The End of the Bond Supercycle: Economic, Financial, and Geopolitical Outlook

Introduction

After four decades of falling interest rates – a bond market "supercycle" that drove U.S. 10-year Treasury yields from ~16% in the early 1980s to near 0% by 2020 – the era of ever-lower yields appears to have ended. This new regime is marked by the unwinding of excess liquidity and the return of persistent inflation pressures, alongside a more volatile geopolitical landscape defined by trade wars, tariffs, and a shift toward a multipolar world order. In the decade ahead, these shifts are poised to reshape macroeconomic conditions, unsettle financial markets, and prompt strategic realignments among global powers. This report provides a comprehensive analysis of the potential impacts, organized into three sections: (1) **Economic Impacts**, examining inflation dynamics, growth, debt, and monetary policy; (2) **Financial Markets**, assessing outlooks for equities, bonds, and currencies; and (3) **Geopolitics and Defense**, evaluating alliance shifts, military spending, and the emergence of trade/technology blocs.

Economic Impacts in a New Inflationary Era

Persistently Higher Inflation and Its Drivers

A fundamental change in the post-supercycle economy is the resurgence of inflation. The massive liquidity injections of the past decade – from quantitative easing to pandemic stimulus – are now "leaving a more persistent footprint" on prices. In the U.S. and across advanced economies, inflation rates that once hovered around 2% have spiked into the mid-single digits, and while they have eased from their peaks, they remain stubbornly above central bank targets. This persistence reflects a confluence of factors: **demand-side forces**, as excess money supply fuels spending, and **supply-side constraints**, as globalization gives way to fragmentation. According to the European Central Bank, the rapid 30% surge in Eurozone money supply (M1) after 2020 was an early warning that inflation would not simply subside on its own. At the same time, trade disruptions and **geoeconomic fragmentation** are adding structural inflationary pressure. The World Economic Forum finds that in a scenario of severe fragmentation (with blocs splintering global trade and finance), global inflation could run **5 percentage points higher** than it would in a more integrated world. In short, the era of ultra-low inflation is likely over – replaced by an environment in which central banks must contend with **persistent inflation** driven by both monetary-excess and a retreat from the deflationary forces of globalization.

Slower Growth and Risks of Stagflation

The macroeconomic outlook for growth is considerably weaker under these conditions. **Real economic growth** in both the U.S. and globally is expected to trend lower than in the pre-2020 period, in part because the tailwinds of ever-easier credit have turned to headwinds. The Bank for International Settlements warns that global growth prospects are the **"weakest in decades"** due to structural drags – notably aging populations, a slowdown in China and other emerging markets, and rising **geoeconomic fragmentation**. Supply-chain realignment and protectionist policies (tariffs, export controls) tend to reduce efficiency and productivity growth, acting like a tax on world output. Indeed, the World Economic Forum estimates that extreme fragmentation (a full decoupling of East-West trade) could lop off around **5% of global GDP** – a shock larger than the 2008–09 financial crisis. Even milder decoupling scenarios could shave ~1–3% off world output. This weaker growth combined with persistent inflation raises the specter of **stagflation**, reminiscent of the 1970s. Advanced economies may see periodic recessions as central banks tighten policy to tame prices, while **emerging markets** could fare even worse – the WEF notes that fragmentation especially **"negatively impacts economic growth...in emerging markets"** that depend on global integration. In sum, the coming decade may be characterized by **moderate-to-high inflation and below-trend growth**, a challenging combination for policymakers.

It is expected that **neutral or non-aligned economies** will bear the greatest burden in a full East–West decoupling, with over a 10% hit to GDP. Even the major blocs (U.S.-led "West" and China/Russia-led "East") suffer declines in output as efficiency losses mount. This underscores that while protectionist and strategic trade measures aim to bolster national security or self-reliance, they come at a real economic cost. Fragmentation "fuels inflation" and undermines growth, suggesting that a more divided global economy will, on the whole, grow more slowly than a integrated one. For the U.S., a less globalized world could mean lower trend growth (as export markets shrink and supply chains reconfigure) and higher production costs. Europe faces similar stagflationary risks, compounded by energy security challenges. Many emerging economies – having benefited from trade-led development – may see export growth slow and investment flows dry up. One silver lining is that some countries could gain from supply-chain diversification (e.g. Southeast Asia or India attracting manufacturing away from China), but global growth in aggregate is likely to be weaker.

Debt Dynamics and Fiscal Pressures

An end to the bond supercycle also brings a reckoning for debt sustainability. Governments worldwide dramatically expanded fiscal deficits in the low-rate era, pushing global public debt to record highs. Now, with interest rates rising, the cost of servicing that debt will surge. In advanced economies, many governments had grown accustomed to financing debt cheaply – in some cases central banks even bought 25–50% of outstanding government bonds via QE, artificially suppressing borrowing costs. Those days are gone. The BIS projects that if interest rates return even to mid-1990s levels, **interest payments on public debt could exceed 6% of GDP**, reaching the highest share of output in the post-WWII period. For context, the U.S. federal debt is now over 100% of GDP, so higher yields imply hundreds of billions in additional annual interest expense, pressuring budgets for years to come. Already, U.S. federal interest costs in 2023 roughly doubled from two years prior as old debt rolled over at higher rates. Other high-debt countries (e.g. Italy or Japan) face similar squeezes – Italy must contend with investors demanding a risk premium on its bonds, while Japan is gingerly exiting yield-curve control to avoid a debt spiral.

Emerging market debt dynamics are even more precarious. Many EM governments borrowed heavily in dollars when credit was cheap, and now face **vicious cycles** of currency depreciation and rising debt burdens. As U.S. rates rise and the dollar strengthens, capital tends to flow out of emerging markets, weakening their currencies. A weaker local currency makes servicing dollar-denominated debt more expensive, undermining investor confidence and potentially leading to **sharp depreciations**, as the BIS warns. This can quickly spiral into debt crises – a scenario reminiscent of the 1980s Latin American debt crisis triggered by the Volcker-era rate hikes. Indeed, some low-income and emerging countries are already in distress (e.g. recent defaults in Sri Lanka and Zambia), and a continuation of the high-rate environment could push additional nations to the brink. High debt also limits fiscal flexibility: heavily indebted governments may be **unable to deploy stimulus** during downturns, potentially worsening recessions. Overall, the shift to higher interest rates will force difficult fiscal trade-offs, with more revenue diverted to interest payments and less room for public investment – just as demands for defense, infrastructure, and social spending are all growing.

