ART —— Analysis and Research Team

Prospects for 2026

What others are saying

JANUARY 2026

Council of the European Union
General Secretariat

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Introduction

At the start of each year, journalists, analysts and current affairs commentators often take time to reflect on what the upcoming year might hold, identifying potential risks and opportunities. With our annual Forward Look, the Analysis and Research Team offers a tool that provides a broad understanding of the global landscape in which both the Council and the European Council will operate over the next year. However, like any foresight exercise, our analysis cannot be all-encompassing or cover every possible perspective. Therefore, this document serves as a supplementary piece to the Forward Look 2026, offering an overview of key trends identified by other experts.

This document draws on 35 different outlook reports from various sources, including newspapers, think tanks, consultancy firms, and research institutions. In addition to perspectives from Europe and the United States, this year's edition of Prospects also incorporates insights from Chinese and Latin American outlets. A full list of references can be found in the annex. For ease of reading, the predictions are categorized into five main themes: society, technology, economy, environment and (geo-)politics. Each prediction is supported by at least two independent sources, unless stated otherwise.

Additionally, the document provides an overview of the ten conflicts expected to be most significant in 2026, according to the International Crisis Group. Finally, to offer a glimpse into historical foresight, we have included a selection of 1926 newspaper clippings that made intriguing predictions about life in 2026.

Resources

Most of the predictions you will find in this overview come from multiple sources. Whenever we use a direct quote, or where a statement is based on a single report, we have included a reference to the report.

To create this overview, we have consulted the following sources:

WESTERN SOURCES

- **Barcelona Centre for International Affairs (CIDOB):** The world in 2026: ten issues that will shape the international agenda
- **Chatham House:** The World in 2026
- **Council on Foreign Relations (CFR):** Visualizing 2026: Five Foreign Policy Trends to Watch
- **The Economist:** Tom Standage's ten trends to watch in 2026
- **Economist Intelligence Unit (EIU):** Global outlook 2026
- **Eurasia Group:** The Top Risks of 2026
- **EY:** Top 10 geopolitical developments in 2026
- **Financial Times (FT1):** Forecasting the world in 2026
- **Financial Times (FT2):** Ruchir Sharma: Top 10 trends for 2026
- **Foreign Policy (FP):** Welcome to the Age of Chaos
- **Forrester:** Predictions 2026: The Race To Trust And Value
- **Frankfurter Allgemeine Zeitung (FAZ):** Diese zehn Trends werden die Weltwirtschaft 2026 prägen
- **Le Grand Continent:** Élections, droits de douane, guerre, IA : six tendances à suivre en 2026
- **Nature:** Science in 2026: the events to watch for in the coming year
- **The New York Times (NYT):** 10 Predictions for Life in 2026
- **RANE Network (RANE):** 2026 Annual Forecast
- **Vox:** 26 things we think will happen in 2026

LATIN AMERICAN SOURCES

- **Americas Market Intelligence (AMI):** The 2026 Regional Outlook for Latin America
- **Atlantic Council:** Latin America and the Caribbean in 2026: Ten defining questions for the year ahead
- **Diplomacia Activa:** Latin America 2026: challenges and opportunities [América Latina 2026: desafíos y oportunidades]
- **El Extremo Sur:** Latin America's fragile outlook for 2026 [El frágil horizonte de América Latina en 2026]
- **Forbes Brasil:** The Top 10 Global Risks for 2026 – and How They Could Affect Brazil [Os 10 Principais Riscos Globais para 2026 – e Como Podem Afetar o Brasil]
- **República:** Predictions for 2026: The revenge of common sense in the West [Predicciones 2026: La revancha del sentido común en Occidente]
- **El Tiempo:** Predictions for 2026 [Predicciones 2026]
- **El Universal:** Perspectives for 2026: a changing world [Perspectivas del 2026: un mundo en cambio]

CHINESE SOURCES

- **China Economic Times** [中国经济时报]**:** Outlook on Major Trends: 15 Think Tank Scholars Offer Insights for the Opening Year of the 15th Five-Year Plan [2026大势前瞻 | 15位智库学者寄语 "十五五" 开局之年]
- **China News Network** [中国新闻网]**:** 2026 International Situation Outlook: The risk of geopolitical conflicts intensifies, and all parties are looking for opportunities in the midst of crisis [2026国际局势前瞻：地缘冲突风险加剧 各方博弈危中寻机]
- **Economic Observer** [经济观察报]**:** Looking Ahead to 2026: A new grand cycle is beginning [前瞻2026：全新的大周期正在开启]
- **Future think tank** [未来智库]**:** Outlook for the International Landscape in 2026: Adjustments and Turbulence in the Traditional International Order Amidst America's Strategic Shift [2026年国际关系形势展望——美国战略重心转移下，传统国际秩序的调整与动荡]
- **Global Times** [环球时报]**:** Ten Keywords for 2026 [2026十个关键词]
- **Guangming Daily** [光明日报]**:** Nine Global Trends to Watch in 2026 [2026年全球九大趋势展望]
- **Shangguan News** [上观新闻]**:** Anticipating the World's Direction in 2026 [预见2026世界走向]
- **Xinhua News Agency** [新华网]**:** The World's Seven Greatest Uncertainties [2026，世界七大悬念]
- **Xinhua News Agency** [新华网]**:** Five Questions for the World Economy in 2026 [2026，世界经济五问]
- **Zhenghe Island** [正和岛]**:** Ten Predictions for 2026 [2026年，十大预测]

Society

A boom for doom and gloom

■ With global growth projected to stagnate, economic and social agendas will be shaped by **fear and pessimism**. Societies will be tested by **deepening uncertainty and eroding well-being**, as rising living costs, worsening housing affordability and mounting public debt intensify social and political strain *(CIDOB)*.

■ Governments will face a delicate balancing act as geopolitical priorities such as defence and trade deals feel **disconnected from citizens' everyday concerns**, and this gap is increasingly reflected in voting behaviour.

■ **Populists will offer simple answers** to the chaotic, fast-changing world, but regardless of their actual power, they will present themselves and their country as victims, exacerbating a sense of gloom *(FP)*.

The kids are not alright

■ Around the world, younger generations are 'seeing the ladders to the good life being kicked away'*(FP)*, and more and more of them are taking their anger to the streets. **Gen Z are emerging as a global force for protest** against inequality, corruption and eroding prospects, with youth-led unrest spreading across regions.

■ These protests are **increasingly influencing political outcomes and could affect elections**, particularly in Africa, South and Southeast Asia and the Middle East, where young people make up a large share of the population. If governments find the means to integrate their young populations into the workforce, these countries could prosper, but if they do not it could lead to more conflicts, poverty and rising migration flows.

Unhealthy prospects

■ The coming year will see the effects of the **changes in US global health policy** since President Trump took office. The **impact of US foreign aid cuts** will continue to be felt, particularly by women and children, and more lives will be lost in 2026.

■ Trump's America First global health strategy **risks undermining the adoption of the Pandemic Agreement**, as the strategy of striking bilateral deals could undermine the creation of a common system for accessing pathogens and ways to defeat them *(Chatham House)*.

■ Meanwhile, the World Health Organization is likely to **withdraw the US's measles elimination status** following the lower vaccination rates resulting from a rise in anti-vaccine sentiment *(Vox)*.

The Great Gatsby, but make it alcohol-free

■ The uncertain and gloomy outlook could lead to a **rise in hedonistic behaviour** and a growing desire for more sincere romantic relationships, as opposed to the blasé, nihilist coolness of recent years *(NYT)*.

■ However, with the **share of people drinking**, even in moderation, **declining steadily**, and alcohol companies' stocks continuing their downward slide, this could be a sober affair *(FT2)*.

■ But not all vices will be discarded: the inelegance of vapes and electric cigarettes could spark a **return to smoking pipes**, recalling classier, more glamorous times *(NYT)*.

Not all fun and games

■ The **2026 FIFA World Cup** will kick off in June, hosted jointly by the US, Canada and Mexico. However, the strained relations between Washington and its closest neighbours might dampen sentiment on the ground.

■ While doping is prohibited at the World Cup, athletes will be allowed to use performance-enhancing drugs at the **Enhanced Games**, set to take place in Las Vegas in May *(The Economist)*.

■ Despite its recent rapid growth, **pay in women's sport** is still **way below that of male athletes**, which will prevent them from ranking among the top 50 best-paid athletes *(FT1)*.

Too sloppy to be a star?

■ In a backlash against the deluge of **AI slop**, low-quality AI-generated content without any deeper meaning or effort, more people might be drawn to creative acts that **embrace the imperfect and edgy** *(NYT)*.

■ Analysts are split on whether a **song primarily generated by AI** could reach the coveted No 1 slot in the US or UK singles charts, with some pointing out that AI would lack the personality and drama of real-world stars *(FT1)*.

2026 unplugged

■ With the online world becoming increasingly divisive and hostile, the real world could make a comeback. The next few years could see the rise of **'exfluencers'**, popular online influencers shifting to more traditional business endeavours and ending their excessive online presence *(NYT)*.

■ As the market for **'dumb phones'** and other low-tech devices grows, they could become **new status symbols**, since many people cannot afford to become less reachable *(NYT)*.

The year of cross-overs?

■ **Politics might rival streaming services for entertainment**, as the soap-opera-style intrigue and gossip flowing out of the Trump White House will continue to dominate news headlines. The entertainment world could also become a **new target for the gambling industry**, with people betting on contestants in reality shows *(NYT)*.

Society

- **Online fan fiction** has exploded in popularity and could cross over into cinema via **crowd-funded cinematic universes**. Meanwhile, **tie-in movie marketing** is set to reach new heights, with film characters becoming actual social media influencers with their own merch, stores and more *(NYT)*.

- Following her recent venture into country music, R&B megastar **Beyoncé** might move into yet another genre and release her **first rock album** *(Vox)*.

VIEWS FROM LATIN AMERICA

Security first, trust later

- Across much of Latin America, public concern over **crime, violence and weak institutions** will dominate social and electoral priorities in 2026.

- In **Colombia**, expanding armed-group control, record high coca cultivation, mass displacement and high-profile attacks have made security the top concern for nearly one-third of the population. In **Peru**, rising homicide and extortion rates are fuelling demands for immediate security solutions. In **Brazil**, gang control and controversial police violence will keep crime and security at the centre of public debate.

- Growing **citizen insecurity**, alongside a long-standing distrust in institutions and a legacy of political violence, will shape social attitudes across the region, shaping electoral dynamics and **reinforcing voter scepticism toward political elites** (*Diplomacia Activa*).

- **Economic pressures** will also influence voting behaviour, with middle- and working-class voters increasingly turning away from leftist populist leaders and favouring more pro-business, market-oriented candidates. In **Guatemala**, excessive public spending, labour-market distortions and unresolved security problems fuel social frustration, prompting demands for more competent leadership.

Inequality runs deeper than growth

- Regional growth is **unlikely to deliver major social improvements**. Poverty and inequality are not expected to fall significantly in 2026 if current economic trends persist.

- **Informality** will continue to **dominate labour markets**, especially in agriculture, where 80% of employment is informal and disproportionately affects women, young people, and older rural populations. A large share of child labour and low-education employment also remains concentrated in the sector. (*El Extremo Sur*)

- With social and labour challenges expected to remain enormous in 2026, **unions and social movements** will **push for stronger protections**, while right-wing and far-right governments will prioritise austerity and reduced social spending (*El Extremo Sur*).

