundi General Counsel Summit Report 2026

# Embracing Geodisruption

## General Counsel, Corporate Diplomacy and Antifragility



# Contents

# Executive summary

1. Volatility across markets is a function of existential geopolitical risk, i.e. vulnerabilities to national economic, physical and digital sovereignty.
2. Beneath the surface of recent trade policy upheavals, the global financial architecture is evolving from one organized around dollar-based hegemony into a multifaceted system, wherein digital currencies and alternative payment systems coexist with analog-era institutions and shape investment flows and transactions.
3. The politicization of business – whether from governments, investor activists, or the public – is resulting in complex governance dilemmas, placing into question contract reliability, increasing exposure to government-interventionism and enforcement action, and making it difficult to satisfy conflicting demands.
4. The exercise of corporate diplomacy is gaining relevance for general counsel, as a means for dealing with divergent laws across jurisdictions, navigating investment and deal clearances and balancing delicate financial and commercial relationships in diverse markets.
5. Absent reliable precedents to guide enterprise risk planning, general counsel can build organizational "antifragility" (the ability to gain from disruption) by combining knowledge of the business with expertise across markets

> "The politicization of business is resulting in complex governance dilemmas."

# Foreword

The annual Lex Mundi General Counsel Summit brings together senior in-house counsel from around the globe for a 1.5-day deep dive on how current trends impact business and cross-border legal advisory services.

The event anchors our Global General Counsel Series, local roundtables hosted jointly with Lex Mundi's premier member firms on different continents, allowing us to compare notes as to how trends are playing out across regions and to stay updated about market dynamics. Following each annual Summit we produce a report which is informed by insights shared at the events and supplemented with our own analysis.

The most recent General Counsel Summit built on many of the trends and themes that emerged from our 2025 report, *GeoDisruption³: Balancing Gigawatts, Gigabytes and Gigapowers*. That report highlighted the clash of three simultaneous disruptions, which dramatically shaped the business and risk environment over the past year: geopolitics, energy transition and AI.

Without forecasting the Trump administration's hyperspeed approach to resetting the global political and economic order, the report identified US-China rivalry as the central force of geodisruption – two gigapowers contending for global political leadership including through the pursuit of AI dominance.

The report highlighted significant shifts in trade and investment patterns consistent with changes in the economic balance of power. It foreshadowed that general counsel find themselves guiding leadership teams on a changed playing field, exemplified by the new US administration's aggressive efforts to make up for lost decades in the global scramble for resources and influence. Meanwhile, the report noted an ongoing trend of Gulf countries attracting and directing more global capital.

> “… a case of not merely safeguarding against volatility, but using it to derive competitive advantage.”

As a medium-term corollary to the geographic rebalancing underway, the report indicated pressures against New York and London as default centers for professional services (investment banking, consulting and law) to handle cross-border transactions, emphasizing the advantages of local expertise and bench strength where deal makers and their deal targets sit.

For the day-to-day workload of general counsel, the earlier report called out a need to build sophistication and add value in how stakeholder negotiations, crisis response, enterprise risk and legal project management are approached – all topics covered throughout the year in our General Counsel Roundtable Series.

In this report, our analysis of the geopolitical and financial-architectural changes underway lead us to two new observations about the role of the general counsel, one broad one and one specific. The broad point is about the relevance of corporate diplomacy to the role of the general counsel in a more politicized legal environment. The specific point is to apply Nassim Nicholas Taleb’s concept of “antifragility” to risk management, i.e. not merely safeguarding against volatility but using it to derive competitive advantage.

> Geopolitical volatility is imposing an existential risk to national sovereignty.

The first section of this report looks at key undercurrents of geopolitical volatility and its impact on regulation, namely the existential risk to national sovereignty in the three areas of finance and economics, physical territory and industrial base, and digital capabilities. The second section discusses the general counsel role in corporate diplomacy and antifragile risk leadership as a means to gain from volatility.

To participate in our Global General Counsel Series, or to explore how Lex Mundi Equisphere, our legal project management platform, can support you in handling significant cross-border advice, please contact Eric Staal or a member of the Lex Mundi Global Markets team.

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# Introduction

The theme of the Lex Mundi General Counsel Summit at the end of 2025, Redefining VUCA, suggested it is time to update the acronym, which originates in the 1980s and was adopted by US military planners at the end of the Cold War.

We kept the terms volatile and ambiguous but replaced 'uncertain' with 'unprecedented' and 'complex' with 'capricious' to reflect the intensification of the risk environment for business in terms of ever more politicization of regulation, kinetic geopolitical conflicts and other severe adverse events.

With a degree of irony one might look at the adoption of the VUCA concept to assess the global risk environment at the onset of the 1990s not as prescient but rather as overstated. In retrospect, the post-Cold War era was not a new era of volatility but one of steady globalization. The institutionalization of trade and investment relations led to the launch of the WTO and its accession by many countries, not least China and Russia.

> "In retrospect, the post-Cold War era was not a new era of volatility but a three-decade random walk to more global integration."

> Today's geopolitical risks manifest in ways that adversely impact business strategies and continuity by disrupting transactions and investments, value chains, assets and personnel.

