VALEXIS GLOBAL

INTELLIGENCE AT THE INTERSECTION
OF POWER AND MARKETS

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GEOECONOMIC INTELLIGENCE QUARTERLY

THE NEW MIDDLE

Ten Countries Playing All Sides in 2026

Intelligence at the intersection of power and markets.

BOSPORUS
41.02°N, 29.01°E

SUEZ
30.02°N, 32.58°E

HORMUZ
26.34°N, 56.21°E

BAB EL-MANDEB
12.57°N, 43.28°E

PANANMA
8.98°N, 79.53°E

MALACCA
1.30°N, 103.58°E

A quantitative assessment of geoeconomic alignment drift, economic statecraft intensity, trade fragility, and macroeconomic stress across ten strategically significant economies in Q2 2026.

DISCIPLINES

ECONOMIC STATECRAFT
Sanctions · Coercion · Counter-Architecture

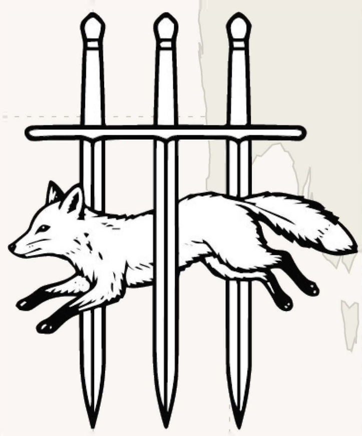
TRADE FRAGILITY
Corridors · Chokepoints · Dependence

POLICY SIGNAL VELOCITY
Regulatory Change · Divergence · Signals

MACRO STRESS
Liquidiy · Debt · FX Pressure

e

STRATEGIC ALIGNMENT
Drift · Multi-alignment · Bloc Positioning



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Geoeconomic Intelligence Quarterly · Q2 2026 · *Inaugural Edition*

This report is cleared for public release. All assessments reflect conditions as of June 2026. Primary sources: IMF, World Bank, UNCTAD, McKinsey MGI, Carnegie Endowment, CSIS, Chatham House, Atlantic Council, Brookings, Capital Economics, CFR, S&P Global, SIPRI.

CHAPTER 01

Executive Summary

The global order is no longer bipolar — nor multipolar in the traditional sense.

What executives face in 2026 is something more operationally specific: a **four-pole world** in which the United States, European Union, China, and Russia each exert distinct gravitational pulls, and a growing class of strategically significant economies is deliberately orbiting all four simultaneously. This report identifies ten of those economies — the **New Middle** — and scores each across four dimensions of geoeconomic risk continuously tracked by the Valexis Global Geoeconomic Risk Dashboard.

The 2026 US-Iran conflict and partial closure of the Strait of Hormuz is the **defining geoeconomic shock of the year**. It is not a tail risk in this report — it is the operating environment. Its second-order effects run through six of the ten country profiles.

KEY FINDINGS · Q2 2026

01 **India: Multi-Alignment as Doctrine** ELEVATED

Capital Economics formally reclassified India as 'unaligned' in January 2026. India simultaneously holds a US interim trade deal, an EU trade agreement, a Putin summit, and SCO membership. Multi-alignment is doctrine, not ambiguity.

02 **Turkey: Alliance Membership No Longer Predicts Behavior** HIGH

Turkey scores the highest combined Alignment Drift and Macro Stress of any country in this report — a NATO member that operates Russian S-400 systems and settled the Halkbank case with Washington in March 2026.

03 **Pakistan: Fiscal Fragility as Diplomatic Capital** HIGH

Pakistan's $3.5 billion UAE deposit repayment and its subsequent role as primary US-Iran ceasefire mediator illustrate how fiscal fragility and diplomatic leverage coexist — and how briefly.

04 **USMCA Review: Risk to Chinese Firms, Not Mexican** ELEVATED

Valexis assesses the July 2026 USMCA review poses greater risk to Chinese firms operating in Mexico than to Mexican firms. The review is a compliance filter targeting origin arbitrage, not a trade war against Mexico.

05 **Hormuz: Threshold for Forced Alignment Rising** CRITICAL

The Hormuz conflict is the most severe alignment-forcing shock since 2022. It failed to produce a single formal alignment declaration from any New Middle country. The threshold for forced choice is rising, not falling.

COUNTRIES PROFILED	COMBINED GDP	ACTIVE HEDGERS	BRENT RANGE
10	**$12** tn	**5**	**$101** –114
New Middle economies	Aggregate 2024 estimate	Drift score 6.0+	Ceasefire range Jun 2026

VALEXIS ASSESSMENT

Multi-alignment is becoming self-reinforcing. The operating environment for the foreseeable future is permanent structured ambiguity.

Supply chain, investment, and market entry strategies should be built for a world that does not resolve — not for a resolution that may never come. Corporate strategy built on the assumption that alignment will eventually clarify is the wrong framework.

CHAPTER 02

The 2026 US-Iran War — Defining Shock

No geoeconomic report published in mid-2026 can be read without understanding the Hormuz context. The US-Israel attack on Iran on February 28, 2026 and subsequent Iranian retaliation triggered the most severe energy market disruption since COVID-19 — and it is not resolved.

Feb 28, 2026

US-Israel Attack on Iran

Airstrikes on Iranian nuclear and military infrastructure; Iran responds with missiles and drones targeting US embassies, military installations, and Gulf oil infrastructure.

Brent: ~$82/bbl

Mar 4, 2026

Hormuz Declared Closed

Iranian forces declare Strait closed; commercial traffic drops more than 90%; UK Maritime Trade Operations Centre reports 10 ship attacks, five crew killed.

Brent: ~$92/bbl

Mar 31, 2026

Oil Price Shock Peak

Brent rises approximately 65% — highest monthly rise ever recorded (CRS R45281); global oil output falls 6.9 mb/d in Q2 2026, largest quarterly decline since COVID-19. More than 800 cargo and oil vessels stranded inside Gulf.

Brent: ~$114/bbl (peak)

Apr 7, 2026

Fragile Ceasefire

Ceasefire announced; Strait partially reopened with Iranian military-approval requirement for vessel transit.

Brent: ~$98/bbl

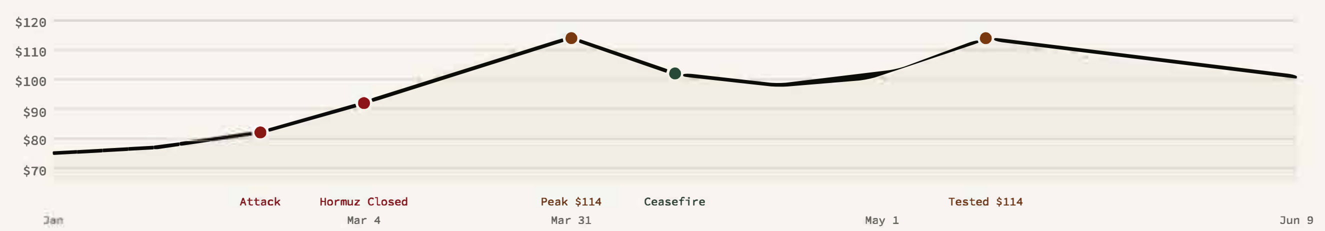
May 8, 2026

Ceasefire Tested

US and Iran exchange fire in the Strait; Brent spikes to approximately $114/bbl; many shipowners continue to avoid the route. Ceasefire fragile as of report date.

Brent: ~$114/bbl (spike)

BRENT CRUDE PRICE TRAJECTORY — JAN THROUGH JUN 2026 (APPROXIMATE)



