2026: The New World Order Takes Shape

The Post-Cold War Consensus is Over. A New Era is Being Forged.

The dizzying pace of change in 2025 demolished the norms and institutions of a previous era. 2026 is the year the contours of what comes next will become clearer.

This new world is defined by:

- **Transactional Power:** A shift from alliances to deals, where American military and economic heft is monetized.
- **Technological Acceleration:** Artificial Intelligence moves from hype to having tangible economic, financial, and social consequences.
- **Systemic Fragmentation:** The multilateral trade system gives way to regional blocs and tariff chaos, forcing nations and companies to adapt.

Understanding these new contours is critical for navigating the year ahead.

America's Disruption is the World's Catalyst

A Nation Divided

America celebrates its 250th birthday with two rival national commissions, reflecting a state as fractured as the **'octagon cage'** Donald Trump plans for the White House lawn.

The past is a partisan battleground: Trump's **'Task Force 250'** aims to "extol American greatness and extirpate "divisive narratives"," while auditing historical sites and museums.

'America First' Reshapes the Globe

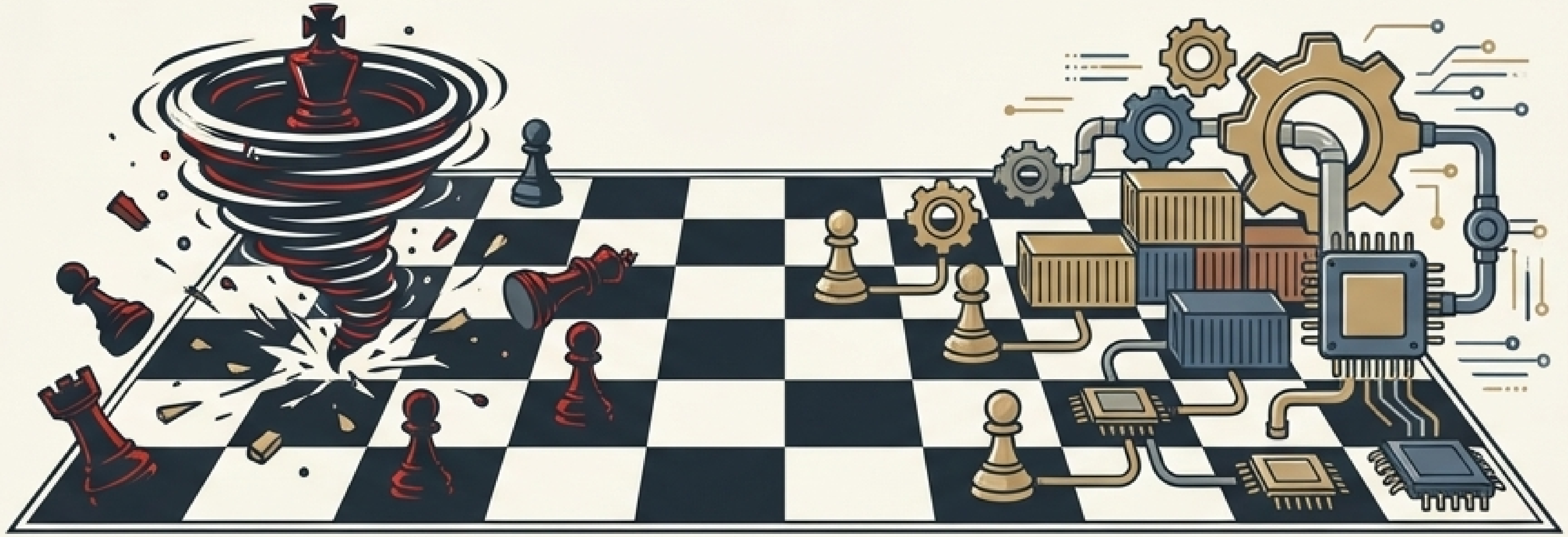
Trump's core impulse: **'We don't need them. They need us. Everybody needs us.'**

This translates into a policy of **transactional dealmaking** and the view that preserving global order is a 'scam to rip us off.'

The result: Long-standing security alliances are refashioned, and the machinery of international diplomacy, from the UN to foreign aid, is hit by funding cuts. The United States Agency for International Development **(USAID) has been dismantled**.

China Seizes the Geopolitical Opportunity

While Donald Trump's "Sopranos-style" leadership yields some successes (a Gaza ceasefire, increased NATO spending), his unpredictability creates a strategic void. China is stepping in, not as a global policeman, but as a canny, predictable economic giant.



Key Chinese Maneuvers

Winning Africa: As the US threatens tariff-free access, China extends it to 53 African nations.