It was a such a period of stability that Europe could neglect its military defense capabilities for nearly three decades, while businesses weathered military interventions and sanctions and even the global financial crisis could be held for a difficult setback on an otherwise random walk to more integration.

For enterprise risk management, the global environment allowed decision makers latitude to think in terms of scenario plans informed by statistical estimates of event occurrences and to be reassured by top drawer, crisis response plans for adverse incidences. By contrast, in the current risk landscape much less of the prevailing global order can be taken for granted. Black Swan risks, low probability-high impact events, are more extant but by definition not estimable. What can be better understood, however, is the national interests of state actors, the business interests of competitors and the capacity to exert influence of both.

In practical terms for general counsel, today's geopolitical risks manifest in ways that adversely impact business strategies and continuity by disrupting transactions and investments, value chains, assets and personnel. Given the unprecedented nature of risk, it is crucial to gain insight into the undercurrents (see next section, page 9) and to marshall the resources to react in the face of the unexpected (see final section, page 22). To have any utility, such an understanding of the risk landscape must have both explanatory power about the cross-border challenges businesses now confront and predictive power about how key forces are playing out. The following analysis suggests the threat to sovereignty as a useful prism to grasp the risk landscape.

# Volatility and national sovereignty

## An experienced risk manager speaking at the Summit captured the situation facing boardrooms: "VUCA is the new default nervous system setting in business."

A root cause of geopolitical and regulatory uncertainty for business is the existential threat to national sovereignty arising in the three areas of: the financial and economic system, physical-territorial integrity, and digital-technological capabilities. Figure 1, overleaf, lists each category of sovereign risk and dynamics within them that are shifting the balance of power while driving regulation, supply chain risk and competitive behavior across jurisdictions.

The Lex Mundi General Counsel Summit focused primarily on the first category with keynote David Lubin of Chatham House outlining long-term prospects for continued dollar hegemony in an evolving global financial architecture. Ensuing discussions touched upon the other two categories by comparing how general counsel are managing investments, transactions, governance and operations across regions.

> "A root cause of uncertainty is the existential threat to sovereignty."

**Figure 1.**
Existential threats to National Sovereignty drive geopolitical uncertainty across jurisdictions.

| Threat Area | Financial-Economic | Physical-Territorial | Digital-Technological |
|---|---|---|---|
| Description | US and China spearheading efforts to rewire the global financial architecture: | Trade controls and protective tariffs to rebuild defense industrial bases: | Who has AI supremacy and do you get access: |
| Examples | • Efforts to insulate against currency weaponization (sanctions) and asset price devaluation<br>• Dollar hegemony giving way to multifaceted system: digital currencies and alternative payment systems coexist with analog era ones<br>• Debt – GDP ratios > 100% major economies, posing sovereign bond risk, not to mention demographic time bombs | • Increased defense spending in Europe to 3.5% GDP below strategic autonomy<br>• Investment in cyber and manufacturing infrastructure at heart of future defense capabilities<br>• Access to energy resources and investments<br>• Global competition for rare earths and critical minerals | • Battlefield weapons: drones, grid security, hypersonics<br>• Cloud services with potential 'kill switch' capabilities<br>• Cyberbreaches of corporate and personal data by state and non-state actors<br>• Tech transfer controls<br>• State surveillance/control *a la* Chinese model |
| Business Fallout | Leading to major shifts in global capital flows and political influence. | Resulting in supply chain complexity. | Determining product stacks, commercial relationships and market strategy. |

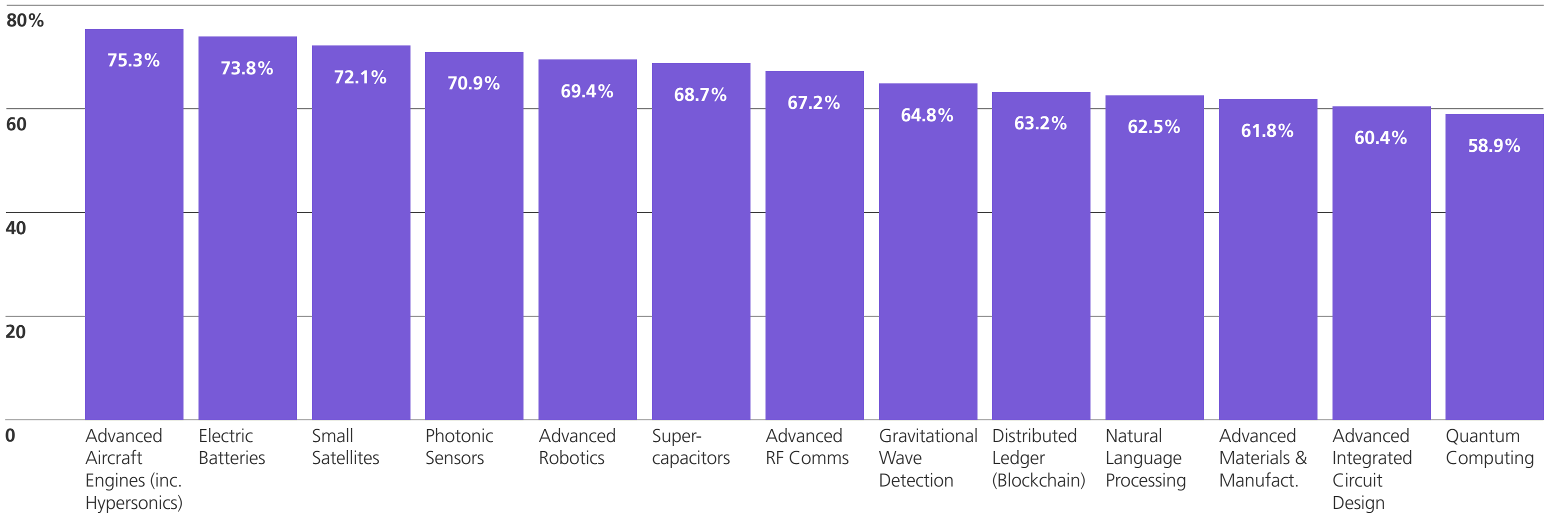
## Neo-mercantilism: The tip of the iceberg