PROLONGED CLOSURE SCENARIO

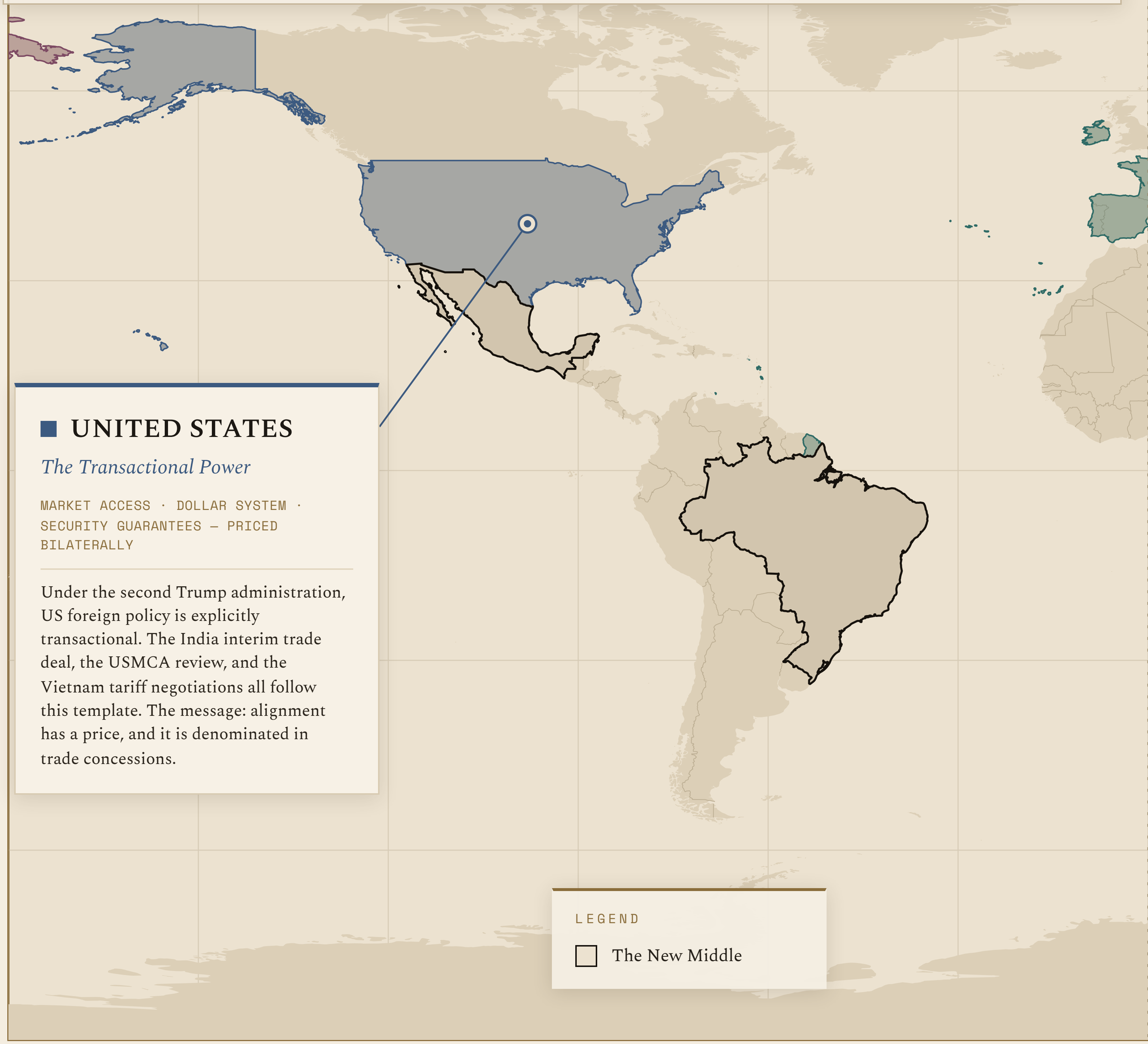
World Bank estimates sustained Hormuz disruption keeps average Brent in a $95–$115/bbl range through 2026 — 10 to 35% above pre-conflict baseline. Energy import cost modeling for Q3–Q4 should incorporate this range as the *base case*, not the stress case.

THE FOUR-POLE WORLD

Chapter 3

THE PREMISE

The old West-versus-Rest framework has outlived its analytical usefulness. The need for globalization by our populations in the face of global governance perspectives is causing the rift. What replaced it is not a clean multipolar order but something more operationally relevant: four distinct power centers, each with its own instruments of influence, its own orbit of dependent relationships, and its own definition of what it wants from the middle.



UNITED STATES

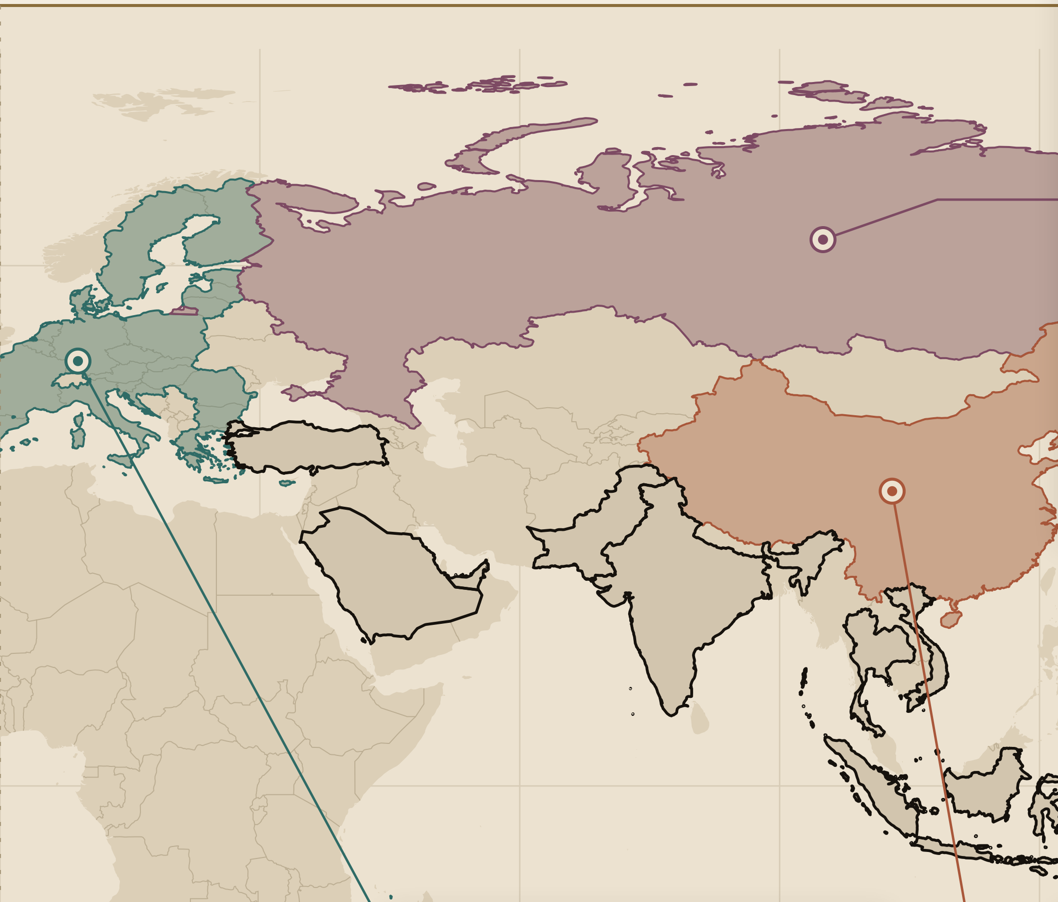
The Transactional Power

MARKET ACCESS · DOLLAR SYSTEM · SECURITY GUARANTEES — PRICED BILATERALLY

Under the second Trump administration, US foreign policy is explicitly transactional. The India interim trade deal, the USMCA review, and the Vietnam tariff negotiations all follow this template. The message: alignment has a price, and it is denominated in trade concessions.

LEGEND

- The New Middle



RUSSIA

The Great Disruptor

ENERGY DEPENDENCY · MILITARY PRESENCE · INFORMATION OPERATIONS

Russia's primary instrument is disruption. Its economic influence is declining but remains structurally embedded in defense relationships — India holds approximately 60% of its current arsenal from Russia (SIPRI, 2025). The Hormuz conflict has reshuffled Russia's relevance to middle countries managing energy costs simultaneously.

EUROPEAN UNION

Arbiter of the Liberal Order

REGULATORY STANDARDS (CBAM, CSRD, AI ACT) · TRADE AGREEMENTS · DEVELOPMENT FINANCE

The EU continues to operate as the primary custodian of rules-based trade tied to the demand of the European market. Its landmark trade agreement with India in January 2026 and ongoing Mercosur negotiations reflect a deliberate strategy to anchor middle countries to EU standards frameworks. EU regulatory compliance is increasingly a competitive moat.

CHINA

The Patient Builder

BRI INFRASTRUCTURE · NO-CONDITIONALITY LENDING · MANUFACTURING INVESTMENT

China's approach to the middle is structural and long-horizon. Belt and Road infrastructure creates dependencies that do not demand formal alignment — only access. Chinese FDI into Mexico has more than doubled since USMCA took effect. China does not need the middle to choose it — it needs the middle to stay open.

VALEXIS ASSESSMENT — WHY THE BINARY IS BROKEN

The current four-pole configuration is durable enough to plan against.

Each pole offers the New Middle something the others cannot — which is precisely what makes multi-alignment rational, persistent, and self-reinforcing. No single pole can simultaneously provide what all four currently offer to any given New Middle country. This is a system, not ambiguity.

CHAPTER 04

Methodology — The Four Forces Framework

Each country is scored across four structural dimensions tracked continuously by the Valexis Global Geoeconomic Risk Dashboard. Scores reflect Q2 2026 conditions. The Alignment Drift Score is an equal-weighted average of the four dimension scores on a 1–10 scale, where 10 represents maximum hedging behavior and structural divergence from Western alignment.

DIMENSION	WHAT IT MEASURES	SIGNAL TYPE	KEY DATA INPUTS
D1 — Economic Statecraft	Sanctions exposure, state coercion tools, counter-Western economic architecture	Structural / stress response	OFAC SDN XML, BIS Entity List, EU sanctionsmap.eu, export control actions
D2 — Policy Signal Velocity	Regulatory change frequency, policy divergence from G7 frameworks, nationalization signals	Behavioral / leading indicator	EUR-Lex Official Journal cadence, OECD regulatory tracker, IMF Fiscal Monitor
D3 — Trade & Supply Chain	Dependency concentration, chokepoint exposure, transshipment risk, connector economy designation	Infrastructure / live	PortWatch 197-country AIS data, UNCTAD TRAINS, World Bank WITS 2022
D4 — Macro Stress	Sovereign spread, FX pressure, credit conditions, external debt trajectory, growth outlook	Structural / lagging	Yahoo Finance (CDS proxy, PMI proxy, REER), OECD CLI, IMF WEO April 2026

SCORE INTERPRETATION SCALE — 1 TO 10

8.0 – 10.0 Critical / Acute Hedging

Acute hedging or explicit counter-alignment; systemic compliance risk for corporate counterparties

Example: Turkey (7.6), Pakistan (7.2)

6.0 – 7.9 High / Elevated Drift

Elevated drift; active multi-alignment strategy; selective decoupling underway

Example: Saudi Arabia (6.6), India (6.4), UAE (5.6)