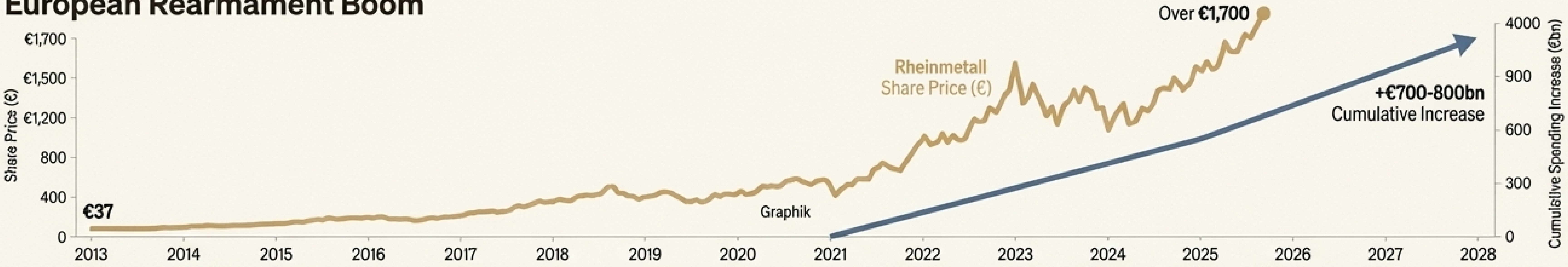
Courting Asia: China signs an upgraded free-trade deal with ASEAN and pushes for membership in the Trans-Pacific Partnership (CPTPP), the very bloc America abandoned.

Mastering the Game: At a summit in October 2025, Xi Jinping secured lower US tariffs in exchange for trades (soybeans, rare earths) that suit China's strategic goals. He has learned how to play Trump.

China's offer to countries bullied by Trump is simple: *"You know where you are with us."'*

Europe Rearms While Russia Meddles

European Rearmament Boom



- Driven by Russian aggression and US ambivalence, European defence spending is at its fastest pace since the Cold War, projected to increase by €700bn–€800bn between 2022 and 2028. • Germany leads, exempting defence from its debt brake and planning to spend €215bn a year. Rheinmetall's share price has ft in October 2025. • A new NATO defence spending target of 3.5% of GDP was set in June 2025.

Internal Political Tremors

- **France:** A fragmented parliament makes a government collapse and snap election likely, potentially leading to a Prime Minister from Marine Le Pen's National Rally.
- **Germany:** A crucial state election in Saxony-Anhalt will test the 'firewall' against the hard-right AfD, AfD, which is polling within reach of an outright majority.

Russia's Escalation

- Bogged down in Ukraine, Russia will intensify 'grey-zone' provocations in Northern Europe (cyber-attacks, sabotage, drone flights over Poland and Germany) to divide NATO and undermine support for Ukraine.

The Great American Economic Experiment

Donald Trump has unleashed the most radical program of economic experiments in America for a century. They are not being tested in isolation, but all at once.

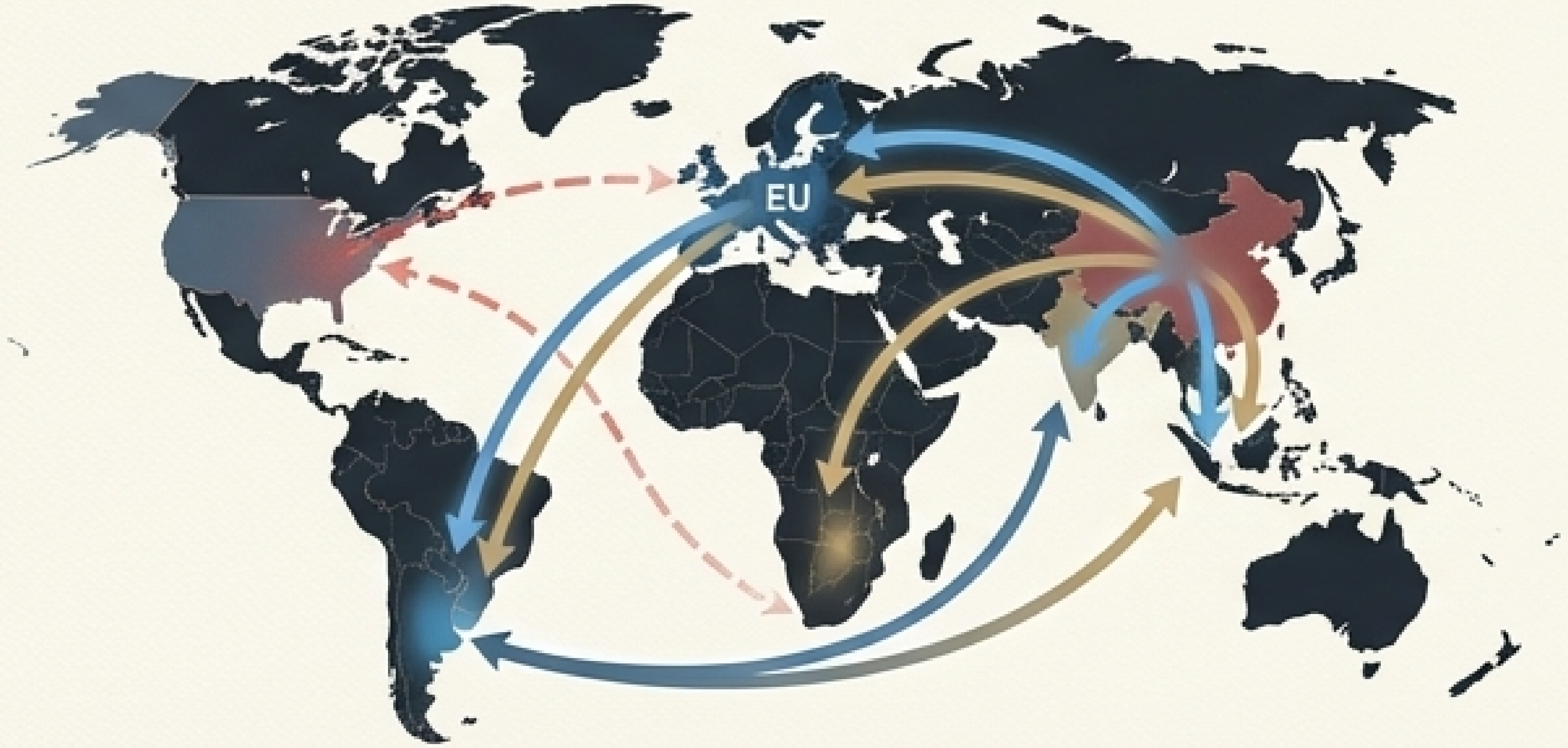
Global Business and Trade Adapt to a New Reality

