standard chartered

Top Five Policy Issues

Past the inflection point

2026

Table of contents

We are navigating a period of extraordinary global change. Sustainable performance comes from being able to assess and adapt to these structural changes – and support our clients to chart a course with confidence.

Bill Winters

Group Chief Executive,
Standard Chartered

Executive summary

The "great rewiring": public policy trends and intersections

The international order is rewiring. Our analysis concludes that this is being driven by five critical and intersecting public policy trends. At the core is the **rebalancing of power**, which is shaping and accelerating three intersecting dynamics – **technology adoption and integration**, **race for resources**, and **societal divisions** – each reflecting longer-term structural trends now approaching more immediate and consequential inflection points. As these trends interact, they are not only reshaping policy choices across systems, but also fundamentally changing the role, purpose and operation of **global governance** in a more fragmented and multi-aligned world.

The five public policy trends are:

The rebalancing of power is accelerating as actors increasingly move away from predictable alliances toward multi-alignment and transactional partnerships. Power is being built, maintained and is concentrating into fewer hands. Wealth, strength and stature are being built, maintained, concentrated and used more explicitly, with power increasingly exercised across the trade, finance, security and technology ecosystems. This shift has increased tensions and raised the frequency of policy volatility. It also expands the range of possible re-alignments and strategies available to middle powers seeking resilience and strategic autonomy, creating opportunities for new partnerships.

Technology adoption and integration have become central to economic competitiveness and national security. AI, digital assets, data, and compute infrastructure are no longer treated as neutral utilities but as strategic resources that underpin sovereignty and influence. As new technologies rapidly advance, governments are questioning their approach and the role of regulation, industrial policy, and localisation, as they seek to balance innovation with the need for greater control and governance frameworks. Consequently, governance models and global standards are fragmenting, deepening regulatory divergence across jurisdictions.

The race for resources is reshaping climate, energy, and industrial policy. As electrification and digitalisation accelerate amid geopolitical disruption, competition for energy, critical minerals, land, water, and infrastructure intensifies. Climate policy is increasingly reframed through the lens of national *security* and economic *resilience*, with bilateral and minilateral arrangements displacing universal commitments and reshaping trade and investment flows. Importantly, as resources are gained or accumulated, governments are quickly learning that they must also be defended, more directly linking defence posture and energy needs.

Societal divisions have become a defining political constraint. Inequality, populism, and algorithmically amplified information ecosystems are reinforcing 'us versus them' dynamics that shape how authority is built and maintained. Many governments are focused on short-term stabilisation of core constituencies, narrowing the space for consensus-based governance and limiting capacity for long-term structural reform.

Together, these trends are transforming **global governance**. Multilateral policy efforts are losing influence amid enforcement gaps and limited ability to reform effectively, while overlapping, issue-specific arrangements proliferate across security, technology, trade, and energy. The resulting mosaic system offers flexibility and speed, but it also raises fragmentation and coordination costs. It thereby rewards actors able to navigate complexity on the one hand, while amplifying the risks of collective failure in the event of future global shocks on the other.

> We are passing through a unique inflection point. Geopolitical realignment, the acceleration of AI, the rewiring of trade architecture and the pressure to build workforces for roles that don't yet exist; these forces are not arriving sequentially, and they cannot be managed in silos. The organisations that lead through this period are those that understand policy not as a constraint to manage, but as a strategic input – something that shapes how you invest, how you build capability and how you position for growth.

Tanuj Kapilashrami

Group Chief Operating Officer, Standard Chartered

Intersection and knock-on effects

None of these issues operate in isolation. Their intersections generate second- and third-order effects that shape policy outcomes in seemingly disconnected ways. The table below illustrates how these trends could interact and highlights some possible resulting sub-issues that may change the global policy environment in 2026 and beyond.

	Technology adoption and integration	Race for resources	Societal divisions	Global governance
Rebalancing of power	Tech supremacy as an instrument of national power, with emerging technology being used as a lever to build relative competitive advantage.	Resource nationalism; nations seeking dominance over supply chains; voluntary carbon curbs more difficult.	Fractured institutional power dynamics; role of non-state actors including global media and tech companies; interference in elections using disinformation operations.	Institutional fragmentation and competing governance models; erosion of rules-based order; regulatory competition and politicisation of regulation; bespoke groupings displacing global organisations.
Technology adoption and integration		Energy-compute gap; electricity/water/land needs for AI versus climate goals; benefits of electrification weighed against climate costs; tech advancements spur race for resources.	Hardened information walls increase societal divides; risks of separate information ecosystems that do not connect; tech regulation as a form of social contract.	Regulatory divergence and cyber/AI norms vacuum; role and influence of multinational tech companies in affecting course of global tech regulations.
Race for resources			Uneven outcomes: substitution, transition, adaptation; widening digital divide, disproportionately benefiting the few over the many; demand for resource to build renewable infrastructure can drive urban versus rural tensions.	Weakened coordination over global commons (climate/oceans/space); no new comprehensive global treaties likely, but opportunity for minilaterals.
Societal polarisation				Decreased public trust in international treaties and 'elites'; less ability for neutral entities to monitor elections or comment on domestic human rights records.