4.0 – 5.9 Moderate / Active Non-Alignment

Moderate hedging; non-aligned posture with growing pole diversification

Example: Brazil (5.6), Mexico (5.4), Vietnam (5.4), Indonesia (5.3), Thailand (4.8)

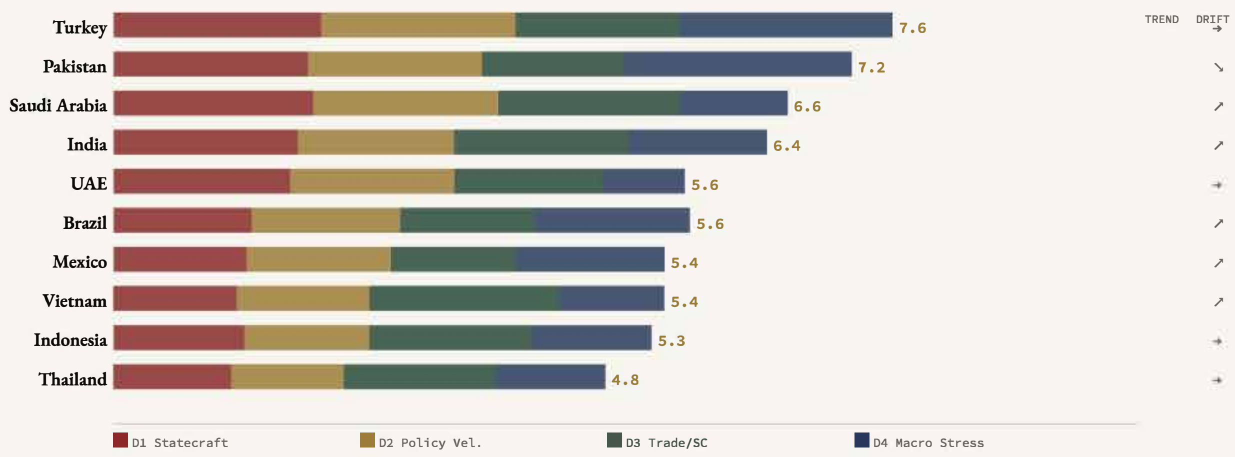
Data sources: IMF WEO April 2026; World Bank WITS 2022; UNCTAD Global Trade Update April 2026; PortWatch 197-country AIS; Yahoo Finance; OECD CLI; EUR-Lex Official Journal; BIS Consolidated Banking Statistics; OFAC SDN XML; BIS Entity List; SIPRI Arms Transfers Database 2025. Analytical framework: National Power Index (NPI) and DIMEFIL-DC ontology developed in partnership with the Center for the Application of Grand Strategy (CAGS).

CHAPTER 05

The New Middle — Alignment Drift Matrix

Countries ranked by composite Alignment Drift Score, Q2 2026. Scale: 1–10 where 10 = maximum hedging.

ALIGNMENT DRIFT SCORE BY COUNTRY — STACKED FOUR FORCES PROFILE



#	COUNTRY	REGION	D1	D2	D3	D4	DRIFT	TREND	PRIMARY RISK TIER
1	**Turkey**	Europe/ME	8.1	7.6	6.4	8.3	7.6	→	HIGH
2	**Pakistan**	South Asia	7.6	6.8	5.5	8.9	7.2	↘	HIGH
3	**Saudi Arabia**	Middle East	7.8	7.2	7.1	4.2	6.6	↗	HIGH
4	**India**	South Asia	7.2	6.1	6.8	5.4	6.4	↗	ELEVATED
5	**UAE**	Middle East	6.9	6.4	5.8	3.2	5.6	→	ELEVATED
6	**Brazil**	Latin America	5.4	5.8	5.2	6.1	5.6	↗	MODERATE
7	**Mexico**	Latin America	5.2	5.6	4.9	5.8	5.4	↗	MODERATE
8	**Vietnam**	SE Asia	4.8	5.2	7.4	4.1	5.4	↗	ELEVATED
9	**Indonesia**	SE Asia	5.1	4.9	6.3	4.7	5.3	→	ELEVATED
10	**Thailand**	SE Asia	4.6	4.4	5.9	4.3	4.8	→	LOW

Active hedgers (Drift 6.0+): Turkey, Pakistan, Saudi Arabia, India, UAE — running deliberate multi-alignment strategies with measurable divergence from Western frameworks. Requires active compliance management and secondary sanctions screening.
Opportunistic hedgers (5.0–5.9): Brazil, Mexico, Vietnam, Indonesia. Drift is rising across all four. The USMCA review, US trade investigations, and Mercosur-EU ratification are the near-term binary events that will move these scores.
Traditional non-aligners (below 5.0): Thailand. Lowest score in this report but included for a specific corporate risk profile — simultaneously benefiting from China+1 investment and targeted by US transshipment investigation.

CHAPTER 6 · COUNTRY PROFILE

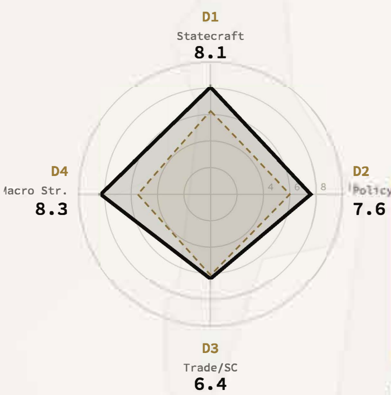
01 Turkey

The Indispensable Disruptor

Europe / ME

7.6

ALIGNMENT DRIFT SCORE · →



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D3 6.13 · D4 5.5 — — —

Turkey is the most analytically complex country in this report. As a NATO member, it is formally aligned with the Western bloc. In practice, it operates Russian S-400 missile systems, has resisted all Western pressure to impose sanctions on Russia, and has facilitated documented sanctions evasion through its financial sector.

OBSERVED FACT

A settlement between the US and Turkish governments was reached in March 2026 on the Halkbank case. Turkey remains a net energy importer. The Hormuz conflict raised Turkish energy import costs during Q1–Q2 2026.

VALEXIS ASSESSMENT

The Halkbank settlement reduces acute legal risk but does not alter the structural contradiction: Turkey remains a NATO member providing material economic support to a country NATO is sanctioning. The energy cost increase compounds Turkey's existing D4 stress (8.3). Lira depreciation, elevated CDS spreads, and import cost inflation are mutually reinforcing — the Hormuz shock is an accelerant on pre-existing macro fragility.

CORPORATE RISK SNAPSHOT

Secondary Sanctions	Turkish firms in Russian energy/financial markets face escalating CAATSA enforcement risk; Halkbank settlement does not eliminate counterparty compliance risk	HIGH
FX & Macro Stability	Persistent lira depreciation; CDS spread elevated; inflation above target; Hormuz energy costs add pressure	HIGH
Hormuz Energy Cost	Net energy importer; prolonged Hormuz closure drives import bill higher and compounds lira pressure	HIGH
NATO Leverage	Bosphorus control and southeast flank position create structural leverage limiting Western punitive action	MODERATE
EU Market Access	EU accession effectively frozen; regulatory divergence deepening; CBAM exposure for Turkish exporters	ELEVATED

Q3–Q4 OUTLOOK

Base case: Turkey continues balancing. Erdogan uses NATO Ankara Summit (July 7–8) leverage to avoid punitive measures while maintaining Russian energy relationships. Macro stress persists without acute crisis.

Stress scenario: US secondary sanctions tighten on Turkish financial institutions post-Ankara. Companies with Turkish bank counterparties face compliance exposure.

Watch: CAATSA enforcement actions; lira/USD trajectory; Ankara Summit (July 7–8) bilateral outcomes; any formal BRICS engagement by Ankara.

Carnegie Endowment (May 2026); CSIS "Strategic Ambiguity — Erdogan's Turkey in a Multipolar World" (Jan 2026); Atlantic Council Turkey Program (Mar 2026); CFR Turkey backgrounder (Apr 2026).

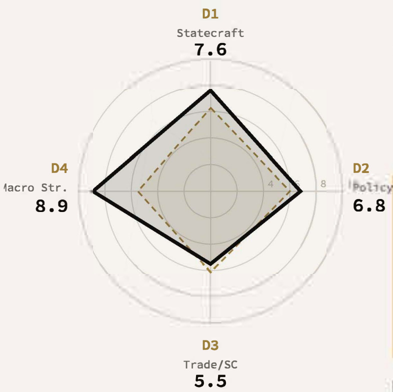
CHAPTER 6 · COUNTRY PROFILE

02 Pakistan

Sovereign Realignment Under Fiscal Stress

South Asia

7.2
ALIGNMENT DRIFT SCORE · ↘



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Pakistan is executing the most high-risk foreign policy gambit in this report: leveraging maximum fiscal fragility as diplomatic capital. Its D4 Macro Stress score of 8.9 is the highest in this report — and yet Islamabad is asserting sovereign foreign policy independence at precisely its point of maximum economic vulnerability.

OBSERVED FACT

Pakistan repaid a $3.5 billion UAE central bank deposit in April 2026. US Vice President Vance led a delegation to Islamabad for Iran ceasefire talks in April 2026. Pakistan's IMF program is the primary macroeconomic stabilizer.

VALEXIS ASSESSMENT

These events are structurally connected. Pakistan's refusal to align with the UAE's hawkish Iran posture fractured the financial relationship. Washington then needed Islamabad's mediation access to Tehran more than it needed Pakistani compliance. The window between mediation leverage expiration and fiscal crisis is most likely to open in Q4 2026.