Corporate Strategies Amid Tariff Chaos

Price Hikes: Giants like Walmart and Target are passing costs to consumers.

Belt-Tightening: M&A has declined, hiring has slowed, and companies have reduced headcount. **S&P Global** reports **two-thirds** of firms in its world index did so in the year to July.

Rewiring Supply Chains: **Apple** aims to move most US-bound iPhone manufacturing to India end of 2026. **28%** of companies surveyed by Kearney want goods sold in a region to be mostly made there by **2030**.

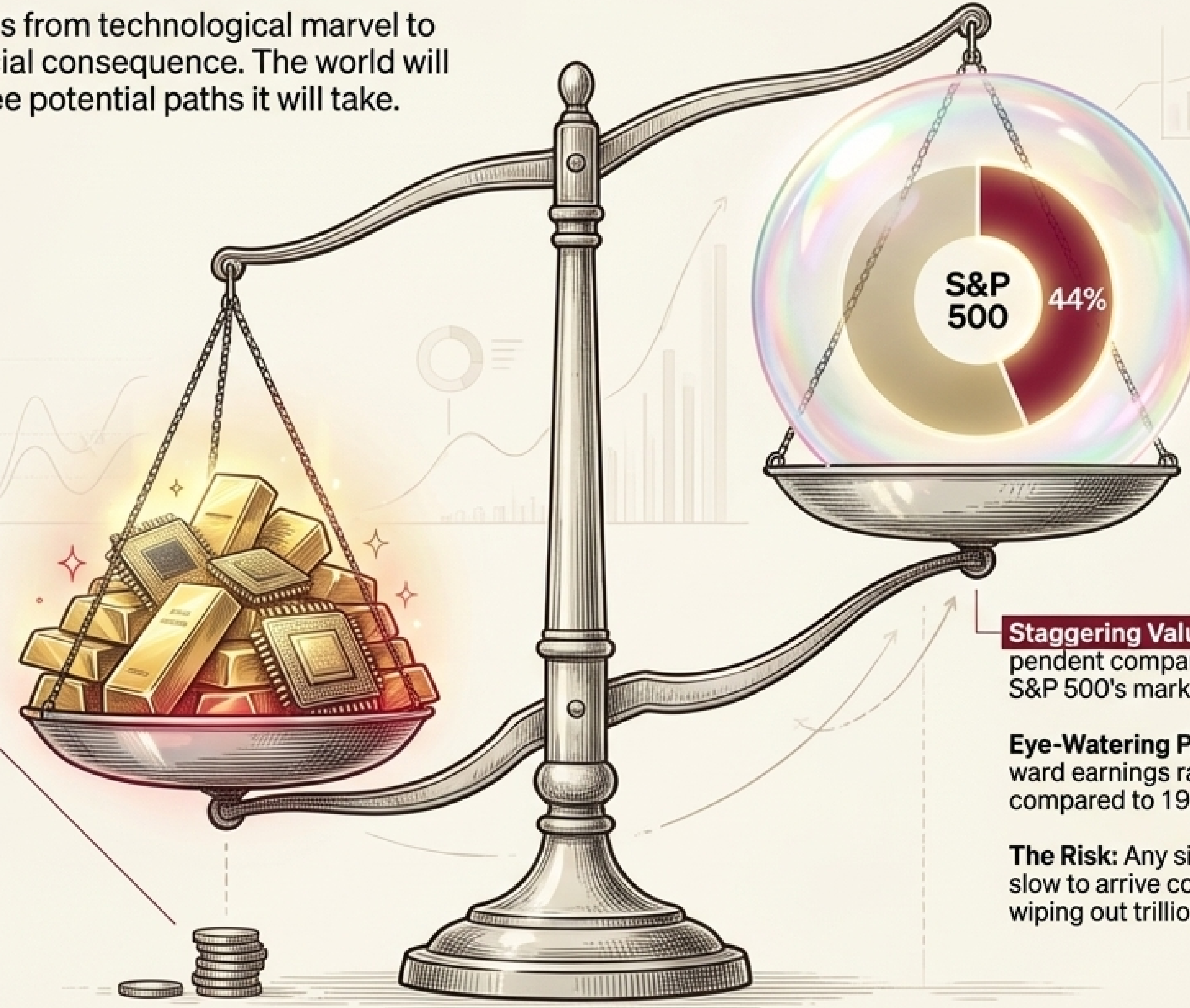


A More Complex, But Not Broken, Global Trade System

- **Trade keeps moving:** The **WTO** raised its **2025** goods-trade growth forecast from **0.9%** to **2.4%**.
- **Exporters pivot:** China's exports rose **6%** in the first nine months of **2025** despite a **15%** drop in shipments to America, by re-routing to ASEAN, the EU, and Africa.
- **A race for new deals:** The EU struck a deal with **Mercosur**, and countries from Brazil to Canada are rushing to lock in new Free Trade Agreements to bypass American unpredictability.