Monetary Policy: A New Balancing Act

Central banks are navigating an entirely different landscape in this post-supercycle decade. The U.S. Federal Reserve, which slashed rates to zero and amassed a $9 trillion balance sheet in the 2010s and early 2020s, has pivoted to aggressive tightening to rein in inflation. By 2025 the Fed Funds rate sits in restrictive territory, and policymakers signal that **interest rates will stay above pre-pandemic levels** for the foreseeable future. In this new regime, central bankers face a delicate **balancing act**: tightening enough to prevent an inflationary spiral, but not so much as to trigger a severe recession or financial crisis. The challenge is compounded by fiscal and geopolitical cross-currents. Large fiscal deficits in many countries (partly a legacy of pandemic stimulus and now higher defense spending) mean monetary and fiscal policy can work at cross-purposes – with fiscal expansion sustaining demand (and inflation) even as central banks try to cool it. The risk, as the BIS notes, is a transition to a **“high-inflation regime – a concern that becomes more acute the longer inflation remains elevated”**. Central banks therefore are likely to err on the side of hawkishness, tolerating weaker growth in order to restore price stability.

At the same time, policymakers must be vigilant about **financial stability**. Rapid rate rises in 2022–2024 already exposed vulnerabilities (for example, stress in parts of the banking sector and bond market as asset prices adjusted). With **debt levels so high**, there is a thin line between fighting inflation and destabilizing credit markets. We may see central banks use new tools to manage this balance – e.g. targeted liquidity facilities to backstop banks or bond markets, even as policy rates remain elevated. In emerging markets, many central banks moved early and raised rates aggressively to fend off inflation and support their currencies; as a result, some EMs may actually be in a position to cut rates sooner if global inflation pressures abate. **Currency intervention** is another lever: countries like Japan or India might intervene to smooth excessive currency moves if U.S. tightening causes capital flight. Overall, monetary policy in the next decade will be far less stimulative than in the last; the punchbowl has been removed. Central bankers such as the ECB’s Isabel Schnabel emphasize that **“there is not yet an all-clear for the inflation problem”**, reinforcing that restrictive policies could persist until inflation is durably back to target. The era of near-zero interest rates and quantitative easing as the default stance is over. Instead,

interest rates will fluctuate at higher levels and policy will be much more data-dependent, responding to an uncertain mix of inflationary shocks (energy prices, supply bottlenecks, geopolitical events) that are likely in this volatile environment.

Financial Markets Outlook: Adjusting to a Higher-Rate World

Equities: Sector and Regional Effects in an Inflationary Climate

Global equity markets face a markedly different investment climate in the coming decade. The end of falling bond yields **"removes a key tailwind for investment returns"** that investors had enjoyed for years. Higher interest rates tend to compress stock valuation multiples and shift the relative performance of sectors. Historically, **periods of high inflation are associated with lower price/earnings (P/E) ratios** – investors become more risk-averse and use higher discount rates for future earnings. We are already seeing this effect: the lofty equity valuations of the 2010s (when inflation was low and liquidity abundant) have given way to more modest multiples. State Street Global Advisors observes that as inflation and rates jumped, the **MSCI World Index P/E fell from ~18x to around 15x**, roughly its long-run average, as "markets digested the new level of interest rates". In practical terms, this suggests equity returns will rely more on earnings growth and dividends, and less on expanding valuations. Companies with **stable cash flows and pricing power** are better positioned – they can pass on costs and maintain earnings, justifying decent valuations even amid inflation. In contrast, high-growth companies (tech in particular) that were priced on distant future profits have seen their valuations hit hardest, as those future cash flows are now discounted at higher rates.

Sector-wise, a rotation is underway. Inflation beneficiaries include **energy and commodities** stocks – these tend to outperform as resource prices climb (oil & gas profits surge with $80+ crude, mining companies gain from higher metals and minerals prices). **Financials**, especially banks, can also benefit: higher interest rates improve banks' net interest margins, meaning lending becomes more profitable. Many banks entered this period well-capitalized, and in the U.S. and Europe, banks are seeing improved core earnings from lending (though any severe recession or credit crisis could still hit them via loan losses). **Insurance companies** similarly benefit from higher bond yields on their investment portfolios. **Real estate investment trusts (REITs)** have mixed fortunes – property owners in sectors with pricing power (e.g. residential landlords in tight housing markets) can raise rents with inflation, but higher interest rates increase financing costs and cap rates, hurting property values. Sectors with long-duration cash flows or heavy reliance on cheap capital – notably **technology and high-growth "story" stocks** – face continued headwinds. Big Tech firms that generate strong current cash flow (the likes of Apple or Google) remain robust, but smaller or speculative tech companies must adapt to a world where capital is no longer virtually free. The **tech sector** also faces geopolitical bifurcation (U.S.-China tech decoupling) which can limit global growth opportunities. On the other hand, certain tech themes will still thrive: for instance, **defense and aerospace** companies are seeing booming orders (as military budgets rise), and **manufacturing firms** linked to infrastructure or supply-chain re-shoring are poised for growth thanks to industrial policy initiatives (e.g. semiconductor fabs being built in the U.S. and Europe).

Regionally, equity markets will reflect how different economies navigate this new landscape. The **United States** still boasts resilient corporate earnings and a diversified market; U.S. equities also tend to be seen as a relative safe haven, and U.S. indices have a large share of energy and defense firms that could outperform. However, U.S. stocks are coming off very high valuations, and if U.S. inflation stays elevated, the Fed's tightening could restrain growth – a combination that might cap broad index gains. **European equities** are more value-oriented (financials, industrials) and could benefit from the rotation into cyclicals and value stocks. Indeed, many European defense and engineering firms stand to gain from rearmament and the green transition (massive spending on renewable energy and electricity grids). But Europe's economy is more exposed to energy price swings and trade disruptions, so earnings growth may be anemic if the region slips toward stagflation. **Emerging market equities** will be a very diverse story: commodity-exporting markets (e.g. Gulf states, some Latin American markets like Brazil) could continue to outperform on the back of higher commodity revenues and improving terms of trade. By contrast, manufacturing-exporters with high import costs (e.g. some ASEAN countries that import energy) might struggle unless they can capture supply-chain shifts. **China's equity market** – the world's second-largest – is a wildcard. On one hand, China's economy is grappling with internal issues (e.g. property sector debt) and external pressures (U.S. export bans on key technologies), which has made investors cautious. On the other, China is pursuing stimulative policies at home and pushing for greater self-reliance; key Chinese companies in sectors like electric vehicles, renewable energy, and semiconductors may experience growth as the government supports these industries. If geopolitical tensions remain high, global investors may keep a relatively lower allocation to Chinese stocks due to sanction risks and unpredictability. **India**, meanwhile, has been attracting increased investment as a potential alternative manufacturing base; Indian equities could see secular support if multinational companies continue a "China+1" strategy and domestic growth stays strong. Overall, equity investors will likely favor markets and sectors with **tangible assets, cash flows, and inflation hedging characteristics** – a shift from the previous decade's infatuation with high-growth, long-duration assets.