CORPORATE RISK SNAPSHOT

Sovereign Debt / FX	IMF program is sole stabilizer; Gulf financial support deteriorating; Saudi rollover on $6.3B obligations pending	HIGH
Gulf Relationship	UAE deposit recalled; worker deportation threats; Gulf remittance risk elevated if deterioration deepens	HIGH
Hormuz / Energy	Net energy importer; Hormuz fuel cost increase compounds already stressed current account	ELEVATED
Mediation Leverage	VP Vance visit confirms ceasefire mediator role; leverage expires when Hormuz situation stabilizes — potentially Q4 2026	MODERATE
China Dependency	CPEC obligations deepen as Gulf support weakens; Chinese leverage increasing	ELEVATED

Q3–Q4 OUTLOOK

Base case: Pakistan stabilizes under IMF program; manages Gulf deterioration via Saudi substitution; mediation role sustains diplomatic relevance through Q3.

Stress scenario: Gulf remittance flows decline materially; FX reserves fall below critical threshold; IMF program faces compliance risk. Q4 2026 is the highest-risk window.

Watch: IMF quarterly review outcomes; Saudi Arabia rollover decision; Hormuz ceasefire trajectory; India-Pakistan diplomatic signals.

The Diplomat "Dependence Without Trust" (Apr 2026); Atlantic Council Pakistan Program (May 2026); Brookings Pakistan Fiscal Outlook (Mar 2026).

CHAPTER 6 · COUNTRY PROFILE

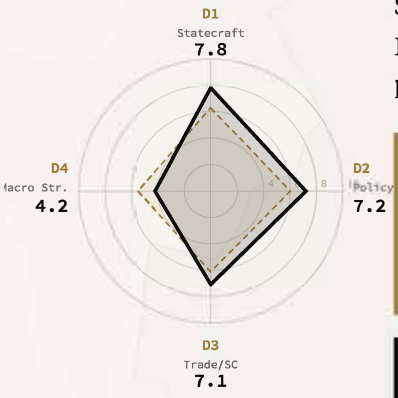
03 Saudi Arabia

The Deliberate Hedger

Middle East

6.6

ALIGNMENT DRIFT SCORE · ↗



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D3 6.13 · D4 5.5 — — —

Saudi Arabia's hedging is deliberate, financially stable, and structurally durable. Unlike Turkey or Pakistan, Riyadh is not hedging under duress — it is hedging from a position of sovereign wealth and strategic leverage. S&P Global describes the Saudi-China relationship as a "pivot" rather than a diversification.

OBSERVED FACT

China imported 78.6 million tons of Saudi crude in 2024. Saudi Aramco supplied approximately 51 million barrels to China in October 2024 alone (S&P Global, Mar 2025). Iranian strikes targeted Saudi oil infrastructure and desalination plants during the February–March 2026 conflict.

VALEXIS ASSESSMENT

Saudi Arabia faces a structural paradox from the Hormuz conflict: elevated oil prices benefit revenues in the short term while Iranian strikes on Saudi infrastructure represent an existential threat to the assets generating those revenues. Both poles are competing for Riyadh's capital without being able to demand exclusivity. This is the most favorable structural position of any country in this report.

CORPORATE RISK SNAPSHOT

Hormuz Infrastructure Security	Iranian strikes directly targeted Saudi oil and desalination infrastructure; ceasefire fragile as of May 2026	HIGH
Energy Market Control	Saudi OPEC+ production decisions move commodity markets 5–15%; unilateral cut risk remains through Q4	ELEVATED
Renminbi Oil Trade	Growing Saudi-China energy trade in non-dollar currencies; USD settlement exposure increasing	MODERATE
Vision 2030 Investment	Mega-project pipeline active; genuine value-add firms have significant multi-year runway	OPPORTUNITY
Regional Security	Houthi maritime disruption in Red Sea affecting shipping costs; Iran conflict ongoing	ELEVATED

Q3–Q4 OUTLOOK

Base case: Saudi Arabia continues extracting maximum value from all poles. Vision 2030 pipeline sustains Western corporate engagement. OPEC+ production decision is the primary oil price variable heading into Q4.

Stress scenario: Hormuz ceasefire collapses; new Iranian strikes on Saudi oil infrastructure; production disruption forces global energy market repricing.

Watch: OPEC+ late-year ministerial decision; US-Saudi defense framework progress; renminbi oil trade volume; Hormuz ceasefire stability.

S&P Global "Saudi-China Ties and Renminbi-Based Oil Trade" (Mar 2025); Chatham House Middle East Programme (Apr 2026); Atlantic Council Energy Security Monitor (Apr 2026).

CHAPTER 6 · COUNTRY PROFILE

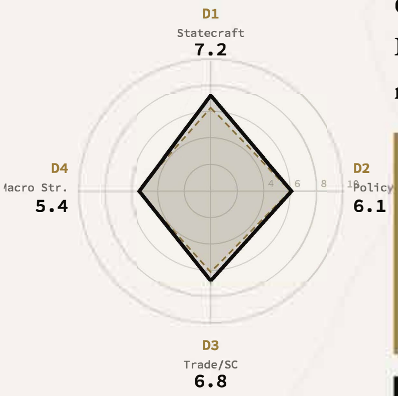
04 India

Multi-Alignment as Doctrine

South Asia

6.4

ALIGNMENT DRIFT SCORE · ↗



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Capital Economics formally reclassified India as 'unaligned' in its January 2026 Global Fracturing update. India is the single most important country in this report for corporate strategy teams with Asia-Pacific manufacturing or services exposure.

OBSERVED FACT

India signed an interim trade deal with the US (reducing tariffs from 50% to 18%), finalized a landmark EU trade agreement in January 2026, hosted Putin in December 2025, attended the SCO Summit, and holds BRICS chairmanship in 2026. Russia remains India's largest arms supplier at approximately 40% of current arsenal (SIPRI, 2025).

VALEXIS ASSESSMENT

India's multi-alignment is structural, not transitional. No single pole can simultaneously provide what all four currently offer. The January 2026 EU deal and US interim agreement were executed in parallel with Putin hosting and SCO attendance. This is a system, not ambiguity. The goods trade deficit narrowing in March 2026 is a temporary benefit masking structural vulnerability from prolonged Hormuz closure.

CORPORATE RISK SNAPSHOT

Secondary Sanctions	Russian defense ties (40% of arsenal per SIPRI) create CAATSA exposure if US-Russia tensions escalate	HIGH
Hormuz / Energy	Net energy importer; prolonged closure raises fuel costs, inflation, and current account pressure	ELEVATED
Regulatory Nationalism	Data localization, FDI screening, and double VAT for manufacturers increasing operational friction (CSIS, Apr 2026)	ELEVATED
Supply Chain Opportunity	China+1 manufacturing inflows accelerating; primary beneficiary of electronics assembly relocation globally	OPPORTUNITY
Market Access	US interim deal and EU agreement improve goods trade conditions; services trade remains complex	MODERATE

Q3–Q4 OUTLOOK

Base case: India maintains strategic autonomy. No forced alignment choice. Manufacturing inflows continue. Regulatory friction persists.

Stress scenario: Secondary sanctions pressure forces India to distance from Russian energy. Supply chain costs spike. Political backlash against Western firms.

Watch: US-India defense procurement Q3 decisions; India BRICS chairmanship agenda; UNGA voting pattern as alignment signal; Hormuz ceasefire trajectory.

Capital Economics "India Economics Update" (Jan 2026); Carnegie Endowment "India and a Changing Global Order" (Mar 2026); SIPRI Arms Transfers Database (2025).

CHAPTER 6 · COUNTRY PROFILE

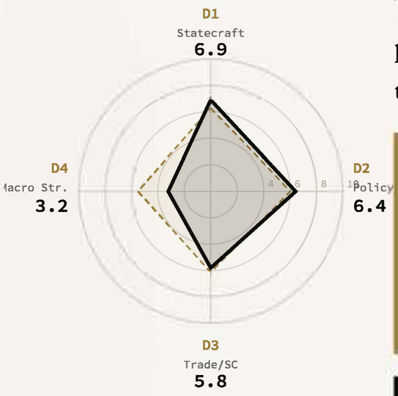
05 UAE

The Strategic Portfolio Manager

Middle East

5.6

ALIGNMENT DRIFT SCORE · →



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D3 6.13 · D4 5.5 — — —

The UAE approaches geopolitical alignment like a sovereign wealth fund approaches an investment portfolio: diversified, return-oriented, and ruthlessly pragmatic. Low macro stress (D4: 3.2) — the lowest in this report — confirms Abu Dhabi is hedging from strength, not necessity.

OBSERVED FACT

The UAE withdrew its $3.5 billion central bank deposit from Pakistan in April 2026. The I2U2 framework — India, Israel, UAE, USA — was operationalized in 2022 and has deepened through 2026. Iranian strikes during the February–March conflict targeted Gulf civilian infrastructure in proximity to UAE commercial hubs.

VALEXIS ASSESSMENT

The UAE-Pakistan financial withdrawal signals a UAE becoming more assertive with its financial centrality — using it to shape geopolitical behavior, not just deploy capital commercially. I2U2 positions Abu Dhabi at the center of an alternative Middle East architecture that is neither purely Western nor Chinese-dependent. The UAE is becoming the primary financial operating system of the Global South.