AI's True Impact: Boom, Bust, or Backlash?

In 2026, the focus on AI shifts from technological marvel to economic, financial, and social consequence. The world will start to find out which of three potential paths it will take.



Massive Bet: Large American tech firms poured over $400bn into AI infrastructure in 2025.

Measly Revenue: Revenues from AI so far are just $50bn a year.

Modest Adoption: Only 10% of US businesses with >250 employees have embedded AI. An MIT survey found 95% of business AI pilots failed to generate a return.

Staggering Valuations: Stocks of AI-dependent companies make up 44% of the S&P 500's market capitalization.

Eye-Watering P/E Ratio: The price-to-forward earnings ratio for this basket is 31, compared to 19 for the overall index.

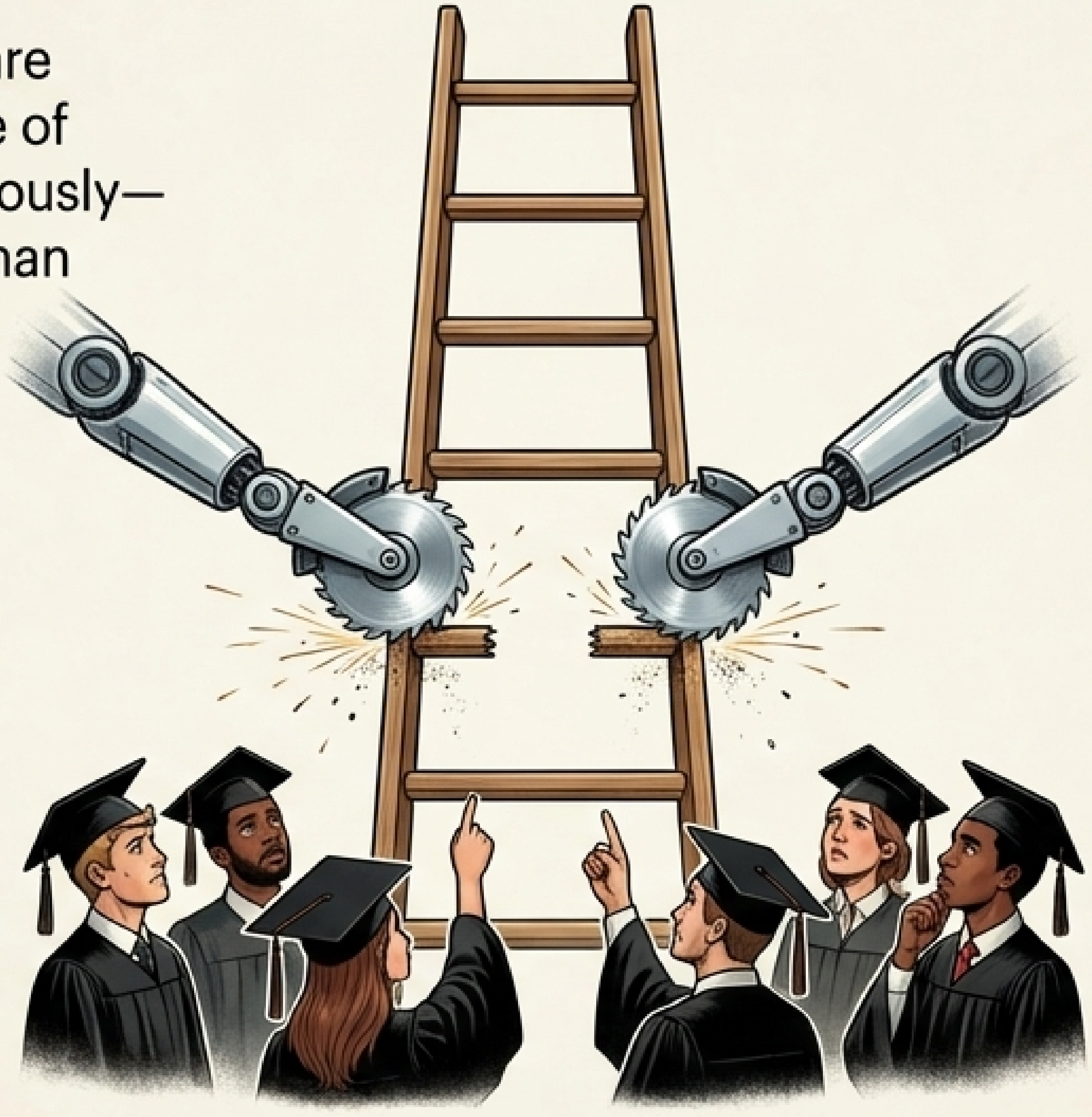
The Risk: Any sign that gains from AI will be slow to arrive could cause valuations to deflate, wiping out trillions in household wealth.