Importantly, **market volatility is expected to stay elevated**. Higher inflation brings more uncertainty in earnings and interest rates, which in turn means sharper swings in equity prices. Surprises – whether an inflation print, a central bank decision, or a geopolitical flare-up – can trigger bigger market reactions when the macro backdrop is unstable. As one investment outlook noted, 2024 saw narratives "flipflop" and volatility surge as markets struggled to interpret an unusual environment. Both companies and investors will need to be agile in this new normal. Active investment strategies and inflation-hedging assets (like commodities or inflation-linked bonds) may play a larger role in portfolios, whereas the classic growth-stock-led strategies might need recalibration. In summary, **equities can still deliver returns over the next decade**, but the sources of those returns will differ from the last: pricing power and smart capital allocation will be paramount, and the market leadership is likely to tilt away from the speculative and toward the substantive.

Bonds and Credit: The New Yield Environment

The bond market is at the center of the regime change in finance. After a nearly 40-year bull market (when bond prices rose and yields fell continuously), investors must adjust to a possible long-term **bear market or at best a flat market for bonds**, with yields now on an upward or volatile trajectory. **Sovereign bonds** have already repriced significantly: U.S. 10-year Treasury yields, which were below 1% in 2020, have risen into the 4–5% range by mid-decade, levels not seen in over 15 years. This rise directly translates into **negative price returns for existing bonds** – indeed, 2022 was one of the worst years on record for bond investors (U.S. Treasuries fell sharply as yields jumped). Looking ahead, bondholders will demand higher yields as compensation for inflation risk and for the end of central banks' heavy bond-buying support. Whereas previously bonds often delivered capital gains as yields declined, now the primary return from bonds will be the **coupon (interest) income**. The good news is that new buyers finally earn **positive real yields** in many markets – for example, a 10-year Treasury at ~4.3% versus U.S. inflation trending perhaps ~3% gives a modest positive real yield. This is a stark change from the 2010s when trillions in bonds had negative real (even nominal) yields. **Fixed-income portfolios** can thus generate income again, which may attract investors back to bonds and help governments finance deficits – but that equilibrium yield will be higher than before.

However, a world of higher yields also means **greater credit stress**. **Corporate and sovereign borrowers** who binged on cheap debt must refinance in coming years at much steeper rates. **Corporate credit spreads** (the risk premium above government yields) could widen if default risks increase. Thus far, many large firms termed out their debt at low rates, delaying the crunch. But by late this decade, a wave of corporate maturities looms: firms will either need to repay or refinance at rates that could be double or triple their previous interest costs. We may witness a shakeout especially in the **high-yield (junk) bond segment** – companies with weaker balance sheets may default at higher rates. Already, default rates have inched up from historic lows, and rating agencies forecast more **downgrades** in a persistent inflation scenario. **"Zombie" companies**, which only survived thanks to near-zero rates, will struggle to roll over debt; many will restructure or be acquired, consolidating sectors. Even investment-grade companies could see their profit margins pinched by higher interest expense. Credit markets will likely differentiate more starkly: companies (or countries) with strong fiscal discipline and revenue growth will maintain market access at reasonable spreads, while those with questionable solvency could face funding freezes.

One direct consequence of rising sovereign yields is **tighter financial conditions globally**. The U.S. Treasury market serves as a benchmark for pricing virtually all other assets, so a sustained 4-5% 10-year yield raises the bar for returns on equities and real estate, and increases borrowing costs across the board (from mortgages to emerging market bonds). There is also the question of **who will buy all the bonds** being issued. During the supercycle, central banks and international buyers (e.g. China, petrostates) absorbed a lot of U.S. and European sovereign debt. Now, central banks are in withdrawal mode (quantitative tightening), and some foreign buyers are less eager or able (China is not expanding reserves like before, oil exporters are investing more at home, etc.). Thus, **governments may need to entice domestic investors** – banks, pension funds, households – to hold more debt, possibly through regulatory changes or simply via higher yields. In extremis, if inflation really took off and markets balked at financing debts, central banks might face pressure to intervene (even to monetize debt) – but that would undermine their inflation fight, a true policy dilemma.

In terms of **bond market performance**, we could see more frequent **inversion and steepening cycles**. For example, if central banks keep short-term rates high while long-term inflation expectations remain somewhat anchored, yield curves could invert (as happened in 2022–23). Inversions harm bank lending but signal that investors expect future growth to slow. Conversely, any hint that central banks might tolerate higher inflation or lose control could cause long-term yields to spike (steepen), as investors demand an inflation risk premium. Such volatility reduces the traditional **“safe-haven”** role of bonds. In past decades, bonds often rallied during equity sell-offs (because growth fears led to rate cuts and disinflation, boosting bond prices). But in an inflationary shock, bonds and stocks can **sell off together**, offering less diversification benefit. The year 2022 illustrated this: both global stocks *and* bonds fell in tandem as inflation surprised to the upside. Investors may therefore seek other hedges (cash, gold, commodities, or inflation-linked bonds) to protect portfolios.

Emerging market bonds will diverge between those issued in local currency and those in hard currency. Local currency bonds in countries with credible inflation targeting might hold up if the higher local yields compensate for inflation (e.g. Brazil, where central bank policy rates above 12% quelled inflation and attracted carry trade buyers). In contrast, **emerging sovereigns with dollar-denominated debt** face steeper challenges – their yields have already jumped, and countries with weaker credit profiles have seen spreads blow out to distress levels. Some emerging issuers may turn increasingly to alternate creditors (such as China’s policy banks or regional development funds) if Western capital markets become too expensive or selective. We could also see the growth of **local currency financing** within emerging market blocs – for instance, ASEAN nations or African countries may attempt to issue debt regionally or to new BRICS development institutions to reduce reliance on U.S. dollar markets. That said, the U.S. dollar debt market will remain important and U.S. yields will be a key factor in global financial stability. If U.S. yields were to rise very sharply (say, due to entrenched U.S. inflation or fiscal angst), it could **“trigger sharp depreciations”** in emerging currencies and **“wreak havoc”** on public and private EM balance sheets. Hence, emerging markets will closely watch the Federal Reserve’s moves and hope for a measured, predictable path rather than abrupt tightening.