- More broadly, economic inequality and political polarisation are **eroding social cohesion**, with citizens increasingly challenging the status quo and demanding greater participation in decision-making. **Young people** in particular will become a more critical voice in demanding change and justice (*El Universal*).

Pressures points and release valves

- Large-scale **Venezuelan migration** will continue to affect the region, with around eight million people already displaced due to repression, hyperinflation, and poverty.

- At the same time, **Caribbean** societies will continue to face the social consequences of extreme weather events, with repeated infrastructure losses, rising insurance costs, and stretched public budgets (*Atlantic Council*).

- In **Colombia**, football could provide a rare unifying moment in 2026, as the national team is expected to have a chance of progressing beyond the World Cup quarter-finals for the first time (*El Tiempo*).

VIEWS FROM CHINA

They grow up so fast...

- 2026 will see the **first AI-natives** graduate from university. They are also the first generation to grow up in a **'GPT environment'** and will have to deal with the mass replacement of entry-level jobs. *(Economic Observer)*

Healing society with emotional consumption

- As more and more people battle anxiety, burnout and loneliness, **'emotional healing'** has shifted from a niche topic to a new engine of consumption. By 2026, the most competitive products may be those **'emotional tools'** that enable consumers to safely and authentically navigate an uncertain world, offering both a commercial opportunity and a path toward a more fulfilling, sustainable society. *(Zhenghe Island)*

- After explosive growth in 2025, reaching 700 million viewers (about 70% of China's internet users), **Chinese micro-dramas**, short-form vertical web series whose episodes are only 1-2 minutes long, are set to continue their meteoric rise, further disrupting the country's established online video industry. Some analysts predict that by 2030, the micro-drama market will **exceed 200 billion yuan**. *(Zhenghe Island)*

Or maybe the government will solve it

- The government will **improve public services** in education, healthcare and elderly care, prioritise employment initiatives, and create a more comprehensive and sustainable social security system, while enhancing their quality and fairness to better meet people's basic needs. *(China Economic Times)*

- 2026-2027 is the **Year of China-Russia Educational Cooperation**, which is an important opportunity for China and Russia to continue to promote cultural and educational cooperation and cultivate friendly and good-neighbourly relations. *(Shangguan News)*

Not all that glitters is gold - it could also be silver

- China is home to the largest 'silver-haired population'. Developing the **silver economy** provides great opportunities both to access new business models and to establish a more equitable and sustainable social policy system. *(Global Times)*

Technology

The year AI's promises will be tested

■ Three years after the emergence of ChatGPT, **AI is under ever greater pressure to deliver** on sky-high investments and extensive promises. As more and more experts are doubtful about the possibility of achieving the level of 'artificial general intelligence' promised by Silicon Valley, it seems as though the **hype around AI has already peaked**.

■ With performance numbers falling short of early hopes, a quarter of companies could **delay AI spending** into the next year as markets begin to recalibrate away from the 'inflated promises' *(Forrester)* of AI advocates.

'The real problem may be that AI turns out to be much less than promised'

■ While AI could be transformative long-term, the rush for dominance in the short term carries **financial risks** that may hit by 2026. With a handful of firms fuelling US growth through massive AI infrastructure investments, this **AI-driven big tech concentration** is posing a systemic economic risk, raising fears of a bubble.

■ Investment in AI will continue to surge, but most believe that **the bubble is unlikely to burst yet**. However, the bubble could still collapse if liquidity were to dry up due to higher short-term interest rates, a loss of credibility of the Fed or lower capital flows to the US *(FT2)*. In this case, the US economy, and consequently the global economy, would be heavily impacted.

■ Investors are already **demanding more from the tech giants**, which is set to continue. Should AI underdeliver on the high expectations, these companies would easily survive, whereas venture capital and private equity would incur **'embarrassing losses'** and many small companies could go bankrupt *(FT1)*.

Disrupting societies

■ Concerns over the **socioeconomic implications of AI** continue to mount. Unconstrained by legal guardrails and under pressure to justify their massive investments, AI companies could adopt destructive and harmful business models, endangering social and political stability in the process *(Eurasia Group)*.

■ At the same time, the **backlash against AI** is growing over **job displacements** and the environmental impact of data centres. Labour disruptions would have a greater impact on workforces in advanced economies, where AI adoption rates are higher, and could affect up to 60% of jobs over the next ten years *(Chatham House)*. Graduates and junior professionals are likely to be the most affected by hiring freezes.

■ Despite this, **inequalities are likely to widen**, as AI could enable advanced economies to raise productivity at rates up to twice as fast as lower-income countries *(Chatham House)*.

Securitising tech

■ Governments will increasingly **treat AI assets as a national security priority** and an important piece of critical infrastructure, which could reshape investment strategies. The geopolitical situation will drive market fragmentation and render compliance more complex. Energy and critical mineral shortages could intensify pressure on companies, forcing firms to balance innovation with resilience *(EY)*.

■ The **US-China competition over AI models** is set to intensify. Already home to three-quarters of the world's AI supercomputers, both will expand on their vast AI capabilities, which could lead to a reckoning among a growing number of countries dependent on these two 'AI superpowers' *(Chatham House)*.

■ Some see **China** as **winning the AI innovation race**, with its focus on practical apps and more nimble models rather than achieving superintelligence. China's approach may appeal more to the Global South, where Chinese digital infrastructure is already widely used *(FP)*.

■ While **China** is leading on the **'electric stack'** that forms the foundation of the technologies set to dominate this century (batteries, motors, embedded computer systems), the US is still betting on 20th century energy sources, leaving it at risk of falling behind *(Eurasia Group)*.

Technologising defence

■ Rearmament is increasingly **driven by technology**, as military spending on AI alone is projected to exceed $30bn by 2028, led by the US and China *(CIDOB)*.

■ **AI, autonomous systems and drone warfare** are moving **from experimentation to deployment**, reshaping conflict dynamics faster than regulatory frameworks can adapt and paving the way for unchecked competition and proliferation *(CIDOB)*. AI will also serve as a force multiplier of cyber conflicts *(EY)*.

■ Defence is increasingly becoming a **tech-corporate ecosystem**. Major defence tech firms retain control over critical data, and AI systems are increasingly embedded directly into military decision-making, signalling a deepening symbiosis between capital, governments and the armed forces *(CIDOB)*.

A(I) summit with impact?

■ Renewed efforts to agree on **joint rules for regulating and monitoring AI** will be made at the AI Impact Summit this February, followed by the UN's new Global AI Dialogue in July *(Chatham House)*.

■ However, the **US federal government** is likely to **resist these efforts** and will not propose any comprehensive AI safety regulation to mitigate risks for users in 2026 *(Vox)*.

Quantifying security

■ Progress on **making quantum computing commercially available** is accelerating, and several tech companies are already using rudimentary quantum computers in parallel with classic ones. Hardware and software exploiting the properties of subatomic physics are advancing rapidly as well.

Technology

■ Although timelines remain uncertain, companies are advised to **secure sensitive data** already, as commercial quantum computers that can easily break today's encryption methods could be around in less than a decade.

Coming for your job, but won't do your laundry

■ **Tesla** is likely to **remain under pressure**, while BYD and other Chinese rivals will launch even more attractively-priced models. However, rather than rebooting Tesla's traditional automotive business, owner Elon Musk will be more focused on AI *(FT1)*.

■ **Embodied AI** will aim to move AI to the real world by creating humanoid robots to take over chores. Companies such as Tesla, Figure AI and Unitree are competing to build **self-directing models** that can carry out tasks on their own initiative, and start-up 1X aims to deliver Neo, the first commercially available domestic robot, in 2026.

■ But recreating human dexterity is a costly and **ongoing challenge**, even for tasks as seemingly simple as folding laundry. Reports indicate that despite its high price, Neo is **not yet fully autonomous**, making it a product geared towards wealthy early adopters *(FT1)*.

■ Meanwhile, **AI-powered research** is here to stay and could even lead to the first major breakthroughs made entirely by AI, but the risk of serious mistakes rises as well. Newer approaches could also focus on small-scale AI models that are cheaper to train and operate than LLMs *(Nature)*.

Will digital currencies pay off?

■ The cryptocurrency industry is increasingly driven by **digital opportunism**, aimed at extracting profits without much consideration for social costs, while the role of stablecoins is growing *(CIDOB)*.

■ The Trump administration sees **stablecoins** as a tool to reinforce the dollar's dominance, while the EU promotes **euro-denominated stablecoins** to protect monetary sovereignty. Meanwhile, BRICS countries are developing **alternative payment systems** to reduce exposure to the dollar *(CIDOB)*.

Facing new trials

■ Disputes between the Trump administration and Congress over **research funding** will continue, whilst US research institutions will have to deal with the effects of the recent major policy changes and continued court battles over academic freedom and terminated grants *(Nature)*.

■ Changes to **clinical trial regulations** in the UK and US could speed up research and the availability of new drugs, while two new clinical trials could provide momentum for personalised gene therapies for children with rare genetic disorders *(Nature)*.

■ The **Large Hadron Collider (LHC) at CERN** will shut down for three years to undergo a major upgrade to enable more precise measurements *(Nature)*.

More space to compete

■ Space will increasingly become a **competitive zone** between the United States, China, Russia and Europe.

■ To the Moon: NASA will launch its **first crewed lunar mission** in more than 50 years to orbit the moon and prepare for subsequent landings, possibly as soon as 2027. China aims to follow suit and will launch its Chang'e-7 lunar research probes, albeit uncrewed.

■ And beyond: Japan plans to launch a mission to explore **Mars's two moons**, while the European Space Agency will launch its PLATO satellite to identify **potential Earth twins**. Meanwhile, India will launch its first **solar mission** to observe the Sun at the peak of its current activity cycle *(Nature)*.

■ With more satellites launched into lower orbit over the last four years than over the previous 70 years, there could be a **satellite collision** in lower earth orbit in 2026 *(Vox)*.

VIEWS FROM LATIN AMERICA

Digital momentum, uneven outcomes

■ Digitalisation is expected to remain a **key driver of economic transformation** in 2026. Technological innovation will continue to support moderate growth in advanced economies, while emerging markets such as Brazil are likely to benefit from accelerated digital adoption (*El Universal*).

■ In Latin America, widespread **smartphone use** and the **rise of innovative apps** are already boosting productivity, particularly in the service sector, helping to drive growth despite broader economic constraints.

■ At the same time, the much-hyped **artificial intelligence boom is delivering mixed results**. While investment in AI remains high, adoption across businesses is uneven, and the financial impact has so far fallen short of expectations.

■ Many **AI systems still suffer from reliability issues**, limiting their use in critical applications. Pressure on companies to monetise these technologies could push them toward business models that risk social and political destabilisation (*Forbes Brasil*).

Who owns the tech stack?

■ Control over the **technologies underpinning the modern economy** - from electric vehicles and drones to advanced manufacturing, batteries, and embedded computing - is becoming a source of strategic power. China currently dominates this **'electric stack'**, while the United States is losing ground (*Forbes Brasil*).

■ This imbalance is expected to **shape global economic and geopolitical competition** in 2026, as countries that control these core technologies gain greater influence over future industrial development.