The Bottom Rung of the Career Ladder is Under Threat

To speed up adoption, AI firms are pushing virtual “agents” capable of performing tasks semi-autonomously—as drop-in replacements for human employees.

The Direct Challenge to Labor

- Startups like Artisan are running ad campaigns calling on companies to **“Stop Hiring Humans.”**
- Gartner predicts that by the end of 2026, 40% of business workflow apps will incorporate AI agents, up from 5% in 5% in mid-2025.



Early Evidence of Job Market Impact

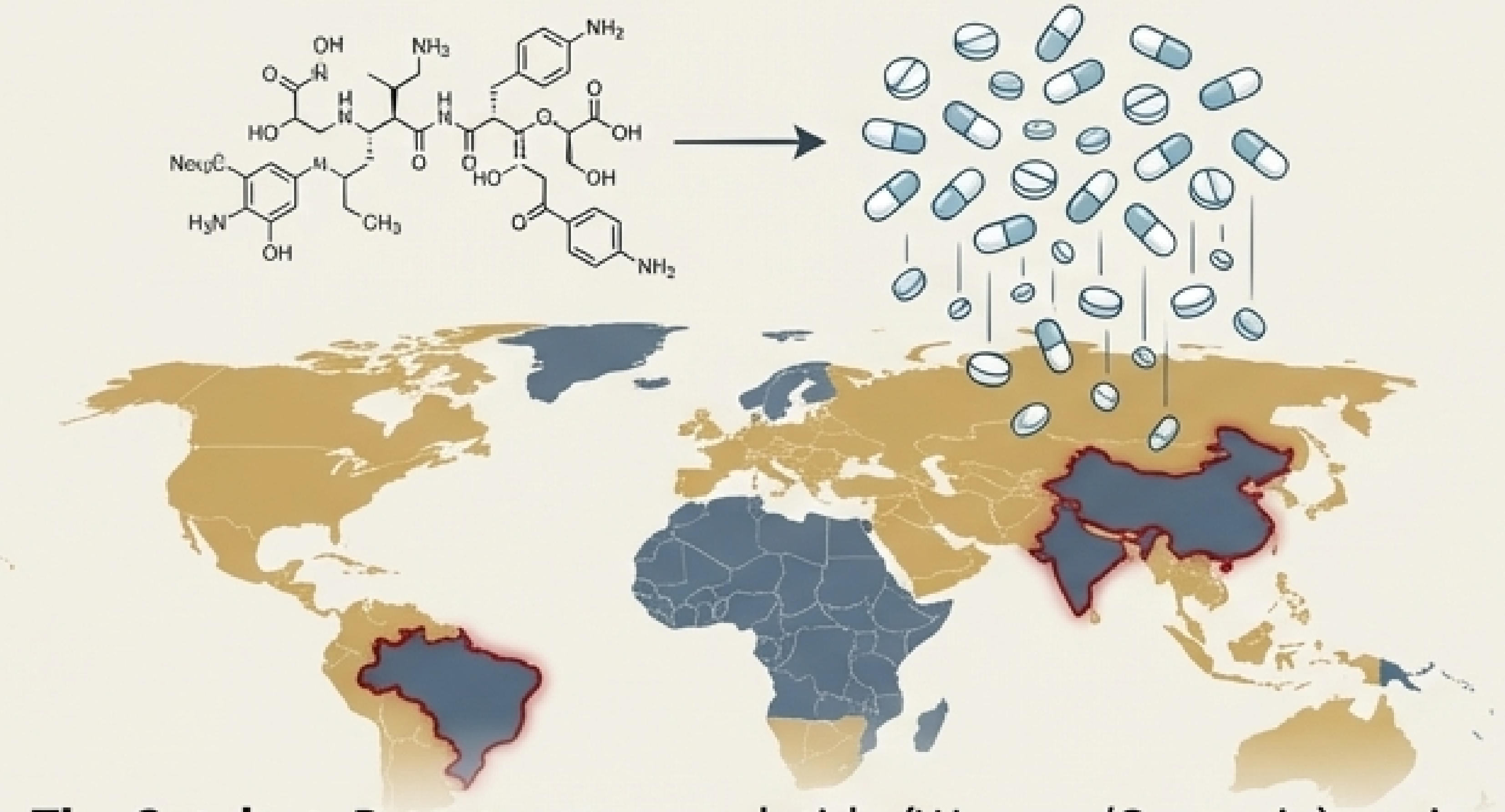
Concerns are growing over high rates of graduate unemployment being linked to AI.