In summary, the **bond market outlook is one of cautious income generation rather than easy capital gains**. Investors will earn higher coupons, but must contend with the risk of inflation eroding those returns and the possibility of price volatility if inflation surprises or fiscal concerns arise. Active management (choosing the right duration and credit exposure) will be critical. The likely scenario is not a straight-line rise in yields, but rather **range-bound yields with bouts of volatility** – as one analyst put it, bond yields ”are unlikely to go up in a straight line”. For the next decade, gone are the days when ”bond prices only go up”; instead, fixed-income markets will demand vigilance and offer selective opportunities, reflecting a more normal (and indeed somewhat unforgiving) cost of capital across the world.

Major Currencies: USD, Euro, Yuan and EM Currencies in a Multipolar World

Currency markets are inherently a relative game, and the coming years will be shaped by shifting interest rate differentials, external imbalances, and geopolitical considerations. The **U.S. dollar (USD)** enters this period from a position of strength – it remains the world's dominant reserve and trade currency, and it appreciated markedly in 2022 as the Fed hiked rates faster than peers. As of early 2025, the dollar's value is buoyed by the Fed's hawkish stance and the U.S. economy's resilience. In times of global volatility, the USD typically also benefits from **safe-haven flows**. Indeed, the dollar's "robustness" has been evident even as its longer-term role comes under debate. **Over the next decade, however, the dollar's path may be choppier**. On one hand, **persistent U.S. inflation** could gradually erode international confidence in the greenback's value, especially if investors sense U.S. policy is falling behind the curve. Additionally, U.S. political shifts (for example, a more protectionist or unpredictable administration) can weaken sentiment; BlackRock analysts note that certain U.S. policies could "reinforce geopolitical fragmentation and add to inflation," which might in turn put downward pressure on the dollar in real terms. On the other hand, there are structural reasons the dollar might remain strong or even strengthen further: higher U.S. interest rates relative to Europe/Japan pull in capital, and in a fragmented world, many countries may prefer holding dollars for security.

That said, **a gradual diversification away from the dollar is underway**. The dollar's share of global foreign exchange reserves has fallen from about 70% in 1999 to around **59% as of 2023**. The IMF observes that while the USD is "preeminent," it has been **ceding ground to nontraditional currencies** in reserves – not so much to the euro or yen, but to smaller currencies and China's renminbi. **Economic fragmentation is a key motivator**: countries seeking to reduce dependence on a U.S.-centric financial system (especially after the U.S. demonstrated its leverage via sanctions on Russia) are exploring alternatives. For example, Russia and China now conduct the majority of their bilateral trade in rubles and **yuan (CNY)** rather than dollars, and Russia's central bank drastically increased its yuan reserves after 2022. Central banks globally have also turned to **gold** as a hedge against dollar and geopolitical risk – in fact, central bank gold purchases hit record levels, with **over 1,000 tons of gold bought annually in 2022 and 2023**, more than double the previous decade's average. Analysts attribute this trend directly to efforts to **"diversify reserves away from the dollar"** due to geopolitical uncertainties. One commodity strategist noted that uncertainty about U.S. policy means **"less incentive to add Treasuries ... and more incentive to actually de-dollarise"** central bank portfolios. Over the next ten years, this de-dollarization is unlikely to dethrone the dollar, but it will likely continue at the margins – perhaps the dollar's share of reserves falls into the 50s or even high 40s percent, with correspondingly higher shares for gold, yuan, and other currencies.

For the **euro (EUR)**, the new environment is mixed. The euro zone is also experiencing higher inflation, and the European Central Bank has tightened policy, but not as aggressively as the Fed. The **EUR/USD** exchange rate could benefit if U.S. inflation outpaces European inflation (eroding the USD's real value) or if the Fed eventually pauses while the ECB keeps hiking. However, Europe faces unique headwinds: energy security issues, proximity to the Russia-Ukraine conflict, and slower long-run growth. The euro remains the second-largest reserve currency (~20% of global reserves), and in a fragmented scenario Europe may strengthen trade ties with regions like Africa or Latin America, potentially promoting the euro's use there. But the euro's upside is capped by the fact that it is not a unified fiscal union – some investors remain wary of euro assets due to the latent risk of fragmentation within Europe (e.g. differing debt levels between Northern and Southern Europe). The **Swiss franc** and **Japanese yen** – traditional safe havens – have lost some luster in an inflationary environment (Japan's yen in particular hit multi-decade lows in nominal terms as the Bank of Japan lagged in tightening). If global inflation remains high, even these safe havens might not appreciate as they did in past deflationary shocks. Japan is now cautiously normalizing policy, which could eventually give the yen a boost. For the **pound sterling**, much will depend on how the UK navigates post-Brexit trade and its own inflation (which has been high). Sterling could stay range-bound, with the Bank of England forced to keep rates elevated to defend it.

The **Chinese yuan (renminbi, CNY)** is poised to play a larger international role – yet significant barriers remain. China has actively promoted yuan trade settlement, especially with energy and commodity exporters. For instance, Chinese imports of Russian oil are now often priced in CNY, and multiple countries (from Brazil to some Middle Eastern nations) have signed currency swap agreements with Beijing to facilitate using yuan. As a result, the yuan's share in global payments and reserves has inched up (the RMB is now around 2–3% of global reserves, up from essentially zero a decade ago). The **BRICS nations** have openly discussed increasing use of local currencies and even floated the idea of a **BRICS currency**, though the latter is more aspirational at this stage. We are likely to see the yuan used more in **regional trade and finance**, especially within Asia and in China's Belt & Road partner countries. China's introduction of a **central bank digital currency (e-CNY)** for cross-border use could also facilitate yuan-based transactions by simplifying conversions and payments. However, for the yuan to truly rival the dollar or euro, China would need to liberalize its capital account and financial markets significantly – a step that conflicts with the Chinese Communist Party's desire for control over the domestic economy. Thus the yuan will rise in influence, but probably as part of a more **multipolar currency system** rather than as a singular replacement for the dollar. Beijing's strategic use of currency and credit (for instance, lending in yuan to countries for infrastructure projects) could create a yuan bloc of sorts, but most analysts believe the dollar will remain "first among equals" in ten years, even if its dominance is somewhat reduced.

