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THE FOUR GEO SCENARIOS

THE 2025–26 HEYWOOD FELLOWSHIP TEAM

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Introduction

Our aim has been to define a limited set of future scenarios for the Global Economic Order (GEO) that are plausible but also challenging to test strategies against. The four scenarios below have been constructed using a range of different approaches and techniques, drawing on the input and expertise of colleagues from the public and private sector. In line with the overall project, these scenarios envisage a **15-year time horizon** (to 2040)**. They are our own and do not reflect UK government policy.**

Trends and continuities

The scenarios assume a set of **trends** that will drive and shape the future and are common to all scenarios. They are set out in detail below. They relate to:

- **Nation state behaviour** (e.g. ongoing US-China strategic and economic competition)
- **Global economy** (e.g. more distributed economic power across states, underlying costs of trading remaining low, continued globalised economic shocks)
- **New norms** (e.g. an uplift in defence spending)
- **Wider context** (e.g. demographic trends and climate impacts increasing in line with a 2.5-degree world)

Variables

The scenarios were constructed by focusing on the key **variables** that could shift, depending on different states, to create the four scenarios. The differing states of the world are set out in the table at the foot of this paper. Most variables have two or three states of the world (reflecting a spectrum with end points). Some (e.g. US behaviour) have three different possible states that are not on a simple continuum. Some variables are less relevant and more indeterminate in a specific scenario.

Middle power archetypes

All scenarios specifically describe the behaviours of the three largest economic actors in the GEO (US, China and EU). The behaviour of other significant (nation state) economic actors – so called middle powers – are considered as three potential stylised 'archetypes'. These are:

1. **Growing Powers:** Regional leaders with large domestic markets and, often, growing populations. Significant in overall economic size - in the top 20 global economies (by share of GDP) - they are likely to experience faster economic growth than the global average. They are not aligned with the US or China and seek reforms to the wider economic system to better reflect their rising status and interests. Examples might be Brazil, India, Indonesia and Nigeria.

2. **Connectors:** Countries that are not aligned to the US or China and are seeking to have positive economic relationships with both to take advantage of the opportunities of bigger markets than they can generate domestically. They are likely to take a transactional approach to deal-making. They tend to have mixed economic models (some liberal elements and some state intervention) and were not fully part of the liberal GEO. Examples might be UAE and Turkey.

3. **Plurilateralists:** Countries with high GDP per capita levels, who are traditionally aligned with the US, are broadly liberal capitalist, open economies and that support the rules-based system. They are likely to have lower overall GDP growth rates (as more developed economies) and ageing populations. Examples might include Australia, Japan, Canada, Singapore, New Zealand, Switzerland and Norway.

Each scenario includes a consideration of how these types of countries are reacting and developing policy. These are not predictions of specific state behaviour and no one country will fit neatly into a box but they help frame a sense of dynamism and shifts in what is a complex system.

Tail risks

These are potential states of the world that *could* occur but are excluded from the design of main scenarios, largely on the judgement of plausibility. Some define low probability but high impact events that are out of scope.

1. China becoming a global hegemon that fully replaces the US – ruled out as neither plausible nor China's primary objective for this period.
2. The EU breaking up, through more members departing and an end to the functioning of the EU as an effective economic bloc.
3. A global conflict.
4. Major ecosystem collapse. Episodic and more frequent climate events are captured as shocks and are expected to occur in this period.
5. A lethal global pandemic.
6. Severe disruption of space/satellites.
7. Active closure of dollar markets by the US – an active policy decision to remove the dollar as a globally traded currency and/or store of value.

Externalities and shocks

While having excluded the above tail risks as major factors shaping the scenarios, it is important to recognise that each of the scenarios will take place within a wider context or state of the world. It is likely that these contexts are influenced by such external shocks and therefore in each scenario, we will consider how the following externalities and shocks would play out:

- A major global cryptocurrency loses 80% of its value rapidly due to a series of hacks traced back to China, leading to a **global financial crisis** with millions of individuals losing savings and hedge funds, corporates and some banks with crypto exposure world-wide suffering major write-downs. The biggest impacts are felt in the US, due to light-touch regulation, while China is broadly unaffected. There is significant spill-over into Europe and other western allied countries.

- **A novel virus outbreak in Central America turns into a global pandemic** which severely disrupts global supply chains, depresses consumption in already weak European manufacturing industries and tips Argentina, Columbia and Turkey, as indebted emerging economies, into national financial crises.

- **A mega heatwave in Southern and Central Europe and Africa results in the collapse of healthcare systems**, severe impact on European economic output and significantly increases migration from Africa to Europe.

- Narco-fuelled **political unrest in Panama** leads to severe disruption to Panama Canal operations and significantly disrupts shipping routes.

The Four Scenarios

The four scenarios are as follows:

1. **A minimalist or ‘unmade’ order – ’G Zero’**

2. **Strategic national capitalism and a contested order – ‘G vs G’**

3. **Managed competition – ‘G2’**

4. **Technology shapes the future – ‘GX’**

Scenario One: Minimalist or ‘un-made’ global order: “G Zero”

Overall Description: *The US has stepped back from global economic leadership and no other global economic hegemon has emerged to fully take its place. China has been asserting more influence in line with its interests.*

Imagine a future where:

- ***The G7 and G20 haven't met for five years.***
- ***A Chinese head of the WTO has led the passage of a new AI Trade Agreement based on Chinese standards and has been credited with restoring the value of the WTO. The US has not adopted the agreement but did not block the vote.***
- ***The EU has increased defence spending to 5% GDP (in response to increased Russian antagonism), funded by new common defence and security bonds. German Rheinmetall AG has become one of the biggest defence firms in Europe.***
- ***A BRICS+ group has been meeting annually and has agreed new lending terms for the World Bank that favour borrowers which it subsequently drove through the board (the US has not occupied its seat for several years).***
- ***The Chinese CIPS payment system now accounts for 50% of global transactions and the Euro is held as the major reserve currency by many central banks. No one talks about the dollar as the global reserve currency.***
- ***The UAE has established a MAGA investment fund and is seeking partners to join; and has launched a new Green Tech park co-funded with China.***
- ***India has launched a new investment partnership with the Gulf and is in talks to join the expanded and renamed Alliance for Responsible Trade Policy (was CPTPP, now includes EU).***

In more detail....it is 2040 and....

