

Executive Summary del Working Paper

Luiss

Libera Università Internazionale
degli Studi Sociali Guido Carli
Viale Romania 32, 00197 Roma
T +39 06 85222350
www.luiss.it

Executive Summary: Geopolitical Risk Index

Introduction

The international system is experiencing a prolonged phase of transition and fragmentation, marked by strategic uncertainty and the erosion of a clear and shared order. The post-Cold War equilibrium, centered on American primacy and a liberal rules-based framework, has eroded without giving way to a new, stable architecture. This era is characterized by multiple crises and multipolar frictions, where power is exercised through disruption and ambiguity, and the notion of "global governance" is more aspiration than reality. States and private actors need to navigate these complexities minimizing risks and maximizing opportunities. The Geopolitical Risk Observatory with its index and analyses aims at providing Italian businesses with the tools to address these challenges.

Understanding Geopolitical Risk

In this fragmented context, the ability to understand, anticipate, and measure geopolitical risk becomes essential. Institutional continuity and diplomatic routine are no longer sufficient; foresight, realism, and adaptability are vital for states, public institutions, international organizations, and private actors. Italian companies, particularly those with significant international exposure, must navigate rapidly evolving risks that defy conventional models of prediction.

The Geopolitical Risk Observatory (GRO)

To support Italian businesses, Geopolitical Risk Observatory (GRO) is established at Luiss within the Franco Fontana Research Center on Strategic Change. GRO aims to offer a rigorous, flexible, and operationally useful framework for interpreting geopolitical developments and translating them into timely business intelligence. The possibility to rely on both academic research and practitioners experience is one of the core added values of the observatory.

The Geopolitical Risk Index (GRI)

At the heart of GRO's work lies the Geopolitical Risk Index (GRI), a quantitative tool developed in-house, rooted in expert judgment, and calibrated through a systematic model. The GRI provides near real-time visibility on geopolitical dynamics affecting countries and regions of priority interest to Italian business. It enables decision-makers to anticipate shifts, reassess exposure, and optimize trade

flows and investment strategies accordingly.

Methodology

The GRI is distinct in its methodological precision and strategic orientation. It integrates structural, situational, and current risk factors into a coherent framework, capturing both current challenges and evolving dynamics of international politics. The index differentiates between types of business exposure—trade and foreign direct investment (FDI)—and tailors its outputs to four key sectors of the Italian economy: banking and finance, energy, defense, and manufacturing.

Results

The GRI's initial application to a set of nine countries of strategic interest to Italian business provides valuable insights. The index is disaggregated into ten distinct versions, reflecting the intersection of two types of business operations (trade and FDI) with the four strategic industries, plus a generic version for broader applicability. This structure ensures relevance and practicality, offering sector-specific and operation-sensitive insights.

Implications for Italian Businesses

In an increasingly unpredictable world, decision-makers and companies must be equipped with clarity, courage, and competence. The GRO seeks to offer them a compass rooted in realism, responsive to change, and grounded in a deep understanding of global dynamics. The GRI is not about avoiding risk altogether but recognizing it in time, understanding its nature, and acting accordingly.

Conclusion

The Geopolitical Risk Index represents a significant step forward in equipping Italian businesses with the tools they need to navigate a complex geopolitical environment. By combining expert judgment with a structured, multi-layered model, the index offers a dynamic and differentiated assessment of geopolitical risk tailored to the specific needs of Italian enterprises across key industries. The GRI bridges the gap between geopolitical analysis and business strategy, translating complex global dynamics into actionable insights, empowering Italian companies to operate with greater foresight, resilience, and confidence.