Emerging market currencies will face divergent fortunes. Broadly, a higher-yield world has historically been tough for EM FX: higher U.S. rates lure money away, and EM currencies come under pressure. We may see repeated episodes of **EM currency volatility**, particularly if global risk sentiment deteriorates. Countries with strong commodity exports and current account surpluses (e.g. many Gulf states, some in Latin America like the Chilean peso or Brazilian real) might outperform, as they did in 2022's inflation surge when commodity prices soared. By contrast, EM importers with weak fundamentals (e.g. Turkey or Argentina) could see continued currency depreciation and even crises. Encouragingly, many EM central banks have improved their frameworks (inflation targeting, accumulating FX reserves) and entered this period with higher interest rates, which provides some cushion. Some EMs will also benefit from **remittance flows** or service exports (for example, South Asian countries benefiting from IT services or labor exports can get FX inflows).

A notable trend could be **regional currency cooperation**: for instance, in Africa, there are discussions of strengthening regional monetary unions; in Asia, ASEAN has explored local currency settlements to reduce USD dependence. **Crypto-assets** had been touted by some as a challenge to fiat currencies in emerging markets, but after the late-2020s volatility and regulatory crackdowns, cryptocurrencies are not (in their current form) a reliable alternative for national reserves – though they may still be used by individuals as a hedge in high-inflation countries. Instead, **gold** is playing that alternative role at the official level, as mentioned, and potentially other **reserve assets** (like the IMF's Special Drawing Rights basket which now includes the yuan) might see more use.

In summary, expect the **U.S. dollar to remain king but on a slightly shakier throne**. Its valuation may fluctuate with Fed policy cycles – spikes during tightening phases and pullbacks if U.S. inflation surprises negatively or if geopolitical moves (like new sanctions regimes) drive others to diversify. The **euro** will strive to hold its ground as a stable second option, the **yuan** will gradually climb in usage particularly in Asia and among BRICS, and many **EM currencies** will seek stability through higher domestic rates and partnerships, but not all will succeed (some will depreciate significantly, needing IMF help or capital controls). By the end of the decade, we could see a world where the dollar's share of reserves is somewhat reduced, more trade is invoiced in euros and yuan especially within their spheres, but the dollar-centric international financial system remains intact, albeit with more **workarounds and parallel systems** (like China's CIPS payments system alongside SWIFT, or regional development banks alongside the Bretton Woods institutions) reflecting the geopolitical fractures.

Geopolitics and Defense: Strategic Shifts in a Multipolar Era

Military Spending and Security Posture: A New Arms Buildup

Geopolitical volatility and great-power competition are driving a notable upswing in **defense spending** worldwide. The war in Ukraine and rising tensions in East Asia have convinced many nations to rearm after years of relatively modest military budgets. Global military expenditure **hit an all-time high of $2.44 trillion in 2023**, the 9th consecutive yearly increase. This 6.8% real increase from 2022 was the steepest annual jump since the late 2000s, and early data suggest 2024 saw continued growth. The International Institute for Strategic Studies (IISS) estimates that in 2024, defense spending reached roughly **$2.46 trillion globally**, reflecting **“intensifying security challenges”** and conflicts that show no sign of abating. All regions are contributing: according to SIPRI, 2023 military outlays rose not just in Europe and North America, but also in Asia, the Middle East, and Africa. The world has thus entered a phase of **militarization** not seen since the early post-9/11 era – but this time it is more broad-based, involving simultaneous buildups in multiple theaters.

Leading this surge are the major powers. The **United States**, long the biggest defense spender, has increased its defense budget from about $700 billion a few years ago toward the $900 billion range by mid-decade. U.S. spending in 2024 was around $970 billion (which exceeds the combined total of the next several nations). The U.S. is investing in modernizing its nuclear arsenal, developing advanced capabilities (hypersonic missiles, cyber warfare, space assets), and expanding its Navy and Air Force presence in the Indo-Pacific to deter China. At the same time, Washington has been arming Ukraine and backfilling its own stocks of munitions – a wake-up call that industrial capacity for sustained conflict needs to be ramped up. **NATO allies in Europe** have seen an especially dramatic shift. In response to Russia's invasion of Ukraine in 2022, nearly all NATO members have hiked budgets. A record **23 out of 32 NATO countries now meet or exceed the alliance's guideline of 2% of GDP on defense**, up from just 6 countries in 2021. Europe as a whole saw an **18% jump in defense spending in 2024** (for European NATO allies plus Canada) – a truly unprecedented one-year increase. This has raised the alliance's collective defense spending to about 2.7% of GDP. Notable examples include Poland (spending a striking 4%+ of GDP on defense, positioning itself as a regional military heavyweight), the Baltic states (well above 2%), and **Germany**, which broke decades of restraint by committing €100 billion to rearmament and aiming for 2% GDP annually going forward. Even traditionally neutral or pacifist countries like **Sweden** and **Finland** have boosted spending – and indeed both have now joined NATO (Finland in 2023, Sweden in 2024), expanding NATO's reach. This European militarization is focused on deterring Russia (with investments in tanks, air defenses, and troop readiness), but also increasingly on developing power projection and high-end capabilities that could be relevant globally.

In Asia, **China** is the dominant military spender after the U.S. Beijing's official defense budget rose 7.2% in 2023 to about $225 billion, though many experts estimate actual Chinese military-related spending is much higher when accounting for off-budget items. By 2025, China's defense budget is likely around $250–300 billion, and if current growth trends continue, it could approach $400+ billion by the early 2030s. China has been rapidly modernizing the **People's Liberation Army (PLA)** – building a blue-water navy (with multiple aircraft carriers launched or in construction), expanding its arsenal of ballistic and cruise missiles (including "carrier-killer" anti-ship missiles and hypersonic glide vehicles), and doubling down on advanced tech like **AI, quantum computing, and space systems** for military use. A key Chinese priority is achieving the capability to **reunify Taiwan by force** if necessary, by deterring U.S. intervention and being able to strike U.S. bases and ships. This has led to an intense arms race in the Western Pacific: the U.S. and allies like **Japan and Australia** are countering by investing in longer-range missiles, missile defenses, submarines (e.g. the AUKUS deal will give Australia nuclear-powered subs), and deepening interoperability. Japan in particular has undertaken a historic shift – its 2023 security strategy calls for Japan to **double defense spending to 2% of GDP by 2027**, which will likely make it the third-highest defense spender globally (roughly $100 billion a year) and include acquiring counterstrike missiles that can reach targets in adversary territory. **India** is also upping military budgets (over $80 billion in 2023) to keep pace with China's military developments and to manage the persistent threat from Pakistan. India is expanding its navy and buying advanced fighters and S-400 air defense systems, preparing for a possible two-front conflict scenario.