Successive Presidents (with the support of Congress) have focused the **US** on domestic priorities and the US has retreated from global economic leadership. Over the years, the US has exited international institutions, unfunded or substantially underfunded its share, including of aid instruments, and has empty-chaired groupings. The G7 has become defunct and the G20 hasn't met in substantive terms or produced any outcomes. US defence spending has continued to grow but is largely spent at home – 'Buy America' legislation was passed largely uncontested by Congress and has become the norm. US-China strategic contestation has remained a key feature of the US approach but the US has been largely doing this alone and, where necessary, bilaterally and transactionally. The US has stayed out of the Paris Agreement and has signed no further climate agreements. It has continued to invest in both clean and fossil fuels, reflecting domestic sectoral and economic interests. America First political framing has been adopted by the Democrats and has become the mainstay of discussion of America's role in the world.

China has been shaping (and reshaping) the global economic order, asserting influence regionally and on issues on which it cares. It has upheld the trading system and doubled down on export led growth. The World Trade Organisation (WTO) appointed a Chinese Director General who actively promoted an AI and Trade Agreement, which improved Global South access to (Chinese) tech and has been operating in conjunction with a new AI standards framework at the International Telecommunication Union (ITU). China has been seeking to further deepen its own financial alternatives – such as the use of the Renminbi (RMB) and other non-dollar payments systems. It has made big investments in technology and resisted western rules. The majority of technical standards agreed at the ITU have come from China and the rollout of 6G has spread Chinese technology globally. China has taken a profit-making and self-interested approach on climate, continuing to invest in clean technology for export where it has industrial capacity. It has sought alternative markets beyond the US and deepened its spheres of economic influence especially on minerals and ports (e.g. in Africa) and in its Asian neighbourhood.

The **EU** initially lamented lost US global leadership on economic issues. Russia has taken advantage of the US's retreat and has stepped up destabilisation efforts in Eastern Europe (e.g. through increased cyber attacks, misinformation campaigns and airspace incursions), resulting in EU recognition of the need to strengthen European security. EU defence spending has grown significantly to 5% GDP and is focused on national suppliers and European defence and technical capability. The EU has also doubled down on the Euro. It has issued new "European defence and solidarity bonds" denominated in Euros and used its fiscal space to invest. It has deepened its internal single market and largely implemented Mario Draghi's recommendations on EU competitiveness, while also continuing some tactical protectionism, such as sectoral interventions (including subsidies) in space and autos. Externally, it has continued to shape rules for others to adopt where it can use the EU market (consumers) as leverage – e.g. on Carbon Border Adjustment Mechanisms (CBAMs) and General Data Protection Regulation (GDPR) – and has passed a new European AI Act to set global norms. It has sought to become more of a pole for the international system and has reached out to other plurilateralists. It has joined the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and signed an EU-Africa Free Trade Agreement (FTA). It has focused on a 'post aid' agenda (no return to 0.7% Official Development Assistance (ODA)). There has been growing populist discourse in Europe and elections have seen success for populist leaders and parties but a 'hang together' political dynamic and continued need for access to EU funds has enabled dealmaking at the EU level and deeper integration.

***Global* cooperation** more broadly has been largely frustrated in existing institutions (International Monetary Fund (IMF), WTO, UN Framework Convention on Climate Change (UNFCCC)), limited in any new spaces and harder to achieve (e.g. there has been no new global deal on AI safety standards). There has been a much more regional approach in economic policymaking and there is no longer talk of a single 'global economy', or of convergence or harmonisation. Instead:

- A broadly 'free market' economy has dominated in the US domestically but one that is primarily focussed on the domestic market. US (global) technology firms have more economic power as US regulation has not been forthcoming. This has led to rising inequality.

- The EU has been doubling down on its social democracy model, with elements of greater regulation and a focus on deepening the internal market.

- China has continued its state-led capitalist economic model, with strong State-Owned Enterprises (SOEs), subsidisation and a focus on export led growth. It has sought alternative markets as the US closed access.

The US has shown less interest in promoting the dollar led system, though it has still competed with Chinese alternatives. **Financial market fragmentation** has deepened, with further diversification of reserve currency holdings by many states, including greater use of the Euro, resulting in a more multicurrency system. Chinese financial alternatives have grown in scale and use, including further development of alternative payments systems (e.g. Cross-Border Interbank Payment System - CIPS) and Chinese state backed Renminbi stablecoin –

though neither have reached global adoption. BRICs+ have convened and agreed new lending terms for the IMF and World Bank and Multilateral Development Banks (MDBs) that favour borrowers (cheaper cost, fewer Environmental, Social and Governance standards). The Asian Infrastructure Investment Bank (AIIB) and Asian Development Bank (ADB) have received significant Chinese led (BRIC and other supported) capital increases and have surpassed World Bank lending in Asia and Africa. The US has sold its shareholdings.

Multinational businesses with US leadership or shareholders have been increasing investment in the US and have opened new plants to meet US requirements. EU defence spending has driven the emergence of new players - German RheinMetall AG has become one of the largest businesses by market capitalisation. There has been greater regionalisation of business models based on nationality and regulation. Financial institutions and banks have deepened trading in the RMB and financial alternatives.

Levels of overall **global growth** have been subdued, as growth in trade and investment flows has reversed somewhat. The US and China have remained at frontier competition as two large economies – neither economy has come to dominate in overall size. The EU and other middle ground countries have been more impacted and so have experienced slower growth than previous trends – though the EU has remained the largest consumer market for foreign sellers (reflecting its higher level of openness to imports).

Archetypes? This is a scenario with more space for other powers to shape outcomes and partner on specific issues but without strong, single, hegemonic leadership:

- Connectors: have been hedging and balancing. The UAE established a new MAGA investment fund over 30 years and announced a new Green Tech park co-funded with Chinese investment. It established a university campus on AI with DeepSeek and joined the CPTPP.