Echoing our previous report about the central role of US-China relations, Lubin described current geopolitics as a 'clash of mercantilism' between the two systems with neither country wanting to be reliant on another. This observation reflects the impressive success of Beijing's Made in China policy going back to 2015 and including its new five year plan (2026-2030) to extend innovation leadership in emerging sectors. Similarly, our last report cited Bloomberg data from one of the speakers, which detailed China's 80-90 percent monopoly over production of renewable energy technologies, including wind, solar, hydroelectricity and batteries.

Further to the point, during one of our earlier global roundtables, Taimur Baig, Chief Economist at DBS bank in Singapore, referenced data from the Australian Strategic Policy Institute which tracks 74 critical technologies as to research citations and technological advances. A recent iteration of the methodology found China to be dominating 66 of them, including those highlighted in figure 2, opposite, many with clear applications for military use.[1]

China's industrial preponderance puts Europe on the front lines of trade pressures as the US has sought to check China's trade surplus and repatriate industrial production capacity, forcing hard choices in Brussels not only about dependence on China for value chains and inbound investment but about the EU's overall economic strategy including its ambitious carbon transition agenda.

**Figure 2.**
China's share of top 10 percent of research publications in early stage technologies.




Source. APSI Critical Technology Tracker

1 Jenny Wong-Leung, Stephan Robin and Linus Cohen, *ASPI's Critical Technology Tracker: 2025 updates and 10 new technologies*, 1 December 2025, https://www.aspistrategist.org.au/aspis-critical-technology-tracker-2025-updates-and-10-new-technologies/
Percentages shown based on APSI Tracker results prior to December 2025.

> "The upheaval of decades of US trade policy is aligned with geopolitical and economic objectives."

The EU's competitiveness challenges were covered in the last Summit report, referencing the September 2024 Draghi commission and its assertive calls to action to overcome the bloc's relatively high energy costs, decades long productivity stagnation and constraints on capital formation. The recent Summit discussions expanded on this discussion with general counsel participation representing different sectors, notably also from Nexperia, a semiconductor manufacturer that in the days following the event was temporarily taken over by Dutch authorities before control was returned to Chinese ownership.

In terms of mercantilist policies, without question the greatest amount of disruption this past year has come from the new administration in Washington, with erratic bilateral tariff policies making headlines obsolete nearly as soon as they appear on laptop screens. Crucially, the upheaval of decades of US trade policy is about more than protecting employment and domestic production, and is aligned with geopolitical and economic objectives as stated by top level administration officials regarding competition with China, technological and military leadership, spiraling federal debt and the role of the dollar as the global reserve currency.

## Rewiring the global financial architecture

As it assumed office, the United States was due to roll over a cool 9 trillion dollars of debt in its first year and faced annual servicing amounts in excess of its defense expenditure, a situation that led prominent historian Niall Ferguson to point out that similar circumstances had triggered the imminent collapse of other empires.

The United States most certainly is not alone in pushing the limits of public borrowing. A number of European countries are leveraged to the point that government hands are tied to make reforms without incurring political instability, as exhibited by successive governmental collapses in France. Without addressing their ticking demographic time bombs, some European countries are rolling a stone uphill against the threat of civil unrest.

Exemplifying the new geoeconomic order, in late 2025 the Trump administration provided a $20 billion swap facility and mobilized the IMF to restructure Argentina's maturing debt, shoring up the market-oriented shock therapy of ally President Javier Milei. Meanwhile the administration actively displays carrots and sticks in dealing with other Latin American leaders to pursue its security and economic interests.

Unabated US federal borrowing is just one factor leading to questions about US Treasuries as a safe asset and the longevity of dollar hegemony, having medium-term implications for how cross-border transactions will be processed and protected in an alternative global financial architecture.

For some years, China has pushed for moving away from a dollar dominated global economic system including by settling more of its trade and payments in renminbi and opening its debt markets to its sovereign borrowers. Recent BRICS Summits have also focused on developing dollar and SWIFT alternatives for trade and financial transactions, not least sponsored by Russia to circumvent US and EU economic retaliation for the invasion of Ukraine. Finally, the current US unilateral approach to sanctions, i.e. neglect to coordinate with other major currencies, was mentioned at the Summit as an escalation of "dollar weaponization" that incentivizes countries to pursue a global monetary system outside of Washington's control.