VIEWS FROM CHINA

'AI is developing exponentially, China lacks chips, and the United States lacks electricity' *(Zhenghe Island)*

■ The **US and China will remain dominant in AI**, but both have to contend with scarcity. While the US struggles to meet the energy demands of AI datacentres, China grapples with accessing the most advanced AI chips. This tension between AI development demand and AI infrastructure supply will continue in 2026. *(Zhenghe Island)*

An unstoppable force, yet not without its risks

■ AI is **both accelerating and slowing down economies**, creating record growth and massive economic potential while simultaneously displacing entry-level jobs and slowing down graduate hiring.

■ The technological transformation centred on AI could **profoundly reshape production methods**, as it dismantles the traditional labour-intensive comparative advantages of countries with large workforces. It also increases the power of leading companies, which could leverage their absolute control over their algorithms and vast amounts of data to create 'winner-takes-all super-monopolies'. *(Guangming Daily)*

Technology

■ **Global investment** in AI is **projected to exceed $2 trillion** by 2026, but in the short term the boom could fuel an investment bubble, worsen global inequalities and widen wealth gaps. It has also brought new challenges, including deepfakes, data theft and a growing digital divide. *(Xinhua News Agency)*

■ However, even if the **AI bubble were to burst**, it would not change the long-term trajectory of the AI revolution. *(Economic Observer)*

‘Ushering in a profound efficiency revolution’ *(Economic Observer)*

■ **AI agents** will disrupt the attention-based economy by offering recommendations specifically tailored to the shopper’s needs and even enabling consumers to fully automatise their purchases.

■ Instead of optimising for search engines, **generative engine optimisation (GEO)** is on the rise as brands are learning how to capture an AI agent’s attention. This could also affect the design of websites and apps, which could shift their focus from looking appealing to the human eye to providing structured, callable data interfaces. *(Economic Observer)*

■ New technical protocols to enable **a multi-agent internet** are already emerging, but new ethical and legal frameworks could be needed as well.

‘In the AI era, as knowledge becomes cheap, wisdom grows ever scarcer’ *(Economic Observer)*

■ With AI providing abundant, accessible and inexpensive knowledge, **education systems** will have to shift from ‘assembly-line standardisation’ and formalised testing to **more innovative approaches**. *(Economic Observer)*

■ As AI takes over many of the repetitive, inefficient tasks that take up most of a white-collar worker’s time, it will trigger a **rethink of knowledge worker roles**. The AI era will have plenty of knowledge, but the capacity to transform this knowledge into judgement, insight and creation could gain importance, as these are qualities only humans possess. **Creativity** could once again become a coveted resource. *(Economic Observer)*

■ **Social capital**, built on genuine human interaction in social contexts, may also become more valuable, because it fosters the development of creativity, complex communication skills and the ability to navigate ambiguous situations. *(Economic Observer)*

Unlocking a tech and science boost

■ Under the **15th Five-Year Plan**, science and technology will become a core driving force and boost breakthroughs in strategic emerging industries such as the ‘low-altitude economy’ *(activities in the airspace below 1000m, e.g. drone-based deliveries)*, new materials, aerospace, new energy sources and quantum technology. *(Zhenghe Island)*

Automotive (r)evolution

■ After the profits of **China’s automotive industry** fell to their lowest level in nearly five years, with an average monthly profit margin of just 3.8%, the industry will have to shift from subsidy-driven growth and expansion-focused competition to competing over real demand and efficiency. *(Zhenghe Island)*

■ Vehicles capable of **conditional autonomous driving**, also called Level 3, will enter China’s streets in 2026, suggesting that fully autonomous driving, or Level 4, is not too far off. This could radically alter the automotive business landscape, but would also require new legal and social frameworks to operate safely.

(Geo-) Economy

The Winner Takes It All

■ The world enters 2026 in a **new era of instrumentalised trade and tech coercion**, ushered in by President Trump *(CIDOB)*. His interventionist, personal and transactional approach to economic policy is expected to deepen further, altering the relationship between the public and private sectors *(Eurasia Group)*.

■ **Geopolitical rivalry** and the **growing politicisation of capital flows** are also set to reshape the global financial system, with governments in some countries exerting stronger influence over fiscal policy and investment decisions *(EY)*.

■ In this more confrontational climate, **US-China trade relations appear relatively stable** going into 2026, even though a meaningful reset remains unlikely due to persistent systemic rivalry *(EIU)*. The current trade truce is expected to hold, although brief escalations cannot be ruled out, and a comprehensive agreement between the two sides remains improbable *(RANE)*.

■ At the regional level, **US trade pressure on its closest neighbours** is also creating uncertainty. The United States-Mexico-Canada Agreement (USMCA) agreement, up for renewal in July, is expected to stagger on, but trade relations will remain unsettled *(Eurasia Group)*. To secure its survival, Canada and Mexico are likely to offer concessions to Washington *(RANE)*.

■ Beyond trade, governments are also **viewing key sectors through a security lens**. Life science companies in particular face growing complexity as the sector is increasingly seen as strategically important for economic security *(EY)*.

‘Tariff is the most beautiful word in the dictionary’

■ **US tariffs** are already at historically high levels, with a weighted average rate of around 18% - the highest in a century - and are **unlikely to fall significantly** in 2026 *(EIU)*.

■ Although the **US Supreme Court** may **rule against the use of the International Emergency Economic Powers Act** to justify executive tariffs, the Trump administration is expected to rely on other legal tools to keep its tariff regime in place. However, these alternative trade powers would require more time and effort to implement, potentially forcing the White House to be more selective in its targets *(RANE)*.

■ **Trump’s tariff strategy** is expected to become **more predictable**, with most major trade deals already in place and midterm elections looming. There is less political room for disruptive measures, and some believe Trump may avoid further tariffs to prevent voter backlash. However, a complete rollback of existing tariffs is unlikely, even with concessions in new trade agreements such as the US-Mexico-Canada Agreement. *(EIU)*.

■ Despite US tariffs, 2026 is **unlikely to see a full return to deglobalisation**. Interconnected supply chains are hard to shift, and most countries

(Geo-) Economy

still have strong incentives for free trade, even if the system becomes messier (Eurasia Group). Governments are expected to introduce new trade measures, such as tariffs and export controls, to adjust supply chains and trade patterns (EY).

Tariffs Bite, Buffers Hold - Do They?

■ While world trade proved resilient in 2025, the **scale of US demand remains difficult to replace**, and higher tariffs are expected to weigh on global trade growth in 2026 *(EIU)*. As trade and political uncertainty become more structural, the economic impact of the US-led reordering is set to intensify, with global trade growth slowing sharply. The WTO projects trade volumes to rise by just 0.5%, with the effects of tariffs visible in prices, investment and consumption *(CIDOB)*.

■ **Tariffs will hit export-oriented economies** such as China, Japan and Germany the hardest, as well as trade hubs such as Hong Kong and Singapore (EIU). However, **middle-income countries may gain a relative advantage** from US tariffs, China's restructuring, and the EU's growing engagement (FAZ). Ongoing trade volatility and supply chain shifts will also pressure costs and consumer spending (EY).

■ **Global growth** has been **more resilient than expected**, with the IMF forecasting 3% growth in 2026 and equity markets hitting all-time highs. This resilience stems from countries avoiding retaliation against US tariffs and continuing to trade under WTO rules, along with factors such as the US AI investment boom and a weaker dollar. However, it is uncertain whether these buffers will continue to offset the negative effects of US trade policy in 2026. *(Chatham House)*.

■ Growth is also **expected to remain resilient in parts of Africa**, albeit unevenly. East Africa could see growth approaching 6% in some economies, while politically stable and reform-oriented countries are forecast to expand by 6-8% following a strong investment year in 2025.

The Trump variable

■ While tariffs are weighing on global growth, they have **not yet hit the American economy as hard as expected**. However, the prospect of a politicised Federal Reserve raises the risk of market tensions in 2026 *(The Economist)*.

■ Domestically, the **affordability crisis** and efforts to address it through higher government spending, tax cuts and giveaways are expected to **push up inflation** and drive the US budget deficit back above 6% of GDP *(FT2)*, while Trump is expected to continue applying pressure on the Fed *(FAZ)*. Looking ahead, several **possible triggers for a recession** in 2026 remain in play, including a bursting AI bubble, the economic fallout from Trump's trade policies, or a major international crisis *(VOX)*.

■ Tariffs are also **reshaping production and consumption patterns**. Manufacturing is expected to continue shifting towards low-tariff countries, while US consumers bear most of the cost. By July 2026, foreign exporters are projected to absorb around 25% of the tariff burden, compared with 67% falling on American consumers *(CFR)*.

■ Trump's **room for manoeuvre on economic policy** also appears **limited**. Beyond rolling back some of his own tariffs on food items, negotiating lower drug prices with pharmaceutical companies, and promising $2,000 cheques for most Americans, few new policy options are in sight. These measures would further raise US debt, which already stands at around 125% of GDP - an unprecedented level for peacetime *(FP)*.

■ Despite strong capital inflows in 2025, **investor confidence in the US may weaken** in 2026. Growing recognition of risks at home and opportunities elsewhere could redirect investment towards rival markets, weakening the dollar and reducing the US share of the global stock market, continuing a trend already visible in 2025 (*FT2*).

■ Meanwhile, **financial stress is building** in parts of the corporate sector. Defaults on private loans have nearly tripled since 2022, as higher interest rates have hit companies that borrowed heavily when money was cheap. Some firms are expected to fail, although this is unlikely to trigger a broader financial crisis unless the US economy deteriorates sharply *(FT1)*.

■ In a more severe scenario, a **future financial crisis** could have **far-reaching consequences** for US global influence. Unlike in 2008, China and the G20 would be unlikely to provide support, while a weakened dollar would offer less protection unless the US undertakes drastic spending cuts and tax increases *(FP)*.

Borrowed Time

■ The **price shock from COVID-19 and the Ukraine war is easing**, with inflation falling and interest rates stabilising (FAZ). However, growing fiscal pressures are emerging, as rising debt-to-GDP ratios in advanced and many emerging economies limit governments' ability to handle future financial shocks and increase market volatility risks (*RANE*).

■ **Monetary policy is shifting**, with most central banks, except Japan's, expected to **cut interest rates** in 2026. The US, under a new Federal Reserve chair, is likely to ease policy, citing tech-driven growth as a productivity boom. The European Central Bank is maintaining its current policy but is ready to provide more stimulus if growth slows. *(FT1)*.

■ **Fiscal constraints** are becoming **more visible** in some countries. In Saudi Arabia, rising national debt - which could reach 30% of GDP in 2026 - combined with low oil prices, is forcing the leadership to weigh the cost of continuing Mohammed bin Salman's ambitious and expensive 'Vision 2030' programme *(FAZ)*.

■ **Financial markets are being cautious**, with 'quality stocks'— strong earnings, high returns, and low leverage — gaining favour amid fears of an AI bubble (FT2). **Gold demand** is also strong, driven by central bank purchases and investor hedging against rising debt, geopolitical tensions, and weakening currencies. With growing uncertainty and fading confidence in the dollar, gold's rally is expected to continue. *(FT1)*.

Diversify or Die

■ **Geopolitical fragmentation** is pushing countries towards **regionalisation** and **reevaluating trade partnerships** (*EY*). With Trump's unpredictability and rising competition from China, many governments, especially India, are securing long-term trade deals. India is negotiating with over 50 countries, including a potential EU free trade agreement (CIDOB). The EU is also seeking new deals with Southeast Asia, Mercosur and Australia, though outcomes depend on partner governments' positions. (*FAZ*).