- Plurilateralists: The EU joined the CPTPP, which has expanded (South Korea, Switzerland) and deepened. Southeast Asia and some mineral exporters in Africa have been pulled into China's orbit.

- Growing powers: India and Brazil saw space to lead more and reshape the system in their image, working with China in some elements. BRICS+ and similar groupings have taken on more of a leadership role –

especially on climate, growth and finance. Both have been adopting some Chinese tech. India has launched a new investment partnership with the Gulf and has begun talks to join the CPTPP.

Response to shocks

Financial crisis	***Pandemic***	***Climate event***	***Regional unrest***
China used this as an opportunity to successfully expand use of its RMB stablecoin as an alternative. Europe and other western allied countries (Japan, Australia) asked the IMF to step in but its scope to support (mandate and financial) was limited which resulted in a very slow economic recovery across the US and Europe and a major blow to crypto markets. There was a further swing to regulation of the sector where China exercised	In the face of reduced output, China immediately limited exports to its neighbourhood and allies. China used the WTO to push through an emergency plurilateral agreement on critical supply chains centred around its needs. The IMF was unable to reach consensus on how to handle Turkey, Columbia and Argentina, but the US stepped in to support those in the Western Hemisphere with bilateral loans. There were mass job losses in Europe and	There was limited interest from the US and China, although China provided targeted medical and financial support in Africa around its infrastructure and sources of supply. The EU sought to form a middle ground coalition to shore up key supplies, but its impact was limited as there was little global support. A build up at the borders of migrants from Africa stoked populist sentiment in Northern Europe where elections in Germany and Poland	The US seized the opportunity to secure control over the Western Hemisphere and deployed its military to take over operation of the Panama canal. China raised objection at the UN Security Council, however US military deployment led to rapid re-opening of the canal. There was an informal agreement between the US and China that China would not intervene in return for the US further limiting naval deployments in the South China Sea. China also

significant global influence.	the European Parliament pushed for and secured a new pact with China to stabilise the industrial sector.	resulted in populist right-wing Governments.	agreed to the sale of number of its port operations companies as part of the deal.

Scenario Two: Strategic national capitalism in a contested global Order: "G vs G"

Overall Description: *An order marked by growing economic nationalism and a shift to 'strategic national capitalism' in many countries, combined with more contestation and antagonism, principally between the US and China. High levels of populism in many states and more volatile economic policy outcomes.*

Imagine a future where:

- ***The OECD has undertaken its annual review of economic coercion and recorded 100 cases this year, mostly by the US and China.***
- ***The US has created a legal register of "American firms" and imposed export, ownership and activity restrictions on them. Shell and BP were included.***
- ***Manipulation has just destabilised the Canadian dollar stablecoin, suspected of being the result of action by a hostile state.***
- ***There are two separate payments systems – dollar sphere (SWIFT) and sphere RMB (CIPS). No one talks about global financial markets.***
- ***India has established a new 'anti-coercion' movement – with a HQ based in Delhi – that has agreed principles on the limited use of economic tools and tariffs and some collective insurance.***

In more detail... it is 2040 and...

The **US** has - persistently through successive governments - viewed international economic policy primarily through a contestation lens. It has been reshaping the multilateral system in line with its interests, with the aim of winning in strategic competition. It has been exerting its power to force more burden sharing with partners and has forced new US-led initiatives through the G7. It has placed a specific focus on technology competition, with more bilateral pressure and coercion around this. It has pursued new rules on subsidy control targeted at China and demanded more action on economic security measures from others (outbound investment regimes, limits on tech transfer etc). The US has been both bilateral and minilateral in its approach – doing deals with states to get access to resources it needs and has continued a focus on strategic partners outside its region, like the Philippines. At home in the US, there has been a fusing of state capitalism and government with rising defence spending and technology companies becoming part of a growing military industrial complex, through close alignment and increased government investment. There has been an ongoing 'Buy America' focus in procurement and wider policymaking, with pressure on firms present in the US market to show how they are supporting Team USA. The US has been willing to do some collaboration on defence with key players but only in return for commitments elsewhere and sufficient burden sharing.

China has been pushing back directly in its relations with the US and looking to strengthen its own role in the system and defend its interests. It has also increasingly seen its international economic policy through a contestation lens. It has been making greater use of tools bilaterally through trade instruments and use of economic security levers against the US. It has also made deeper and faster investment in alternatives – encouraged greater RMB usage and taken further steps to de-dollarise, including with partners. It has established alternative SWAP lines and contingent reserves. China has also been pursuing new trading blocs and critical minerals agreements e.g. with Chile/Peru, Australia and Africa and has launched a revamped Belt and Road Initiative (BRI). There has been a deepening nationalist rhetoric and focus at home, with the government pressing Chinese SOEs to be more aligned to national interests.

There has been **greater use of coercion** and strategic interventions by both the US and China to compete, especially on frontier technology. The first ever manipulation of a currency stablecoin by another state (the Canadian dollar stablecoin) destabilised that currency. The exercising of hard power has driven global outcomes. Both the US and China have sought to claim that they have retained economic and strategic advantage.

The **EU** has seen a number of populist governments elected, resulting in growing internal divisions and a greater focus on domestic policy. Differences in political preferences across Europe have made it harder for the EU to agree new common positions or reforms (including in response to Russian aggression and on wider international policy) but have also limited the degree of change from previous approaches. The EU has been pulled into the US orbit in terms of wider economic contestation. It has also been focussed on strategic autonomy and resilience, with a stronger national/nation state flavour and ongoing use of national protectionism in government procurement and in areas of perceived strength. It has further weakened state aid rules and invested in national champions. German defence investment has been used to strengthen German industry (with some spillovers to Europe).

Many nations have become primarily focused on security and nationalism over any other objective – the dominant approach has been **'strategic national capitalism'.** Policy has been reshaped around this including an increase in onshoring and national ownership. States have been deploying coercive tools on a regular basis. There has been greater use of state sponsored espionage, including of business.

