The rebalancing of power

The transition from a rules-based international order to a power-based system continues at pace and its implications are now being felt. Global policy developments need to be considered through the lens of actors seeking to maximise, defend and/or utilise their relative power assets. The multi-aligned global system sees a rebalancing of relative power dynamics across geographies, sectors and themes.

Overview

Power dynamics have always been a defining feature of international relations, and it can be debated whether the so-called rules-based international order was ever fully and equally adopted or respected. Nevertheless, the past four years have seen an accelerating willingness by global and regional powers to dispense with multilateral expectations and agreements. Instead, it is more often relative power, rather than rules or norms, that provides the constraining limits of interactions between actors: actors drive forward unless and until checked by another who is both willing and able to exert its power to do so.

Under this new paradigm, maximising relative power is becoming the overarching policy imperative across all dimensions of global interaction, from technological development to natural resource management to domestic social policy, and therefore strategic alliances.

In this context, we define power as consisting of three elements:

- **Wealth**: Depth and breadth of economic activities and capabilities, including natural resources.
- **Strength**: Military power, including both traditional, hard power as well as non-kinetic capabilities such as cyber warfare and intelligence operations, and critical emerging technology.
- **Stature**: Soft power, including cultural influence, trust, and the ability to form diplomatic coalitions.

The decisions made, the agreements struck, and the actions taken or not taken reflect the calculated – at times instinctual – assessment of who has more cumulative power. In such a situation, global actors are likely to seek to deepen and protect these sources of power to enhance their long-term positioning, security, and resilience.

The resulting international order is less predictable and more dynamic. In place of stable, long-term alliances with set blocs and crystalised pathways, nation-states are now able to pursue and forge a multi-aligned and multi-hierarchical strategy, working with different actors on different issues across different priorities and systems of international interaction. Such a strategy, often described as transactional or realist, has fewer ideological precepts to constrain the menu of options. The implication is that the scope of what is possible and the range of scenarios that need to be considered has expanded – both on the downside but also on the upside.

Observation

Key trend

Contests and conflicts

The outbreak of the regional conflict in the Middle East in 2026 is only the most recent example of the increased prevalence of state-on-state violence. The number of state-based conflicts globally is at the highest level in 50 years, having roughly doubled since 2009.[2] It includes both covert or hybrid warfare, e.g., the so-called Russian grey-zone operations in Europe, and overt kinetic action against both state and non-state actors. Increasingly, contests and conflicts also involve the use of lawfare and economic warfare – regulatory and sanctioning authority used to exert pressure. The downside of an international order less constrained by rules or norms is that it lowers the barriers to conflict. If relative power dynamics are the organising principle of international relations, it creates the risk of conflict in cases where assessments of such relative strength are incorrect or disputed.

The issues in the balance for policymakers

Power: Who has it, and is willing to use it?

Beneath the trend of rising contests is increased willingness to use power in an offensive capacity. Although kinetic conflict gets the most attention, we also see the increased willingness to leverage financial power (e.g., financial sanctions), supply chain power (e.g., export restrictions and controls), and even control over basic natural elements such as water. Those lacking in one area of power are likely to seek to fill in their gaps: e.g., those lacking in hard military strength will increase defence expenditure or alliances; those lacking in wealth will redouble efforts to extract value from their natural resources or strike new trade partnerships; and those lacking in stature will invest in diplomacy and international cooperation.

2. Uppsala Conflict Data Program (UCDP) Conflict Encyclopedia, 1975-2024, tracking 61 state-based conflicts in 2024.

What policymakers are doing

Middle powers pursue multi-alignment

Multi-alignment reflects several different strategies simultaneously, including:

- a hedge against the risk of changing policies from the great powers,
- opportunistic or transactional dealmaking based on need, and
- an attempt to develop an alternate path forward for rules-based order.

For instance, acting on a multi-directional strategy that Prime Minister Mark Carney calls "variable geometry", Canada has moved to rebuild diplomatic ties with China to hedge against a deteriorating relationship with the US, took advantage of migration flows from India to Canada to deepen economic relations with India, and expanded military cooperation with Japan and Australia. In addition, the long-negotiated EU trade deals with the Southern Common Market, Mercosur, and with India have finally been successfully concluded.

Second order effect

Trade policy as an extension of security policy

An important lesson learned by many governments over the past several years is that certain pathways (whether by land, water or air), certain resources, certain currencies or certain production lines can become funnels, which if squeezed or controlled, can exert outsized pressure – chokepoints. Moreover, the linkage between having resource and needing to defend that resource has become exceedingly clear. The implications of these two concepts may be that trade policy will increasingly function as an extension of national security policy rather than a driver of market integration. Governments will need to manage a complex network of overlapping trade and defence alliances, where economic ties are intentionally weighted by their contribution to sovereign security and resilience. Trade will increasingly be used as a strategic tool for attaining critical resources and technological proficiency. The net result is a less efficient but more resilient trading order, with multiple nodes and supply chains for key resources.

Expectations

Policy trajectory

New trade map

The new opportunities for connection presented by multi-alignment can be seen most rapidly in changing trade volumes and agreements. The de-risking of global supply chains is also becoming a structural reality, with trade flows increasingly routed through South-South corridors that bypass traditional Western nodes. Nation-states are prioritising strategic alignment over pure cost efficiency, solidifying a multi-aligned architecture that favours alternative settlement mechanisms and reduces dependence on legacy global markets. This reorientation is most evident in the expansion of the BRICS+ (Brazil, Russia, India, China and South Africa plus partners) framework, which now accounts for roughly 25 per cent of global exports. A McKinsey study from 2025 found that while many markets still trade with "geopolitically distant partners", the average geopolitical distance of trade had declined by about seven per cent between 2017 and 2024.[3]

First order effect

Defence expenditure

Regional powers that have long relied on treaty-based defence guarantees, whose credibility is being challenged, are working rapidly to expand their own military strength. This is being seen most clearly in Europe, where annual defence related expenditure among NATO members is expected to rise 60 per cent by 2030, having already doubled since 2019.[4] In a constrained fiscal environment, this increased outlay for defence is likely to come at the expense of spending for domestic social welfare priorities and international development assistance. The rearmament drive could also forge new defence connections, such as between South Korea and the EU.

Questions

In assessing the trajectory of this trend over the next two years, we will be considering the following questions:

1. Will a true multi-aligned world emerge? If so, what will it look like, how will trade function, and what new defence and diplomatic structures will be required? What is the role of the middle powers?

2. Will the power-based system solidify? Will spheres of influence evolve around major powers? Will the superpowers cooperate or come into conflict? If conflict and contests, then what will be the various modes: kinetic, legal, economic, etc.?

3. Are these trends irreversible? Is it possible for the pendulum to swing back towards a rules-based order and agreed upon limits on the unilateral use of force?

3. McKinsey & Company, Geopolitics and the geometry of global trade: 2025 update, 2025.
4. McKinsey & Company, European Defense Dashboard, 2026.

Disclaimer