A Stanford study found that for those aged 22-25 in AI-exposed roles (like software development), employment has seen a **double-digit decline** since 2022.

A Harvard study suggests firms adopting generative AI have **reduced hiring** of junior employees since early 2023.

Transformative Forces Reshaping Society and Industry

The Weight-Loss Drug Revolution Goes Global



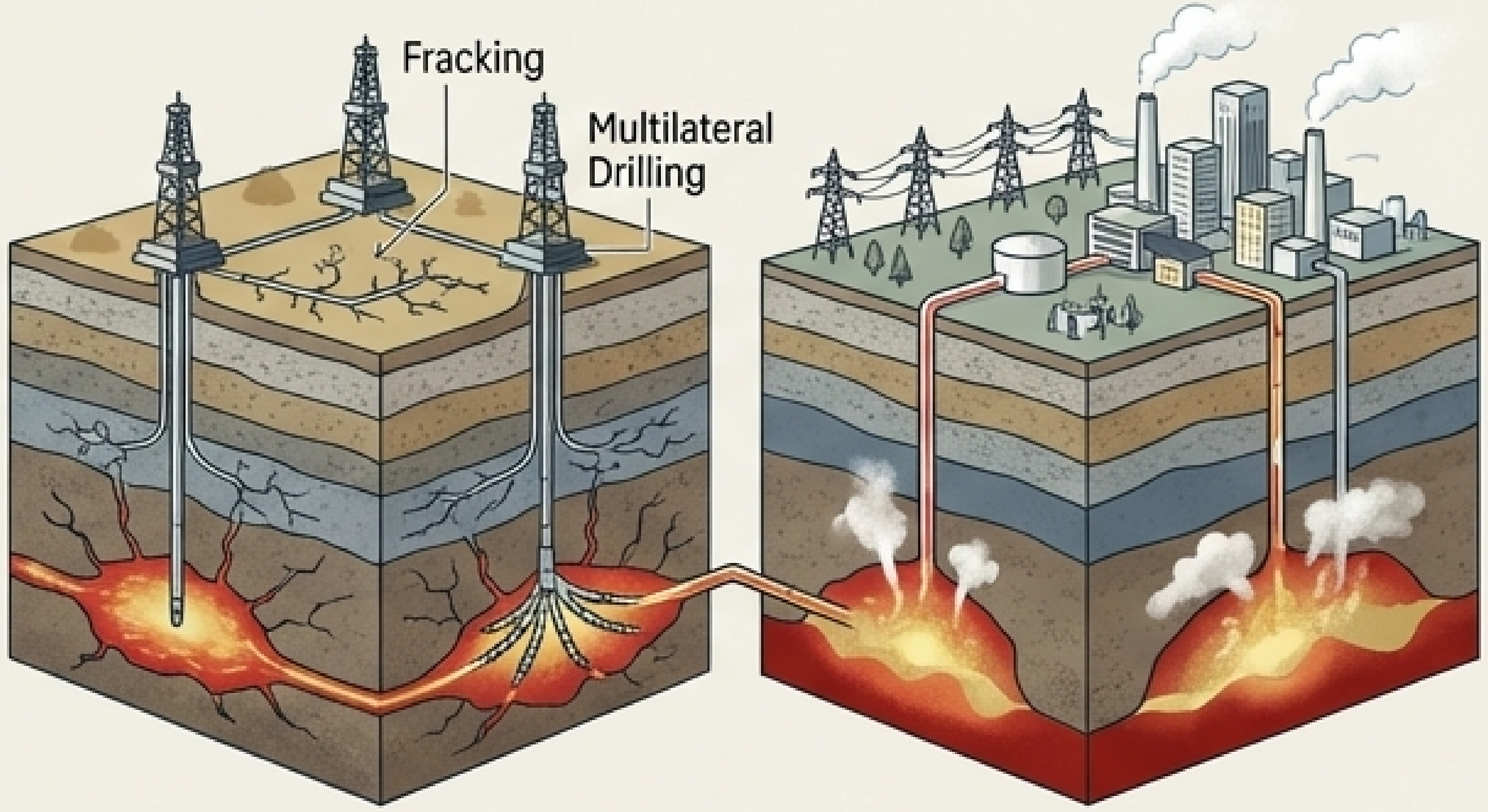
The Catalyst: Patents on semaglutide (Wegovy/Ozempic) expire in early 2026 in Brazil, China, and India, home to a quarter of the world's obese adults.