There has been deeper and more systemic fragmentation of *global* networks and markets, as well as **deeper fragmentation of the global financial system**. There has been a more fundamental shift away from the dollar as a reserve currency with greater use of the Euro and RMB, as well as gold and tokenised commodities and other strategies by states and non-state actors to diversify risk. The payments systems have become effectively separated – into a dollar sphere (SWIFT) and a RMB sphere (CIPS). There has also been rapid growth in the use of digital alternatives. There has been wider balkanisation of global trade and investment and a weakening of the institutions that manage them (bilateral swap lines dominate not IMF lending etc).

More broadly, there has been **limited *multilateral* cooperation** in any economic domain. Any co-operation has been more *bilateral, deal based and around individual leaders*.

Multinationals have been de-risking their supply chains, selling off or separating China/US subsidiaries and changing their business models. They have also been used as tools of statecraft – the US created a legal register of American firms and imposed export, ownership and activity restrictions on those. Larger or very politically connected US businesses have made significant investments domestically that secured them permission to act with more freedom globally. **Small business (and those with a predominantly national footprint)** have been domestic in focus, trying to limit their exposure to policy impacts.

This is a more uncertain scenario for **global growth**, with more winners and losers across the global economy. It has meant significantly higher costs for trade, investment and exchange across borders. In relative terms, the US and China have remained contested in economic size with the US leading and China a close second - but against a backdrop of lower overall trend levels of global growth (and lower levels of income).

Western **aid** has fundamentally changed to being about strategic investments and bilateral relationships, not poverty alleviation. Contestation for mineral resources (with increased use of coercion, corruption and bribery), combined with the absence of assistance with capacity building, has weakened democratic governance in the **Global South.**

Archetypes? This is a scenario in which there is a rising strain of nationalism and focus on domestic priorities:

- Connectors: have found it very hard to retain their strategy of connecting between blocs. Those with key natural resources or assets (chips, minerals) have struck *bilateral* deals with the US and/or China. Some Global South countries have joined this group. There has still been some use of hedging attempts and strategies.

- Plurilateralists: a *smaller* group, in part driven by domestic politics as there has been a growing number of populist governments. Cooperation has been built around defensive strategies, such as coalitions against coercion. But trust levels have been low.

- Growing Powers: India and Brazil have been doubling down on the growth of their own domestic markets (Made in India etc). They have been seeking transactional, bilateral deals but on their terms. They have pursued mechanisms to bind in and manage the US and China (Quad and BRICS). They have taken some steps towards a non-aligned approach, e.g. India has been leading a new 'anti-coercion' movement – based in Delhi – that has agreed principles on the limited use of economic tools and tariffs. They have offered some mutual insurance against pressure.

Response to shocks

Financial crisis	***Pandemic***	***Climate event***	***Regional unrest***
The US accused China of involvement which heightened wider tensions and triggered a	Given that the initial worst impacts were felt in the US's neighbourhood, the US pressured all allies to	There was limited support from the US despite warm words from the President. China stepped in to	The US seized the opportunity to secure control over the Western Hemisphere and

new wave of US trade measures which China countered. The US intervened to support key US banks and corporates. The IMF was paralysed. Global investor confidence was significantly weakened leading to European countries facing high borrowing costs and having to further curb spending.	take measures to keep open economies and Buy American. It called on the IMF to step in to stabilise failing economies, but there was no consensus and China provided financial support directly to affected countries. The EU requested US suspension of trade restrictive measures, which the US linked to relaxation of digital markets rules.	provide medical and financial support in some parts of Africa around its infrastructure and sources of supply and agreed to build a small number of Chinese hospitals in Spain. The EU granted temporary customs union access to all neighbourhood countries. Build up at the borders of migrants from Africa stoked populist sentiment in Northern Europe where elections in Germany and Poland resulted in populist right-wing Governments who post peak pandemic sought to roll back any further opening up of the EU.	deployed its military to take over operation of the Panama Canal. It coerced western allies to take sanctions on Chinese companies operating in Panama. China raised objection at the UN Security Council and imposed export restrictions on all critical minerals in order to pressure the US to agree to a UN sanctioned plan for restoring peace in Panama and canal operations. China increased military operations to secure shipping lanes in its region. Fears of hot war saw stock markets fall, compounding economic crises in Germany and France.

Scenario Three: Managed competition (US detente with China): “G2”

Overall Description: *The US and China have remained in competition but - over time – have found a pathway to manage tensions. The US has seen managed competition as a route to retain advantage. China has prioritised stability and domestic growth over global competition. The US has sought to reshape the GEO but with a more enlightened and partnership approach.*

Imagine a future where:

- ***The G2 has just had its annual meeting in Hawaii. They have agreed a US-China AI safety agreement, a US-China 'Economic Security Safeguards Pact' and for China to increase its voting share at the IMF (at the cost of European shares and seats).***

- ***Ten countries (including all of the G7) have signed defence, technology and economic security partnerships with the US.***

- ***The G20 has agreed 10-year funding for investment in clean technology adoption/energy transition and adaptation in the Global South (led by the Japanese and EU) and a framework for fair and sustainable extraction of critical minerals.***

- ***A new group: QUAD+BRICS (US, Japan, Australia, India, Brazil, Russia, China) has been meeting for several years and has agreed trade and technology partnerships.***

In more detail....it is 2040 and...

The **US** has adopted a more 'enlightened' leadership approach with a greater focus on partners and bringing together its allies. It has led partial reforms of the global system, albeit with an expectation on rebalancing burden sharing and others doing more (e.g. leading changes to the WTO to allow for more policy space such as broadening the use of national security exemptions and local content requirements). It has invested in strategic, bilateral negotiations to deal with China. The US has continued to push the dollar system but has also accepted some greater diffusion – e.g. also pushing others to develop central bank digital currencies. It has shown willingness to collaborate with partners on some defence spending in return for collaboration on its wider strategy – signing a number of 'defence, tech and economic security partnerships'.

China has prioritised stability and accepted managed relations with the US (rather than more contestation). It has been focusing even more on deepening its domestic markets and domestic economic stability. It has exerted influence in the GEO system and has been demanding more voice, through dealmaking and diplomacy. It has been growing and investing in Chinese-led alternatives but at a slower pace than in some other scenarios.