■ Despite recent turbulence, **the US remains the most investable major economy**. However, its competitive edge is weakening, with both governments and investors diversifying away from the dollar and exploring alternative payment systems. In 2025, large capital inflows into the US were offset by rising awareness of domestic risks and opportunities elsewhere, which could redirect investment, weaken the dollar, and reduce the US share of the global stock market.

■ In Asia, **Japan** and **South Korea** are continuing to diversify their export destinations towards ASEAN, Africa and the Middle East, as their trade shares with the US and China decline amid tariffs and broader diversification efforts *(EIU)*. However, both countries face chronic labour shortages and shrinking working-age populations, while anti-immigration sentiment is likely to limit reform in 2026. Over time, this could threaten their role as global manufacturing hubs *(EIU)*.

■ Production is expected to **continue shifting towards countries facing relatively lower US tariffs** *(CFR)*. Low-cost economies such as **Turkey** and **Egypt** are emerging as potential nearshoring destinations for Chinese manufacturing to circumvent mounting trade restrictions, although Beijing remains cautious about transferring advanced technology abroad *(EIU)*.

■ Elsewhere, **West Africa** is expected to pursue diversification through industrial expansion and energy investment *(Chatham House)*. More broadly, global trade flows are increasingly **shifting towards Asia and Latin America** *(FAZ)*.

■ **Businesses and investors** are **adapting to a new landscape** with uneven regulations, rising cyber risks, and increased state influence. Financial firms must balance resilience with innovation, leveraging AI and digital tools. For private equity, trade policy uncertainty and geopolitical shifts are complicating deal pricing and cross-border investments. *(EY)*.

Under Pressure: Enter China

■ China enters 2026 with a **record trade surplus but growing vulnerability**. Fears of weaker external demand and new protectionist measures are coinciding with slowing trade, weak domestic consumption, youth unemployment near 20%, and rising deflationary pressure driven by over-investment *(CIDOB)*. China is expected to experience deflation, and its leadership is unlikely to implement the reforms needed to halt this trend.

■ Despite a booming export and tech sector, **China's stock market remains weak** and its **domestic economy is barely growing**. With total debt already exceeding 300% of GDP and the fiscal deficit above 11%, further stimulus through higher spending will be difficult, leaving domestic growth prospects disappointing *(FAZ)*.

■ China is **flooding global markets with cheap goods** to counter its economic slowdown, but this is sparking a backlash over **'China dumping'** - selling artificially cheap exports. This could become a major source of global trade tensions, with the risk of importing countries imposing new trade barriers to limit the influx of low-cost Chinese goods. *(FAZ)*.

■ In Europe, **pressure on Chinese imports is expected to increase** through a growing number of trade investigations, likely leading to stronger trade defence measures, although concerns remain about possible Chinese retaliation *(EIU)*. Even so, Chinese authorities are expected to absorb the impact of foreign tariffs rather than allow the currency to strengthen, as an undervalued renminbi supports exports in a deflationary environment *(FT1)*.

■ The **currency remains under pressure**. The renminbi is trading near 7.01 to the dollar, and markets only expect a modest strengthening to around 6.89 by the end of 2026 *(FT1)*.

Critical, critical minerals

■ **Geopolitical competition for resources** is set to intensify in 2026, with supply chain volatility driven by critical mineral shortages, trade restrictions and disrupted energy routes putting pressure on operations and pricing. At the same time, stronger state intervention is reshaping investment, business operations and innovation strategies *(EY)*.

■ Rivalry over **access to critical minerals** for digital technologies, high-capacity batteries and defence systems is also expected to reshape global production and trade patterns *(EY)*. The ongoing **US-China strategic competition**, combined with the rapid expansion of data centres, is likely to fuel further supply chain uncertainty, particularly for critical raw materials and semiconductors *(RANE)*.

■ **China** is expected to **remain the dominant player** in critical minerals in 2026. Recent Chinese export controls have highlighted supply chain vulnerabilities, but developing alternative mining and processing capacity elsewhere will take time *(CFR)*. As a result, even as Western countries seek to reduce their dependence on China, much of the world's critical mineral output is still expected to be processed there *(EIU)*.

■ Elsewhere, **Latin America**, home to nearly one-third of the world's critical mineral reserves, is set to attract growing investment in rare earths as well as oil and gas extraction. However, volumes are expected to remain limited in 2026, and processing will largely continue to take place in China *(EIU)*.

VIEWS FROM LATIN AMERICA

Low growth, familiar limits

■ Latin America is expected to **grow by around 2.3%** in 2026, a pace widely seen as **insufficient to bring about significant change** (*El Extremo Sur*). While this would still outpace growth in the United States and the European Union, the region will continue to lag behind most emerging markets.

■ The two main drivers of recent growth - **private consumption and external demand** - are both **expected to weaken**. A less dynamic labour market is constraining household spending, while global demand is softening. At the same time, high public debt, elevated long-term interest rates, and US trade tariffs will continue to restrict fiscal space and investment across the region.

■ **Subregional performance** will remain **uneven**. South America is slowing, Central America is growing modestly but remains vulnerable to weaker US demand, remittance volatility, and climate risks.

Dependent on giants

■ Latin America's **economic ties with major powers remain structurally asymmetric**. China will continue importing raw materials - including lithium - while exporting electric vehicles, machinery, and electronics to the region, alongside ongoing infrastructure investment (*Diplomacia Activa*).

■ Relations with the **United States** remain a **key source of uncertainty**. Trade tensions, including pending negotiations over the United States-Mexico-Canada Agreement (USMCA), are expected to continue affecting investment and currency stability, particularly in **Mexico** (*AMI*).

■ At the same time, the United States is likely to **lift or reduce** the additional **40% tariffs on Brazilian goods**, reflecting Brazil's strategic importance and its role as a supplier of key inputs such as coffee, beef, and aircraft parts (*Atlantic Council*).

Diverging national paths

■ **Brazil** is projected to dominate regional growth in absolute GDP gains, followed by **Argentina, Peru, Colombia and Chile**. **Mexico**, by contrast, is expected to shrink in dollar terms due to political and trade frictions with Washington (*AMI*).

■ **Argentina** is one of the few countries expected to **outperform the regional average growth** in 2026. Its stabilisation process and expanding energy and mineral projects are expected to support growth, while President Javier Milei's tax and labour reforms are likely to gain momentum in 2026 (*Atlantic Council*). **Guyana** also ranks among the world's fastest-growing economies, though its performance reflects oil-driven expansion rather than broader regional strength.

■ In **Colombia**, the 2026 presidential election will strongly influence the country's economic direction. Regardless of the outcome, the country faces a significant fiscal deficit and will require substantial domestic and foreign private investment to improve growth prospects (*El Tiempo*).

(Geo-) Economy

■ Meanwhile, in **Guatemala**, rising public spending and a higher minimum wage are expected to weigh on small businesses and young workers, reinforcing voter frustration with current economic management (*Republica*).

VIEWS FROM CHINA

Led by China, the Global South will thrive

■ The **Global South will play a pivotal role** in driving global economic growth and upholding the multilateral trading system in 2026. Supported by robust domestic demand, reliable policy frameworks, and an accelerating technological and green transition, Asia in particular will remain the world's most resilient engine of growth.

■ As the largest developing country and second largest economy, China must 'use the certainty of the domestic economic cycle to counter the uncertainty of the international economic cycle' *(China Economic Times),* **share development opportunities** with all countries and use its global governance initiatives to advance inclusive economic globalisation.

■ The **mutually beneficial partnership between China and the Global South** will grow further, pioneering innovative models for South-South cooperation and advancing a new international industrial division of labour, while helping to uphold the multilateral trading system and create a fair and equitable international economic order.

A 'dual-speed economy' *(Economic Observer)*

■ In 2026 the world will have a **'dual-speed economy'** *(Economic Observer)*, with starkly divergent growth rates across economic sectors. Whereas technology and financial markets are set to grow rapidly, traditional industries and citizens' living standards will be under pressure.

■ In the **US**, this manifests in a **drastic divergence** between a **privileged elite** amassing unprecedented wealth gains and the **wider population** struggling to make ends meet.

■ In **China**, the **export-oriented industries continue to foster economic growth** despite adverse circumstances, but the **domestic economy is struggling** to recover due to structural factors, ongoing challenges in the property sector, weak consumption, insufficient consumer confidence, and youth employment pressures.

■ With China's economy in an era of 'immense economic scale yet less inclusive growth' (*Economic Observer*), 2026 will be a **crucial year for expanding domestic demand**. China might even need to become more like America, a consumer nation that truly makes use of its vast domestic market. *(Economic Observer)*

■ Combatting **'involution'**, or harmful competition among Chinese companies, will remain a key priority to limit damaging price wars, inefficient allocation of resources and a circle of decline. *(Zhenghe Island)*

A key year for China's move towards 'high-quality development'

■ 2026 will be the **first year of the '15th Five-Year Plan'**, a pivotal year in which China will lay the foundations for the high-quality economic and social development laid out in the Plan.

■ In the year ahead, China aims for a **more active fiscal policy** and wants to **expand domestic demand** by promoting consumption, better quality and more effective investment to achieve a more resilient economic cycle.

■ Financial resource allocation will focus on key areas such as science and tech innovation, modernising industrial systems and the green, low-carbon transformation of industries. This will provide support for sustained growth and the expansion of **'new quality productive forces'**.

Shifting towards fragmentation

■ Heightened geopolitical tensions and rising protectionism are compelling companies to reassess their supply chain strategies. **Supply chain security** is now the main factor, superseding cost and efficiency, and their restructuring will redefine the global economy.

■ **New growth opportunities will emerge** as supply chains move to regions perceived as politically safer or closer to target markets. However, this cannot obscure the stark decline in overall efficiency and growing fragmentation into regional blocs.

■ The **global resource order** is also **shifting fundamentally**, as access to critical raw materials has been elevated from an economic issue to a geopolitical tool. Alliance-based and self-reliant approaches are set to dominate, with security considerations trumping market logic.

■ The **US and China** may have agreed on a **one-year truce**, but the competitive landscape in critical sectors will remain unchanged in the long run, as both nations will pursue independent technological paths and strengthen industrial barriers to protect core technologies and supply chains. *(China News Network)*

A challenge to dollar dominance

■ The **dominant role of the US dollar** is increasingly **challenged** by the recent changes in US foreign and trade policy, the rise of emerging markets and breakthroughs in digital technology that allow traditional clearing systems to be bypassed.

■ Meanwhile, **digital currencies** have entered a new phase, and the role of **gold** as a safe-haven asset is growing, elevating its reserve status above that of the Euro. *(Guangming Daily)*

'If you can't beat them, join them'

■ Whereas several years ago foreign investors were aiming to reduce their reliance on Chinese supply chains and produce 'in China for China', they are now increasingly shifting to an **'in China for the world'** model, exemplified by the establishment of many R&D centres by major European carmakers in China to learn from China's expertise in intelligent systems and digital infrastructures. *(Economic Observer)*

Environment

Load up on water guns

■ With water stress rising for years, **water will become a weapon** in some of the most dangerous interstate rivalries and a tool for non-state actors aiming to exploit state weaknesses, turning water scarcity into a national security risk *(Eurasia Group)*.