Foreword

Farisa Zarin

Global Head, Group Public & Regulatory Affairs, Standard Chartered

The traditional systems and frameworks of global governance are being replaced or significantly altered.

Incrementalism (a belief that tomorrow will be a slightly modified version of today) has given way to sudden, dramatic shifts and a more wholesale re-think of the world order. In response, state and key non-state actors are rewiring their technological dependencies, financial system connectivity, infrastructure builds, security alliances, and trading routes.

Standard Chartered's Group Public and Regulatory Affairs team has been closely monitoring these changes to help us sift through the noise, identify enduring trends and navigate the changing policy environment. In August 2024, we released our first Top Five Policy Issues report, outlining the tectonic plates that underlie the world's transformation. That report discussed the emergence of a multi-aligned global system and warned that a critical juncture was fast approaching, where increased reliance on power could move the international community away from a rules-based framework.

We are now past the inflection point. The international order is no longer beginning to transform. A newly rewired global framework is taking shape, and power – in its many guises – stands firmly at the centre. Gaining, using or defending power is driving political and policy decisions, often superseding economic outcomes and international commitments.

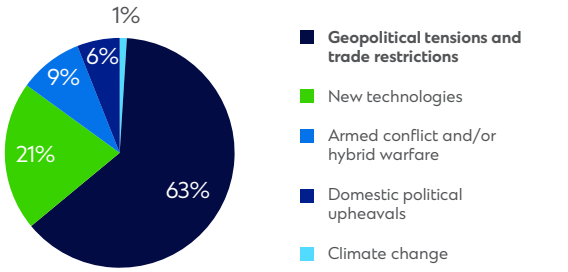
In this system, power is exercised through three interrelated sources: wealth, strength, and stature, with policy choices increasingly driven by assessments of vulnerability, leverage, and emerging strategic advantage.

To help us gauge perceptions of this change, in January 2026, we asked 380 senior business leaders across our key markets on what they believe is driving global change.[1] Over 63 per cent cited geopolitical tensions and trade barriers as the likely chief disruptor.

The insights from this survey reflect intuitively the findings of this report, in which we offer an analytical framework for conceptualising a tumultuous world – and the possible policy trajectories. By examining the different elements which make up power today, our analysis then offers three deep-dives into the policy implications for technology, energy and social policy, before exploring the implications for global governance.

The net outlook is that international relations are becoming increasingly transactional, competitive and contested, as nations expand their networks, adopt hedging strategies, and assert influence in whatever way they can. The systems of global connectivity – including finance, security, trade, and energy – are more frequently leveraged, at times becoming strategic chokepoints, to serve these ends. New international non-state actors are also amassing power and having an outsized influence over international and domestic relations and policy. As governments rebalance surging defence demands with social welfare obligations, immediate priorities frequently outweigh long-term strategies, which makes stability more vulnerable and alters the established approach to global cooperation. In the short term, we expect to see heightened tail risks and more frequent breakdowns of established agreements and norms.

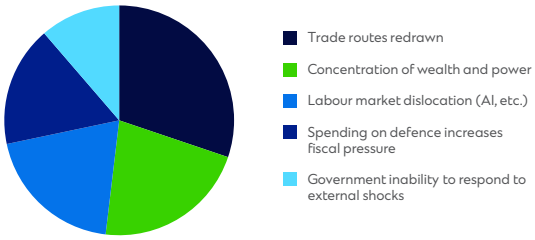
What will be the most significant driver of change in 2026?



1. Data from 380 senior business executives surveyed during Wealth & Retail Banking Chief Investment Officer roadshow events in Singapore, Hong Kong, Dubai, Manila, Kuala Lumpur, Taipei, Jakarta, and Bangkok, January-February 2026.

There is, however, another side to all this turmoil. The same group of senior leaders we surveyed indicated that the most significant outcome in 2026 of global restructuring will likely be a reorganisation of trade patterns to favour South-South corridors, as well as changes to the distribution of wealth, labour markets, and priorities of government spending. Concerns such as the displacement of jobs by artificial intelligence ranked lower than may have been anticipated. Indeed, a more pragmatic system, characterised by reform-oriented alliances, could facilitate novel partnerships and innovative approaches to problem solving.

What will be the most impactful consequences of these changes?



These results suggest that, as the global order reconfigures, the longer-term picture is creating both space and opportunities for those who are prepared to adapt strategically and take decisive action.

Sitting at the heart of the world's most important trade and capital corridors, we see internationally-oriented clients responding with agility to these dynamics by redeploying resources, revisiting portfolios, reshaping infrastructure and reworking their operations to build long-term resilience. As a bank that specialises in providing creative solutions to complex issues, we persistently interrogate, question and challenge our understanding of the changing world so we can continue to respond to evolving priorities and enhance the value we create for our broader stakeholder community.

We hope this report is a starting point for us to share perspectives to better understand the changing policy environment. We look forward to continuing this conversation and working together on how best to navigate what lies ahead.

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.

Technology adoption and integration

In 2026, technology is central to national economic strength. Artificial intelligence, digital assets, and infrastructure are now key tools of power and influence. Governments are linking technology with economic resilience, integrating it into policy for security autonomy and foreign investment. In return, there is an expectation of private sector alignment with national priorities.

