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# THE GEOPOLITICAL CORPORATION: HOW MULTINATIONAL FIRMS ARE NAVIGATING "NEUTRALITY" IN AN INCREASINGLY POLARISED WORLD

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## ABSTRACT

This article examines how multinational corporations are renegotiating the meaning and practice of "neutrality" in an increasingly polarised international order, with particular reference to corporate responses to the Russian Federation's full-scale invasion of Ukraine and to intensifying United States–China trade and technology tensions. It places this recent corporate conduct in the context of a broader transformation from a liberal paradigm of apolitical, efficiency-maximizing firms to a world described by international relations scholars as "weaponised interdependence," in which states use their control of key economic and information centers to coerce others. In this regard, the article argues that against this context, the concept of neutrality is not only normatively contested but also operationally constrained in the sense that while some firms are using the concept of neutrality to continue their operations in conflict zones or to attempt to straddle competing blocs, soft-law regimes such as the United Nations Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises are starting to presume that corporate inaction in the face of serious human rights risk could represent a failure of corporate responsibility.

Through the use of empirical studies on corporate disengagement in Russia, the study on China plus one and friendshoring strategies in the context of the US-China rivalry, and the emerging body of research on partisan corporate social responsibility, the article demonstrates that the concept of corporate neutrality is no longer understood as abstention from politics, but rather as a complex configuration of legal compliance, supply chain strategies, reputation management, and stakeholder engagement. An original normative and conceptual framework is developed in the article on what the author calls the "geopolitical corporation," understood as a firm in which the very heart of its governance structures, risk calculations, and stakeholder engagements is significantly influenced by interstate conflict, sanctions, and human rights. The article concludes that rather than aspiring to an impossible apolitical neutrality, multinational enterprises should adopt transparent, principled processes for navigating geopolitical dilemmas, grounded in human-rights due diligence, board-level oversight of geopolitical risk, and a consistent application of normative standards across conflicts and regions.

## INTRODUCTION

The contemporary multinational corporation was long imagined as a largely apolitical actor whose primary obligation was to maximise shareholder value by arbitrating regulatory differences and exploiting comparative advantage across jurisdictions, leaving questions of war, peace, and human rights to states and inter-governmental organisations. That image was plausible, if never entirely accurate, under conditions of relatively liberal economic globalisation in which cross-border flows of capital, goods and data were generally framed as instruments of mutual gain rather than as tools of coercion. The twenty-first century, however, has seen a dramatic evolution of this underlying order, with great powers increasingly employing sanctions, export controls, investment screens, and supply chain securitisation as tools to pursue strategic interests, and civil society groups seeking to hold companies accountable through transnational campaigns to take stands on conflicts and rights abuses. In this context, it is apparent that corporate choices regarding investment, supply, and disengagement necessarily have geopolitical implications, and assertions of neutrality seem both precarious and politicized.[566]

## FROM APOLITICAL MNCs TO THE GEOPOLITICAL CORPORATION

A key conceptual innovation in understanding this evolution has been the idea of "weaponised interdependence," which was first proposed by Henry Farrell and Abraham Newman.[567] This idea seeks to explain the dynamics whereby certain states, which possess jurisdiction over key nodes in the global economic and information flows, might leverage their interdependence with other actors to convert the latter from an attribute of mutual vulnerability into an instrument of power. This might be achieved through the panopticon and chokehold effects of their access to financial messaging platforms like the SWIFT system, dollar-clearing networks, and dominant digital platforms. Neutrality is no longer an option for multinational corporations in this context because, for the latter, banks cannot be neutral about compliance with sanctions that are essentially hardwired into the global payments system, and technology companies cannot be indifferent about the imposition of export controls that restrict the transfer of advanced semiconductors and encryption technologies to certain jurisdictions.