Lubin elaborated the linkages between currency power on one hand and national and military power on the other, noting the former tends to be "stickier", not changing as quickly as the latter.

In other words, the US dollar could continue as the primary reserve currency for global transactions in a world in which its GDP lags that of China, its insatiable borrowing grows and it declines militarily.

The downside to the linkage between currency and geopolitical power is that transition periods from one monetary system to another can foster epochal instability. Far more important than the Trump administration's revamping of seven decades of US trade policy is that it is partly a function of political ambivalence about the role of the dollar in the global monetary system. That ambivalence ominously harkens to the "Kindleberger trap," named after the MIT economic historian who identified the systemic geopolitical risk that arises when the reserve currency is unsupported and the void goes unfilled.

Supporting a reserve currency requires a careful balance between issuing debt to supply liquidity to the system without compromising confidence in the currency's value. Soon after the founding of the Bretton Woods monetary order, economist Robert Triffin forewarned of this dilemma, cautioning that abrupt contractions in supply or surges in interest rates rates could provoke balance of payments crises. One data point suggesting US debt levels have passed a tipping point on the value-liquidity scale is that in 2024 global dollar reserves as reported by the IMF fell to their lowest level (57.8%) in 30 years, a downtrend since 2000,[2] that correlates with interest in concocting monetary alternatives.

Among competitor national currencies, there is no heir apparent to the dollar to back the vast majority of transactions, yet digital currencies and payments do enhance the prospects for others to take incrementally larger portions. For example, Lubin cites platforms like Alipay and WeChat Pay as furthering the internationalization of the renminbi without the need for China to loosen its capital controls. Ongoing digitization of the monetary ecosystem would accelerate the internationalization of the renminbi.

China is the most advanced major country in piloting a digital currency. Eurozone plans are to launch in 2029, assuming passage by the European parliament this year and a successful pilot stage beginning in 2027.

2 International Monetary Fund, https://data.imf.org/en/Data-Explorer?datasetUrn=IMF.STA:COFER(7.0.1)

> Europeans can lose access to financing *"because of a decision made on the other side of the pond."*

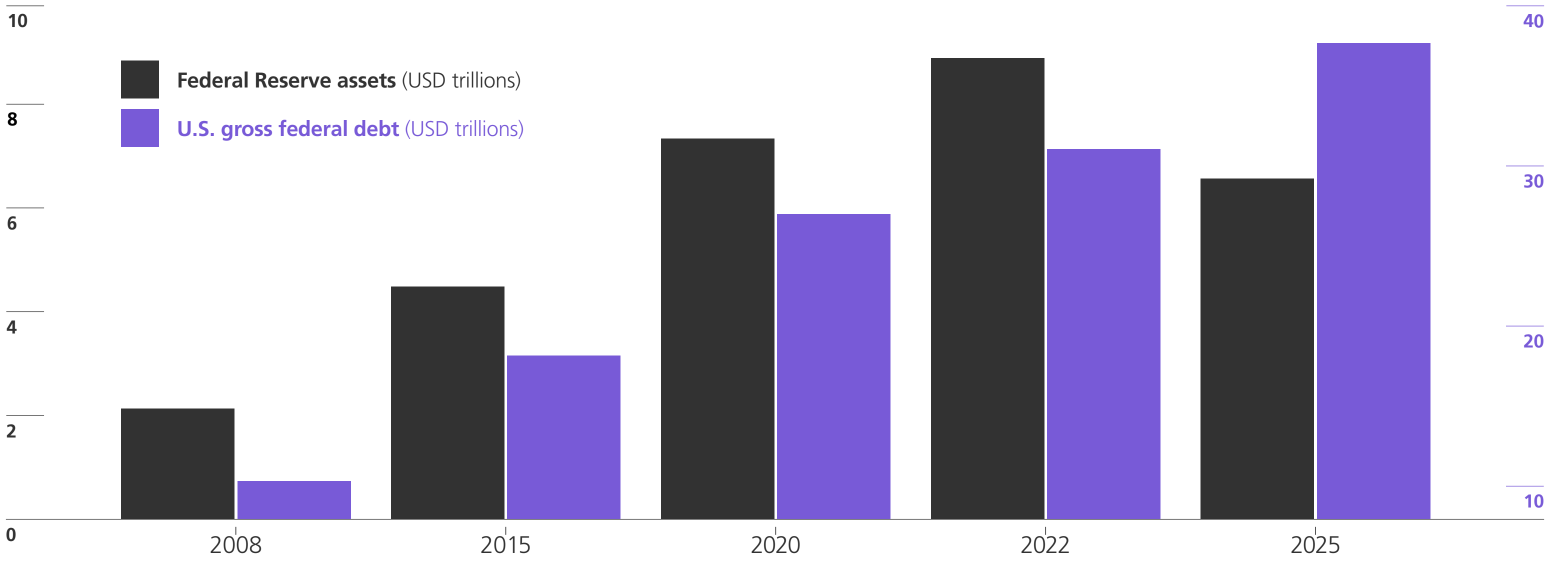
ECB president Christine Lagarde expresses concern about European dependence on Visa, Mastercard and Paypal for digital payments, stating "we are not effectively sovereign in our own garden" if Europeans can lose access to financing "because of a decision made on the other side of the pond." The Financial Times reported that she is not alone among ECB officials, who also "fear the US government's strong support for dollar-denominated stablecoins could increase Europe's dependency on America."[3]