CORPORATE RISK SNAPSHOT

Hormuz Conflict Proximity	Iranian strikes targeted Gulf infrastructure; UAE commercial hubs in direct conflict proximity; ceasefire fragile as of May 2026	HIGH
Sanctions Compliance	UAE documented hub for Russian capital and sanctions evasion; financial counterparty compliance risk elevated	ELEVATED
Red Sea / Houthi	Houthi maritime threats affect UAE port volumes; shipping cost inflation ongoing	ELEVATED
Hub Stability	Low macro stress (D4: 3.2); strong fiscal position; corporate operating environment stable	LOW
EM Capital Gateway	UAE sovereign wealth increasingly the settlement layer for Global South capital flows	OPPORTUNITY

Q3–Q4 OUTLOOK

Base case: UAE maintains diversified positioning. I2U2 framework deepens. Direct conflict exposure managed through diplomatic and military engagement.

Stress scenario: Hormuz ceasefire collapses; new Iranian strikes on UAE commercial infrastructure; Jebel Ali port disruption; shipping insurance costs spike.

Watch: Iran conflict escalation timeline; Hormuz ceasefire stability; UAE-China financial infrastructure developments; ADNOC strategic partnerships.

ECFR "East Meets Middle" (May 2024); Atlantic Council Middle East Program (May 2026); Chatham House Gulf Programme (Apr 2026).

CHAPTER 6 · COUNTRY PROFILE

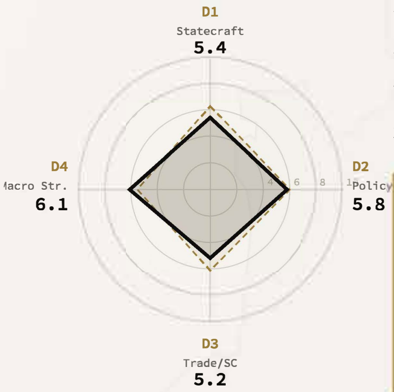
06 Brazil

Active Non-Alignment

Latin America

5.6

ALIGNMENT DRIFT SCORE · ↗



Report avg: D1 6.27 · D2 6.0
D3 6.13 · D4 5.5 — — —

Brazil's foreign policy doctrine has a formal name: active non-alignment. Under Lula, Brasilia has used its BRICS engagement to position itself as a leader of the Global South. Among the New Middle, Brazil is uniquely positioned as an energy exporter benefiting from the same Hormuz disruption that harms most of its peers.

OBSERVED FACT

The IMF upgraded Brazil's 2026 growth forecast to 1.9%, supported by net energy exporter status benefiting from elevated 2026 energy prices (IMF WEO, Apr 2026). US-bound exports fell 28% between August and October 2025 as tariff tensions bit; China-bound exports grew over the same period.

VALEXIS ASSESSMENT

Brazil's active non-alignment is deliberate doctrine, not default. The Hormuz-driven energy export windfall makes Brazil the clearest beneficiary of the same disruption that threatens most of its peers. The Mercosur-EU agreement, currently before the European Court of Justice, would transform Brazil's regulatory anchor if ratified.

CORPORATE RISK SNAPSHOT

US Tariff Exposure	No bilateral deal; subject to 50% US tariff with partial soft-commodity waivers; manufactured goods exposure remains	ELEVATED
Hormuz Energy Windfall	Net energy exporter; IMF confirmed 2026 growth upgraded partly due to elevated Hormuz-driven energy export revenues	OPPORTUNITY
China Trade Dependency	China is largest trading partner; commodity export concentration creates terms-of-trade risk if Chinese demand softens	MODERATE
Macro Trajectory	IMF 2026 growth upgraded to 1.9%; energy revenues positive; fiscal sustainability is a medium-term concern	MODERATE
Mercosur-EU Ratification	If European Court ratifies, transforms Brazil's market access and regulatory anchor; timeline uncertain	OPPORTUNITY

Q3–Q4 OUTLOOK

Base case: Brazil continues active non-alignment. Energy revenues sustain macro stability. G20 Miami (Dec 14–15) elevates Brazil as Global South voice.

Stress scenario: China commodity demand softens sharply; energy price correction from Hormuz ceasefire; US tariff escalation; fiscal sustainability concerns trigger sovereign spread widening.

Watch: Mercosur-EU court ruling timeline; China commodity demand trajectory; US tariff negotiation progress; G20 Miami bilateral outcomes.

IMF WEO Spring Meetings Briefing (Apr 2026); CEBRI Journal "Brazil, the BRICS and Active Non-Alignment" (May 2025); Brookings Latin America Initiative (Mar 2026).

CHAPTER 6 · COUNTRY PROFILE

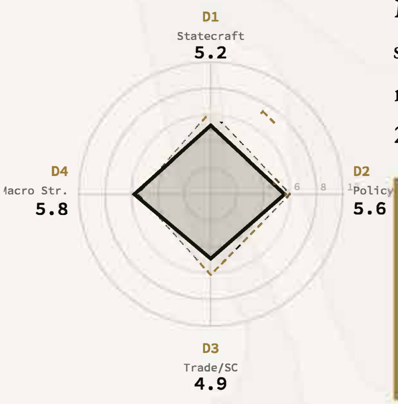
07 Mexico

Caught Between Two Architectures

Latin America

5.4

ALIGNMENT DRIFT SCORE · ↗



Report avg: D1 6.27 · D2 6.0
D3 6.13 · D4 5.5 — — —

Mexico is the United States' largest trading partner — approximately $930 billion in total 2024 trade — and simultaneously the primary entry point for Chinese manufacturing investment into the North American market. This structural contradiction is the defining tension of the USMCA review, scheduled for July 2026.

OBSERVED FACT

Chinese FDI into Mexico has more than doubled since USMCA took effect (Brookings, Mar 2026). The USMCA review is scheduled for July 2026. CSIS reports double VAT taxation, retroactive audits, and judicial uncertainty are reducing investment certainty at precisely the moment USMCA compliance signaling is most important (CSIS, Apr 2026).

VALEXIS ASSESSMENT

The USMCA review is not primarily about Mexico. It is about China's use of Mexican assembly as origin arbitrage into the North American market. Enhanced rules of origin are designed to disqualify Chinese-linked supply chains, not punish Mexican ones. Mexican firms with genuinely domestic supply chains stand to benefit. Companies using Mexico for Chinese-content arbitrage face binary compliance disruption.

CORPORATE RISK SNAPSHOT

USMCA Rules of Origin	July 2026 review expected to tighten Chinese-content thresholds; supply chains with ambiguous origin face disqualification risk	HIGH
Chinese-Linked Investment Scrutiny	Enhanced due diligence required for counterparties with Chinese ownership or sourcing; compliance cost rising significantly	HIGH
Nearshoring Opportunity	Lowest-cost compliant manufacturing base for North American market; traceable-origin firms benefit from tighter enforcement	OPPORTUNITY
Peso / Macro	Peso sensitive to US trade policy shifts; fiscal uncertainty under Sheinbaum; growth below potential	ELEVATED
Judicial / Regulatory Uncertainty	Retroactive audits and double VAT reducing investment confidence at critical USMCA moment (CSIS, Apr 2026)	ELEVATED

Q3–Q4 OUTLOOK

Base case: USMCA review produces tighter rules of origin. Compliant supply chains gain competitive advantage. Chinese-linked manufacturers face disruption.

Stress scenario: Adversarial review outcome triggers investment freeze; peso depreciates sharply; nearshoring advantage temporarily impaired; US-Mexico diplomatic tensions elevate through G20 Miami.

Watch: July 1 USMCA review outcome; Chinese FDI screening mechanism scope; peso trajectory; Sheinbaum-Trump bilateral at G20 Miami (Dec 14–15).

CSIS "USMCA Review 2026" (Aug 2025); CSIS "Nearshoring Without Growth" (Apr 2026); Brookings "Chinese FDI in Mexico" (Mar 2026).

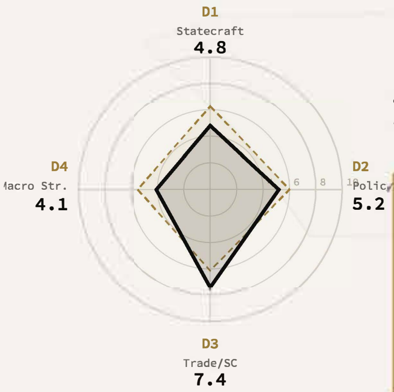
CHAPTER 6 · COUNTRY PROFILE

08 Vietnam

The Connector Economy

SE Asia

5.4
ALIGNMENT DRIFT SCORE · ↗



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Vietnam's Trade and Supply Chain score (D3: 7.4) is the second-highest in this report — reflecting its structural role as the primary manufacturing alternative to China for electronics, apparel, and consumer goods. UNCTAD identified Vietnam as a 'connector economy' in its April 2026 Global Trade Update. That designation is now both Vietnam's competitive advantage and its regulatory target.

OBSERVED FACT

The US announced a trade investigation into alleged excess industrial capacity against 16 partners including Vietnam in March 2026. Vietnam became a BRICS partner country in 2024 and achieved ASEAN's fastest growth rate in 2026. UNCTAD confirmed Hormuz price shock raised Vietnam's import costs and inflation pressure (UNCTAD Trade Foresights, May 2026).

VALEXIS ASSESSMENT

Vietnam's connector economy status is simultaneously its growth engine and its greatest regulatory vulnerability. The same supply chain architecture that attracted 68% of manufacturing FDI flowing to Vietnam, Malaysia, and Thailand since 2018 (McKinsey MGI, Mar 2026) is the architecture US investigators are scrutinizing. Companies using Vietnam for genuine manufacturing should expect margin pressure and compliance scrutiny simultaneously in H2 2026.