Against this backdrop, policymakers have grappled with three key questions:

- To regulate or accommodate: within their own markets, how can authorities foster innovation without sacrificing stability and/or security (a question sharpened by the release of Mythos and the growing ability of AI systems to defend or exploit critical infrastructure at unprecedented speed)?
- To co-opt or to leave to private sector: Debates about unfettered use by government and sharing in the wealth generation of AI companies are blurring the line between private sector corporations that have developed the technologies and national authorities that use the technologies.
- To collaborate or to compete: should national policymakers collaborate with one another or compete – sometimes even impeding rivals?

Overview

Technology-led advancement brings recognised benefits, notably through digital assets, AI capabilities, and critical infrastructure. However, some of the market players – and the capabilities they are creating – are now 'too important to fail', i.e., sufficiently important that regulatory or government control and/or oversight is viewed as needed. But exactly what form that oversight takes is still an open question. More pointedly, rapid progress is creating direct challenges to governments' business models, with major policy concerns revolving around political, social, market, financial, and infrastructure implications. As these effects come into sharper focus, tech companies' reputations are shifting from celebrated innovators to instruments of national and international growth, defence, and stability.

Proposals on how best to harness tech's strengths while also exerting some level of control are beginning to emerge and will likely persist. Many of these initiatives directly affect tech companies, but some also focus on products and capabilities, impacting non-tech industries. Importantly, the emerging approaches are fragmented within and across major centres. Internationally, that amounts to a somewhat uneven approach on:

- the policy tools used – e.g., litigation versus legislation/regulation versus executive orders;
- the extent of control and alignment with national priorities; and,
- the tone of competition – merely outdoing the other or also obstructing.

Observation

Key trend

Mainstream acceptance and increased adoption

The evolving tech landscape centres on three key areas, each shaping regulation around national goals:

1. **Digital assets as regulated infrastructure**
   Digital assets are transitioning from speculative uses to regulated platforms, with stablecoins leading this shift. Policy responses include the US's Guiding and Establishing National Innovation for US Stablecoins (GENIUS) Act, UK's Financial Conduct Authority (FCA) regime, the EU's Markets in Crypto-Assets (MiCA) regulation, and Hong Kong frameworks, all supporting stablecoin integration and real-world application. Global competition is driving diverse models for digital-money ecosystems including central bank digital currencies (CBDCs) and tokenised deposits – with licensing frameworks and tokenisation sandboxes from Singapore to the UAE – resulting in rapid but uneven integration and adoption driven as much by competition as by regulation.

2. **Beyond Generative AI (Gen-AI)**
   Gen-AI and Large Language Models (LLMs) are pushing policy towards accountability (e.g., traceability explainability, human oversight, incident reporting). Competing standards from major centres (US, Europe, China) remain voluntary and lack global coherence. Advances in agentic AI offer new opportunities, yet AI is also central to global tech competition and national security strategies. As such, policy currently lacks internal consistency.

3. **Tech's resilience:**
   As 'foundational' financial technologies embed into traditional financial ecosystems, they are being put to the test by emerging innovations, notably the potential of quantum computing's impact on cryptography. Data localisation rules and cross-border restrictions challenge cloud infrastructure and analytics, with over 75 per cent of state actors enforcing such regulations.[5] System outages and dependencies highlight the importance of operational resilience. Data centres are now deemed critical infrastructure alongside undersea cables.

The issues in the balance for policymakers

Policymakers and regulators are examining various areas of focus, both old and new, to encourage innovation while minimising risks. Regions use legislation, regulation, supervision, and litigation to varying degrees. Given tech's ubiquity, traditional sector-based regulation is often unsuitable. Policy responses now target specific tech firms or products (such as digital assets and AI), resulting in a mix of entity-level and activity-level regulations. The specific areas that are of relevance are:

- **Competition/anti-trust:** Increasing scrutiny of mergers, restricting tech companies' preferential treatment, and opening datasets to new entrants; industrial policy tools are also used to address global imbalances.
- **Data management:** Privacy and data rules govern access and transfer.
- **Consumer protection:** Regulations on ethical AI, illegal content removal, and consumer redress.
- **Stability standards:** Prudential rules ensure operational resilience across industries.
- **Safety standards:** Guardrails for human-out-of-the-loop, agent-to-agent interactions.

What policymakers are doing

From a policy perspective, nations' approaches to technology frameworks fall along a continuum anchored by three main poles, each reflecting regional interests and priorities to be protected or promoted in distinct ways.

- The **US** – which emphasises tech development and market interests of companies and investors.
- **China** – which emphasises technology use.
- **Europe** – which emphasises consumer protection and technology sovereignty as an instrument of strategic autonomy.

Other important markets, who array themselves across this spectrum include:

- **UK** – the UK's FCA rules (and EU's MiCA framework) seek to embed digital assets within existing national prudential frameworks.
- **UAE** – the Central Bank's Payment Token Services Regulation established a framework for AED-backed stablecoins with licensed issuers.
- **The Kingdom of Saudi Arabia** – announced plans to introduce stablecoins under national regulation, though frameworks remain under development.
- **India** – is positioning itself as a hub for affordable and scalable AI, using its large skilled workforce, digital user base and growing private investment to advance domestic innovation.