While the US Federal Reserve is slower than China and the EU in moving toward a digital dollar, the new US administration led by Secretary of Treasury Scott Bessent has taken a strong interest in monetary digitization to prop up US bonds. One of Trump's first major legislative achievements in June 2025 was the GENIUS Act (Guiding and Establishing National Innovation for U.S. Stablecoins Act), channeling structural demand into the Treasury market through stablecoin issuers and easing borrowing costs in the near term. Bessent's prediction of stablecoin supply growth to $2 trillion by 2028 would potentially create equal Treasury demand minus reallocation of other dollar holdings,[4] and thereby suppress borrowing costs.

3 Olaf Storbeck, *'Down to the wire': ECB's digital euro project faces decisive vote in 2026*, Financial Times, 5 January 2026, https://www.ft.com/content/99a7b61b-c5df-4794-8c5f-2e3acd291333
4 BNP Paribas Economic Research, *United States: Will the Genius Act have the desired effect on demand for T-bills?*, 3 September 2025, https://economic-research.bnpparibas.com/html/en-US/United-States-Will-Genius-have-desired-effect-demand-bills-9/3/2025,51810

Another factor in dollar confidence has been the rapid expansion of the Federal Reserve's balance sheet beginning in 2008, making it by far the largest purchaser of US debt and enabling unprecedented congressional binge shopping that allowed the national debt nearly to quadruple from $10 to $38 trillion over the same period. Prior to that crisis, Federal Reserve assets stood just under $1 trillion but quickly reached $2.3 trillion by the end of 2009, doubling again to $4.5 trillion in 2015 and peaking in 2022 after the COVID-19 pandemic at $9 trillion, after which the bank quantitatively tapered, see figure 3, opposite.

**Figure 3.**
Increase in Federal Reserve Bank assets and US gross federal debt, 2008-2025.



This paradigmatic change in monetary policy opened the central bank to criticisms that its independence had been compromised,[5] undermining stability and confidence in the currency and driving up gold and bitcoin as alternative stores of value.

Absent an obvious successor to the dollar, a hybrid global system is starting to emerge, which already consists of increased payment activity conducted in other currencies in different regions (yuan, yen, rupee, dirham), greater use of bilateral swap lines, interest in cryptocurrency and stablecoins, and roll-out of central bank digital currencies.

What should we understand about such a hybrid global monetary system that may come to succeed the existing hegemonic one? Lubin mentioned we could see higher interest rates for sovereign borrowers, more frequent liquidity crunches and more capital controls as common features of global economic relations. Beyond that, we are already seeing US and Chinese efforts to strengthen geopolitical allies through currency intervention and access to capital markets. In such a system, businesses will not only need to safeguard against new forms of transaction and payment risk but anticipate the impact of geopolitical dynamics on financial markets.

## Territorial and digital sovereignty

Next to financial economic vulnerabilities, two additional areas of national sovereignty subject to threat are physical-territorial integrity and digital-technological capabilities.

The trade policy shocks of Brexit, Trump's first election and the pandemic have turned out not to be epiphenomenal but the onset of serial value chain disruption, necessitating a step-change in legal risk management with consequences for approaching future deals and commercial relationships. On the heels of those shocks the breakthrough public release of generative AI in 2022 added unprecedented new pressures to lock up energy capacity and critical minerals.

5 Kevin Warsh, *The High Cost of the Fed's Mission Creep*, Wall Street Journal, 27 April 2025, https://www.wsj.com/opinion/the-high-cost-of-the-feds-mission-creep-role-responsibility-monetary-policy-economy-20a352f8

In pursuit of the latter many countries were caught flat-footed, while China impressively had been preparing for well over a decade. Given the implications for territorial security and defense, competitive investment dynamics in the race for AI supremacy are one of the most important forces shaping capital flows and regulations across jurisdictions.

Henry Farrell, professor at John Hopkins SAIS, explained in a speech at a Lex Mundi Conference in May 2025, that "leadership and control of AI is the fundamental structuring principle of world politics." He referred to the new US administration's focus on being first to achieve artificial general intelligence to secure the long-term military-economic dominance of the United States.

Even before being sworn into office in January 2025, the new president negotiated with urgency to secure various pledges in the hundreds of billions of dollars for domestic data centers and chip manufacturing facilities, notably from the likes of Softbank, sovereign funds, semiconductor companies and others. In 2025, the United States topped destinations for sovereign wealth fund investments globally at $132 billion, nearly twice the previous year and compared to a mere $4.3 billion for China.[6]

Moreover, the new US administration drew links between technological supremacy and territorial expansion, questioning the sovereignty of Canada and making it a strategic objective to wrest control of Greenland from Denmark, reflecting the pivotal importance of the latter to arctic security, critical minerals and weaponization of space, among other reasons.

> "The trade shocks of Brexit, Trump and the pandemic were not epiphenomenal but the onset of serial value chain disruption."