CORPORATE RISK SNAPSHOT

Transshipment Scrutiny	US trade investigation ongoing; Chinese-origin goods assembled in Vietnam face tariff and compliance risk	HIGH
Hormuz / Energy Costs	Net energy importer; UNCTAD confirmed Hormuz price shock raised import costs and inflation pressure	ELEVATED
Supply Chain Hub	ASEAN fastest-growing economy; electronics assembly anchor; strong manufacturing infrastructure	OPPORTUNITY
China Component Dependency	Component supply chains remain deeply Chinese; genuine decoupling adds significant cost	MODERATE
Macro Stability	Low macro stress; growth positive; currency relatively stable	LOW

Q3–Q4 OUTLOOK

Base case: Vietnam manages US scrutiny through compliance signaling. Growth continues. Electronics supply chain deepens.

Stress scenario: US tariff action specifically targets Vietnam; investment diverts to India or Indonesia; short-term electronics supply chain disruption lasting 2–3 quarters.

Watch: US trade investigation outcome; origin-content enforcement actions; Vietnam ASEAN positioning; BRICS engagement depth.

UNCTAD Global Trade Update (Apr 2026); McKinsey MGI "Geopolitics and the Geometry of Global Trade" (Mar 2026); CFR Vietnam backgrounder (updated 2026).

CHAPTER 6 · COUNTRY PROFILE

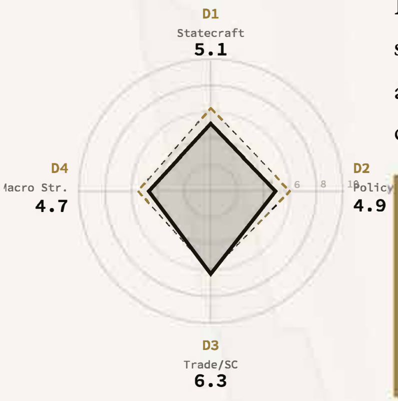
09 Indonesia

The Principled Non-Aligner

SE Asia

5.3

ALIGNMENT DRIFT SCORE · →



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Indonesia became the first ASEAN member to achieve full BRICS membership in 2025 — a deliberate signal of strategic autonomy from the world's fourth-largest economy by population (280 million). Jakarta's analysis of US tariff retaliation found it would make matters worse — a pragmatic calculation that has defined Indonesian trade policy throughout the tariff era.

OBSERVED FACT

The US included Indonesia in its March 2026 trade investigation into excess industrial capacity. The State of Southeast Asia 2026 survey found that a slim majority of respondents said they would side with China if forced to choose. Indonesia controls significant nickel reserves critical to global EV battery supply chains.

VALEXIS ASSESSMENT

Jakarta is asserting principled non-alignment in a context where US transactionalism has reduced the cost of doing so. Nickel is Indonesia's primary leverage asset with both the US and China. Indonesia's ability to play both sides on nickel is the clearest example of how the New Middle converts commodity endowments into geopolitical leverage.

CORPORATE RISK SNAPSHOT

US Trade Investigation	Included in March 2026 excess industrial capacity probe alongside Vietnam; transshipment scrutiny for manufactured goods	ELEVATED
Hormuz / Energy Imports	Net energy importer; Hormuz-driven fuel cost increases feed inflation and external balance pressure	ELEVATED
China Strategic Investment	BRI investment in Malacca corridor deepening; dependency risk increasing over medium term	MODERATE
Critical Minerals Leverage	Significant nickel reserves; battery supply chain leverage growing with global EV transition	OPPORTUNITY
Macro Stability	Moderate stress; manageable fiscal position; growth trajectory positive	LOW

Q3–Q4 OUTLOOK

Base case: Indonesia maintains non-alignment. Continues attracting diversified FDI. Critical minerals leverage increases with EV sector demand.

Stress scenario: US trade investigation produces specific tariff action; investment diverts to Thailand or Malaysia; nickel demand shock from EV transition slowdown.

Watch: US trade investigation specifics; BRICS engagement depth; nickel export policy decisions; IMF/World Bank Bangkok meetings (Oct 12–18).

UNCTAD (Apr 2026); Brookings Southeast Asia Initiative (Mar 2026); CFR Indonesia backgrounder (updated 2026).

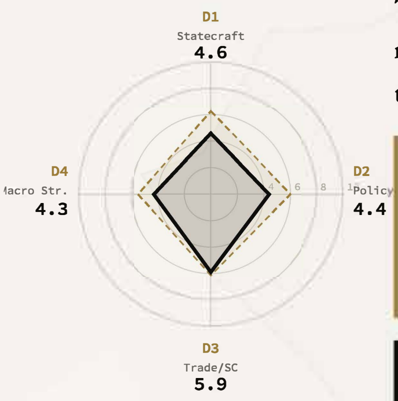
CHAPTER 6 · COUNTRY PROFILE

10 Thailand

The Quiet Hedger

SE Asia

4.8
ALIGNMENT DRIFT SCORE · →



Report avg: D1 6.27 · D2 6.0 D3 6.13 · D4 5.5 — — —

Thailand's Alignment Drift Score of 4.8 is the lowest in this report, but it is included for a specific corporate risk profile: a manufacturing hub simultaneously benefiting from China+1 investment and targeted by US transshipment monitoring. Quiet hedging is deliberate, not passive.

OBSERVED FACT

UNCTAD confirmed Thailand as a 'connector economy' in its April 2026 Global Trade Update. Thailand is a net energy importer sensitive to Hormuz-driven energy price elevation. Manufacturing input costs are sensitive to energy cost increases.

VALEXIS ASSESSMENT

Thailand's low Drift Score reflects limited formal alignment-seeking behavior — not absence of risk. The same connector economy dynamics driving Vietnam and Indonesia's scores also apply to Thailand. The difference is Thailand has thus far avoided the formal investigative designation. This may not persist if US investigators broaden their scope.

CORPORATE RISK SNAPSHOT

Transshipment Monitoring	US trade monitoring for Chinese goods transshipping through Thailand; investigation scope may broaden	ELEVATED
Hormuz / Energy Costs	Net energy importer; manufacturing input costs sensitive to Hormuz-driven energy price elevation	ELEVATED
China+1 Manufacturing	Established electronics and automotive manufacturing base attracting diversified FDI away from China	OPPORTUNITY
Macro Stability	Low macro stress; growth positive; ASEAN connector economy benefits	LOW
BRICS Adjacent	Not a BRICS member but deepening engagement with BRICS partners through ASEAN framework	MODERATE

Q3–Q4 OUTLOOK

Base case: Thailand continues to benefit from China+1 manufacturing investment. US investigation scope stays focused on Vietnam and Indonesia.

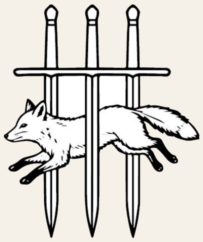
Stress scenario: US transshipment investigation formally widens to include Thailand; investment confidence disrupted; electronics supply chain reroutes.

Watch: US trade investigation scope expansion; Thailand ASEAN positioning; China+1 FDI trajectory; OPEC+ energy price decision.

UNCTAD Global Trade Update (Apr 2026); McKinsey MGI "Geopolitics and the Geometry of Global Trade" (Mar 2026); CFR Thailand backgrounder (updated 2026).

CHAPTER 7

Valexis Analytic Judgments



Proprietary assessments synthesized from Four Forces scoring and cross-country pattern analysis. Confidence levels reflect evidential strength, not probability of occurrence.

JUDGMENT

01

CONFIDENCE

HIGH

India will not formally align with any bloc through 2030.

The structural conditions for Indian non-alignment are durable, not transitional. India's defense dependency on Russia – approximately 60% of its current arsenal per SIPRI – cannot be unwound in under a decade. Multi-alignment is not a diplomatic posture for New Delhi – it is the only mathematically viable foreign policy.

CORPORATE IMPLICATION

Plan for India as a permanently dual-exposure market – simultaneously the most important China+1 manufacturing destination and the highest secondary-sanctions-risk partner in your portfolio. Both conditions will be true at the same time, indefinitely.

JUDGMENT

02

CONFIDENCE

MEDIUM-HIGH

The UAE is becoming the primary financial operating system of the Global South.

Abu Dhabi has quietly positioned itself as the clearinghouse for capital flows that cannot move through Western financial infrastructure. No other jurisdiction combines dollar-system access, non-Western capital flows, and geopolitical neutrality at this scale. The UAE–Pakistan financial withdrawal in 2026 is the first signal that Abu Dhabi is beginning to use this financial centrality as coercive leverage.

CORPORATE IMPLICATION

The UAE is not just a regional hub – it is increasingly the settlement layer for emerging market transactions that cannot clear through New York or London. UAE financial counterparty relationships warrant both greater strategic investment and greater compliance scrutiny than they currently receive.

JUDGMENT

03

CONFIDENCE

MEDIUM-HIGH

The USMCA review poses greater risk to Chinese firms than to Mexican firms.

The conventional framing of the USMCA review as a US–Mexico trade dispute misreads the primary target. Washington's concern is Chinese manufacturing legally laundering its origin through Mexican assembly operations. Mexican firms with genuinely domestic supply chains stand to benefit from tighter enforcement.

CORPORATE IMPLICATION

The USMCA review is a compliance filter, not a trade war. Companies with traceable, genuinely Mexican-origin supply chains should treat tighter enforcement as a competitive advantage. Those relying on Chinese-content arbitrage should restructure before July 1 – not after.

JUDGMENT

04

CONFIDENCE

MEDIUM

Pakistan's fiscal fragility is a strategic asset in the short term and a systemic risk in the medium term.