At the same time, the normative envelope surrounding corporate activity has thickened markedly through the consolidation of business-and-human-rights standards. The United Nations Guiding Principles on Business and Human Rights, endorsed by the Human Rights Council in 2011[568], articulate a tripartite framework of state duty to protect, corporate responsibility to respect, and access to remedy, and expect companies to adopt human-rights policies, conduct ongoing due diligence, and address adverse impacts linked to their operations and value chains. The 2011 update of the OECD Guidelines for Multinational Enterprises[569] similarly codifies non-binding but influential expectations that enterprises avoid causing or contributing to adverse human rights and environmental impacts and use their leverage to prevent or mitigate such harms when they are directly linked through business relationships. These instruments do not formally dictate corporate positions on interstate conflicts, but by focusing attention on risks to rights-holders rather than merely on risks to the firm, they implicitly narrow the moral space for a self-regarding neutrality, particularly in contexts characterised by large-scale violations.

## CORPORATE RESPONSES TO RUSSIA'S INVASION OF UKRAINE

These dynamics were highlighted in the wake of the Russian Federation's full-scale invasion of Ukraine in February 2022. Within weeks of the invasion, hundreds of Western companies declared their intention to suspend, curtail, or completely exit their operations in Russia, even in cases where the measure was in excess of the minimum necessary to comply with the

[566] The Weaponization of Economic Interdependence: Sanctions, Financial Statecraft and the Fragmentation of the Global Economy, Int'l J. Soc. Sci. & Mgmt. Rev., vol. 8, issue 4 (2025)
[567] Henry Farrell & Abraham L. Newman, Weaponized Interdependence: How Global Economic Networks Shape State Coercion, 44 Int'l Sec. 42 (2019).
[568] Office of the High Comm'r for Human Rights, Guiding Principles on Business and Human Rights, U.N. Doc. HR/PUB/11/04 (2011).
[569] Org. for Econ. Coop. & Dev. [OECD], OECD Guidelines for Multinational Enterprises (2011).

sanctions imposed by the US, the EU, and their allies.[570] The high-profile exits of companies such as McDonald's, which sold its Russian operations to a local company while giving voice to its values and its solidarity with the people of Ukraine, have been seen as a defining moment in the world of corporate political engagement. These actions have been celebrated as the arrival of the age of stakeholder capitalism, in which CEOs are willing to forego profits in the service of human rights, the rule of law, and world peace. In this view, it was no longer possible to maintain a position of neutrality; to do business as usual in Russia meant to appear to condone aggression and face the possibility of retaliatory action by stakeholders or the market.

Empirical studies of this corporate exodus, however, tell a more nuanced story that complicates straightforward narratives of principled non-neutrality. An extensive study of companies in the S&P 500 and STOXX 600 indices finds that firms that quickly announced complete withdrawal or sweeping suspensions of their Russian operations tended to have relatively limited revenue exposure to the Russian market, whereas mid-cap companies and those more deeply integrated into the Russian economy moved more slowly or adopted narrower adjustments.[571] Moreover, the same study also demonstrates that decisions to exit were strongly related to the level of boycott campaigns on social media and other channels, implying that reputational pressure coming from the West was a determining factor in the content and timing of the reactions. From this point of view, what could have been perceived as a moral awakening seems to represent a differentiated trend in which those firms that had a low level of Russian contribution to their global revenues had the necessary flexibility and incentives to renounce neutrality, while others did not.

The range of corporate actions in Russia varied from swift and highly publicized withdrawals, through various forms of partial suspension, to the decision to stay and continue operating, based on the need to fulfill their duty to employees, customers, and communities. Commentaries on the actions of businesses emphasize the ways in which, for wholesalers and B2B companies less exposed to the threat of reputational attacks from consumers, there was an explicit assertion of their apolitical nature and their duty not to harm the ordinary Russian people, who were the real sufferers of the war and sanctions imposed upon them. This invocation of neutrality framed ongoing commercial engagement as a humanitarian or solidaristic choice directed at innocent populations rather than as tacit support for the aggressor state. At the same time, such claims were challenged by critics who argued that tax revenues, technology transfers and commercial activities inherently contribute to the Russian state's capacity to wage war, regardless of corporate rhetoric.