Russia, despite economic sanctions and battlefield losses in Ukraine, has dramatically ramped up its military outlays as well. SIPRI data show Russia's military spending in 2023 rose 24% to an estimated **$109 billion**, which is about 5.9% of its GDP. Russia is in a fight for strategic endurance – pouring resources into ammunition, mobilizing hundreds of thousands of additional troops, and repurposing industry for a protracted war. Moscow's spending is now a heavy burden on its economy (nearly 1/6 of government spending). If the war continues for years, Russia will face tough choices to sustain this level of expenditure under sanctions, but so far it has prioritized military needs above all else. Other countries feeling direct threats have also spiked spending: for example, **Ukraine** itself, with Western help, effectively mobilized an enormous military budget (though much of it is external aid). **Taiwan**, under the shadow of Chinese aggression, is investing in asymmetric defense (missiles, drones, reserves training). And around the world, **middle powers** are arming up: Australia, Poland, South Korea, Turkey, Saudi Arabia – each is buying cutting-edge systems (from F-35 jets to Patriot missiles to drones) to secure their interests in a turbulently multipolar world.

The implications of this arms buildup are twofold. First, **military industries and technologies are booming**. Defense contractors are experiencing high demand – for instance, U.S. manufacturers of artillery shells, rockets, air defenses, and drones have multi-year order backlogs to replenish stocks sent to Ukraine and to equip NATO allies. In Europe, countries are collaborating on new weapons (e.g. the Franco-German-Spanish Future Combat Air System, or the British-Italian-Japanese Global Combat Air Programme for next-gen fighters). This could stimulate innovation and job creation in the defense sector, but it also diverts resources from civilian use. Second, the world risks entering a **security dilemma** spiral. As SIPRI's Nan Tian cautions, nations prioritizing military strength could trigger "an action–reaction spiral in an increasingly volatile...landscape". In other words, one state's buildup (even if defensive in intent) can be perceived as a threat by another, prompting them to also arm further – feeding a cycle of mistrust. We see this vividly in Asia: Chinese military expansion begets U.S. alliance responses, which Beijing cites to justify even more buildup. Similarly, NATO's strengthening, while clearly a reaction to Russian aggression, is used by the Kremlin to rally domestic support for its own militarization. Over the next decade, unless diplomatic arms control efforts revive, the risk is a **New Cold War-style arms race**, potentially including areas like **nuclear weapons** (Russia has threatened escalation, and both Russia and China are adding to their nuclear warhead counts, while U.S. modernizes its arsenal). The breakdown of arms control treaties – e.g. Russia suspending New START limits – raises the danger of a renewed nuclear arms competition. Military spending beyond a certain point also has economic drawbacks: high defense burdens can strain government finances and crowd out social programs, and arms races can become unsustainable (as seen in the Soviet Union in the 1980s).

In summary, **defense and security considerations are back at center stage**. Governments are willing to spend heavily to ensure they are not caught unprepared in this era of heightened threats. While this builds capacity for deterrence, it also means that should diplomacy fail, conflicts (if they erupt) could be even more devastating with the advanced capabilities being fielded. The challenge for the international community will be managing these armaments buildups through confidence-building and perhaps new arms control frameworks, to prevent accidental or inadvertent escalations.

Alliance Realignments: NATO Solidarity, BRICS and the Global South

The geopolitical order is undergoing a significant realignment, moving from the U.S.-led unipolar moment of the 1990s–2000s toward a **more multipolar configuration**. Traditional alliances are being tested and, in some cases, strengthened, while new partnerships and blocs are emerging. A defining feature is the crystallization of two broad camps: a coalition of democracies and status-quo powers (centered on the U.S., Europe, Japan, and allied nations) versus a revisionist bloc (centered on China and Russia) – with a large group of **non-aligned or middle powers** in between, whose alignment may fluctuate based on interests.

On one side, **Western alliances have shown notable cohesion** in response to recent crises. NATO, as discussed, has not only expanded membership but also reinvigorated its core mission of collective defense. The unity displayed by NATO members in supporting Ukraine – through sanctions on Russia and tens of billions in military aid – has, somewhat unexpectedly, revitalized the alliance (which only a few years ago was described as "brain dead" by some leaders). The U.S.-Europe bond has tightened, with the U.S. once again playing the indispensable role of European security guarantor (stationing more troops in Eastern Europe, for instance). This has eased, for now, the perennial transatlantic debates over burden-sharing, since many Europeans are now stepping up spending (as noted) and the immediate threat from Russia has clarified NATO's purpose. Going forward, NATO is also looking at challenges beyond Europe – for example, addressing cyber threats and China's growing influence. There is talk of NATO coordinating more with Indo-Pacific partners (Japan, Australia, etc.), even though NATO's formal remit remains Euro-Atlantic. **U.S. alliances in the Asia-Pacific** are likewise bolstering: the U.S. has solidified the **Quad** (a strategic forum of the U.S., Japan, India, and Australia) and forged the **AUKUS** pact (Australia-UK-U.S.) to share advanced military tech. Traditional bilateral alliances with Japan and South Korea have been upgraded (including encouraging better ties between Seoul and Tokyo). The U.S. is effectively knitting a *network* of alliances and partnerships to counterbalance China's regional heft – sometimes dubbed an "Asian NATO," though it's not a formal multilateral alliance like NATO yet.

Meanwhile, the opposite camp is centered on the **China-Russia strategic partnership**. In February 2022, just before the Ukraine war, Beijing and Moscow famously declared a partnership with "no limits." While in practice there are limits (China has been cautious about violating sanctions to give Russia weapons), the two powers share a desire to diminish U.S. global leadership. Russia provides China with energy security (oil/gas at discounted rates) and military technology in certain areas, and ties are deepening with frequent joint military exercises (e.g. naval drills in the Sea of Japan, bomber patrols around Japan/Korea, and multipurpose exercises with other countries like South Africa). **BRICS**, originally an economic grouping (Brazil, Russia, India, China, South Africa), has begun to take on more geopolitical signaling. In 2024, BRICS agreed to expand by inviting six new members (including major regional players like Saudi Arabia, Iran, Egypt, and others) – a move that reflects a growing ambition to present BRICS as a counterweight to G7-led institutions. However, it's important to note BRICS is *not* a mutual defense alliance and its members have divergent interests (for example, India and China are rivals, Saudi Arabia and Iran have historically been adversaries). So BRICS in the next decade will likely focus on economic cooperation (like developing alternative payment systems or a BRICS development bank) rather than any military pact. Still, **the enlargement of BRICS** signals a realignment where important U.S. partners (like Saudi Arabia or the UAE) are hedging their bets by joining non-Western groupings, reflecting a more **multipolar mindset** among the Global South.