US and China diplomacy has been shaping outcomes – the **G2 dominates**. They have agreed bilateral deals on trade and technology, e.g. a US-China AI safety agreement and shared some technology (but not cutting edge). They have set some rules around economic security toolkits, which have led to more predictable use, agreeing a US-China 'Economic Security Safeguards Pact'. They have agreed for China to have more voice, for example votes at the IMF (at the cost of European shares and seats).

The **EU** has been relieved at the return of US outreach and has been cooperating with the US on reforms to the system. It has sought to assert more of a G3 role - the G7 has returned but hasn't met often and the US has sent its Vice President. The EU has been working with both the US and China, signing a FTA with China. The EU has faced fewer internal EU divisions, reflecting successive elections of moderate leaderships in member states and more coherence (though not complete) around policy preferences across governments. The new Commission has been proactive.

There has been successful **broader international cooperation** and a sense that it works, e.g. the G20 has agreed new funding for investment in **clean technology** adoption/energy transition and adaptation in the **Global South** (led by the Japanese and EU) and agreed a framework for fair and sustainable extraction of critical minerals.

There has been **less fragmentation of the financial system** and more continuation of trade and investment. The financial system has remained dollar dominated, albeit with some growing competition from technological alternatives/cryptocurrencies and greater use of other currencies but more at the margin. Economic coercion has been barely used as new rules have acted as a constraint.

There has been managed acceptance of different **models of capitalism**. The US has pursued broadly liberal capitalism at home. It has created some regulations and standards and has focused on level playing fields. For example, it has regulated the technology sector on safety and to reduce market abuses (e.g. anti-trust). China has reformed its economic model a bit - reduced (but not eliminated) export subsidies and has focused on developing its domestic economy. Global imbalances have reduced.

Global growth. In this scenario, there has been room for innovation, largely open markets, rules-based trade and pro-growth policies. There has been more continued use of existing globalised business models. The higher confidence of the private sector and reduced risk saw higher investment resulting in higher overall global growth. The US has remained the largest economy globally, with a margin that gives it more comfort that it is retaining its position. China has accepted stability and influence over overall economic size and has fallen short of US levels of total output, though it has remained a significant economy.

Archetypes?

- Connectors: have enjoyed significant opportunities in this scenario. They have taken advantage of managed relations between the G2 to deepen their connector role and pursued economic objectives with both major markets.

- Plurilateralists: have regrouped around the US and its leadership. They have invited the US to rejoin groups (CPTPP) and have sought to shape the G2 agenda. They have also pursued co-operation with each other as insurance against another shift.

- Growing Powers: India and Brazil have been pressing for more of a role and influence. They have established a new group QUAD+BRICS (US, Japan, Australia, India, Brazil, Russia, China), which has been meeting regularly.

Response to shocks

Financial crisis	***Pandemic***	***Climate event***	***Regional unrest***
The US accused China of involvement but, despite initial heightened tensions, they agreed bilaterally to a crypto currency resilience package, predominately funded by the US and directed the IMF to provide some support to significantly impacted countries – the US/China determined eligibility. The US and China agreed to negotiate new rules on crypto but progress was slow as the EU and India tried to derail discussions due to their lack of involvement.	The US and China established a pandemic taskforce, giving their respective firms involved in the response preferential access to government contracts. The EU gained access after significant lobbying and committed to unliterally liberalise access to EU markets.	The US and China saw the crisis as an opportunity to double down on climate targets as a way to benefit their respective green energy sectors, although this exposed underlying tensions around unfair competition. China, the US and WHO membership agreed to a small package of support, insisting Northern Europe should shoulder the biggest burden. The EU called a G20 Summit to discuss long-term solutions to migration although both China and the US played limited roles as they did not see this as their problem.	The US considered deploying the military to take over operation of the Panama Canal. Instead, the US and Chinese Presidents met to agree US-Chinese private partnerships to secure operations given the criticality of shipping routes to both economies. A subsequent Panamanian General Election resulted in a US backed candidate winning who promoted greater US investment in Panama.

Scenario Four: Technology shapes the future: “GX”

Overall Description: *The concentration of economic power in a few global technology firms, based in the US and China, has remade the GEO.*

Imagine a future where:

- ***The Annual 'World Tech Forum' has just met in Austin, Texas, chaired by a Tech company CEO, who is also US Treasury Secretary. It is attended by countries with leading edge technology sectors, such as China, Israel, Singapore, India, Korea, the UK and Switzerland.***
- ***The US has defunded the OECD and blocked cooperation in committees.***
- ***The US has secured a new "Freedom of Data" Agreement at the WTO and created a new plurilateral Data Coalition of the Willing.***
- ***Two US Presidents in succession have prevented their teams from meeting the European Commission and relations are on ice.***
- ***China has created a Data for Security initiative with Global South partners.***
- ***US technology companies have issued their own stablecoins and encouraged their widespread use as means of payment. The US has secured their use as a reserve currency with partners.***

In more detail…it is 2040 and...

In the **US**, economic and political power has become more concentrated in a few large global technology companies that operate as monopolies and dominate key markets, reflecting the nature of technological change (more concentrated value and returns). This has driven regulatory and state capture and the strong influence of technology business on politics, with a few big players dominating the economy. The US government has made sovereign investments in large (technology) firms, especially around technologies with dual use, has provided subsidies at key moments, has been investing in energy supply and limiting regulation of data. It has backed cryptocurrencies as the next frontier of innovation in financial markets and created regulatory environments in which they can flourish. Beyond the technology sector, it has taken a more traditionally free market approach. Internationally, the US has been supporting some elements of free market based global cooperation – pressing for others to buy and use US tech, ensuring IP protection and global capital flows, in line with the economic interests of dominant tech firms. The US has pushed against the regulation of its companies overseas – especially on issues like data and digital taxation. It has implemented economic security measures to protect and retain US ownership and value from the industry. The result has been continued growth but also rising inequality. The dominance of tech companies and deeper fragmentation of media and public space has driven more divided public debate and populist discourse.