Pakistan's acute financial dependency has paradoxically elevated its diplomatic leverage in the Hormuz conflict context. However, the same fiscal fragility that creates leverage becomes a systemic risk the moment mediation value expires. The window between leverage expiration and fiscal crisis is most likely to open in Q4 2026.

CORPORATE IMPLICATION

Pakistan's current diplomatic centrality should not be mistaken for stability. Use the present window to reduce single-source dependencies on Pakistani supply chains and stress-test financial counterparty exposure against a Q4 IMF program disruption scenario.

JUDGMENT

05

CONFIDENCE

HIGH

Multi-alignment is becoming self-reinforcing. The threshold for forced alignment is rising, not falling.

The Hormuz conflict is the most severe alignment-forcing shock since 2022. It did not produce a single formal alignment declaration from any New Middle country. Pakistan became a mediator. India managed its energy imports. Brazil benefited from elevated revenues. Turkey leveraged the NATO summit.

CORPORATE IMPLICATION

Corporate strategy built on the assumption that alignment will eventually clarify is the wrong framework. The operating environment for the foreseeable future is permanent structured ambiguity. Supply chain, investment, and market entry strategies should be built for a world that does not resolve.

CHAPTER 8

Sector Risk Matrix

8 Sectors × 10 New Middle Countries — Primary geoeconomic risk by corporate sector, Q2 2026.

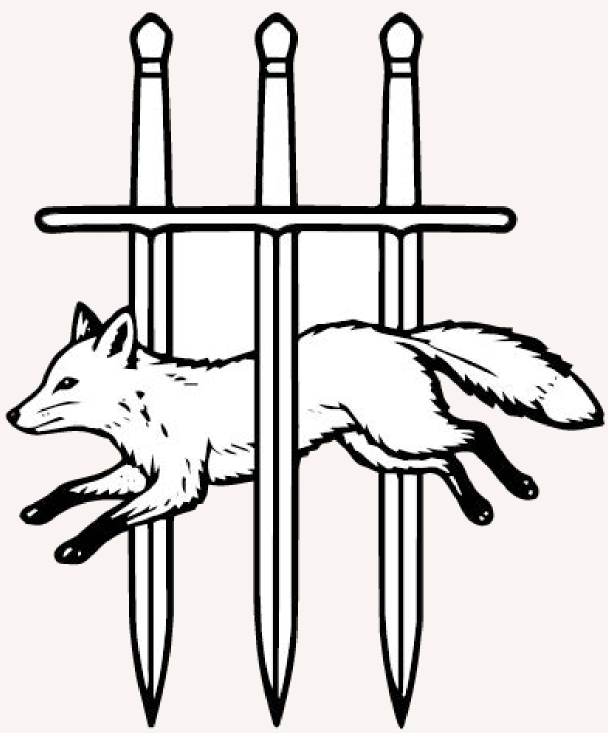
Corporate risk teams typically organize exposure by sector, not by country. The following matrix maps the primary geoeconomic risk to the sectors most exposed across the New Middle, with the key corporate decision identified for each.

SECTOR RISK HEAT MAP — 8 × 10 MATRIX · Q2 2026

SECTOR	TUR	PAK	SAU	IND	UAE	BRA	MEX	VNM	IDN	THA
Energy & Commodities	H	EL	H	EL	H	OPP	L	EL	EL	EL
Semiconductors & Electronics	MED	L	L	OPP	MED	L	MED	H	EL	EL
Automotive	H	L	L	MED	L	MED	H	MED	MED	EL
Aerospace & Defense	H	MED	L	H	L	L	L	L	L	L
Financial Services	H	H	MED	EL	EL	MED	MED	L	L	L
Consumer Goods & Retail	EL	EL	L	EL	L	EL	EL	EL	EL	MED
Infrastructure & Construction	EL	EL	H	MED	H	MED	MED	MED	H	MED
Agriculture & Food	MED	EL	L	EL	L	EL	EL	L	L	MED

H = High Risk EL = Elevated MED = Medium MOD = Moderate L = Low OPP = Opportunity

Sector mapping reflects Valexis analytical assessment derived from Four Forces scoring and Q2 2026 country profiles. Not investment advice.



CHAPTER 9

Opportunity Rankings

Risk-adjusted corporate opportunity assessment, Q2 2026. Not investment recommendations.

Risk-heavy analysis obscures a structural reality: the New Middle countries represent some of the most significant corporate opportunity environments of the decade. The same multi-alignment dynamics that create compliance complexity also create market access, investment, and competitive differentiation opportunities for companies that navigate them well.

#	COUNTRY	PRIMARY OPPORTUNITY	OPPORTUNITY DRIVER	RISK OFFSET REQUIRED
1	**India**	China+1 manufacturing anchor; electronics assembly scale; deep services talent pool	Capital Economics 'unaligned' reclassification; strategic autonomy benefits multinationals	Secondary sanctions audit; dual-exposure strategy; regulatory compliance investment upfront
2	**UAE**	EM capital gateway; Vision 2030 adjacent; I2U2 framework positioning	Financial hub stability (D4: 3.2); Western security framework; Global South settlement layer	Sanctions compliance audit of counterparties; Hormuz proximity scenario planning
3	**Saudi Arabia**	Vision 2030 project pipeline; energy sector partnerships; technology investment	Western and Chinese firms competing for Riyadh's capital — genuine value-add firms have significant multi-year runway	Infrastructure security assessment; Hormuz disruption scenario modeling for facilities
4	**Vietnam**	Electronics supply chain anchor; ASEAN fastest growth; US trade deal in place	Manufacturing FDI accelerating; connector economy generates genuine intermediary value	Transshipment compliance audit; Chinese-origin component mapping; ongoing US investigation monitoring
5	**Indonesia**	Critical minerals (nickel); ASEAN market scale at 280M population	Nickel reserves critical to EV transition; BRICS membership signals growing EM institutional weight	US trade investigation monitoring; BRI dependency assessment
6	**Mexico**	Nearshoring; North American market access; USMCA-compliant manufacturing base	Lowest-cost compliant manufacturing base for North American market; tighter enforcement benefits compliant firms	USMCA origin compliance audit before July 1; Chinese FDI counterparty screening

CHAPTER 10

Executive Playbook

Eight functional actions for corporate strategy teams operating across the New Middle.

SUPPLY CHAIN

1. Reclassify exposure by alignment-drift dimension, not country tier

Standard country-risk frameworks treat Vietnam and India similarly because both are emerging markets. This report demonstrates they face structurally different risk profiles. Vietnam's primary risk is D3 (Trade/Supply) — transshipment scrutiny. India's is D1 (Statecraft) — secondary sanctions. Build a tiered exposure map that identifies which of the Four Forces creates your most acute vulnerability in each market.

SUPPLY CHAIN

2. Treat secondary sanctions as a first-order supply chain risk

Turkey, Pakistan, India, and the UAE all carry meaningful secondary sanctions exposure. Conduct secondary sanctions audits of financial counterparties and supplier networks in these markets. The Halkbank settlement illustrates both the mechanism and the resolution pathway — but companies should not wait for enforcement to discover exposure.

SUPPLY CHAIN

3. The connector economy model is under direct regulatory challenge

Vietnam, Indonesia, and Thailand have built growth models around intermediating between the US and Chinese systems. Washington's March 2026 trade investigation challenges all three simultaneously. Genuine manufacturing presence with traceable origin is now the price of market access — not a best practice.

TREASURY & FINANCE

4. Model your Hormuz exposure now — not when it breaks again

For companies with supply chains or operations in India, Pakistan, UAE, Saudi Arabia, Vietnam, Indonesia, or Thailand, prolonged Hormuz closure is an active planning requirement. Build three energy cost scenarios: ceasefire holds ($85–$95/bbl), partial disruption ($100–$110/bbl), and full closure ($115+/bbl). Stress-test working capital, input costs, and logistics contracts against each.

TREASURY & FINANCE

5. FX hedging programs should be calibrated to the FOMC calendar, not annual cycles

Four FOMC decisions between now and year-end — July 28–29, September 15–16, October 27–28, and December 8–9 — will each move EM currencies. Pakistan, Turkey, and Brazil are most sensitive. Review hedging posture ahead of the September SEP — the most market-moving rate signal of H2.

GOVERNMENT AFFAIRS & COMPLIANCE

6. The USMCA July 1 deadline is a compliance event, not a trade policy headline

For companies with manufacturing operations or supply chains in Mexico, the USMCA review is binary: either your supply chain origin meets tighter Chinese-content thresholds, or it does not. Complete origin compliance reviews before July 1. Companies with traceable, genuinely Mexican-origin supply chains should treat tighter enforcement as a competitive advantage.

M&A & INVESTMENT

7. New Middle champions are emerging as structurally differentiated acquisition targets

Indian conglomerates with US tech partnerships, Russian energy contracts, and EU market access; UAE financial infrastructure firms with dollar-system and non-Western capital access; Vietnamese electronics manufacturers with both ASEAN and Western client bases. These are structurally differentiated assets that will attract premium valuations as multi-polarity matures.

STRATEGY & SCENARIO PLANNING

8. The EU regulatory orbit is expanding quietly and is a competitive moat

India-EU agreement (January 2026), Mercosur-EU negotiations, Vietnam trade deal — the EU is systematically extending its regulatory orbit to the New Middle. Companies that have invested in EU regulatory compliance (CBAM, CSRD, AI Act) gain competitive advantage in markets anchoring to EU standards for market access. Build this into M&A screening criteria and market entry investment cases.

CHAPTER 11

Forward Indicators Dashboard

Highest-signal variables for tracking alignment drift and corporate risk trajectory through Q4 2026.