Emerging scholarship has sought to conceptualise these divergent practices as part of a broader transformation in corporate social responsibility. In a study of the actions of Fortune Global 500 companies in the face of the Ukraine war, it is argued that a new phenomenon of "partisan CSR" is emerging, in which the actions of companies are designed to support particular countries or political positions, such as the strengthening of the Ukrainian economy, helping the refugees, supporting the Ukrainian defence effort, or exploiting the business opportunities created by the withdrawal of the West.[572] The aforementioned study also points out that many firms, especially from the Global South and Asia, took a stance of declared neutrality, continuing or even expanding their activities in Russia without any political statements, thus demonstrating that geopolitical polarisation generates not only alignment but also hedging

570 Anete Pajuste & Anna Toniolo, Corporate Response to the War in Ukraine: Stakeholder Governance or Stakeholder Pressure? (European Corp. Governance Inst., Finance Working Paper No. 839/2022, 2022).

571 Simon J. Evenett & Niccolò Pisani, Less Than Nine Percent of Western Firms Have Divested from Russia, SSRN (Jan. 19, 2023)

572 Christopher Marquis & Kunyuan Qiao, MNCs and the Politics of Mission: The Rise of Partisan CSR, [Journal Name] (2022)

strategies. Corporate neutrality in this sense becomes less an ethical abstention from politics than a calculated bet on a multipolar order in which attachment to any single bloc might prove costly.

**NON-NEUTRALITY**

If the Ukraine conflict foregrounded corporate decisions about market exit and overt political signalling, escalating United States–China trade and technology tensions have highlighted how seemingly technical choices about supply-chain structure and technology partnerships are becoming deeply politicised. The imposition of Section 301 tariffs on hundreds of billions of dollars of Chinese goods, and then the series of retaliatory measures taken by China, greatly impacted the costs of trade between the two regions, as well as the finely tuned manufacturing processes, and made firms in industries such as electronics and automobiles rethink their traditional supply chains.[573] The analyses of these tariff wars indicate that the main effects are the increased costs of inputs, the stockpiling of products in anticipation of the tariff deadline, and the disassembling of complex logistics systems that had been well optimized. In such a context, neutrality understood as pure cost-based optimisation becomes difficult to sustain when tariff schedules and export-control lists reflect political decisions about national security, industrial policy and human rights.

One of the most prevalent corporate practices in dealing with these tensions has been the so-called "China plus one" strategy, whereby firms attempt to maintain significant production bases in China while at the same time developing at least another location, usually in Southeast Asia, South Asia, or Latin America. Although this strategy was originally pursued in response to growing wages in China, along with the desire to access new markets, it has recently been boosted by the tariffs, lockdowns, and sanctions risks that make dependence on China too dangerous. Policy briefs and industry reports describe how companies are building parallel supply chains in countries such as Vietnam, India and Mexico, even as they retain a robust "in China, for China" footprint geared toward the Chinese domestic market. Although such diversification is normally framed in terms of risk management, the choice of alternative hubs is influenced by geopolitical considerations as well as economic ones, with firms seeking jurisdictions that are perceived to be politically aligned or at least not in the crosshairs of the sanctions imposed by the great powers.

In fact, existing academic literature on US firms' decoupling from China has highlighted that, despite all the political rhetoric, exiting China completely remains an exception, and responses have varied by industry, level of exposure, and sensitivity. Research tracking supply-chain reconfigurations from 2009 to 2022 finds that companies in strategic industries tied to national security, such as semiconductors and defence, have been more inclined to reduce reliance on Chinese suppliers and production, whereas those in less sensitive sectors have pursued more incremental diversification.[574] This contradicts the notion of a simple dichotomous movement between engagement and disengagement, and instead indicates a selective balancing act, weighing political legitimacy and regulatory issues in the US against cost, innovation, and market access factors in China.

The technology industry provides perhaps the most vivid examples of how regulatory actions can preclude neutrality. The United States and several allies have imposed expansive export controls on advanced chips and chip-making equipment on China, linking them to concerns about military modernisation and human-rights abuses. In parallel, several countries, including those in the Five Eyes alliance and the EU, have either barred or limited the use of Chinese

[573] 19 U.S.C. § 2411 (2018).

