



Viewpoint

From Monopoly to Age of Empires: Emerging markets in the new global regime



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Recent events in the Middle East have underscored a deeper regime shift that is already underway. The global system, built on efficiency, finance-led growth and open supply chains, is giving way to one defined by security, industrial capacity and physical constraints – with profound implications for portfolios.



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With oil prices still up by more than 50% as a result of the Middle East conflict, and 20 million barrels a day of supply at risk, it is worth stepping back from the headlines.

In our March emerging markets article by Client Portfolio Manager, Krishan Selva, we addressed the near-term dislocations around the conflict and our positioning at the time.¹ Here, we step back to examine the structural framework behind those decisions – and why it has relevance far beyond the Persian Gulf.

¹ Columbia Threadneedle Investments, [Emerging Market Equities: Initial reaction to the US-Israeli strike on Iran](#), 5 March 2026.

The game within the game

For the better part of four decades, the global economy operated like a game of Monopoly. One currency dominated, the rules were fixed, and the winning strategy was to own financial assets not build real things. The United States underwrote this system – providing security, running deficits, keeping sea lanes open – and for a long time it worked. But the costs quietly accumulated in the background. Domestic manufacturing was hollowed out, the middle class eroded, and political polarisation increased.

Then China, the system's greatest beneficiary, emerged not as the compliant trading partner the architects envisioned, but as a strategic competitor. One that had spent a decade converting the old regime's cheap capital into factories, technology and resource security. The US found itself bearing the costs of a world order that increasingly benefited everyone except itself.

The response was inevitable, even if the timing was not. Tariffs, reshoring mandates, semiconductor export controls, managed dollar weakness, a race to secure critical mineral supply chains – these are not random policy lurches. They reflect a hegemon recalibrating to a new reality.

And the events in the Gulf have made the shift impossible to dismiss. The world has moved from **Monopoly to Age of Empires**, where the ability to manufacture, secure one's inputs and supply one's own industries determines who wins. Anyone following the news can feel it. The old beliefs – comparative advantage, free movement of capital, the rules-based order – all feel hollow when tankers are being rerouted, supply chains redrawn and every second advertisement at the cinema is for the armed forces.

The architecture that broke

The post-1971 monetary order was elegant: the US ran deficits, surplus nations recycled dollars into Treasuries, and the petrodollar ensured the world's most traded commodity settled in one currency. We saw four decades of falling rates, rising multiples and the longest fixed income bull market in history. The system was optimised for efficiency at the expense of resilience: semiconductors concentrated on a single island, critical minerals processed in one country, supply chains stretched through chokepoints nobody thought to defend.

Then three events arrived in rapid succession to jolt the system: **Covid-19** exposed the physical fragility of just-in-time supply chains; **the freezing of Russian reserves** showed how currency could be weaponised; and **US-China decoupling** confirmed the world's two largest economies were separating, not integrating. The shift from efficiency to security was underway, and the events in Iran are a symptom.

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Six pillars of a new regime

1 A monetary system in transition

Central banks bought more than 1,000 tonnes of gold annually from 2022-2024 following the Russian invasion of Ukraine. The dollar's reserve share has fallen from 70% to around 58%. The BRICS nations (Brazil, Russia, India, China and South Africa, as well as Egypt, Ethiopia, Iran, Indonesia and the United Arab Emirates) are exploring a gold-anchored trade settlement currency. The dollar's reserve status is not ending, but its monopoly may be.

2 A geopolitical fracture

The unipolar moment is over. What has replaced it is messier and more fluid, closer to the 19th century than the Cold War. Trade, energy and technology have all been weaponised as sources of leverage. The fund manager who does not consider the geopolitical along with the financial is at a profound disadvantage in this new regime.

3 A capex supercycle

Re-industrialisation, a defence surge (European NATO spending up 63% versus 2020, with a new 5% of GDP target), the energy transition, supply chain duplication, artificial intelligence (AI) infrastructure – all these themes are converging at once. Russel Napier, financial historian and market strategist, calls it the return of “national capitalism” – governments directing national savings toward national purposes. It is the most powerful wave of investment since the post-war reconstruction.