■ As freshwater scarcity grows in markets around the world - and demand for water increases for semiconductor manufacturing and cooling data centres - **more conflicts over water rights will arise** *(EY)*.

■ At the same time, **progress on climate financing remains slow**. At the UN climate conference, the goal of $120 billion per year for poor countries was pushed back five years, from the initial suggested date of 2030 to 2035. This increases the climate risks for poorer countries already highly vulnerable to water stress, including droughts, floods, and higher temperatures inhibiting agricultural production and spreading disease *(FP)*.

Green geopolitics

■ As climate impacts intensify, the **geopolitical consequences of environmental change** are becoming harder to ignore. There is a slim chance that at least one category 5 hurricane could make landfall in the US, highlighting the growing exposure even of advanced economies to extreme weather *(Vox)*.

■ At the same time, worsening climate risks are coinciding with a **weakening of global countermeasures**, with poorer countries - already the most affected - likely to bear the greatest costs.

US opposition to climate initiatives is also ceding leadership to China, reshaping the balance of influence in global climate governance *(FP)*.

■ Against this backdrop, **energy and resource security concerns** are increasingly **driving strategic decisions**. Approvals for oil exploration in Brazil's Equatorial Margin offshore frontier have been delayed due to its proximity to the Amazon, but exploratory drilling is still expected in 2026, with hopes that the deposit could hold up to 30bn barrels - underscoring the tension between environmental protection and energy interests *(EIU)*.

■ Meanwhile, **competition for critical raw materials, land and water** is set to intensify, prompting governments, including the UK's, to pursue diversification strategies to reduce dependencies and strengthen food and energy security *(Chatham House)*.

Green backlash

■ The **climate agenda has become a geopolitical casualty**, reflecting the current contradictions and political disorientation, with both the EU and US backtracking on climate commitments - a shift in global priorities that will solidify in 2026 *(CIDOB)*.

■ In Europe, this is already visible in **cuts to environmental commitments**, as climate goals increasingly compete with pressures for increased military spending, economic growth, austerity measures and free trade agreements *(FAZ)*.

Yet the green push endures

■ **Green policy momentum** continues globally, **driven in large part by the Global South**, where clean tech is booming and the green transition is increasingly seen as a route to greater autonomy from fossil fuel markets. The region now leads the development and adoption of green technologies worldwide, with global emissions likely having already peaked.

■ **Limiting warming to 1.5°C is no longer considered achievable** *(The Economist)*, with the World Meteorological Organisation now forecasting a 70% chance that five-year average warming in 2025-29 will exceed this threshold, up from 47% in last year's outlook *(FP)*.

■ Yet the world will still reach a milestone in 2026, **producing 20% of its electricity from renewable energy for the first time** *(CIDOB)*. The rapid deployment of renewable energies, rising CO_2 prices, and the introduction of the EU's Carbon Border Adjustment Mechanism all offer grounds for optimism, despite the political and public backlash in the EU, in the US and elsewhere.

■ **Australia** reflects this dichotomy in its green transition. Its (ultimately unsuccessful) bid to host COP31 in 2026 was backed by Pacific Island nations, and it is pursuing a green industrial strategy focused on net-zero goals and supply-chain resilience, even as opposition from its mining states and plans to expand rare-earth mining threaten the government's green credibility *(EIU)*.

■ **China's role remains central** to the green shift. Competitive clean tech exports to developing countries - reducing reliance on fossil fuels - are set to increase further, while more than half of all passenger vehicles sold in China in 2025 were electric - a share projected to rise to 73% by 2030 *(CFR)*.

International cooperation continues, with constraints

■ International cooperation on climate and environmental issues will continue, but under increasing constraints**.** The **fallout from the United States' blocking of international environmental agreements** will extend well into 2026. As a result, the Global Plastics Treaty and a landmark agreement by the International Maritime Organisation to cut shipping emissions will require substantial renegotiation *(Chatham House)*.

■ At the same time, while progress is expected in areas such as operational standards, increased investment and technology deployment, the persistent shortfall in development and climate finance will **deepen tensions between advanced economies and developing countries** over how the costs of the energy transition are distributed. This friction will be particularly visible at the next COP summit in Antalya, Turkey, in November *(Chatham House)*.

VIEWS FROM LATIN AMERICA

Climate risks, limited buffers

■ **Climate change will remain a global crisis** in 2026, requiring stronger global governance, sustainable financing, and multilateral coordination. However, Latin American countries' ability to respond remains **constrained by limited fiscal space**, making it harder to finance large-scale climate adaptation and resilience projects (*El Universal*).

■ **Central America** is expected to face serious risks from climate change in 2026, while the **Caribbean** remains highly fragile due to recurring natural disasters. Climate vulnerability, combined with economic and fiscal constraints, continues to limit the region's capacity to absorb future shocks. Stronger regional planning, improved risk management, public-private partnerships, and investment in resilient infrastructure are seen as key to improving preparedness.

Green geopolitics

■ From a geopolitical perspective, **environmental pressures are increasingly intertwined with strategic competition**, including rivalries over natural resources which will continue to pose challenges to global stability. Both the United States and China are seeking influence in sectors linked to critical minerals and energy, tying climate and resource governance more closely to geopolitical interests.

■ Given these dynamics, **Brazil's possession of key mineral resources** gives it a stronger bargaining position. However, the US military incursion in Venezuela will strain relations between Brazil and Washington and will likely delay a bilateral agreement on trade and critical minerals, though it is not expected to prevent it altogether. (*Forbes Brasil*).

VIEWS FROM CHINA

Developed nations reverse course

■ The **global energy transition is experiencing setbacks**. Although overall growth in renewable energy capacity remains robust, some developed nations such as the US are moving against the tide by trying to rescind policies to foster renewables and re-establish fossil fuels as the dominant source in its energy mix. *(Guangming Daily)*

The world's green engine

■ **China continues to drive down costs** for key technologies such as photovoltaics and energy storage, further solidifying its position as a 'core engine of the energy transition' *(Guangming Daily)*.

■ By exporting commodities such as its 'new three' (electric vehicles, lithium batteries, and photovoltaics), China is **promoting the economic and societal green transition across the Global South** and accelerating the development of their green and low-carbon industries. *(China Economic Times)*

(Geo-)Politics

America First through Donroe

■ As Trump's 'America First' policy shifts the US away from its previous global commitments, **China is poised to expand its influence** but will work to maintain a transactional relationship with the US to avoid direct confrontation.

■ Efforts to **undermine checks on presidential power and weaponise government agencies** to exert power will make the US a central source of global risk in 2026.

■ The **'Donroe Doctrine'** will drive US dominance in what it calls its Western Hemisphere, potentially leading to instability and anti-American sentiment. Meanwhile, **fragile peace efforts in Gaza will be tested**, while Trump's approach to the Ukraine conflict is likely to remain ineffective.

Fracturing multilateralism

■ With the global rules-based order declining and no clear alternative emerging, the world is becoming a **more contested geopolitical landscape**. US actions are undermining trust in democracies and harming international trade - a trend expected to continue.

■ Russia and China are working to **reduce reliance on the US dollar** by expanding formats such as BRICS and developing alternative currency systems. As global institutions weaken and great-power competition rises, responses to future health, climate or financial crises could lack the necessary coordination.

■ Meanwhile, **inequality is growing**, and many in the West feel **globalisation has mostly benefited others**. The US's withdrawal from multilateral organisations such as the World Health Organization and defunding others such as the World Food Programme further deepens global fragmentation.

Blurred lines between war and peace

■ In 2026, ongoing **conflicts in Ukraine, Sudan and Myanmar**, along with rising tensions in the post-Soviet area and the South China Sea, will continue to **blur the line between war and peace**.

■ **New conflict zones** will emerge in the **Arctic**, on the **sea floor**, and in **outer space and cyberspace**, further complicating the global security landscape.

■ **Military interventionism and impunity** are expected to escalate, with states like the US increasingly using force without regard for international law. This will fuel border clashes, embolden armed actors, and destabilise global security. With power too fragmented for clear spheres of influence, 2026 will test international frameworks for handling geopolitical crises.

A Third Nuclear Age?

■ The Doomsday Clock moves to 89 seconds to midnight, fuelled by great-power competition, as the US, Russia and China **expand their nuclear stockpiles** and conduct new tests.

(Geo-)Politics

■ With the **new START Treaty expiring in February**, the US and Russia may ramp up nuclear warhead deployments, controlling 87% of the global stockpile, while China accelerates its arsenal growth. This marks the first time in over 50 years that there is **no binding bilateral arms control treaty between the US and Russia**.

■ The **2026 Non-Proliferation Treaty Review Conference** will assess arms control, with emerging technologies and rising tensions possibly exposing fractures in global non-proliferation efforts.

■ The US, Russia and China are all **modernising their nuclear forces**. The US is developing short-range nuclear cruise missiles to counter Russian and Chinese tactics, while China aims for 1,000 warheads by 2030. Additionally, US nuclear deals with South Korea and civil nuclear cooperation agreements with Saudi Arabia raise concerns about regional proliferation, with both countries considering nuclear options.

■ President Trump's **announcement to resume US nuclear weapons testing** in 2026 raises the risk of escalation, potentially encouraging Russia, China and regional powers to pursue additional nuclear programmes of their own.

The economics of power politics

■ In 2026, **peace negotiations** will increasingly be **driven by economic interests**, with leaders like Trump, Erdogan and Xi transforming diplomacy into profit-driven deals. Reconstruction in conflict zones such as Gaza and the Democratic Republic of Congo (DRC) will primarily benefit global powers and corporations, often sidelining local populations or the warring parties.

■ Governments will intensify their **focus on economic security**, using industrial subsidies, trade restrictions, and ownership stakes to protect key industries. Public investments will prioritise energy, defence and cybersecurity, while water scarcity and access to critical minerals will strain resources, pushing governments to form new foreign partnerships and boost domestic investments.

■ As multipolarity grows, nations will have to navigate heightened economic and technological competition, balancing regional integration with national security concerns, leading to an **increasingly fragmented global order.**

Russia's war of aggression in Ukraine

■ As the war enters its fifth year, **broader geopolitical tensions**, including Gaza and Taiwan, **will impact the peace process**. Both Ukraine and Russia remain firm in their positions, but mounting pressures on both sides, coupled with the upcoming US midterm elections, make a negotiated settlement more plausible in 2026.

■ However, **Russia's growing missile stockpile and hybrid warfare tactics** make a sustainable peace difficult without strong NATO and US support, while some leaders may prioritise trade deals with Russia over a full peace settlement.

■ **Russia's demands for major territorial concessions**, including most of the Donbas, are **unlikely to be met**. Proposals for a demilitarised zone are unacceptable to both sides, and while Ukraine's defence remains resilient, continued Russian advances, however small, might complicate peace talks and make a lasting ceasefire unlikely.

■ **Ukraine's political institutions will remain functional**, but any peace deal involving territorial losses would expose President Zelensky to more hardline political challengers domestically. To sustain its defence, Ukraine will need around $100 billion in military aid, advanced weaponry, and continuing sanctions against Russia.

■ In 2026, Russia's war in Ukraine and its potential aftermath will remain a **key point of tension for Europe**, with constant uncertainty on US commitment and the economic burden of extended military and financial aid.

■ Amid ongoing Russian hybrid threats, the EU is expected to focus on **supporting Ukraine independently if necessary**. Efforts toward rearmament and deeper defence integration will intensify.