The assertion of the US national interest in territorial acquisition is a paradigmatic shift in geopolitics not seen in the better part of a century, reversing the role of the global superpower from defender of the status quo to revisionist, i.e. one challenging the integrity of existing borders *a la* China and Russia.

6 Bloomberg, *Sovereign wealth funds pour $66 billion into AI as assets hit $15 trillion*, Gulf News, 1 January 2026, https://gulfnews.com/business/markets/sovereign-wealth-funds-pour-66-billion-into-ai-as-assets-hit-15-trillion-1.500395812

While territorial and digital sovereignty certainly hinge on new military technological capabilities like autonomous weapon systems, they also depend on an advanced tech ecosystem to support commercial innovation and competitiveness, consisting of AI-based equipment, services and tools needed for R&D, business operations and cybersecurity, among others. US administrations of both parties have continuously updated export controls, not only to mitigate Chinese access via allies but to extend the reach of US law through foreign companies whose use of American tech is regulated via the Foreign Direct Product Rule.

One general counsel at the Lex Mundi Summit emphasized the disadvantage Europe has by lacking a champion to go head-to-head with Amazon, Microsoft, Google and other cloud service majors, leaving its companies dependent in sectors that are undergoing digital transformation and potentially exposed to the behavior of US political authorities. Large scale investment in technological capabilities including the energy and minerals to fuel them were already the focus of the EU's Draghi Report in 2024, which explicitly called for a foreign economic policy focusing on access to resources as crucial for securing the bloc's sovereignty.

Early in his new office, Vice President JD Vance outlined the new administration's priorities for the transatlantic relationship in key speeches in Paris and at the Munich Security Conference, stressing that that tech cooperation depends on commitment to US political values such as free expression among others. The prioritization of these issues marked a fundamental shift in Washington's approach to the Atlantic alliance and was reinforced later in the year in the US National Security Strategy.

Not to be left behind in the AI race, during 2025 Gulf states UAE, Saudia Arabia and Qatar invested $66 billion through sovereign funds into local and foreign AI projects.[7]

7 Bloomberg, *Sovereign wealth funds pour $66 billion into AI as assets hit $15 trillion*, Gulf News, 1 January 2026, https://gulfnews.com/business/markets/sovereign-wealth-funds-pour-66-billion-into-ai-as-assets-hit-15-trillion-1.500395812

UAE investments included the "Stargate UAE" cooperation with Washington for the largest supercomputing complex outside the United States, renewable energy and advanced semiconductor projects with France, and a $1 billion pledge for AI development in Africa.[8] Already cited in the last Summit report, GCC countries have become the leading source of African investment in recent years, a key part of a long term strategy to secure resources and trade links. Significant investments in 2025 were in agriculture, copper, LNG and refining capacity.[9]

## Conclusions

National sovereignty has never been more on the line, leading to unprecedented volatility in terms of cross-border regulation and business activity.

The existential threat to sovereignty in the three areas discussed implies a magnitude of change that is more fundamental than simple retrenchment from globalization, one in which legal institutions and principles are more prone to political manipulation as governments jostle for financial autonomy, territorial security and technological competitiveness. In this environment, the exercise of corporate diplomacy and antifragile risk management are becoming more relevant for general counsel in multinational companies.

> "National sovereignty has never been more on the line."

8 Abdulla Rasheed, *UAE leads global AI adoption with 97% usage and major investments*, Gulf News, 29 December 2025, https://gulfnews.com/uae/uae-leads-global-ai-adoption-with-97-usage-and-major-investments-1.500392946
9 Charlie Robertson, *The Gulf is the new kid on the block for African FDI*, fDi Intelligence, 1 December 2025, https://www.fdiintelligence.com/content/b5530d52-b900-45f0-98e2-0201e2d259d0

# The path ahead for general counsel
## Corporate diplomacy and antifragile risk management

The politicization of business – whether from governments, investor activists, or the public – gives rise to complex dilemmas for leadership teams having to do with conflicting and often changing stakeholder demands.

Over recent years our General Counsel Roundtables and reports have called attention to the dual need to manage diverse stakeholder interests and to access deeper 'pre-diligence' to support strategic decisions related to investments, launches of new products and services, market entry, commercial partnerships, investigations, enforcements and disputes.

Figure 4, overleaf, taken from an earlier Summit report, outlines the range of stakeholders exerting influence over board and management level decisions, requiring careful navigation of sensitive topics, including ones formerly having a veneer of consensus like carbon emissions, DEI, human rights and others.