INDICATOR	CURRENT STATUS	ALERT THRESHOLD & IMPLICATION	RAG
Brent crude price	~$101–114/bbl (ceasefire range)	Sustained break above $120/bbl *Full Hormuz re-closure; energy shock scenario activated*	🟡
Hormuz ceasefire	Fragile — US-Iran exchanged fire May 8	Confirmed Iranian attack on non-military vessel *Ceasefire collapse; return to 90%+ shipping disruption; oil tanker transit halts*	🔴
USMCA review outcome	Negotiation in progress — deadline July 1	Breakdown without agreed framework *Investment freeze in Mexico; Chinese-content compliance cliff edge*	🟡
Pakistan IMF program	Active — fragile floor	Missed IMF quarterly review milestone *Acute FX crisis; import disruption within weeks; Gulf financial support absent*	🟡
CAATSA enforcement	Halkbank settled Mar 2026 — pressure maintained	New designation of Turkish or Indian financial entity *Secondary sanctions exposure activated for all counterparties; compliance freeze*	🟡
Vietnam/Indonesia trade probe	March 2026 investigation ongoing	Specific tariff action announced against either country *Manufacturing FDI diversion; electronics supply chain disruption*	🟡
Fed funds rate trajectory	3.50–3.75% — hold as of Apr 2026	Two or more cuts in H2 2026 *EM currency relief; capital inflow to New Middle; risk appetite improvement*	🟢
BRICS payment system	Development stage — no operational launch	Announced operational pilot between major economies *Financial fragmentation acceleration; USD trade settlement share declining*	🟢
OPEC+ production decision	Q3 monitoring committee meeting	Production cut extension beyond Dec 2026 *Energy price floor maintained; Gulf revenues supported; Asian import costs elevated*	🟡

🔴 Critical — immediate monitoring required 🟡 Elevated — active tracking required 🟢 Low — monitor quarterly

Monitor via: IMF, OPEC, Federal Reserve, UNCTAD, CSIS, and Valexis Geoeconomic Risk Dashboard at valexisglobal.com/geoeconomics-dashboard.html. Thresholds represent Valexis analytical assessment of material scenario-shift levels. Not investment advice.

CHAPTER 12

Scenario Matrix — H2 2026

Structured contingencies — not forecasts. Probabilities reflect Valexis assessment as of June 2026.

The following scenarios are not forecasts. They are structured contingencies — the conditions under which the alignment landscape could shift materially before year-end. Each scenario has identifiable leading indicators in the Forward Indicators Dashboard.

A Managed Fragmentation

Trigger: Ceasefire holds; USMCA negotiated extension; no new major sanctions regime; FOMC holds rates

Middle countries continue multi-alignment without forced choice. Incremental risk elevation, no systemic shock. This is the base case for corporate planning.

Corporate action: Implement tiered exposure map; complete USMCA compliance review before July 1; build Hormuz energy scenarios; monitor Forward Indicators Dashboard

55% PROBABILITY

LOW

B Hormuz Re-Escalation

Trigger: Confirmed Iranian attack on commercial vessel; US military response; ceasefire breakdown

Ceasefire collapses. Strait closes again. Second closure more severe than first — reserves drawn, insurance repriced, routing alternatives limited. Brent to $130+/bbl; supply chain emergency; potential forced alignment declarations.

Corporate action: Execute energy stress scenario plans immediately; activate logistics contingencies; review Pakistan financial counterparty exposure

25% PROBABILITY

HIGH

C USMCA Rupture

Trigger: US-Mexico negotiation breakdown; no extension agreement by July 1 deadline

Investment freeze in Mexico. Peso crisis. Chinese-linked manufacturers face immediate disruption. Nearshoring advantage temporarily impaired. North American supply chain ripple effects reach Vietnam and Thailand as alternative sourcing destinations.

Corporate action: Activate alternative sourcing plans; review peso FX hedging position; monitor Chinese-linked counterparty exposure in Mexico

12% PROBABILITY

ELEVATED

D Emerging Market Debt Cascade

Trigger: Pakistan IMF program disrupts; Saudi rollover adverse; Gulf remittance decline materializes

Sovereign debt repricing triggers reassessment of EM risk globally. Contagion risk to Turkey (D4: 8.3) and Brazil (D4: 6.1). EM currency pressure; secondary pressure on India and Indonesia.

Corporate action: Emergency financial counterparty review in all high-stress markets; suspend new investment commitments in Pakistan and Turkey

8% PROBABILITY

ELEVATED

CHAPTER 13

H2 2026 Geoeconomic Calendar

Highest-consequence geoeconomic decision points, Q3 and Q4 2026, with direct corporate risk implications.

July 1

USMCA Review — Article 34.7 Deadline

HIGH

Binary compliance event. Companies with Chinese-content exposure face immediate disruption risk if review is adversarial. Complete origin compliance review before this date.

Mexico, Canada, USA

July 7–8

NATO Summit — Ankara, Turkey

HIGH

Test of whether Turkey extracts concessions in exchange for alliance commitments. Outcome shapes secondary sanctions risk trajectory for companies with Turkish financial counterparties.

Turkey; NATO-adjacent

July 28–29

FOMC Meeting — Rate Decision + SEP

ELEVATED

Rate hold or cut signals affect EM capital flows. Pakistan (D4: 8.9), Turkey (D4: 8.3), and Brazil (D4: 6.1) most sensitive. Review EM FX hedging before this date.

All ten (EM currency impact)

August (ongoing)

Hormuz Ceasefire Negotiations

HIGH

Each failed negotiation round extends energy price elevation. Monitor Brent trajectory as real-time ceasefire proxy.

Saudi Arabia, UAE, Pakistan, India

September 15–16

FOMC Meeting — Full SEP (Dot Plot)

ELEVATED

Most market-moving Federal Reserve signal of Q3. September dot plot signals H2 rate trajectory. EM currencies and sovereign spreads reprice.

All ten countries

October 12–18

IMF/World Bank Annual Meetings — Bangkok

ELEVATED

Bangkok location elevates ASEAN connector economy agenda. Pakistan IMF compliance reviewed publicly.

All ten; Thailand, Vietnam, Indonesia prominent

October 27–28

FOMC Meeting

MODERATE

Pre-G20 rate signal. Dollar trajectory affects EM purchasing power and debt service costs heading into year-end.

All ten countries

November (TBD)

OPEC+ Full Ministerial Meeting

ELEVATED

Production cut extension vs. gradual increase moves energy markets 5–15%. Model both outcomes before this date.

Saudi Arabia, UAE, India, Indonesia, Vietnam, Thailand

December 8–9

FOMC Meeting — Full SEP Projections

ELEVATED

Year-end dot plot sets 2027 monetary policy narrative. EM sovereign spreads, FX, and capital flow trajectories all reprice.

All ten countries

December 14–15

G20 Summit — Miami, Florida

HIGH

Premier alignment signaling event of 2026. Watch which New Middle leaders receive Trump bilaterals — and who does not.

Brazil, India, Indonesia, Mexico, Saudi Arabia, Turkey (all G20 members)

> **HIGHEST-RISK WINDOW OF H2 2026**
>
> The convergence of the USMCA review (July 1), NATO Ankara Summit (July 7–8), and FOMC rate decision (July 28–29) makes the first four weeks of July the highest-density geoeconomic risk window of H2 2026. Corporate strategy teams should complete USMCA compliance reviews, secondary sanctions audits, and Hormuz energy scenario modeling before July 1.

CHAPTER 14

Sources & Data Attribution

PRIMARY DATA SOURCES

CODE	SOURCE	TYPE
IMF	IMF World Economic Outlook April 2026	Official
WB	World Bank WITS 2022; Commodity Markets Outlook Apr 2026	Official
UNCTAD	Global Trade Update April 2026; Trade Foresights May 2026	Official
PORTWATCH	IMF PortWatch 197-Country AIS Data	Live
SIPRI	SIPRI Arms Transfers Database 2025	Open
OFAC	OFAC SDN XML; BIS Entity List via api.trade.gov	Official
EUR-LEX	EU Sanctions via sanctionsmap.eu; EUR-Lex Official Journal	Official
YAHOO	Yahoo Finance (CDS proxy, PMI proxy, REER)	Market
CRS	Congressional Research Service R45281 (Mar 2026)	Official
HOC	House of Commons Library CBP-10636 (Apr 2026)	Official

THINK TANK & ADVISORY SOURCES

Carnegie Endowment · CSIS · Chatham House · Atlantic Council · Brookings Institution · Capital Economics · CFR · S&P Global · McKinsey MGI · OECD · ECFR · Wilson Center · The Diplomat

ANALYTICAL FRAMEWORK

The Four Forces Framework is derived from the National Power Index (NPI) and DIMEFIL-DC ontology developed in partnership with the Center for the Application of Grand Strategy (CAGS), a Virginia 501(c)(3). The NPI is formally expressed as $I(t,s) = \Sigma\theta_i(t,s)\cdot D_i$, where θ_i are dimension weights calibrated to the strategic context (t,s) and D_i are the four dimension scores D1–D4.

GLOSSARY

Drift Score	Equal-weighted average of D1–D4 on a 1–10 scale; 10 = maximum hedging from Western alignment
D1–D4	Four Forces dimensions: Economic Statecraft, Policy Signal Velocity, Trade & Supply Chain, Macro Stress
CAATSA	Countering America's Adversaries Through Sanctions Act
BRI	Belt and Road Initiative — China's global infrastructure investment program
I2U2	India, Israel, UAE, USA — strategic framework operationalized 2022

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