A tightrope walk for the EU

■ In 2026, **the EU will face major challenges**, balancing internal divisions with external pressures. It will need to manage economic growth, deficits, and defence investment while addressing rising populism and weakening multilateralism, all while reassessing its relationship with the US.

■ The EU's **relationship with China will also be tested**. While maintaining trade ties for low-carbon technology among other things, the EU will have to tighten security and tech controls and protect its strategic industries, making this balancing act increasingly difficult in 2026.

■ Europe's **ability to diversify its strategic alliances** and recognise the **role of the Caucasus and Central Asia** in bolstering regional security will be tested at the May summit of the European Political Community in Yerevan *(Chatham House)*. At the same time, the July NATO summit in Ankara could be a crucial moment to shore up commitments and reach consensus over future security arrangements for Ukraine.

■ The **weakening political centre in Germany, France and the UK** risks leaving Europe politically paralysed and unable to fill the security vacuum created by the US's retreat, complicating its response to security threats. *(Eurasia Group)*

■ Upcoming **elections across the EU** will provide indicators for the political strength of far-right populist parties. **Italy** is likely to remain politically stable despite economic stagnation, while **Spain** may face political paralysis. *(RANE)*

■ In **Hungary**, PM Orban faces his toughest challenge yet *(Le Grand Continent)*. A potential change in Hungary's government could also shift the balance of power in EU negotiations, which might be partly offset by the Czech government. *(RANE)*

An uneasy balance - Where does the UK stand?

■ As the current US administration is vacillating in its support for Ukraine and European security, the UK government is likely to **intensify defence cooperation with European partners** in the run-up to the 2026 EU-UK summit.

■ Despite the growing risk of a **leadership challenge to PM Starmer** amid domestic political problems, any potential successor would be likely to follow the same overall political course, given the unchanged fiscal constraints.

US-China relations: stable on the surface

■ In 2026, the **state of US-China relations is expected to become clearer**, with planned visits between Trump and Xi Jinping after a trade-war truce. Trump's visit to Beijing may indicate whether the two nations can coexist, though US policies remain contradictory, combining economic pressure with concessions on technologies, including on semiconductors.

■ Both the US and China will increasingly **tighten control over sensitive sectors** while striving to balance economic openness with growing domestic control. Key summits, including BRICS in India, APEC in China, and the G20 in the US, will highlight how the two superpowers' relationship impacts the world.

- Overall, US-China relations are **likely to stay stable through 2026**. Should there be an escalation, a rollercoaster ride of tariff wars, military provocations and the bullying of partners seeking to maintain ties with the opposite side could be expected.

No better celebration of democracy than losing in the elections...

- As the US nears its 250th anniversary, deep divisions set the stage for a **contested 2026 midterm election**. Despite low approval ratings, Trump is expected to continue his contentious political agenda.

- The US is set to **lose its status as a full liberal democracy** in the leading V-DEM index, though it will retain its classification as an electoral democracy *(Vox)*, rendering the 2026 elections a critical turning point for the nation's future.

- While the Senate may remain out of reach for **Democrats**, they are predicted to narrowly **regain control of the House**, allowing them to block Trump's agenda, launch investigations, and possibly pursue a third impeachment.

- **The Supreme Court could rule against Trump on tariffs**, but he will likely have the opportunity to replace a justice in 2026, further consolidating his influence on the Court.

What's the plan, China?

- In March, China will launch its **15th Five-Year Plan**, aiming to boost technological and industrial self-reliance, particularly to avoid US-controlled chokepoints such as advanced semiconductors. Xi Jinping is expected to push these efforts forward as part of his broader economic and strategic goals.

- While China's military activities around **Taiwan** will increase, a **full blockade or invasion in 2026 is unlikely** due to the economic impact and the potential for a more pro-China government in Taiwan in 2028.

Indo-Pacific

- **Security crises will continue in Southeast Asia**, with criminal scam networks persisting despite US and Chinese pressure. Meanwhile, economic pressures mount as tariffs and global trade disruptions affect the region.

- As China, Russia and North Korea's military buildup collides with Japan, South Korea and Taiwan's defence strategies, **economic fallout from tariffs and trade barriers will strain the region**, amplifying the risk of conflict and economic disruption.

- While geopolitical uncertainty in East Asia remains high, **China's military actions in Taiwan and the South and East China seas** are expected to remain in the 'grey zone', avoiding full-scale escalation.

- Defence ties between the **US and South Korea** will help secure the **renewal of security pacts** between them, reducing the likelihood of intra-Korean confrontations. However, regional economic stability may still be challenged by rising tensions.

- **Japan** will boost domestic spending ahead of a **potential snap election**, strengthen ties with the US on defence and deepen tensions with China *(RANE)*.

South Asia - It's the water, stupid!

- The **Ganges River Treaty between India and Bangladesh** is likely to be renewed, with both seeking greater water access. India will continue suspending the Indus River Treaty with Pakistan, using hydropower and storage projects as leverage.

- **Tensions between India and Pakistan remain high**, and Pakistan's border clashes with **Afghanistan** may further destabilise the region.

Dynamic Latin America

- **Right-wing candidates are poised to win** in many of the upcoming elections in Latin America.

- **Growing anti-US sentiment** could push countries closer to China, altering the region's geopolitical dynamics, especially in resource-rich countries such as **Ecuador** and **Venezuela**. Meanwhile, **Argentina's** economic agenda, including peso depreciation, will rely on continued US support.

- As **Brazil nears elections**, market volatility is expected. President Lula could face the son of former President Bolsonaro, but is likely to win. However, a right-wing victory could lead to market rallies, especially with expectations of pro-business policies and enhanced ties to China, which may shift the region's economic alignment.

- The US will continue **applying military pressure on Venezuela**, aiming for a political transition and ramping up anti-drug trafficking efforts in border regions. This could further destabilise the overall region.

The post-Soviet space

- **Armenia and Azerbaijan** will proceed with the implementation of their **2025 peace framework**, albeit slowly. However, the future of this agreement could be jeopardised if Armenia's Prime Minister loses power in the upcoming June elections.

- **Kazakhstan** is facing increasing social and economic challenges, exacerbated by its ongoing geopolitical reliance on Russia and China, which is likely to intensify its structural vulnerabilities. *(RANE)*

Peace is its own reward, but who would have turned down the Nobel Prize?

- 2026 will be a critical year in terms of whether **Middle East ceasefires** can serve as a **foundation for meaningful diplomacy** and sustainable peace agreements while regional and global actors recalibrate their positions, intensifying economic competition.

- Despite hopes for a 'new Middle East', the conflict in Gaza and tensions with Iran may bring **renewed violence** closer in 2026. At the same time, the US is deepening its engagement in the region with new security commitments to **Saudi Arabia** and **Qatar**, despite vowing in the new National Security Strategy to narrow its interests.

Moving on in the Middle East?

- To balance government budgets amid lower oil prices, **Gulf Cooperation Council countries might scale back mega projects**, while retaining investments in defence, semiconductors and AI. *(RANE)*

- **Syria** is likely to **prioritise reconstruction and internal stability**, making reforms and engaging in counter-terrorism operations to appease the West, while avoiding escalation with Israel, though instability will persist.

- **Lebanon's parliamentary elections** in May 2026 could offer a chance to stabilise its internationally supported technocratic government.

- **Protests in Türkiye** are likely to increase due to crackdowns on the opposition and a stalled peace process with the Kurdistan Workers' Party (PKK).

(Geo-)Politics

Israel at a crossroads

■ Ahead of its elections, Israel is likely to **alternate between escalation and attrition towards Gaza, Lebanon and Iran**, increasing the risk of open wars resuming.

■ Despite Israel's reluctance for talks, **international diplomacy with Tehran** will be crucial to prevent Iran's nuclear programme from resuming. However, Israel's focus on deterrence and the Palestinian peace process may lead to **deeper isolation** in 2026.

■ **PM Netanyahu is likely to face significant challenges** in the 2026 elections, with his coalition expected to lose power, although a leadership change would not necessarily shift Israel's stance on key issues.

■ Saudi Crown Prince Mohammed bin Salman remains firm in his **demand for a clear path to a Palestinian state** before normalising relations with Israel, despite US efforts to broker peace after the Gaza war.

No longer an overlooked continent

■ In 2026, **Africa will face growing global competition for resources**, particularly minerals like cobalt and copper that are needed for the energy transition. European, Asian and Gulf nations are expected to step up their efforts to secure these supplies.

■ Partnerships in the **DRC-Zambia 'cobalt-copper belt'** will expand, driven by investment in battery production, refining, and transport corridor projects, further integrating the region into global supply chains *(Chatham House)*.

■ **Gulf states**, led by the **UAE, Saudi Arabia and Qatar**, will continue their **long-term economic investments in Africa**, focusing on infrastructure, ports, agriculture and energy, as the continent's markets and resources become more central to global trade.

■ The **ongoing conflict in Sudan** has displaced 12 million people, deepening the humanitarian crisis. US peace efforts in Sudan may lead to some de-escalation of the civil war, but a comprehensive peace agreement remains unlikely. Meanwhile, **mediation between the DRC and Rwanda** will face increasing challenges as tensions persist.

VIEWS FROM LATIN AMERICA

Great-power rivalry, global and regional

■ In 2026, global politics will continue to be **shaped by tensions between nationalism and the need for collective action**. Populist movements will prioritise national sovereignty, even as global governance becomes increasingly necessary to address challenges such as mass migration and economic inequality.

■ **Multilateral agreements** may place **greater emphasis on sustainability and equity**, but their implementation will often be constrained by domestic political agendas. Alongside military and economic strength, influence over public opinion, mass mobilisation, and innovation is becoming a key source of power (*El Universal*).

■ In Latin America, **great-power rivalry is increasingly visible**. US-China competition will persist around assets such as the Panama Canal. Washington is expected to counter Chinese investment more aggressively through strategic financing tools, while Latin American countries face a choice between confrontation and pragmatic adaptation. **Prospects for strong regional integration remain limited**.

The Monroe Doctrine, reloaded

■ The Trump administration is **reviving and expanding the Monroe Doctrine** through a more assertive mix of military, economic and political pressure to reinforce US influence across the Americas *(Forbes Brasil*). This approach increases the risk of foreign-policy overreach and unintended consequences, particularly as Washington adopts a more unilateral and transactional stance toward the region.

■ **US policy toward Latin America** is expected to remain **offensive and highly asymmetric**, with pressure applied through sanctions, trade measures, diplomatic leverage and selective partnerships *(Diplomacia Activa*).

Ripe for change: Venezuela after Maduro

■ Following the capture of Nicolás Maduro, **Venezuela's** future will be shaped less by leadership change than by the challenge of rebuilding institutions and managing regional repercussions under continued US influence (*Forbes Brasil*).

■ A **democratic transition** - not merely regime change - **remains the stated long-term objective**, though the process is expected to remain complex, externally influenced, and disruptive for regional political and economic cooperation.

Shifting ballots

■ 2026 will be a **key electoral year across Latin America**, with several presidential races expected to reshape political dynamics.

■ In **Colombia**, the vote is set to influence both domestic policy and relations with Washington, as worsening security and economic uncertainty continue to erode support for the current president Gustavo Petro's project.

Regardless of the winner, cooperation with the United States on counternarcotics and transnational crime is expected to remain a priority.