The **"Global South" or developing world** more broadly is asserting a more independent stance. Many countries in Africa, Latin America, and Asia have chosen not to side explicitly with the West or Russia/China – instead, they pursue a pragmatic, issue-by-issue alignment. For instance, a number of African and Latin American states abstained or voiced neutrality in UN votes on Ukraine, preferring not to jeopardize relations with either camp. These countries are increasingly coordinating among themselves too, sometimes resurrecting Non-Aligned Movement rhetoric from the Cold War. They seek to leverage competition between great powers to their benefit – for example, securing infrastructure investment from China's Belt and Road Initiative while also receiving development aid or security cooperation from the West. **Regional organizations** are also playing a part: ASEAN in Southeast Asia tries to maintain unity and engage both the U.S. and China; the African Union pushes for more say in global forums (and was recently granted a seat in the G20, a diplomatic win). We can expect the Global South to demand more representation in institutions (like a UN Security Council reform debate, or more leadership positions in IMF/World Bank for emerging economies). The major powers will each try to court these neutral nations – e.g. China offering trade and loans, the U.S. and Europe offering partnerships on climate or digital development – making middle-power diplomacy very dynamic.

Another aspect of alliance realignment is within the **Middle East**. The region is seeing shifting sands: traditional U.S. allies like Saudi Arabia and the Gulf states have started engaging more with China and even Iran (witness China mediating a Saudi-Iran rapprochement in 2023). While the U.S. still maintains a military footprint and partnerships (Israel, Gulf Cooperation Council states, etc.), Russia and China have both increased their influence (Russia in Syria, Wagner group in parts of Africa; China in Gulf economic ties and as a big buyer of oil). We might see a looser alignment of the Gulf with the West if they pursue membership in BRICS and coordinate oil policy closely with Russia (as OPEC+). **Turkey** is another pivotal player: a NATO member, but one that often charts an independent course, balancing relations with Russia (e.g. not fully joining sanctions, buying Russian S-400 missiles) and at the same time selling drones to Ukraine and backing NATO expansion. Turkey's role exemplifies the new multipolarity – countries picking and choosing positions rather than falling neatly into bloc discipline.

In this realignment, one trend stands out: **democratic nations drawing closer, and authoritarian regimes drawing closer**. The U.S. has explicitly framed the contest as "democracy vs autocracy" in some foreign policy narratives. This has reinforced partnerships among democracies (like the Quad, G7 unity, etc.). Conversely, leaders like Putin and Xi often decry Western "hegemony" and appeal to principles of sovereignty and non-interference, resonating with some non-Western audiences. However, ideology is not the only driver; practical interests (security, economy) often trump values. India, the world's largest democracy, is a key U.S. partner in the Quad but also a BRICS member that buys oil from Russia – demonstrating that traditional non-alignment persists in new forms.

Overall, expect the **U.S. and its allies to deepen cooperation** not just militarily but also on technology and supply chains, creating an increasingly unified "Atlantic-Pacific" system of democracies. Facing them, expect **China and Russia to coordinate more**, though not through a formal alliance, and to use forums like BRICS and the Shanghai Cooperation Organisation (SCO) to rally support or at least neutralism from other countries. **Europe** is likely to remain aligned with the U.S. (the shock of Ukraine war has re-cemented the transatlantic bond), although Europe will seek some **strategic autonomy** in industries like energy and defense production to avoid overdependence. **India** will be a swing player – leaning West in the Indo-Pacific contest (given its China border disputes), but insisting on maintaining ties with Russia and others. Many **ASEAN** nations will also carefully balance: e.g. the Philippines has moved closer to the U.S. (allowing more U.S. base access due to South China Sea disputes), while others like Thailand or Malaysia hedge in between. The net result by 2035 could be a world of **two tight-knit blocs** (NATO+, and a loose China-Russia axis) with a constellation of in-between states engaging with both. This is a departure from the integrated globalization era, and it means geopolitical risk will be a constant backdrop for international economic relations.

Trade Wars and Tech Blocs: Fragmentation of Globalization

One of the clearest manifestations of the geopolitical shift is in trade and technology. We are witnessing a partial unwinding of the hyper-globalization of the early 2000s, replaced by a pattern of **economic blocs** and **selective decoupling**. **Trade wars** and tariffs, once thought to be short-lived populist measures, have proven persistent. The U.S.-China trade war that began in 2018 continues with most tariffs still in place on hundreds of billions of goods on both sides. Moreover, export controls have taken the competition into the technological realm: the U.S. has imposed sweeping restrictions on China’s access to advanced semiconductors and chipmaking equipment, aiming to hamstring China’s progress in AI and military applications. U.S. allies like the Netherlands (home of ASML, critical for lithography machines) and Japan have aligned with these controls, essentially forming a **tech alliance** to **deny China cutting-edge tech**. In response, China is accelerating efforts to indigenize critical technologies – pouring massive subsidies into its semiconductor industry and other strategic sectors. This dynamic is leading to a **bifurcation of tech ecosystems**: for example, two separate supply chains for chips (one U.S.-aligned, one China-based for less advanced chips), two sets of standards (e.g. in telecommunications with Western 5G vs. Huawei 5G), and even two internet regimes (open internet vs China’s censored internet).

BlackRock Investment Institute points out that **trade restrictions globally have “shot up since 2014”**, especially targeting strategic goods and technology. This is not just U.S.-China – the EU has also become more guarded, screening foreign investments in sensitive sectors and debating export controls on technologies with military use. **Economic security** is the buzzword: ensuring supply of critical items (from semiconductors to rare earth minerals to pharmaceuticals) within friendly networks. The COVID-19 pandemic and the Ukraine war’s energy disruptions both reinforced the desire to **“friend-shore” or re-shore** supply chains. Governments are incentivizing production at home or in allied countries – for instance, the US CHIPS Act and Inflation Reduction Act together provide hundreds of billions in subsidies and tax credits to build domestic semiconductor fabs, EV batteries, and renewable energy components in the U.S. Similarly, Europe’s CHIPS Act and various national schemes aim to boost self-sufficiency in tech and energy. This will lead to a more redundant but secure supply chain structure, where critical components might be produced in multiple regions rather than one country dominating. It’s a reversal of the just-in-time globalization model, leaning more toward a “just-in-case” model with extra inventory and local capacity.