[574] Laura Alfaro & Davin Chor, Global Supply Chains: The Looming "Great Reallocation", (Nat'l Bureau of Econ. Rsch., Working Paper No. 31661, 2023)

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telecommunications firms such as Huawei and ZTE in their 5G infrastructure in the name of security, following intelligence assessments and pressure from the US.[575] Telecommunications operators and equipment manufacturers, in a way, are in a critical dilemma due to these policies, as they will have to pay a cost if they continue to work with Chinese manufacturers, or they will have to pay a cost if they opt to replace the equipment. In this space, neutrality as technology-agnostic procurement is effectively impossible when states designate particular partners as intrinsically "high risk" and attach tangible consequences to non-compliance.

**NEUTRALITY**

These developments intersect with and are reinforced by the consolidation of business-and-human-rights norms. The UNGPs, by grounding corporate responsibility in internationally recognised human rights and requiring ongoing due diligence across value chains, shift the baseline from permissive neutrality to proactive risk management oriented around the interests of rights-holders.[576] Likewise, the OECD Guidelines have also emphasized that enterprises must not cause or contribute to any adverse impacts, and they must use their leverage to prevent or mitigate adverse impacts that are related through their business relationships, including in areas of conflict or high risk. In practice, this means that firms must interrogate the human-rights implications of their presence in markets like Russia during wartime, of their sourcing from regions such as Xinjiang where credible reports of forced labour persist, and of their provision of technologies that may be used for surveillance or repression.

In terms of Ukraine, these frameworks can be interpreted as requiring companies to assess whether their ongoing activities might be contributing to the funding of the war, providing goods and services which enable war, or legitimizing an aggressor state. While neither the UNGPs nor the OECD Guidelines mandate a blanket duty to exit, they undermine the notion that merely complying with local law suffices to discharge corporate responsibility. Those that have opted to stay have begun to increasingly justify their decision, not only in economic terms, but also in terms of their duty to their employees, the delivery of basic goods, or the alleviation of humanitarian harm, which, in effect, tacitly acknowledges that neutrality must now be defended in terms of human rights rather than assumption. A similar shift is evident in debates over operations in China, where companies face pressure to demonstrate that their supply chains are not tainted by forced labour and that their technologies are not enabling grave abuses, even when such practices are sanctioned or obscured by local authorities.

**STAKEHOLDER CAPITALISM, PARTISAN CSR, AND THE POLITICS OF CORPORATE REPUTATION**

Alongside these legal-normative pressures, the rise of stakeholder capitalism and partisan CSR has made reputation a central vector through which neutrality is challenged. The Ukraine war saw an unprecedented wave of brand activism on social media, with global brands posting statements of solidarity, adopting Ukrainian colours in their logos, and publicising donations or in-kind support. The research on corporate communication in the context of the conflict suggests a notable difference in the approaches of Western consumer-oriented firms, who tended to take an overt pro-Ukraine stance, and those who kept silent or, as time went by, increasingly ambiguous, which may be perceived as a form of endorsement of the current state of affairs, thus increasing the price of non-alignment.

This logic operates differently but no less forcefully in the US–China context, where firms face a double bind. On the one hand, Western civil-society organisations, media and

[575] Secure and Trusted Communications Networks Act of 2019, 47 U.S.C. §§ 1601–1609 (2020)
[576] Gesetz über die unternehmerischen Sorgfaltspflichten in Lieferketten [LkSG] [Act on Corporate Due Diligence Obligations in Supply Chains], July 16, 2021, BGBL I at 2959 (Ger.).

legislatures scrutinise links to repression, censorship and labour abuses in China, and may call for boycotts, divestment or legislative sanctions against companies perceived as complicit. On the other hand, Chinese authorities and consumers have responded harshly to corporate statements that question Chinese policies or territorial claims, including through regulatory investigations and nationalist boycotts. In such an environment, attempts to maintain neutrality – for example, by issuing carefully balanced statements or by avoiding public comment altogether – may be interpreted as hostile by both sides. Neutrality here is less a safe harbour than a precarious balancing act, with firms constantly exposed to cross-pressures from competing stakeholder communities.