Expectations

Policy trajectory

In the US, a business-focused growth model aligned with government is likely to persist but could face backlash if seen as exploitative or partisan. China may strengthen its tech-industrial policies for self-reliance and global reach. The EU aims to simplify digital rules and boost funding but may struggle with slow legislation and drift toward protectionism. Middle and emerging powers seek balance between major players, with groups like ASEAN pursuing shared governance. Despite fragmented regulations, mutual regime recognition – especially between the UK and US – may become more likely.

5. McKinsey & Company, Localization of data privacy regulations creates competitive opportunities. 2022.

The rise of stablecoin: Stablecoins are set to lead private digital currencies, driven by US innovation and supportive policies, especially as CBDCs lag. Adoption will likely accelerate in emerging markets, while developed markets may enforce tighter controls. Improved licensing and interoperability are likely to increase financial access by linking tokenised deposits to public payment systems. Institutions are working to expand stablecoin use, potentially growing the market up to USD2 trillion by the end of 2028 – a ten-fold increase over three years.[6] Regulators are expected to apply Basel standards to clarify which activities remain regulated or shift to unregulated exchanges, while debates on the role of the dollar often miss key shifts in global payment networks.

Modernising payments infrastructure: ISO 20022 and CBDC pilots, progressing unevenly by region, are driving payment upgrades through bank-fintech-blockchain partnerships for cross-border transactions.[7] Increased competition from non-banks is pushing banks to team up with embedded finance firms. Notable areas to watch include US sanctions prompting alternative payment rails, G20 aiming to reduce retail payment costs below one per cent by 2027, and machine learning plus digital tools easing Anti-Money Laundering (AML)/Know Your Customer (KYC) for high-volume payments.[8]

AI is adopted but rules diverge: Enterprises are set to expand AI integration in areas like credit, compliance, and customer analytics, while regional regulations and policy will differ, prioritising competitiveness, innovation, sovereignty, and/or safety. Without coherent legislative framework, courts will likely increasingly resolve legal disputes related to AI, while organisations focus on more immediate practical issues, such as management of cybersecurity threats and workforce changes.

Progress towards quantum readiness: While the technology for large scale quantum computing remains hindered, AI-accelerated advances in cryptanalysis are bringing forward the timeline for cryptographic risk. Regulators are seeking to prioritise post-quantum cryptography and partnering with financial institutions to develop expertise and set up quantum excellence centres.

First order effect

Data centres as the next battleground

The expansion and location of data centres are becoming key elements in strategic competition. Building a sovereign AI stack – which integrates compute, models, data, and infrastructure – requires sustained spending of at least one per cent of GDP, a level achievable by only a few state actors.[9] Nations like India, Canada, Australia, and Japan are adopting versions of sovereign AI cloud strategies to increase control over computing resources, data localisation, and connectivity, while recognising the limits to complete independence. More broadly, access to abundant, affordable renewable energy is emerging as a structural differentiator in attracting AI investment, with implications for economic and geopolitical strength. At the same time, local backlash to the energy demands of data centres may place limits on their expansion in some markets.

Second order effect

Who decides: responsible autonomous AI

Legal frameworks have struggled to keep up with AI advancements. While most legal and regulatory systems allow broad access to public information, human capacity has historically constrained its use, forcing attention onto top priorities. AI is removing this structural constraint, raising questions about whether all accessible data should be used, and for what purpose. Where rapid and fairly accurate AI-driven predictions apply to or influence users at scale, this may cause widespread and potentially destabilising actions. Moreover, as autonomous AI-to-AI agent interactions become routine, finance, commerce, defence, and labour markets among other aspects of life will be transformed, prompting questions about human involvement and control over AI decisions. These issues underscore the urgent calls for discussions about responsible AI use as technology approaches a point where humans might be neither "in the loop" nor "on the loop".

Questions

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

1. Will tokenisation displace conventional money as a dominant store of value and, if so, will token-based systems remain subject to monetary authority or fragment beyond the reach of any single jurisdiction?

2. Will diverging regulatory regimes in digital assets converge around meaningful interoperability? If so, how much friction should remain by design, given that seamless, always-on transferability may enhance access but amplify contagion risks?

3. As AI governance frameworks take shape, who retains meaningful control over AI as a tool: states, developers or the institutions that deploy it? And what trade-offs between autonomy, efficiency and sustainability will that contest produce?

6. Standard Chartered Global Research, Stablecoins – Implications for EM, 2025.
7. ISO 20022: a global standard for financial messaging, i.e., the structured data exchanged between institutions to execute and record transactions."
8. FSB, G20 Roadmap for Enhancing Cross-border Payments, 2025.
9. Gartner, Gartner Predicts 35 per cent of Countries Will Be Locked Into Region-Specific AI Platforms by 2027, 2026.