Impact: Cheap generics could slash prices by up to **80%**. India is set to become a major manufacturer.

Innovation: New 'triple agonist' injectables like retatrutide ('Godzilla') showed **24%** weight loss in trials. Convenient oral pill versions (orforglipron) are also arriving in 2026.

Scale: If generic semaglutide were available to everyone with obesity and diabetes, it could save **2.1m-3.1m** lives per year.

Geothermal Energy's Renaissance



The Breakthrough: Startups are applying innovations from the shale industry (fracking, multilateral drilling) to make geothermal energy viable almost anywhere.

Key Player: Fervo Energy will begin delivering **320 megawatts** of power to the grid in 2026 from its Utah site, the largest commercial geothermal contract ever.

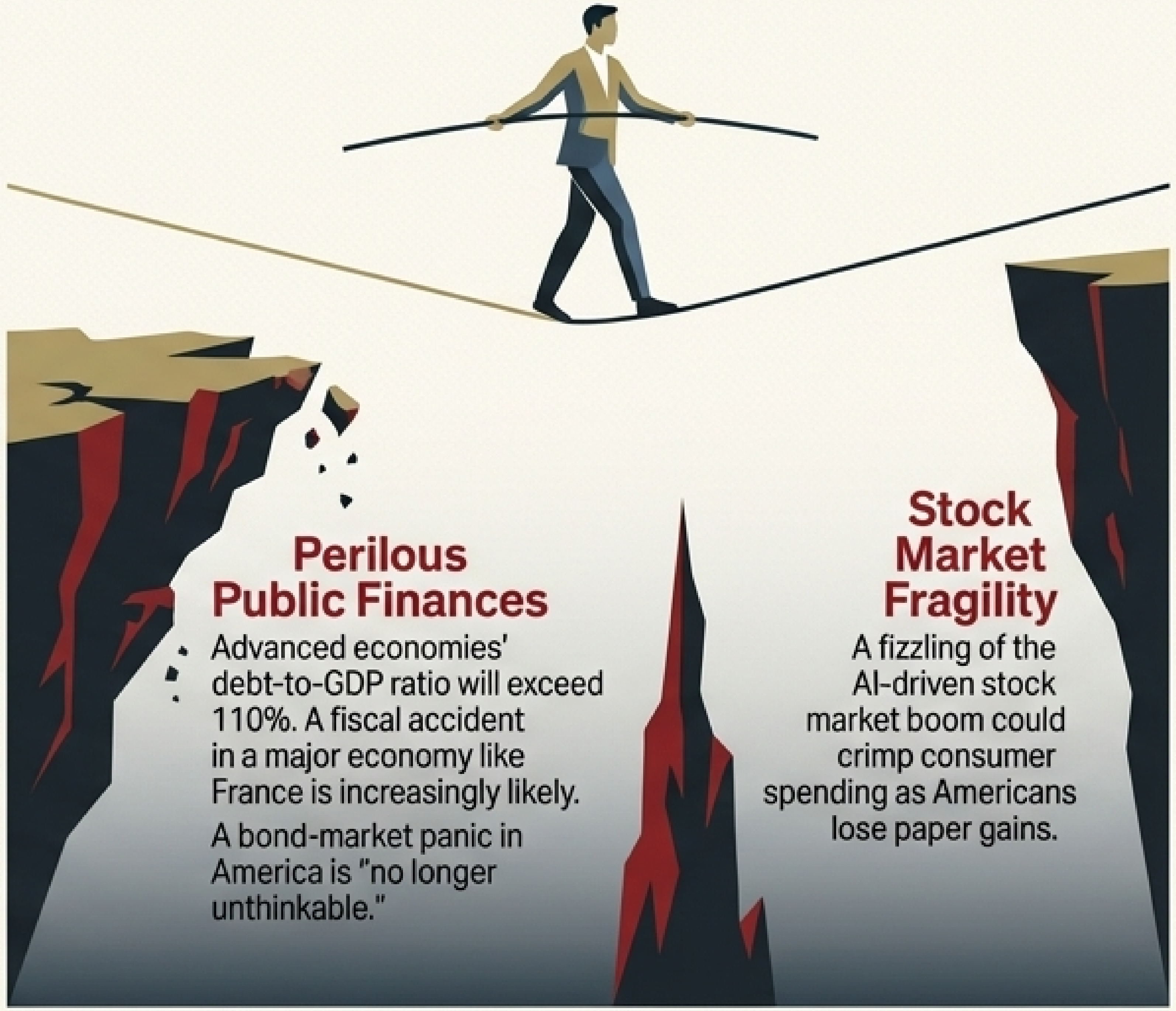
The Potential: The US Dept. of Energy suggests geothermal could provide up to **300GW** by 2050, triple the current output of America's entire nuclear fleet.