■ In **Guatemala**, dissatisfaction with Bernardo Arévalo's government is driving voters toward alternative political options (*República*).

■ **Brazil's 2026 presidential election** is expected to be highly competitive and politically consequential. The Trump administration is watching the race closely and is expected to favour right-wing victories in the region, although excessive external pressure could have unintended domestic effects (*Forbes Brasil*).

■ Across the region, voters are increasingly prioritising security, anti-corruption, and economic competence over ideology. **Right-leaning or anti-incumbent forces are well positioned** in countries such as **Costa Rica, Peru, Colombia and Brazil**, while the left is not expected to regain ground in 2026 (*Atlantic Council*).

VIEWS FROM CHINA

An international order in flux

■ The US, which is in relative decline, is **dismantling the global trade and financial order** it once helped to create, because it is no longer willing to shoulder the responsibility and cost of upholding it. As a result, the **transformation of the international governance system** is accelerating.

■ The **global landscape will gradually evolve** by adapting to shocks and ongoing strategic competition, shifting from US-dominated unipolarity towards a **more balanced and pluralistic multipolar architecture**. This could lead to a more equitable and stable international system.

(Geo-)Politics

■ Compared to the intense turbulence of 2025, **the outlook for 2026 might be relatively calmer**. Following multiple rounds of counterbalancing, a temporary equilibrium between major powers such as China and the United States, and Europe and the United States, could emerge. *(Shangguan News)*

'In a rebalancing world, the G2 are the main protagonists' *(Economic Observer)*

■ Sino-US relations in 2026 will maintain a pattern of **'confrontation without rupture'** *(Zhenghe Island)* and relations are expected to improve. Summit diplomacy will be at the centre of bilateral relations, with the two leaders set to visit each other's countries, the US hosting G20 and China hosting the Asia-Pacific Economic Cooperation (APEC) summit.

■ In 2026, the primary objective for both nations will be to **'maintain stability'**. However, hawkish elements in the US Congress might disturb this stability through their attempts to contain China on science and technology and over the 'Taiwan issue'. *(Shangguan News)*

■ The US is also expected to **shift much of the task of countering China onto its allies**, leading to a rise in indirect confrontation in third countries. *(Future think tank)*

Stirring trouble in China's neighbourhood

■ For the US, the **Indo-Pacific region** will be **second only to the 'Western Hemisphere'** and it will likely expand its diplomatic efforts to contain China and seize economic benefits from its allies in exchange for military protection. *(Shangguan News)*

■ The **threat of US withdrawal** may motivate some of its allies to **proactively provoke crises** to ensure US support or to enter into new alliances to counter China and fill the strategic vacuum left by the US. This could destabilise China's periphery and the Indo-Pacific region while escalating geopolitical uncertainties. *(China News Network)*

China leads the way to better multilateralism

■ Global governance is **facing new challenges** while **simultaneously gathering momentum for reform**. Countries of the Global South, with China at the forefront, are shifting global governance away from a Western-dominated model towards genuine multilateralism.

■ Against the backdrop of 'de-risking', the **Global South has emerged as a pivotal region** for major powers, and its endorsement has become critical for the legitimacy of multilateral initiatives.

■ Some developed nations leverage small multilateral frameworks to enhance their bargaining power and exploit multilateral mechanisms to embed their own agendas. Together with the Global South, **China is opposing both the West's 'imposition' of a rules-based international order** and the carving out of spheres of influence and territorial expansion.

■ **Middle powers have gained more importance**, but they prefer to maximise their interests than to cooperate in filling gaps in international security provision. This could fuel pessimism about the disintegration of the global security order and could give rise to the view that there will be no accountability for collective lawlessness. *(Guangming Daily)*

■ As the host of this year's APEC conference and through active engagement in multilateral platforms such as the BRICS cooperation mechanism and the Shanghai Cooperation Organisation, China is **creating spaces where Global South nations can articulate shared concerns**, coordinate positions, and enhance mutual trust. *(Global Times)*

Trump and the US will remain 'the greatest factors affecting global political stability' *(Zhenghe Island)*

■ US foreign policy has shifted toward a **security-centred realpolitik approach** and considers safeguarding US interests to be the only guiding principle. This will usher in new turbulence and adjustments to the traditional international order.

■ Although the US may no longer insist on global hegemony, it has **not completely abandoned its claim for dominance**. The US actions in Venezuela, where it has 'in practice reverted to imperialist tactics' *(Guangming Daily)*, epitomise Trump's ambition to dominate the 'Western Hemisphere'.

■ **Greenland** will remain a **major issue in EU-US relations** and embody the contradiction in their relationship. Transatlantic ties have devolved from a 'community of values' to a 'collaboration of interests' *(Zhenghe Island)*, compelling Europe and other Western nations to redefine their role between security dependency and strategic autonomy.

■ Throughout 2026, **military operations, economic sanctions, cyberattacks, and political manipulation** may unfold **across the Americas** *(Global Times)*. America's aggressive hegemonic behaviour will inevitably lead to greater unity and autonomy among Latin American nations while simultaneously emboldening right-wing pro-American forces across the region.

■ Buoyed by the current US government, **far-right forces are gaining more power around the world**, which raises the risk of conflicts. A further shift to the right in regions such as Latin America would have a significant impact on the geopolitical landscape. *(Xinhua News Agency)*

■ While some expect that the **US midterm elections** will lead to a certain degree of restraint *(Shangguan News)*, others predict that **Trump will continue to 'unleash unpredictable shocks'** *(Xinhua)* on the world in an attempt to win over Republican voters and distract the public from America's many economic and social problems.

Challenging conflicts

■ Now that the US has 'dramatically transformed' from a powerful and principal promoter of the war to its main peace mediator *(Shangguan News)*, there is a chance that the **Russia-Ukraine 'conflict' could finally be resolved**.

■ Although the EU supports Ukraine's continued military efforts, it no longer has substantive support from the US *(Shangguan News)*. The **prospects for a future ceasefire** will hinge on the US pressuring Russia, Ukraine and Europe to reach a **phased truce agreement** - a move that could help Trump accumulate political capital ahead of the 2026 midterm elections.

■ Achieving a **lasting ceasefire** will depend on whether territorial integrity and the UN Charter will be respected and the legitimate security concerns of all countries will be addressed. *(Xinhua News Agency)*

■ At the same time, 2026 will be a **major year for Sino-Russian relations**, as it marks the 30th anniversary of the establishment of the China-Russia strategic cooperative partnership and the 25th anniversary of their Treaty of Good-Neighbourliness and Friendly Cooperation.

■ The **future of the Israel-Gaza ceasefire remains precarious**, with frequent localised clashes and unforeseen incidents likely to occur, and negotiations will become more complex.

■ The **corruption trial against PM Netanyahu** and the upcoming parliamentary elections will be major factors determining **Israel's political future**, whilst the US failure to explicitly reaffirm its commitment to a two-state solution is considered deeply concerning. *(Xinhua News Agency)*

(Geo-)Politics

‘The ‘cold winter’ state of Sino-Japanese relations will continue for a long time’ *(Shangguan News)*

■ **Prospects for Japan’s government remain uncertain**, as its minority status makes effective governing more challenging.

■ **Japan’s shift to the right is deeply worrying** and the international community must remain highly vigilant regarding plans to break through constitutional constraints and revise its national security policies, including the development of nuclear weapons.

■ Japan’s extreme politicians are **trying to interfere in China’s internal affairs** and promote the resurgence of militarism, which could put the world at risk of new conflicts. At the same time, tensions in Sino-Japanese relations may ignite domestic conflicts and political instability in Japan. *(China News Network)*

‘The inaugural year of the next 50-year chapter in Sino-European relations’ *(Shangguan News)*

■ Visits by EU leaders in late 2025 and early 2026 could signal a **return to ‘pragmatic flexibility’** *(Shangguan News)*, while the trade truce between China and the US provides favourable external conditions for warming Sino-European relations.

■ However, **structural constraints** such as systemic differences and the widening trade deficit remain prominent and could still derail relations. Proactive shaping is needed to render cooperation and competition more ‘manageable’*(Shangguan News)*.

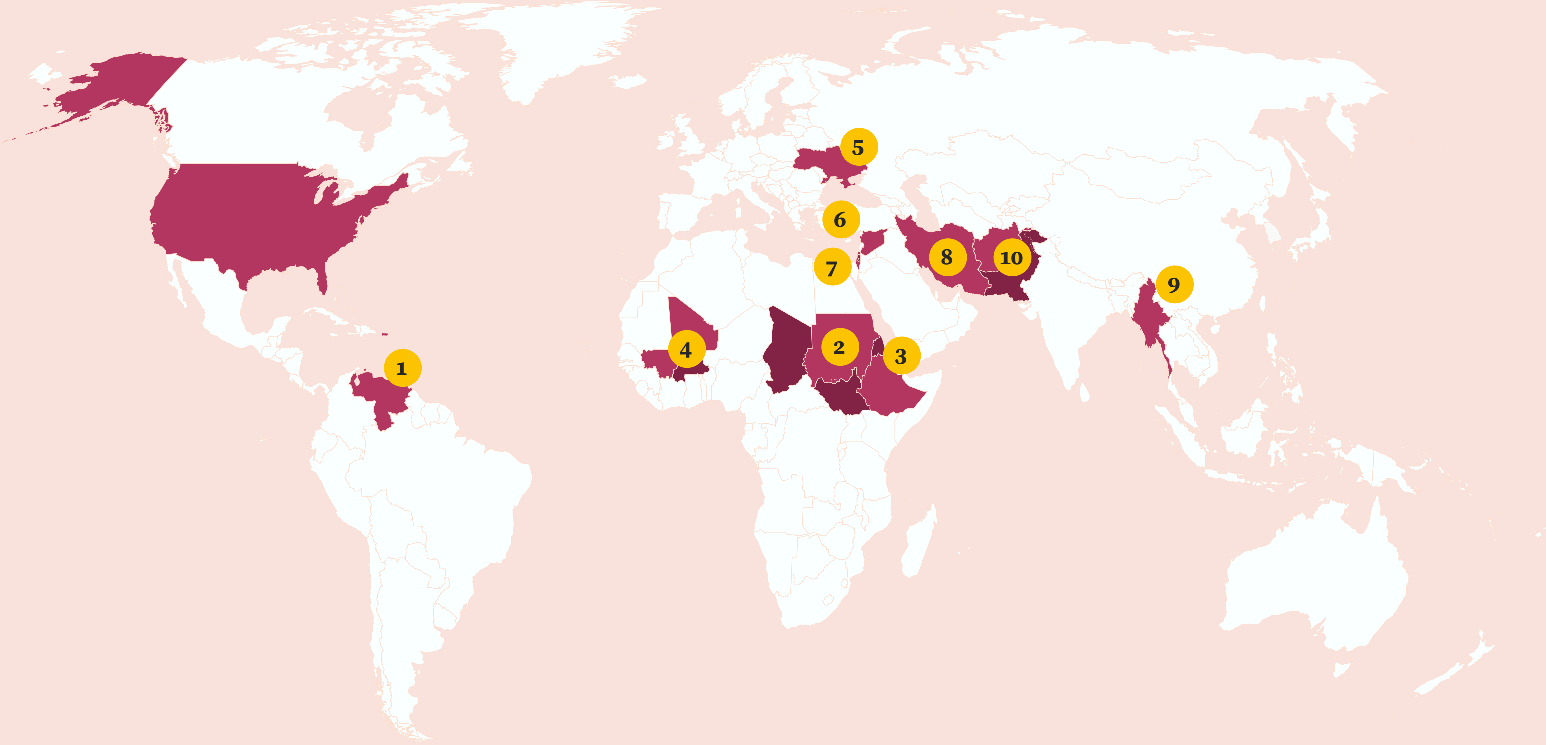
■ The **cohesion of the ‘West’ is fraying** as European distrust of America grows, and the desire to ‘de-risk’ is intensifying, though a complete strategic pivot is unlikely. As the EU seeks to remain in Trump’s good graces, it may continue to propagate **detrimental narratives such as ‘overcapacity’**. It is hoped that Member States and businesses will help to correct such ‘misalignments’ *(Shangguan News)*.