Race for resources

Resource control and security now challenge climate cooperation as the defining strategic priority of environmental policy. The Iran war and closure of the Strait of Hormuz brought this trend into sharp relief in 2026, but it has been underway for many years. The supply shock caused by the war has reinforced the fact that, for all the progress in energy transition, oil and gas remain central to the global economy. At the same time, the stark reminder of global dependence on fossil fuels is likely to accelerate efforts to secure energy independence through renewables. In a rising cost environment, multilateral efforts to negotiate deeper climate commitments may be deprioritised.

Overview

Notwithstanding the huge advances in renewable energy technology, the world remains clearly dependent on fossil fuels. Although the use of oil as a source of energy and heating has been declining, its use in the petrochemical industry, and for aviation and shipping, has been increasing and is likely to continue to do so through 2035.[10] As a result, when there is an energy supply shock, as occurred in 2022 after the Russian invasion of Ukraine and again in the first months of 2026 following the closure of the Strait of Hormuz, the effects on the global economy are significant and widespread.

Global climate negotiations have struggled to shift this global energy mix. However, even without global consensus, decarbonisation continues to move forward, due in part to the falling price of renewables. As a result of China's nationwide push to electrify its energy infrastructure, the cost of electric vehicles (EVs) and solar panels has been declining globally by 2-11 per cent annually.[11] Solar and wind are now expanding fast enough to meet all new electricity demand. Even in the US which, under the current administration, has not prioritised the transition to renewables in the same way as others have, solar power met 61 per cent of the electricity demand growth in 2025.[12] Some governments still treat decarbonisation as a global public good, but it now competes more directly with priorities such as energy security and tech advancement.

The advance of renewables and other emerging technologies means that the economic security dynamics that once defined competition for fossil fuels (to include chokepoints) now applies to a much wider set of natural and critical resources. Food, water, clean air, and land for data centres, industrial zones and infrastructure are also increasingly scarce and competitive inputs to the global economy and sources of national security. Critical minerals and rare earths are essential for advanced technologies, clean energy, and weapons system.

This is driving a rebalancing of supply chains and alliances. As governments move to protect and control these resources at home, policy choices increasingly trade off international commitments with inward-looking decisions to boost resilience and strategic advantage.

Observation

Key trend

Competition for rare earths and critical minerals

Demand for critical minerals and rare earths is projected by the International Energy Agency (IEA) to quadruple by 2040 and grow sixfold by 2050. China is a leader in this landscape, controlling 90 per cent of rare earth refining and 75 per cent of EV battery production.[13] Markets that are sources of critical mineral extraction, such as Indonesia, which produces 60 per cent of the world's nickel that is essential for battery production, are increasingly looking to control more of the processing chain to increase their geostrategic leverage.[14] Those who lack such reliable access to critical minerals are working to build agreements to secure them, as seen with the G7 Critical Minerals Action Plan.

The issues in the balance for policymakers

Water, wind, sun, and land

Proliferation of solar and wind technology has increased demand for open land in regions with the right climatic conditions while cooling of AI data centres and semiconductor production create high demand for water. These trends are also interrelated: placing data centres

10. IEA, Oil demand in the Current Policies Scenario 2024-2035, 2025.
11. BNEF, Levelized Cost of Electricity, 2025.
12. Ember, Solar met 61 per cent of US electricity demand growth in 2025, 2026.
13. IEA, Global Critical Minerals Outlook, 2025.
14. US Geological Survey, Mineral Commodity Summaries, 2025

and manufacturing facilities in regions with mostly sunny weather conditions (such as deserts) allows access to cheap solar power but also increases the need for water-intensive cooling in regions with already-limited freshwater resources. Competition is not limited to terrestrial resources, as both outer space satellite connectivity and deep-sea mineral resources also play a role.

What policymakers are doing

Using energy as strategic leverage

The Strait of Hormuz crisis illustrates how the protection and defence of energy resources interact. Iran's success in closing it demonstrates how states can use chokepoints to influence global prices and reshape bargaining power in wider regional conflicts. Competition for resources is no longer just about discovery and production, but about securing, defending, and, where useful, contesting the infrastructure and routes that move those resources to market. Globalisation has become a tool in this race, as states selectively use trade, investment, and technology flows to lock in privileged access for themselves while constraining rivals.

Expectations

Policy trajectory

Security recalibration

The global approach to resilience, overcapacity and energy security is fundamentally transforming. Oil-producing markets will be carefully assessing both their vulnerabilities and sources of strength through supply leverage and geopolitical influence. While renewables remain the long-term trend, persistent oil and gas dependence demands they maintain assertive strategies on production, routes and diversification. Non-producer middle powers will pragmatically diversify imports, build infrastructure, and pursue bilateral pacts of stockpiles, accepting higher costs to hedge against similar exposures, all while accelerating the renewable transition to build resilience. Nuclear power is also likely to see renewed attention, accelerating a recent renaissance.

From a regional perspective, China will likely maintain its leading position. Asia-Pacific will likely reposition as alternative processing hubs, with Southeast Asia and India building capacity. Europe will attempt to enforce diversified supply mandates and circular economy policies, accepting higher costs for resilience. We expect the US to place emphasis on bilateral frameworks and defence-linked resource security, while focusing in the short term on fossil fuel supply rather than renewable energy investments.