China has been investing heavily in technology for strategic advantage, in Chinese firms. Chinese technology leaders, who are CCP members, have joined the Politburo and now dominate in numbers. There has been further fusion of interests. China has been focused on securing technology advantage with significant investments in research, deployment and the next frontier and achieving dominance in some areas. It has also been investing in a 'fast follower' model – deploying at scale cheaper alternatives that use advanced, but not necessarily cutting-edge, technology. It has been using and developing tech as a force for social service provision and social control/surveillance and sharing that approach with other (especially non-democratic) partners. China has been investing in digital/crypto innovations but focused around central bank led models. There remains a strong nationalist discourse, focusing on China's own national economic strategy and the need to retain a Chinese technology ecosystem, with separation from US technology.

The **EU** has been asserting its strategic autonomy and rulemaking and looking for partners to form coalitions. Tensions between the US and EU have been high – especially around interactions with the social democratic model and on regulation e.g. online safety, data and tax. The EU has passed regulation that prevents the use of non-central bank backed/stablecoin cryptocurrencies, while investing in the Euro stablecoin. But implementation of regulation has been pragmatic and measured as the EU has sought to balance regulatory interests with securing access to technology and national level implementation has varied. It has established a new Competitiveness Fund to invest in European technology innovation and champions. There has been growing anti-US sentiment as the US has criticised the EU's approach and policies. The continued use of tech platforms and media fragmentation (as well as US debates) has driven more divisive public discourse across the EU. Relative growth across the EU has been lower, given that the EU is not at the centre of the technology innovation ecosystem.

This scenario sees **extensive use of economic security measures** by the US and China – especially protection of frontier technology, putting pressure on any perceived weak links in allies.

In **financial markets**, US technology companies have developed and backed their own **stablecoins** and encouraged their widespread use as means of payment, including through alliances with VISA/Mastercard. The US has pressed for their use as a reserve currency at the IMF and with partners. China has been investing in its RMB stablecoin and encouraging further innovation with cryptocurrencies in Hong Kong. Technological innovation has reduced the costs and increased the use of tokenised gold and other commodities. Financial market fragmentation has deepened.

The core focus for international economic cooperation has been on the '**World Tech Forum'** that meets annually in Austin, Texas, chaired by a US Tech company CEO, who is also US Treasury Secretary. It is attended by countries with technology sectors, such as China, Israel, Singapore, India, Korea, the UK and Switzerland. The US has defunded the OECD and blocked cooperation in committees. The G7 has become frustrated and defunct with EU-US tensions. The US has pushed a new 'Freedom of Data' Agreement at the WTO and created a new plurilateral Data Coalition of the Willing. The US chair of the IPO has created an IP enforcement mechanism, which includes a private dispute settlement mechanism. China has led a new AI safety initiative at the UN and created a Data for Security initiative with Global South partners.

There is **limited ODA**. The US has removed all public funding for aid. However, there is greater philanthropy – the Gates Foundation has grown and a new 'Musk Foundation' has opened. A new private sector funded 'Agency for International Technology Transfer (AITT)' has replaced USAID.

Non-tech multinational businesses have been using and applying tech innovation across their businesses, which has driven rises in productivity. They have also faced higher energy bills, competition for talent and higher cost investment for data services (monopoly pricing). They have chosen which technology to use - US or Chinese.

Global growth. Significant global investments in technology and innovation have driven higher productivity and growth. There has been widespread adoption of US technology – which has reached further globally – and some further adoption of Chinese technology (especially in the Global South). The concentration of economic returns has driven rising inequality within and between countries and the centre of gravity of global growth has turned back westwards as the US has experienced a productivity boom. Mineral exporters have been cutting deals and driving growth, as have energy providers. Those without access to natural resources or tech have been weakened and made susceptible to 'digital colonialisation'.

Archetypes?

- Connectors: Need access to technology and so have been seeking to cut deals with both the US and China.

- Plurilateralists: have been feeling pressure from the US on tech to choose a side. They have been looking to attract investment. But are also concerned about tech over-dominance of policy. Many have been pulled into the US orbit and have accepted US terms to avoid facing falling growth.

- Growing powers: India has doubled down on domestic tech investment, innovation in service delivery and its own tech firms. It has partnered where needed with the US, given distrust of China. Brazil has looked for offers from both the US and China.

Response to shocks

Financial crisis	***Pandemic***	***Climate event***	***Regional unrest***
The US tech establishment sought to calm global markets through intensive diplomatic efforts. They	The US tech sector seized the opportunity to push out new automated exports and logistics processes, significantly	There was a very limited international response. Musk-Zuckerberg Foundation funded state-of-the-art cooling systems	After a slow response and growing disruption to goods trade, the US offered significant private sector investment to the

blamed naive investors and claimed a new third wave of coins are safer. China took the opportunity to push its safer model. Strong push back in the EU on US technology saw greater calls for regulation. The US electorate called for more protections. Some states enacted laws but there was no federal response.	reshaping the logistics sector. China exported online healthcare to the majority of emerging and developing countries, leading to long-lasting Chinese dominance of the healthcare sector in these countries.	for hospitals. Social media platforms limited major criticism of climate inaction. Build up at the borders of migrants from Africa stoked populist sentiment in Northern Europe where elections in Germany and Poland resulted in populist right-wing Governments who pushed for greater controls on technology in the EU, leading to tensions with the US.	Panama Government to secure US interests and re-open the canal. The deal included deployment of US technology which resulted in further automation of canal operations, cutting shipping times significantly and reducing costs.

TRENDS AND CONTINUITIES

These are a set of input assumptions that are fixed through the scenarios work. They apply to all scenarios.

They are grouped by type:

Blue (1-3): Behaviours, International relations based assumptions about how states are acting in this system.

Yellow (4-9): States or features of the global economy. Economic assumptions.

Green (10-11): Norms. How states more broadly are behaving in terms of their policy settings.

Grey (12-15): Broader context. Assumptions about wider trends in climate, conflict and population that shape the context.