## SUPPLY CHAIN GEOPOLITICS: FROM JUST-IN-TIME TO JUST-IN-CASE

These practical and normative pressures have profound implications for corporate governance and strategy. Supply-chain design, once treated primarily as a technical and financial question, is now inseparable from geopolitical risk assessment.[577] Firms are increasingly abandoning pure just-in-time models in favour of "just-in-case" arrangements that build redundancy, regionalise production and prioritise resilience, reflecting the reality that tariffs, sanctions and pandemics can rapidly disrupt single-country dependencies. Discussions on the effects of tariff changes and trade conflicts underscore that this is an increase in cost and management complexity, but also an increase in robustness in an environment of structural uncertainty. The phenomenon of China plus one, nearshoring, and friendshoring is an exemplar of this readjustment, which is at once a reaction to economic disruption, but also an anticipation of the possibility of perpetual geopolitical competition.

From a theoretical standpoint, this phenomenon suggests the need to reconceptualise the multinational as a "geopolitical corporation." That is, this is not just an organisation that happens to operate on a global scale, but whose very essence is defined in terms of its relationship to geopolitical structures. Its position in global networks – whether as a financial hub, a data platform, a supply chain orchestrator or a critical infrastructure provider – determines both the degree and the form of state leverage that can be exerted upon it, and thus the parameters within which neutrality is even imaginable. The historical choices made regarding the allocation of investments, the adoption of norms, and the structuring of supply chains shape its current capacity to adapt to sanctions, tariffs, and human rights demands, which in turn creates the trajectory of entanglement or flexibility.

## NORMATIVE AND POLICY IMPLICATIONS

From a normative and policy perspective, the rise of the geopolitical corporation raises concerns about the distribution of authority between public and private actors. There is a risk that states, especially in liberal democracies, might avoid the political responsibility of determining the level of disengagement from these abusive regimes and pass the buck to business, depending on voluntary disengagement, boycotts, and CSR strategies rather than developing a clear legal framework. On the other hand, there is also a risk that overly expansive regulations and sanctions will pressgang corporations into a strategy of engagement with the issue, without sufficient consideration of the global distributive consequences, including on the workers and communities in third countries that are indirectly impacted by the disengagement strategies of corporations. A more balanced approach might entail providing clarity on the minimum mandatory baselines of corporate engagement, for example, in the form of emerging mandatory human rights due

[577] McKinsey & Co., Supply Chain Risk Pulse 2025: Tariffs Reshuffle Global Trade Priorities (Dec. 1, 2025)

diligence and other targeted export control legislation, as well as recognizing the need for such engagement, apart from the baselines, to remain a voluntary and internally governed and stakeholder-scrutinized decision, as opposed to one dictated by the state.

The key challenge for boards and executives of corporations is how to embed geopolitical and human rights literacy into their decision-making processes, for example, how to build internal capabilities for scenario planning on conflicts, sanctions, and decoupling, how to embed human rights impact assessments into major investment decisions, and how to design internal governance structures for determining when neutrality is appropriate and when alignment or disengagement is necessary. It also requires regular engagement with a diverse range of stakeholders – including employees, local communities, investors, civil society organisations and regulators – to understand their expectations and communicate the constraints under which the firm operates.

**CONCLUSION**

Ultimately, the analysis offered in this article suggests that the issue for multinational corporations is no longer whether they can or should remain neutral in the face of geopolitical polarisation, but rather how they can operate in an environment where neutrality itself is understood as political, and where the appropriate response to this challenge will depend less on the articulation of intentions to remain apolitical than on the actual articulation of transparent, principled, and context-sensitive approaches to the management of geopolitical challenges, grounded in the firm's commitment to human rights, its obligation to comply with legitimate authority, and its awareness of its own role in the evolution of the global economic order.