4 A commodity squeeze.

Mining capex has fallen around 40% from its 2011 peak, even as demand drivers have multiplied. Copper faces a 30% supply shortfall by 2035. The ratio of commodities to equities sits at early-1970s levels – the starting point of the last great supercycle. The recent spike in crude oil is a reminder that physical scarcity is a real threat.

5 Financial repression

Developed world debt is sitting at around 300% of GDP. The proven solution is inflation above rates for a sustained period – the mechanism that took US debt-to-GDP from 120% to 35% after the second world war. A slow wealth transfer from bondholders to real asset holders. It happened before. It is happening again.

6 Technology as an accelerant, not a counterweight

AI appears to be deflationary downstream – across software, professional services and anything automatable. But the upstream story is what the market underestimates. Every frontier model requires vast compute, every data centre consumes energy and copper. The hundreds of billions in Magnificent 7 cashflows that a decade ago went to buybacks and dividends, stashed safely in the financial economy, are now being poured into the ground as physical infrastructure. Technology is not replacing the demand for real resources; it is the single largest new source of it.

Where this leaves us

The dollar is the transmission mechanism

The US dollar index fell from around 110 to the mid-90s before moving towards 100 as the Iran conflict began – but that tactical bounce does not change the structural direction. The US is pursuing managed weakness, and currency cycles since 1983 suggest such moves last a decade. If this is the early innings of a structural dollar bear, the implications cascade: commodities rise, emerging market (EM) currencies strengthen, and capital locked in US assets begins flowing outward. EM earnings are forecast to grow 29% in 2026 versus 14% for the US. This is the regime change showing up in fundamentals.

Identifying the bottlenecks that matter

In South Korea and Taiwan, we favour SK Hynix² and Unimicron – irreplaceable AI hardware chokepoints in high bandwidth memory (HBM) and integrated circuit (IC) substrates. Alongside Hyundai Electric and Hanwha Aerospace, these are direct plays on electrification and defence and are essentially the names for which Napier's "capex boom" thesis was written. Taiwan is the capitalisation beneficiary of hundreds of billions in Magnificent 7 AI spend flowing through TSMC and its ecosystem.

Greece has quietly become a regional gas hub, with meaningful renewables investment. It is one of the more surprising resilience stories – a 15-year depression behind it, clean bank balance sheets and an energy position that looks enviable as Europe scrambles for supply.

China's property headwinds are real, but beneath them a decade of industrial transformation has produced world-class companies. CATL now dominates global battery production, sitting at the nexus of the energy transition and the commodity squeeze. Companies like it are the reason we are constructive.

In South Africa, AngloGold Ashanti gives us leveraged gold exposure as the monetary regime change plays out in real time.

Discipline starts with knowing what to avoid

There is a quiet trade-off at the heart of this regime change. The Monopoly world optimised for the consumer: cheap goods, cheap capital, low rates. The Age of Empires world optimises for the state: security, industrial capacity, resilience. When nations re-arm, re-shore and duplicate supply chains, it is consumer welfare that typically pays the bill: higher energy costs, higher input prices, tighter conditions. We are positioned for this emerging reality.

But the deeper structural point is about the countries and business models without a seat at the new table. Long-duration, profitless consumer technology, of course, but also economies that lack the productivity, capital markets or human and physical capital to compete in a world defined by AI and industrial capacity rather than cheap labour. For example, South-east Asia's Business Process Outsourcing (BPO) economies face an existential question about what their service exports are worth when AI can do the same work, and we are keeping a close eye on how they respond to the challenge. India, one of our longest-standing overweights, has moved to a deep underweight – an energy importer whose growth model was built on offshoring and labour cost arbitrage, both of which are structurally challenged by this regime change. This was a cyclical call that has rapidly become a structural one.

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The bottom line

The recent period of sanctions, wars, capital controls and re-industrialisation is not a temporary shock, rather a structural reset of how economic power is built and sustained. In a world where resilience, resources and industrial capacity matter more than financial engineering, portfolios must be positioned for what is emerging rather than what is fading.

Most portfolios in our universe are built for the old world. The benchmarks reflect it in their index constituents. The risk models suggest it. But we believe the greatest edge today is simply a willingness to take the regime change seriously. The times they are a-changin'. We are changing with them.

To find out more visit columbiathreadneedle.com



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