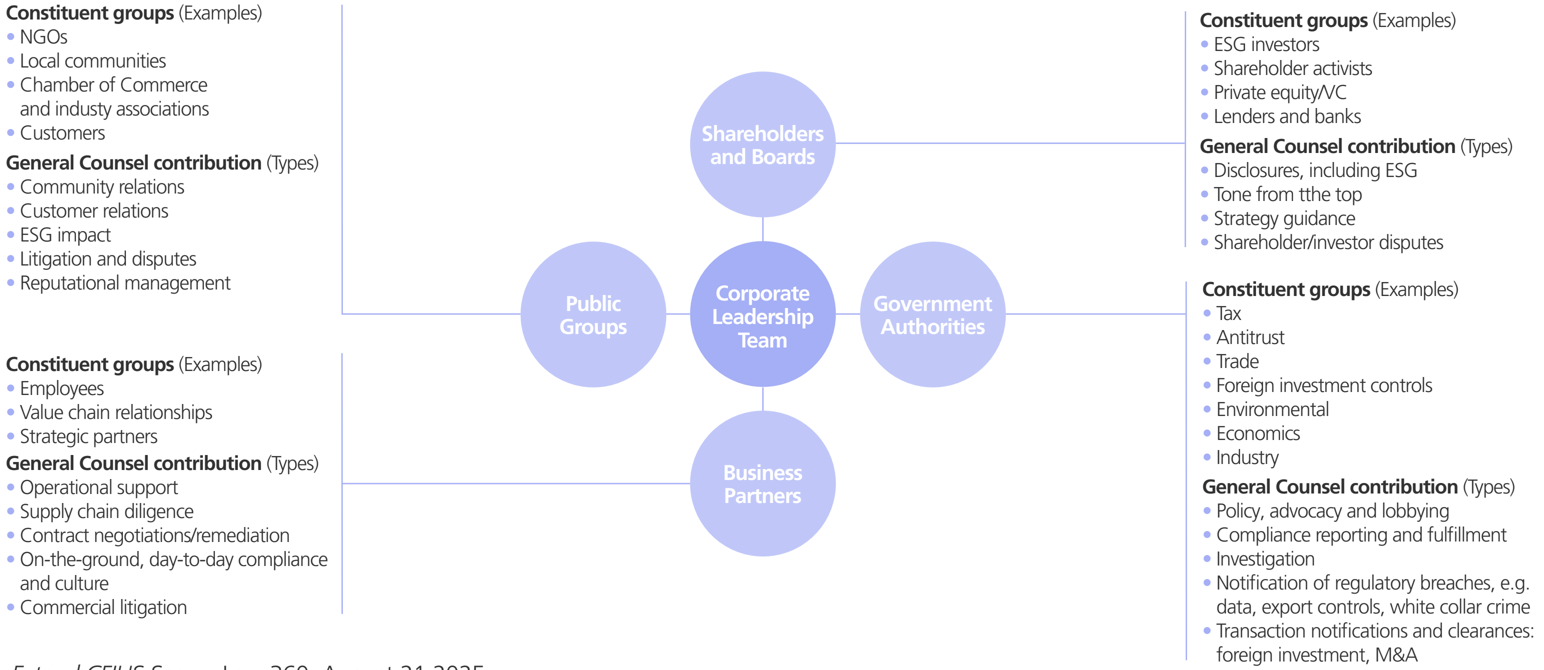
An observation that followed in the previous report was that general counsel must be armed with the skills to negotiate across stakeholders including with 'irrational actors,' i.e. parties whose interests are not easily assuaged by utilitarian pay-offs in the form of legal settlements, corporate patronage or social commitments.

Exemplifying the rising level of political uncertainty, Summit participants who actively manage cross-border acquisitions for their companies highlighted the "extraterritorial scope of new regulations" related to cross border investments, technology transfer and merger clearances in jurisdictions without business activities. They cited authorities in China, South Korea, the EU and Africa as being more active.

Further to the point, CFIUS was mentioned as more intrusive than ever, recently subjecting prior investments to review and this past year even overturning a Chinese acquisition from 2020.[10]

In terms of deal diligence, Summit participants mentioned giving more attention to dual-use technology controls, counterparty risk, compliance including ESG disclosures and impact assessments, and reputational issues. In an environment of unprecedented geopolitical volatility these challenges presuppose an enhanced degree of general counsel engagement in corporate diplomacy.

**Figure 4.**
Stakeholder governance: evolving terrain for corporate diplomacy.




10 Thaddeus McBride and Faith Dibble, *Divest Order Shows How Security Fears Extend CFIUS Scope*, Law 360, August 21 2025, https://www.bassberry.com/wp-content/uploads/divest-order-cfius-scope.pdf

## Corporate diplomacy

Chief legal officers in multinational companies are no strangers to the exercise of corporate diplomacy, yet some adaptation is needed to match today's degree of volatility. Figure 5, right, divides typical functions of corporate diplomacy between standard ones that generally continue to be fit for purpose, and evolving ones that are growing in relevance and require additional sophistication to impact company strategy and risk.

Under the standard category, the general counsel role is certainly crucial as ever. General counsel are active in relationships to authorities and coordinate with government and external affairs teams when it comes to industry bodies and building coalitions to shape policy outcomes.

Furthermore, general counsel can serve as envoys supporting development of foreign markets by deepening understanding of local legal norms and cultural sensitivities to smooth the way for M&A, product roll-outs and other growth programs.

Promotion of compliance programs internally and externally also has a diplomatic benefit for earning trust from local authorities and other stakeholders, while working toward regulatory approvals and licensing. One Summit panelist explained "trust arrives on foot and leaves on horseback."

Depending on the organization, some general counsel own responsibility for ensuring the corporate voice is aligned across legal, investor relations, public affairs and management teams on important global issues. Key topics are climate, trade, digital governance and corporate strategy. Not least, general counsel often assume coordination of outreach to regulators and other stakeholders during crises and other external shocks.