We can thus foresee the emergence of **distinct trade blocs**: one anchored by the U.S. and EU (plus close partners like Canada, Mexico – through USMCA – and maybe the UK, Japan, Australia, etc.), and another centered around China and its partners (possibly expanding via RCEP, the Regional Comprehensive Economic Partnership, which includes much of Asia). In between, some countries will trade with both blocs but might face pressure to comply with the standards of one or the other. For example, **telecom networks** in developing countries might either use Western equipment or Chinese 5G, but mixing them could be restricted for security reasons. The **World Trade Organization (WTO)**, which symbolized the multilateral trading system, has struggled to cope with this new reality – its rules were not designed for great-power tariffs applied for strategic rivalry, and its dispute mechanism has been paralyzed (the U.S. blocked judge appointments). So, trade disputes are increasingly settled via power politics or regional agreements instead of the WTO.

One conspicuous battleground is **technology and innovation**. **Semiconductors** are often called the "oil" of the 21st century economy – they are foundational to everything digital – and hence have become a focal point of U.S.-China decoupling. By the late 2020s, China will likely make strides in mature-node chips (for autos, appliances, etc.) but still lag in cutting-edge chips needed for advanced AI and military systems, due to Western export controls. This gap could become a long-term disadvantage for China, or China could innovate around it (perhaps via new chip architectures or quantum computing leaps). At the same time, China is trying to reduce dependence on Western tech in other areas: its BeiDou satellite navigation system as alternative to GPS, its own industrial software, native suppliers for critical inputs, etc. The U.S. and allies, for their part, aim to maintain an edge in **emerging technologies** – not just semiconductors, but also biotech, quantum, space, hypersonics, and artificial intelligence. We may see **rival blocs in AI governance**: democracies vs authoritarian states differ on issues like data privacy and surveillance norms, which could split how AI is developed and used. Already, we have an internet split (the **"splinternet"**): China's internet is tightly controlled and mostly cut off from U.S. platforms (Google, Facebook banned; domestic analogues like Baidu, WeChat flourish), and other authoritarian regimes have followed aspects of that model.

Trade and investment blocs are also forming through formal agreements excluding rivals. For instance, **CPTPP** (the Comprehensive and Progressive Agreement for Trans-Pacific Partnership) binds Pacific Rim economies (minus the U.S., which withdrew, and minus China so far) in a high-standards trade pact – the UK even joined in 2023, signaling cross-regional cooperation. China has applied to join CPTPP, but existing members (like Japan and Australia) are hesitant given China's trade coercion record. Instead, China spearheaded **RCEP**, which includes ASEAN, China, Japan, South Korea, Australia, and NZ – notably bringing Japan and China in a trade pact for the first time. RCEP is relatively low-ambition (focuses on tariff reduction), but it solidifies Asia's intra-regional trade ties potentially on Chinese terms. Meanwhile, the U.S. launched the **Indo-Pacific Economic Framework (IPEF)** – not a traditional trade deal but an economic arrangement with allies focusing on standards for digital trade, supply chains, and anti-corruption. These overlapping agreements indicate a *patchwork globalization*: more trade within blocs, less between adversarial blocs.

Energy trade has also been weaponized and reconfigured. Europe, in response to Russia's war, has drastically cut Russian gas imports (down from ~40% of EU gas to single digits), replacing them with LNG from the U.S. and Middle East – a permanent redrawing of energy trade maps that creates a Western energy cluster. Russia in turn pivots its oil and gas exports to Asia (China, India became huge buyers of Russian oil at discount). This has effectively split energy markets: an Eastern zone where Russian hydrocarbons flow with non-dollar payments, and a Western zone shunning Russian supply. Similarly, **critical minerals** needed for clean energy (like lithium, cobalt, rare earths) are now seen through a national security lens. The U.S. Inflation Reduction Act, for instance, encourages sourcing these minerals from **allied countries** (with free trade agreements) and not from China, which currently dominates rare earth processing. That is spurring new mining projects in countries like Australia, Canada, and potentially African nations aligned with the West, and efforts to develop alternative processing outside China.

For businesses, this trend means having to navigate **two or more sets of rules and supply chains**. A multinational company might need to produce one version of a product for China (meeting Chinese regulations, perhaps using more Chinese components) and another for the U.S./Europe. Tech firms especially must plan for restricted markets – e.g. American chipmakers can't freely sell top-end chips to China, and Chinese tech firms face boycotts or bans in Western markets (as happened with Huawei 5G gear or TikTok facing scrutiny). **Intellectual property regimes** could diverge as well if cooperation diminishes – though so far global IP systems still function, there is concern about industrial espionage and cyber theft intensifying as tech races heat up.

This economic decoupling is not total – we are not going to see autarky or a return to 1930s-style closed economies in most cases. But we are seeing a **reorientation**: for critical sectors ("small yard, high fence" approach), trade is restricted; for non-sensitive goods, trade still flows albeit with more contingency plans. The net effect will likely be **higher costs** (redundant factories, less specialization) and **lower efficiency**, which, as discussed, feeds into the inflation/growth outlook. The WEF projects that fragmentation could reduce efficiency such that global GDP is 5% lower than it otherwise would be – essentially a permanent supply shock. It also notes inflation could be several percentage points higher in a fragmentation scenario. So the trade and tech blocs phenomenon is a key economic risk factor.

In conclusion, **geopolitics and economics are now deeply intertwined**. Strategic rivalry is re-drawing trade maps and technology networks. Countries are building **parallel systems** – whether it's payment networks (e.g. China's CIPS vs. SWIFT, Russia's MIR cards after Visa/Mastercard pullout), or internet governance, or supply chains for essentials. This will define the next decade: a world where, unlike the single globalized market of the past, companies and countries must operate amid **competing blocs and standards**. For policymakers and businesses, success will require adaptability – ensuring resilience by aligning with one's bloc where necessary, while still trying to maintain ties across divides when possible. For the global community, the hope is that this fragmentation does not escalate into outright conflict, and that **pragmatic cooperation** can still occur on transnational challenges like climate change and public health. The trajectory, however, suggests a persistent **multipolar tension**, where economic and military issues continually influence each other – truly a new era that demands careful navigation to secure peace and prosperity.

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