NO	CONTINUITY	EXPLANATION
1	China does not seek to replace or succeed in replacing the US as global economic hegemon. [BEHAVIOUR]	China seeks to assert its role and influence globally including through some multilateral institutions but does not seek to define and run a new global economic order. It is revisionist in some domains and less so, or not at all, in others.
2	The European Union remains a key (united) economic actor on	The EU remains a key economic actor on the global stage. It does not disintegrate. But internal policymaking and its

	the global stage but is unable/unwilling to replace the US as global economic hegemon. [BEHAVIOUR]	processes, as well as its scale, mean it does not operate as a new global hegemon.
3	China and US strategic competition and rivalry remains, with a focus on *relative* gains rather than absolute. [BEHAVIOUR]	China and the US are expected to continue their stated strategic and economic rivalry, with a particular focus on making economic gains relative to each other, rather than prioritising growth in global GDP/welfare.
4	There is wider distribution of economic power between states over time. [FACT]	Economic power is expected to be distributed more widely between states, as the larger emerging markets (India, Brazil etc) continue to increase their share of total global output, trade, investment etc. The pace of this change may slow.
5	There are continued macro imbalances – China in surplus and the US in deficit. [FACT]	China is likely to remain in current account surplus, with the US in deficit. Macro imbalances in other states will also remain. These are not resolved in this period.

6	Income disparities will remain between and within states. [FACT]	Poverty will remain, entrenched in some parts of states and in the poorest nations. Some states will remain worse off economically than others. Inequality will continue to rise between and within states.
7	Global trade continues via established, low-cost shipping and digital routes. [FACT]	The lower transport (container shipping) and digital costs that support global trade do not reverse fundamentally. It will still be cheaper to trade many things than produce domestically.
8	Globalised financial and economic shocks occur. [FACT/EVENT]	The world continues to experience transborder shocks of significant impact across domains: specifically in this period one would expect one or more of (i) another pandemic, (ii) financial crises, (iii) localised conflict, (iv) climate shocks which could include one or more 'tipping points' driven by critical ecosystem collapse.
9	There is an ongoing and long-term need for natural resources. [FACT]	There is a growing need for natural resources, particularly critical minerals for the green transition and to drive the technology revolution.

10	There is a strategic uplift of defence spending in major Western powers and their competitors. [NORM]	Military expenditure has increased globally over recent years, increasing 37% worldwide from 2015 to 2024. This new 'norm' is expected to continue over the 15-year time horizon, reflecting the wider, more contested, geopolitics.
11	There is no desire to return to 1990s globalisation – including by the US. [NORM]	A view and norm amongst Western powers that a return to mega globalisation of the 1990s is not desirable and/or achievable – including by the US. We are in a new era.
12	People movements - migration (across borders). [CONTEXT]	There are continued flows of people across borders as economic migrants and in response to humanitarian context/conflict and climate shocks. But there is not a major shift from levels seen today to the extent that materially affects economic outcomes.
13	Climate change and its impacts accelerate in line with scientific expectations. [CONTEXT]	The built in effects of global emissions feed through into temperature rise. We are in at least a 2-degree world in terms of temperature change. Policy action taken now to change this trajectory only impacts outside our 15-year window.

14	There is no World War Three. There will be ongoing localised conflicts (like Sudan, Ukraine) but no global war. [CONTEXT]	Global conflict is considered out of scope.
15	Demographic trends continue – ageing populations in many OECD states and China, younger and more dynamic populations in parts of Africa and India. [CONTEXT]	Given lags, population outcomes for our 15-year period are knowable now. Birth rates continue to decline and ageing societies persist in the Global North – especially Europe and Japan (less so the US). There is rapid growth in populations in some emerging markets (India, Nigeria) and significant declines in China.

VARIABLES

As set out in the introduction, we have focused on the key **variables** that could shift, depending on different states, to create the four scenarios.

NO	VARIABLES	SCALE OF VARIANCE		
		1	2	3
1	**Behaviour of the US (not linear)**	The US removes itself as a global hegemon. It is unwilling (and less able) to enforce the system. It focuses on changing the elements of the order it does not like but not replacing it. The US is absent from many institutions.	The US seeks partial reform of global institutions as a revitalised enlightened hegemon. It is interested in coalitions to achieve this.	The US seeks radical reform of the system in its own perceived narrower interests. There is more emphasis on hard power over cooperation. Transactional.

NO	VARIABLES	SCALE OF VARIANCE		
		1	2	3
2	**Behaviour of China**	China focuses on narrow self-protection and interests. It is more defensive and perhaps more distracted domestically for example due to lower growth and concerns about social stability. It doesn't lead globally. It may seek to limit contestation with the US and be open to management of conflict, including through *some* reforms to limit the disruptive spillovers of its export model.		China seeks to more aggressively assert its interests and expand its sphere of influence, regionally but also on issues it cares about (e.g. sovereignty in the system, trade). It actively challenges the order (where its interests differ). China leads the creation of new approaches, alternatives and groups.

NO	VARIABLES	SCALE OF VARIANCE		
		1	2	3
3	**Behaviour of the EU**	The EU actively defends its interests and is primarily focused on a relatively narrow global role – especially on those seeking to join, its near neighbourhood and its more natural partners in other locations There is some shaping of rules for others to adopt – especially in areas of EU competence (regulation, trade, competition). But the EU is slow to come to positions and not big enough to be a global hegemon. It cannot and will not fully	The EU focuses on its own internal integration, could deepen federalism on some issues – defence or fiscal- and so become a more robust actor on the global stage, where it has the scope to do so. This could involve contestation with the US where interests diverge.	The EU is passive and reactive internationally, focused inwards. More internally divided. It is unable to take leadership positions even where it has competence. It is under some tension but does not break up.