First order effect

Transition financing

Adaptation and resilience finance will continue to gain attention due to the combination of intensifying climate impacts and supply chain vulnerabilities, but funding is still expected to lag global needs. Transition finance will likely continue to grow, driven by rising electricity demands for renewables, grids, and EVs. Carbon markets are likely to remain a mixed picture in the short term: compliance systems will become the main drivers while purely voluntary carbon markets could continue to lose momentum. Interoperability remains a policy challenge, with now over 50 national or regional taxonomies in use or under development.

Second order effect

Outlook for multilateral agreements

Over the next two years, global climate governance is likely to keep moving away from universal deals toward smaller, issue-based agreements. The US withdrawal from the Paris Agreement exposed how fragile broad consensus can be and new breakthroughs are more likely to come from targeted agreements on methane, deforestation, or oceans than from a single global treaty. Governments are expected to rely more on 'minilateral' groups that move faster on specific problems – such as high seas protection – often between aligned partners rather than through global processes.

Questions

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

1. What will the long-term impact of the US-Israel-Iran war be on the linkage between energy security, geopolitical tensions and accelerating the race for alternative energy sources such as critical minerals?

2. How far can market forces alone take the world on the path to decarbonisation without relying on new global climate commitments? Will climate policy be reframed mainly as an economic and industrial strategy rather than an environmental one?

3. Will the race to secure today's critical minerals lag technological developments, making the race for resources obsolete, i.e., by the time the supply chains are reshaped, will technological change have reduced dependence on those minerals? What is the next generation of critical resource going to be?

Societal divisions

Societal divisions have become a defining political constraint. In many markets, economic insecurity, declining institutional trust, and AI-amplified influence have transformed citizens from periodic voters into continuous political actors. The resulting 'us versus them' dynamics are shaping how authority is built and maintained. In some cases, social policy is no longer primarily redistributive, but more a tool to manage distribution and access to economic and political power across the population. Yet, mishandling or underestimating frustration over such division and inequality risks popular unrest and upheavals, with the potential of creating a febrile environment.

Overview

Societal divisions that surfaced during COVID-19 have hardened into structural fault lines, driven by widening wealth inequality, declining institutional trust, and accelerating technological transformation. These divisions are no longer just a by-product of politics – in some they are shaping how authority is gained, exercised and defended.

We see this trend as having three key components:

- demographic pressures,
- (perceived or actual) wealth and social inequality, and
- information ecosystems.

In 2024, we spoke of the societal and demographic transition that many societies were facing and questioned whether they would be able to successfully navigate through to find a new balance on issues such as immigration, education and reskilling or the availability of healthcare. At this stage, it appears that addressing short-term demands of 'in-group' segments of society is at risk of overriding the longer-term, more structural questions.

Observation

Key trend

Inequality and demographic stress

Deepening economic inequality and demographic division are intensifying competition over finite resources. Globally, the richest 10 per cent hold about three-quarters of total wealth, while the remaining 90 per cent owns roughly two per cent.[15] Wealth is also unevenly distributed across groups: older households hold far more assets than younger ones, and women account for approximately 38 per cent of total economic resources in comparison to 62 per cent of their male counterparts, reflecting persistent gaps in earnings, asset ownership, and labour market participation.[16] These disparities intersect with divides between urban and rural populations and between immigrant and native-born residents. As these pressures grow, demographic and identity groups increasingly organise online to mobilise political influence and shape how resources are allocated.

The issues in the balance for policymakers

Trade-offs

In many systems, societal divisions are not only a social outcome but have become a defining political constraint and/or advantage. Some political leaders and influential non-state actors (e.g., media networks, online platforms, activist groups) are benefitting from an information environment where that can quickly form, separate and harden competing views. Appeals to national identity, cultural preservation, or civilisational threat are increasingly used to mobilise support and define insiders and outsiders. This risks shifting governance away from broad consensus.

What policymakers are doing

Information walls and ecosystems

Control over information pathways is increasingly concentrated in a small number of powerful state and non-state actors – particularly global technology platforms and digital media ecosystems whose reach and resources rival or exceed those of many states. Mobile connectivity is ubiquitous – at least 5.8 billion people worldwide have at least one mobile subscription and average four hours of screentime per day, providing fertile ground for algorithmic curation and targeted amplification to shape discourse and reinforce group think.[17] Algorithmic feeds increasingly produce parallel versions of the "truth" that contest shared facts, fragment public perception, and erode the common ground. Governments and political movements operate within – and at times contribute to – this trend, using social policy

15. World Inequality Lab, World Inequality Report, 2026.
16. World Bank Group, Unrealised Potential: The High Cost of Gender Inequality in Earnings, 2018.
17. GSMA, The Mobile Economy, 2026.

and cultural narratives to consolidate alignment. As a result, the contest over information flows is increasingly shaping public perception, political alignment, and the boundaries of policy debate and action – both within and across sovereign boundaries.