A Subdued Global Economy Braces for More Blows

Global Economic Snapshot (EIU Forecasts)

Global GDP Growth	Ticking down to **2.4%**
Global Trade Growth	**Less than 2%**
US	Tariffs are projected to boost underlying annual infla **~1 percentage point point**. Still-soft GDP growth will reflect underlying fragility
Europe	Modest growth uptick to 1.2% from 0.8% in 2025, propped up by defence spending and post-COVID consumer spending
China	Economy will slow but not stumble, as consumer 'payback' after 2025's subsidies softens retail sales

Looming Risks



The Human and Cultural Ledger of a World in Flux

Migration: Walls Up, Islands Sink

- **Trump's Mass Deportation:** The campaign ramps up in 2026, funded by the "One Big Beautiful Bill Act." Expect more tent camps, indiscriminate street arrests by ICE agents, and raids in "sanctuary cities."
- **The First Climate Refugees:** In 2026, Australia will receive the world's first officially recognized climate refugees from the sinking island nation of Tuvalu, testing a new definition of sovereignty where statehood is untethered from territory.

Culture: Endings

- **The End of the Penny:** The last American pennies were minted in late 2025, with circulation stopping in early 2026. The cost to produce a penny (3.69 cents) had exceeded its value.

Culture: Beginnings

- **A Museum Boom:** 2026 will see the opening of major new cultural institutions, including George Lucas's Museum of Narrative Art in Los Angeles, the Guggenheim Abu Dhabi, and the Hip-Hop Museum in the Bronx.

Navigating the Odyssey

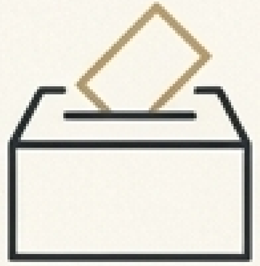
Homer's tale of Odysseus offers a surprising parable for 2026. Like its hero, the world is navigating a storm-tossed, post-war, post-truth environment where "the old certainties have died."

Parallels for a Modern Age

- **A World Transformed:** Odysseus lives in a world beset by war (Troy), mass migration (from Troy), and scary new technology (the Trojan Horse, an early form of malware).
- **An Imperfect Hero:** He is flawed, socially awkward, and a poor manager who gets his entire team killed—a cautionary tale for leaders. His greatest problems stem from his own cleverness, bringing destruction with bleeding-edge tech.
- **A Glimmer of Hope:** By the end of his journey, Odysseus learns from his mistakes. He is reunited with his family, his housing crisis is eased, and his land is finally at peace.

The lesson for 2026 is that navigating this new era will require the cleverness, resilience, and clear-eyed understanding of a modern Odysseus.

Key Signposts for 2026

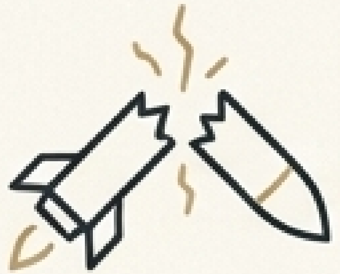


US Midterm Elections (November)

The primary test of a legislative check on Trump's power. Democrats have a decent chance of retaking the House.

Fed Chair Succession (May)

Jerome Powell's term as chair ends. Trump's choice will signal the future of central-bank independence and monetary policy.



New START Treaty Expires (February)

The last treaty limiting US and Russian long-range nuclear weapons ends, threatening a new arms race.

China's 15th Five-Year Plan (March)

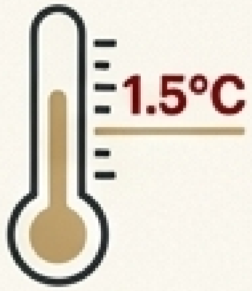
Will formalize the country's strategy for technological self-reliance, its "AI+" adoption campaign, and environmental goals.

USMCA Free-Trade Deal Review (July)

The United States–Mexico-Canada Agreement review will be a fraught negotiation, testing North American integration under an 'America First' vision.

European Political Tests

Hungary's spring election could see Viktor Orban defeated. A potential snap election in France and a state election in Germany will measure the strength of the hard right.



The 1.5°C Climate Threshold

2026 is projected to be one of the last years before the world's carbon budget for a 50% chance of staying below 1.5°C of warming is exhausted.