NO	VARIABLES	SCALE OF VARIANCE		
		1	2	3
		replace US economic leadership.		
4	**Technological change & concentration**	Incremental change. Technology is widely diffused across countries and drives marginal gains in many domains.	The pace of tech change accelerates. Some specific technologies become more systemic in impact.	Disruptive scale of tech change. Gains are concentrated in a few states/companies. It reshapes national capacities.
5	**Future of capitalism: state & market/business** **(Note: this is largely about what is happening in 'the**	[Hyper Liberal capitalism] There is limited government intervention in most developed economies, especially in the US. 'Liberal	[European/social democratic] There is growing state intervention – more state aid, more active industrial strategies. Some more regulation. (Big)	[Strategic State Capitalism] There is a shift to a more state led 'strategic' capitalism model in a much larger number of states including the US and France. (NB China

NO	VARIABLES	SCALE OF VARIANCE		
		1	2	3
	West'. Chinese economic model is different already)	capitalism' is dominant – may even become more liberal/laissez faire. There is more deregulation. Economic and political power is becoming more concentrated in a few large global monopolies/duopolies. There is some regulatory and state capture and a strong influence of business on politics, especially in more globalised sectors with a few big players (like Tech).	Business looks to influence domestic and international law in line with their interests. Also seeks subsidy and support.	and other states are already here). Business/state links are much deeper – there is co ownership and even national champions/nationalised industries e.g. in defence, strategic tech.
6	**Economic security vs efficiency**	States limit any further focus on security across their	States enact a new and much expanded set of tools and	Nations become primarily focused on security and nationalism

NO	VARIABLES	SCALE OF VARIANCE		
		1	2	3
		economies. The balance sits where it is now: 'Small yard high fence'. Gradual implementation and becomes part of the accepted system.	instruments on security. Outbound investment screening, data laws. There is greater use of coercive tools but more coordination against coercion also.	over any other objective. They reshape all of policy around this. Onshoring. National ownership. Regular use of coercive tools.
7	**Relative economic strength of the Superpowers (China/EU/US)**	Relative economic power between the US, China and EU is largely as now, with the US retaining its leading edge (size and technology frontier). China never catches up as its GDP growth slows. The EU remains 3rd but some way behind.		More diffuse relative economic power. China catches and overtakes the US on GDP size (albeit lower per head). There is no single economy with dominant agency and influence across all domains. India rises into being a more significant actor. The EU remains a key pole.

NO	VARIABLES	SCALE OF VARIANCE		
		1	2	3
9	**Politics & trust in democracies**	The global economy stabilises/grows. There are rising living standards and wages and governments succeed in addressing social inequality. Democratic institutions hold. The political centre strengthens. Experience of limited populist governance is poor and unpopular. Populism recedes and is seen as a transitory phase.	There is ongoing fraying trust in political systems and the rise of populist discourse but policy change is limited. Electoral challenge from populist parties does not translate into governing at national level or for sustained periods. Populists may influence the policy platforms of more mainstream parties. (i.e. noise/debate but not power)	Polarisation of politics. The centre disappears. Populist parties win power and execute more radical and disruptive economic reform strategies in a larger number of countries – tackling corporates, anti-Euro in Europe, attacks on economic institutions. (i.e. in power and control)

NO	VARIABLES	SCALE OF VARIANCE		
		1	2	3
10	**Nationalist/antagonistic vs internationalist/cooperative** **[Note: refers to Political West +, not every country]**	States continue to see value in collective solutions to global problems. 'Enlightened self-interest'. States are willing to collaborate and invest time and resources in it.	There is some collective action but on a narrower set of areas, and a stronger focus on preserving national interest and 'policy space'.	States are adopting an antagonistic approach, focussed on narrow self-interest and freedom of action. They see no value or success in collective action. Beggar thy neighbour behaviour.
11	**Dollar/US led financial order vs fragmentation of financial system**	The global financial system remains effectively built around the dollar and US leadership. The US retains 'exorbitant privilege' and global markets continue to function well. Efforts continue to create alternatives (by China	There is greater fragmentation of the financial system but it is partial and slow. Countries develop alternatives but as hedging strategies (insurance mechanisms) and retain a preference	The system fragments - driven by (i) successful alternative financial systems created by China/BRICs and (ii) technological innovations (cryptocurrencies). There is less demand for US debt and the dollar becomes one among

NO	VARIABLES	SCALE OF VARIANCE		
		1	2	3
		and BRICs, as well as the Euro) but they do not reach sufficient scale to be significant. The US continues to use the system for economic security measures/sanctions.	for the US/dollar system.	many payment systems (and reserve assets?). But the US does not actively prevent the use of the dollar by others.
12	**Behaviour and impact of Global South** **[Note: refers to G77 minus middle income countries (MICs) (ie non G20)]**	The Global South is fractured and focused on domestic issues and challenges. There is no effective leadership and therefore no, or limited, impact on global outcomes.	The Global South acts as a group on some issues and is specifically effective where it can form blocking coalitions (e.g. UNFCCC) or has more voice. But it is not shaping the core decisions across the system.	The G77 (or some other Global South group/bloc) coordinates effectively. It builds stronger coordination mechanisms (Secretariat?) and uses soft and hard power levers to shape outcomes. Moral case and persuasion.

NO	VARIABLES	SCALE OF VARIANCE		
		1	2	3
13	**Consensus and action on aid**	Incremental reshaping. 'Donors'' sense of moral obligation persists but aid (ODA) decreases further as other pressures bite. Some smaller donors remain (e.g. Sweden) and MDBs remain well capitalised and continue to lend volumes to the Global South in particular. Climate finance grows. The relative role of new aid actors/donors (China, India, UAE, Saudi) grows.	A significant climate, conflict or health shock drives a big increase in humanitarian and development spend. Incomes rising in the west mean reduced fiscal pressure making giving aid more affordable. New coalitions on development appear e.g. India, S Korea, Gulf.	Bilateral aid ends as a significant instrument from OECD members. UN agencies close. There are no further SDGs. The Global South shifts to a focus on reparations (climate, slavery) and a beyond aid agenda on trade, investment, remittances. This 'order' ceases to exist in a meaningful sense and is subsumed into other areas of activity/cooperation.

NO	VARIABLES	SCALE OF VARIANCE		
		1	2	3
14	**Level of UK growth**	The UK economy remains stagnant – less than 1% growth a year. There is weak job growth and pressure on public services, rising inequality, low confidence, worsening debt-to-GDP ratio and eroding competitiveness. Another 'lost decade'.		Higher UK growth returns – back to pre-financial crisis levels (2.5-3% a year). Higher growth (partially driven by AI) leads to higher employment and wages, higher tax receipts and public investment, improved living standards and a lower debt-to-GDP ratio.