Expectations

Policy trajectory

Demographic dividends and tipping points

The secondary and tertiary effects of differing demographic destinies will increasingly make themselves felt as younger societies see their youth move into prime working years and older societies reach a critical mass at or beyond retirement age. Younger societies, such as across sub-Saharan Africa (over 60 per cent under age 25) and parts of Asia (about 50 per cent under age 25 in India; 40 per cent in Vietnam), are entering peak working-age expansion and could capture a demographic dividend if job creation, education, and social infrastructure keep pace; failure risks heightened instability. Meanwhile, ageing societies, such as China, Japan, South Korea, and much of Europe, face shrinking workforces as the global population aged 65 or above is projected to rise to 1.6 billion by 2050 from 761 million in 2021.[18] Governments able to offset an ageing population.

First order effect

Self-reinforcing cycle

Governing policy that favours a core population of regime supporters risks fuelling inequality and alienation, widening the gap between perceived 'haves' and 'have-nots', and making it more difficult to govern by broad consensus. This may consolidate short-term authority but risks deepening structural grievance, triggering cycles of protest, backlash, and regulatory reversal that make it progressively harder to govern from the centre and thereby increasing the reliance on that political base. The 'Gen Z' protest movements highlighted the potential for cross-border populist backlashes against social and political inequality, with events in one market influencing actions in another. This trend is likely to continue, albeit cyclically.

Second order effect

Information regulation as strategic asset

Technology governance is emerging as a central arena of contest, as regulation of platforms, data, and AI increasingly determines who controls mobilisation, influence, and economic participation. In ageing advanced economies, such as Europe, societal divisions and slower growth are pushing governments toward tighter platform oversight, content regulation, and digital competition as tools to manage cohesion and political legitimacy amid weaking centrist consensus. In younger and fast-digitising societies such as India and much of Africa, where mobile penetration has expanded rapidly and large youth populations spend significant time online, information regulation is becoming a mechanism to manage political mobilisation, social stability, and development narratives. Across governance systems, from democratic to state-led models, digital regulation is evolving from economic policy into a strategic asset.

Questions

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

1. Will societal divisions become systemically destabilising?

2. Will policy choices prioritise short-term stabilisation of politically influential groups – such as protecting existing welfare, pensions, or subsidies – or shift towards long-term investment in younger cohorts, gender equality, workforce transition, and future productivity?

3. How is AI reshaping the divide between information 'haves' and 'have-nots', and what does this mean for policy legitimacy and governability?

18. UN DESA, World Social Report, 2023.

Implications for global governance

In today's power-driven international system, major players increasingly treat rules as constraints rather than shared standards. When rules are ignored, the purpose and operation of institutions are undermined. International efforts to address global public goods are under strain and increasingly being replaced by a mosaic model of overlapping groups that focus on specific outcomes rather than compromise or consensus.

Overview

In 2024, we wrote about whether multilateral institutions would "evolve or revolve" and rediscover a balance between their convening and consensus building functions. Their legitimacy continues to face headwinds as existing frameworks encounter structural challenges in reaching consensus-based agreements. As power becomes the defining characteristic of policy, authority and relevance is declining further due to the absence of meaningful enforcement capacity – the ability to create consequences.

In parallel, international law and the architecture upon which it rests – which has always had a perceived margin for optionality within the tools of statecraft – is now more overtly challenged by some of its traditional defenders. As a result, global systems are becoming more constrained in their ability to exert the moral suasion and/or coercive pressure required to prioritise and organise global community objectives.

Driven by the incentive of maximising relative power by satisfying immediate needs, short-term individual benefit is increasingly prioritised over longer-term collective gain. This dynamic is now starting to affect the legitimacy and independence of domestic institutions. Governments, in some cases, lack the credibility or institutional legitimacy to convince their populations of the benefits of long-termism on issues such as pension or healthcare reforms. This credibility gap becomes even more compromising when the long-term benefits are diffused across the global commons.

Observation

Key trend

Global governance more revolving than evolving

The influence of current multilateral architecture continues to be weakened and structural adaptation has been slow. The UN is facing a budget crisis and the P5 veto framework frequently precludes decisive action, serving as a flashpoint for emerging market frustration.[19] Progress may well depend on who is elected as Secretary General in late 2026. As seen, for example, in the perceived failure of the 14th Ministerial Conference in March 2026, the World Trade Organization (WTO) is also gridlocked without a functional Appellate Body for dispute settlement or an agreed pathway for reform, which could not be solved for at its 2026 Ministerial Conference despite concerted effort. Similarly, the lack of a globally coherent approach to emerging issues, such as AI regulation, has created roadblocks and incentives for nations to take more competitive actions or devise alternative pathways. Importantly, this significantly weakens the prospects for a unified response to future international crises, whether financial or otherwise, to identify, contain and manage them effectively.

The issues in the balance for policymakers

Credibility gaps

The downside of a model that relies on issue specific or ideological coalitions is that they must overcome the credibility gaps necessary to bridge geopolitical divides. The benefit of the universal institutions such as the UN is that – at least in theory – they operate neutrally in the interest of world peace and the common good.

19. The P5 veto framework: refers to the exclusive power granted to the five permanent members of the UN Security Council.

Institutions that are overtly identified with a single major power are less likely to be viewed as neutral. These bespoke security architectures with overlapping alliances further engrain 'us versus them' dynamics in domestic audiences as competing nations are 'othered'.