**Figure 5.**
General counsel functions of corporate diplomacy.

| Standard functions | Evolving functions |
|---|---|
| • Develop public policy<br>• Envoy in cross-border negotiations<br>• Promote ethical standards<br>• Align the corporate voice across functions<br>• Crisis outreach to regulators and other stakeholders | • Build a global stakeholder Matrix<br>• Map issues and markets<br>• Stand-up a global regulatory intelligence network |

Three evolving functions of corporate diplomacy require more attention to support corporate strategy and risk management. The first is to build a global stakeholder matrix consisting of regulators, trade bodies, embassies, development banks, key civil groups, business chambers, media contacts and to assign relationship owners (e.g. regional legal or general management) to maintain effective channels of communication.

> Boards need signals for when interventions are necessary.

The second is to map critical issues and markets to identify vulnerabilities and build capacity. Regulatory vectors include:

- AI/data;
- antitrust;
- sanctions/export controls;
- supply-chain/human rights due diligence;
- climate/ESG disclosure;
- market access;
- local content;
- investment review/CFIUS-like regimes; and
- cybersecurity.

For example, through Lex Mundi's Equisphere service, a global technology manufacturer with presence in 100 countries was able to work with law firms to triage 15-20 value chain chokepoints and identify common risk areas to the business. Such exercises can be a starting point for aligning critical policies across jurisdictions.

A third evolving area for corporate diplomacy is to build and engage with a regulatory intelligence network to monitor emerging issues – data control, DFI restrictions, sanctions – across jurisdictions and share insights with the business, putting the company in the position to adapt strategy before competitors. This network would consist of partnerships with local law firms, compliance experts and government relations specialists in key markets.

In the words of one Summit panelist, "boards need signals for when interventions are necessary." Such signals depend on reliable and actionable intelligence gained from engagement in the policy sphere, with stakeholders and through an effective network in key markets, enabling the company to navigate regulation, deal clearances and delicate commercial relationships.

## Enterprise antifragility

The above functions of corporate diplomacy form an important part of enterprise risk management not only by building resilience against business derailers but by positioning resources to respond to shocks.

Bjarne Tellmann introduced the concept of antifragility into Summit discussions, referring to Nassim Nicholas Taleb's book, *Antifragile: Things that Gain from Disorder*. For Taleb, the term antifragile is defined as more than mere resilience, which is an ability to withstand shocks. Antifragility is the opposite of fragility. Rather than breaking under stress some things get stronger from it. Taleb writes, "Anything that has more upside than downside from random events (or certain shocks) is antifragile; the reverse is fragile."[11]

Drawn to its conclusion, Taleb makes a case for fostering an organization and a culture that can gain from volatility. In contrast, traditional risk management approaches attempt to estimate scenarios based on what has happened before and then to formulate plans and procedures for those eventualities. Taleb gives the example of the Fukushima catastrophe, noting the reactor had been built to handle the worst earthquake on record at the time rather than for an eventual one that would be stronger.

Antifragile risk management encourages looking for upside in volatility. Three aspects of antifragility that have application to legal risk management are optionality, barbell risk allocation and redundancy.

Conversely an antifragile framework pushes active identification of fragilities, parts of the business most prone to break under stress. Typical examples are overcentralized decision making far removed from local realities, super optimization of processes leaving little tolerance for volatility, opaque internal systems including suppression of undesirable information, inflexible standardization across jurisdictions, and global monoculture that insulates group think. Some of these pitfalls apply not only generally but also specifically to the coordination of cross-border legal advice especially if lead counsel have misaligned incentives.

11 Nassim Nicholas Taleb, *Antifragile: Things that Gain from Disorder*, Penguin Books 2013

Optionality entails a move away from prediction to building multiple alternative courses of action, such as fostering parallel supplier relationships, embedding clauses in contracts with contingencies for termination or pricing changes, and cultivating different commercial partners. Optionality creates latitude for the company to pivot with shifts in geopolitics and regulation.

> Events over the past year make it hard to overstate the impact of geopolitical volatility on cross-border business.

Barbell risk strategy pairs extreme conservatism with targeted exposure to volatility. In legal terms one might imagine overcapitalizing compliance controls and cybersecurity while contracting in parallel with different commercial partners and even law firms to allow room for occasional competitive gains without significant downside risk. In other words, assume volatility and make some safe bets with upside to benefit from it.

Finally redundancy in terms of suppliers, parallel counsel in critical jurisdictions and internal capacity for urgent situations positions the company to handle inevitable incidents (e.g. cyberbreaches, compliance issues, cross-border investigations) but to respond with speed and better bargaining power.

In a time of unprecedented geopolitical volatility, corporate diplomacy and enterprise antifragility are valuable extensions of risk management capabilities.

## Conclusions

Events over the past year make it hard to overstate the impact of geopolitical volatility on cross-border business, resulting in serial value chain disruption and unprecedented operational and transaction risk. The root cause of volatility can be found in existential threats to sovereignty that are creating pressures for a hybrid international monetary order, destabilizing borders, and compromising digital-technological autonomy. These shifts portend more than deglobalization and imply long-term politicization of law, institutions and regulations. In this environment, boards and leadership teams of multinational companies are more reliant on general counsel for active corporate diplomacy and to strengthen enterprise antifragility.

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