■ China will likely pursue a **‘dual-track’ approach**, prioritising ties with individual Member States while scaling back relations at the EU-institutional level, as EU bodies tend to ‘prioritise issues such as ideology, values, security, and rules’ *(Future think tank)*.

■ Recent Commission investigations indicate **fewer shared interests between the EU and China**, making the EU an ‘**increasingly significant risk factor** for Sino-European relations’. *(Future think tank)*

10 conflicts to watch in 2026

according to the International Crisis Group



1 Venezuela

The US standoff with Caracas persists, with Trump positioning intervention mainly as a law enforcement effort against drug trafficking. A full military invasion seems unlikely, and Maduro's regime has remained cohesive despite external pressures. It is also possible that the US could strike a deal with the regime over Venezuela's oil reserves, as regime change could trigger refugee flows and a prolonged low-intensity conflict.

2 Sudan

The war in Sudan has escalated into a bloody proxy conflict, with the army refusing a ceasefire for fear that it would allow rebels to strengthen their position. The humanitarian crisis is rapidly worsening, with millions displaced and in need of aid. Both sides have committed atrocities against civilians, and the UN reports pockets of famine as access to aid is blocked by the fighting.

3 Ethiopia-Eritrea

Ethiopian Prime Minister Abiy Ahmed's push to end the country's landlocked status has heightened tensions with neighbouring Eritrea, the location of Ethiopia's sea ports until its independence in 1991. Following the 2022 civil war in Ethiopia's Tigray region, mutual accusations of supporting armed factions have further complicated matters. While unlikely, a border war could risk further destabilising an already volatile region.

4 Mali and Burkina Faso

Despite ousting the previous government and cutting ties with France in order to partner up with Russia's rebranded Africa Corps, Mali's military regime has repeated many past mistakes in fighting Islamist groups. While the military and its Russian partners are focusing on controlling major roads, the Islamists have gained ground in the countryside. Meanwhile, fighting continues in northern Mali and neighbouring Burkina Faso. Rising discontent over the repressive rule and the failure to curb the Islamists makes both Mali and Burkina Faso vulnerable to another coup, while the window for diplomatic solutions is narrowing.

5 Ukraine

Ukraine remains on the defensive, facing rising desertion, personnel losses and damage to its power grid. Anti-corruption efforts show a commitment to rooting out graft and reflect the depth of the issue. Russia, despite heavy human and material costs, continues its push forward, with Ukraine holding on to territories claimed by Russia. US mediation has yielded little progress, especially on security guarantees, with few solutions acceptable to both Kyiv and Moscow.

6 Syria

Syria's Al-Sharaa government is increasingly recognised internationally, but uniting rebel groups into a stable government remains a challenge. Stability is compromised by Israeli strikes, Kurdish control over northeastern Syria, a potential resurgence of ISIS and sectarian violence. With limited progress on integrating the Kurdish SDF governance and military apparatus into the Syrian state, tensions could escalate and prompt Türkiye to intervene. With indirect elections last October doing little to widen representation, the transition to civilian rule in Syria is still an ongoing process.

7 Israel-Palestine

Despite a nominal ceasefire, Gaza's future remains uncertain, with Israeli hard-liners pushing for land seizures in Gaza and the West Bank. The disarmament of Hamas remains a contested issue, with the Netanyahu government insisting upon it as a precondition, while Hamas sees it as an ongoing process. The international Board of Peace, chaired by President Trump, is unappointed, and the promised Stabilization Force is yet to materialise. As the peace process stalls, Gaza's humanitarian crisis deepens.

8 Israel and the United States vs. Iran and the Houthis

Iran's Axis of Resistance has faced setbacks, with Israeli operations targeting Hezbollah's leadership and the US and Israel exchanging strikes with Iran last year. Nuclear talks remain stalled. Houthi strikes on Red Sea commercial routes have disrupted US and Israeli interests, with Iran increasing arms supplies to the group. Another round of airstrikes, potentially targeting the Iranian leadership, remains possible, with both sides claiming victory in the most recent attacks.

9 Myanmar

Ever since the rebels seemed to be gaining the upper hand, China has thrown its weight behind the military junta ruling Myanmar, with regional actors treating it as the most likely future partner. Yet the junta remains domestically unpopular for its repressive rule and conscription policy, leaving it unlikely to dislodge the rebel Arakan Army from Rakhine State. The conflict and its resulting humanitarian crisis seem set to continue, with donor cuts adding to the pressure on the 1 million Rohingya refugees in Bangladesh.

10 Afghanistan-Pakistan

Border clashes continue as Pakistan accuses Afghanistan of sheltering Islamist militants conducting cross-border attacks, while the Taliban insist that the militants are an internal Pakistani problem. Although the Taliban are militarily outmatched by Pakistan, their retaliation could still inflict harm, while their growing ties with India are fuelling Pakistan's suspicions. Tensions have worsened with mass deportations of Afghan nationals from Pakistan, and Islamabad may retaliate if it believes that Afghanistan supports further attacks on its territory.

Predictions

What people in 1926 thought about 2026

Big cities will be a thing of the past in 2026. The positions of the big cities today are dictated by proximity to farm regions, mining regions and by the structure of land and water routes.

By 2026 it will be possible to locate a food factory or a factory for generating power anywhere. Travel will be chiefly by air.

Therefore, men will no longer endure the noises and traffic jams and high rents of a London or New York, but will spread out more evenly over the earth in great numbers of smaller cities.

Commuting by Airplane

Many people will live in the open country, making a daily journey of 100 or 200 miles by airplane just as at present men live in the suburbs and drive eight or ten miles by auto to offices in the city.

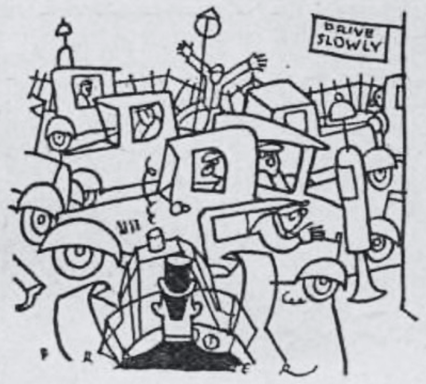
Perfection of the helicopter will make it possible for these air-commuters to land easily upon the tops of office buildings.

JAZZ.—There will be no Jazz in 2026, as it will have been unable to survive more than two thousand official announcements of its death and burial. On the other hand, there will be Buzz—which will be very much the same thing, only more so.

THINKS BEEF WILL DISAPPEAR BY 2026

Maryland Economist Tells Ohio Farmers Vegetables Will be Diet.

MOTORING.—Cars will be wonderfully improved during the next hundred years, and you would hardly recognize them as the outcome of our present primitive vehicles. One of the reasons for this is that there will be so many of them, that none of them will be able to move.



So many motors that none will be able to move.

An Example.

"For example by 2026 there will have been invented an instrument whereby one person will be able not only to speak to, but to see, another person over a distance of many miles.

"In this case it will go hard with Mr. A when he pleads with Mrs. A to be out late 'in order to visit a sick friend!' The old proverb, 'seeing is believing,' will come into its own a hundred years hence."

The discipline of foresight is much older than we think. Here are some newspaper clippings from 1926, which make a number of fascinating predictions about life in 2026, once again compiled by researcher Paul Fairie and shared on social media.

ONE HUNDRED YEARS HENCE.

Life in 2026.

Sutton Doctor's Picture of a Medical Utopia.

Removal of the tonsils, the adenoids, the appendix, the large bowel and the teeth, in conjunction with the injections of various composite vaccines, would hold out every possibility of curing all bodily ills. Similarly psycho-therapy would both cure and prevent all our mental difficulties and troubles, ranging from matrimonial squabbles to severe neurasthenia, from stammering to actual lunacy, from hysteria to homicidal insanity.

LIFE IN 2026.

"PRESS THE BUTTON."

"Domestic service by 2026 will be as extinct as slavery or witchcraft. 'Press the button' will be the order of the day."

This is the opinion of the Rev. Basil G. Bouchier, of England. Commenting further on this subject, he says:—

"Every house will be replete with these 'buttons.' Pray heaven you don't press the wrong one, and instead of your breakfast appearing, half a ton of coals is shot out!

"But of course, there probably won't be any coal a hundred years hence. Whether or not the multiplication of inventions of the sort and another is likely to make for connubial happiness is an open question.

Predict Marriage In 2026 Will Be Contract Easily Cancelled

Women Contributors to Symposium Declare People One Hundred Years Hence Will Get Married Much as They Get Engaged Today—Easy Divorces Forecast; Will Be a Business Agreement.

DINNER TABLE

WHAT OF 2026?

IN 2026 most probably we shall have no dinners and no dinner tables at all. We shall pause in our work swallow a tabloid the size of a three-penny-piece, and go on again—and dinner will be over!

IN 2026

In "twenty-twenty-six", as our great-ditto-grandchildren will call it, some collector of rare manuscript will exhibit an old newspaper. published in May, 1926, giving an account of the first flights by airplane and airship to the North Pole. The value of the clippings will be due to their academic content, or, if our language is too academic, we might say, because of the fact that air transportation will then be so common that the people 100 years hence will wonder why it ever was given front page positions.

AMERICANS A CENTURY HENCE

New York World.

In his "Midas," a book of quaint prophecies and reflections just published by the house of Dutton, C. H. Bretherton, an English writer, deals with the Americans of a century hence, who, he finds, will have, each, "three generations of American-born ancestors behind him." He says, for one thing:

The one really enormous factor that is going to change the surface of American life in the next few decades is that the American is going to learn that it is better and easier to enjoy a little money than to turn a lot of money into more money still.

The struggle to get rid of the politician will be spectacular but decisive. He will be replaced by the competitively selected life appointee responsible to his non-political department chief.

The politician being abolished, the cranks and fanatics will have nobody through whom to work.

Changing World.

UNCHANGING MAN.

A CENTURY HENCE.

It is fascinating to conjecture what life will be like a hundred years from now, but I feel pretty sure that the most extravagant gusses would, in one respect, fall short of the reality. Material progress will have reached a stage which no one can even imagine. While man himself will remain very much as he is to-day.

IT is not unlikely that the freshmen who enters Technology in the year 2026 will be served food made from soy beans or peanuts and perhaps bananas. Such is the possibility set forth by Dr. Samuel C. Prescott, '94, Head of the Department of Biology and Public Health, in the last of the series of Popular Science lectures arranged under the auspices of the Society of Arts by its Secretary, Professor H. M. Goodwin, '90.

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