What policymakers are doing

Mosaic of minilateralism

A transition towards transactional minilateralism is serving as a stabilising mechanism for nations seeking to maintain strategic order within a more fragmented landscape. By pivoting towards narrow, issue-based blocs, nations are bypassing multilateral gridlock to secure domestic needs such as resource resilience and regional security through high-trust, functional partnerships. These arrangements do not mark a collapse of global cooperation but instead reflect a pragmatic recalibration of the international architecture in which the pursuit of discrete, actionable outcomes replaces the pursuit of universal consensus. However, this increasingly tangled security alliance structure risks the escalation of regional wars to global conflicts as precipitated the First World War.

Second order effect

Narrower multilateralism

Future multilateralism will likely be defined by a retreat from universalist ambition towards the delivery of specific global public goods that exceed the reach of smaller, more ideologically or issue-aligned groups of actors. As values-based globalism recedes, inter-governmental organisations may shift their focus to the system's baseline architecture, looking to provide global platforms to stabilise cross-border financial flows, harmonise universal technical standards, and coordinate responses to existential systemic threats. By acting as neutral service providers and not policy setters, multilateral institutions can attempt to maintain a floor for global stability in a multi-aligned world. The policy vacuum created by this structural shift will be filled by the minilaterals with the power to project their preferred policy solutions, but with more limited geographic reach and competing policy goals.

Expectations

Policy trajectory

Evolving hybrid model

The international system is likely to stabilise in a hybrid model, where persistent policy vacuums at the global level are offset by a network of functional, overlapping alliances. This builds resilience but also complexity. As multilateralism comes under further strain from inherent geopolitical rivalries, nations are likely to prioritise strategic autonomy though the expansion of plurilateral agreements that secure supply chains, critical technologies, and energy transitions. There may also be a degree of turnover in the landscape of institutions: as incumbent minilateral institutions such as BRICS expand their membership, they begin to have the same coordination and consensus hurdles as multilaterals and are in turn at risk of being replaced by smaller groupings. However, those nations with power to unilaterally shape the trajectory of minilaterals will likely be the key actors in this new global order.

First order effect

Short-termism and internal focus

At a domestic level, the societal divisions described in the previous section could combine with institutional weakness, leading to short-termism and inward-facing policies. Many governments do not have the strength of mandate, platform or institutions to demand sacrifice today for prosperity tomorrow, as they balance both short term needs and competing priorities. As such, decision making will continue to avoid the risks of popular backlash and removal from power.

Questions

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

1. To what extent will more minilateral and unilateral global governance models provide the necessary resilience to withstand a major systemic shock (e.g., pandemic, financial crisis, or environmental disaster) given the resulting trade-offs in policy coherence and implementation speed? Can a fragmented system effectively deliver global public goods?

2. Will exclusive, issue-specific blocs successfully replace the security and economic functions of universal institutions or will their proliferation create entangled and conflicting standards that increases net global transaction costs?

3. To what extent will alternative payments platforms such as BRICS Pay succeed in insulating emerging markets from Western-led financial guardrails and sanctions? Will these be mainstream alternatives or bespoke products for select arrangements?

Disclaimer

This communication has been prepared by Standard Chartered ("SC") Group Public and Regulatory Affairs team. It is general and data-driven in nature and has been provided solely for information/educational purposes. It may not be reproduced or be used to create derivative works, redistributed, or transmitted, whole or in part, without attribution and the prior written consent of SC.

This is not research, nor a product of SC's Global Research Department. Any views and opinions expressed herein belong to the author(s) and may differ from those of SC's Global Research and other departments or affiliates of SC.

This communication does not contain or constitute investment advice, a recommendation to enter into any product or service, nor does it market any product or service provided by SC or constitute solicitation. It is not intended for distribution, publication, or use in any jurisdiction where such distribution, publication, or use would be unlawful, nor is it aimed at any person or entity to whom it would be unlawful for them to access.

SC does not provide, and has not provided, any strategic or specialist advice, including legal, regulatory, accounting, model, auditing or taxation advice or services. Laws, rules, regulations, standards, and other guidelines will differ in different countries and/or may change at any time without notice. You are advised to make your own independent judgment (with the advice of your professional advisers as necessary) with respect to the risks and consequences of any matter contained herein.

Predictions, projections, or forecasts contained herein are not necessarily indicative of actual future events and are subject to change without notice. All opinions and information are given as of the date of this material and are subject to change without notice SC assumes no duty to update any information in this material in the event that such information changes.

While all reasonable care has been taken in preparing this communication, SC makes no representation or warranty as to its accuracy or completeness, including of any information/research obtained from third parties used in its production. It does not purport to identify or suggest all the risks (direct or indirect) that may be associated with conducting business. Any liability (including in respect of direct, indirect, or consequential loss or damage) is expressly disclaimed.

Standard Chartered Bank is incorporated in England with limited liability by Royal Charter 1853 Reference Number ZC18. The Principal Office of the Company is situated in England at 1 Basinghall Avenue, London, EC2V 5DD. Standard Chartered Bank is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and Prudential Regulation Authority.

We welcome feedback on our Top Five Policy Issues report.

Please contact us at
Analysis.GPRA@sc.com