S.P.A.F. FOUNDATION

Positioning for the Future of Capital Sovereignty

2026

S.P.A.F. NEWSLETTER

APRIL

Global Shifts: Edition 1 | Security Replaces Efficiency

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MISSION STATEMENT

The Sovereign Portfolio Asset Fund, the S.P.A.F. Foundation, is dedicated to pioneering long-term, value-driven investment strategies that generate sustainable financial returns while delivering measurable social and environmental impact. Rooted in a philosophy of responsible stewardship and strategic innovation, our mission is to empower communities, investors, and stakeholders through the careful deployment of capital into transformative assets and initiatives.

Through a disciplined governance framework under Dutch law, we seek to maximise capital efficiency, enhance financial inclusion, and enable scalable solutions that support equitable development.

Our foundation collaborates with global partners, institutional investors, and mission-aligned organisations to construct a resilient financial ecosystem that supports sustainable infrastructure, clean technology, community upliftment, and inclusive economic growth. By bridging traditional finance and impact investing, we provide tailored solutions for complex financial environments, particularly in emerging markets where capital can be a powerful agent of transformation.

S.P.A.F. Foundation believes that capital, when aligned with purpose, can become a tool for enduring positive change. Our mission is not merely to invest, but to create legacies of resilience, prosperity, and progress for future generations.

The cost of keeping the system open is rising faster than the West can politically absorb.

COVER VISUAL:

Global shipping and energy-route structure with Hormuz highlighted as a system-critical chokepoint.

Core proposition
The world is not primarily deglobalising. It is becoming more expensive to stabilise. The first major fracture is emerging inside the old Western operating consensus.

EXECUTIVE ABSTRACT

The world is not breaking apart. It is becoming more expensive to hold together. That distinction matters because markets, policymakers, and corporations are still pricing the future as if security were a background condition rather than a rising cost centre. Global trade is still growing, but more slowly. Energy still flows, but through chokepoints with limited redundancy. Inflation is no longer driven only by domestic demand and wage dynamics; it is increasingly shaped by route risk, energy shocks, and the fiscal cost of resilience. WTO projects world merchandise trade volume growth to slow from 4.6% in 2025 to 1.9% in 2026, while the IEA still shows nearly 20 mb/d of oil moving through Hormuz with only 3.5–5.5 mb/d of bypass capacity. The OECD has raised its projected 2026 G20 inflation to 4.0%, and the ECB has raised its projected 2026 euro-area headline inflation to 2.6%. Eurostat and the ECB's lending survey show that Europe is already weakening in output and credit — precisely where resilience now needs more funding.

The deeper point is not that globalisation is ending. It is that the price of preserving it is rising across trade, shipping, energy, defence, and finance at the same time. And the first system struggling to absorb that cost is not the global periphery. It is the old Western operating consensus itself. That is why this is not just a geopolitical story. It is a commercial and strategic repricing story.

WHAT IS VERIFIED

- World merchandise trade volume grew 4.6% in 2025 and is projected to slow to 1.9% in 2026 before a modest recovery to 2.6% in 2027.
- The global energy system remains highly dependent on the Strait of Hormuz. Nearly 20 mb/d of oil was exported via the Strait in 2025, representing around 25% of the world's seaborne oil trade, while available bypass capacity is only 3.5–5.5 mb/d. Around 19% of global LNG trade also transits Hormuz.
- Inflation has already been revised up because of the energy shock. OECD projects 2026 G20 inflation at 4.0%, 1.2 percentage points above prior expectations. The ECB projects euro-area headline inflation to rise from 2.1% in 2025 to 2.6% in 2026.
- Europe is already showing stress in output and credit. Eurostat reported January 2026 industrial production down 1.5% month-on-month and 1.2% year-on-year in the euro area, and down 1.6% month-on-month and 0.6% year-on-year in the EU. The ECB reported an unexpected net tightening in credit standards for loans or credit lines to firms in Q4 2025, with a net percentage of banks of 7%.
- Security is now a measurable fiscal cost. EU member-state defence expenditure rose from €343 billion in 2024 to an estimated €381 billion in 2025, increasing from 1.9% to 2.1% of GDP.

WHAT IS INFERRED

The world is not shifting from openness to closure in a straight line. It is shifting from cheap openness to expensive openness. Trade still functions. Capital still moves. But keeping the system operational now requires more route protection, more redundancy, more defence spending, more industrial policy, and more political tolerance for higher costs. That rising "security tax" is no longer hidden. It is entering inflation revisions, budget lines, industrial output, and credit conditions.

WHAT REMAINS UNCERTAIN

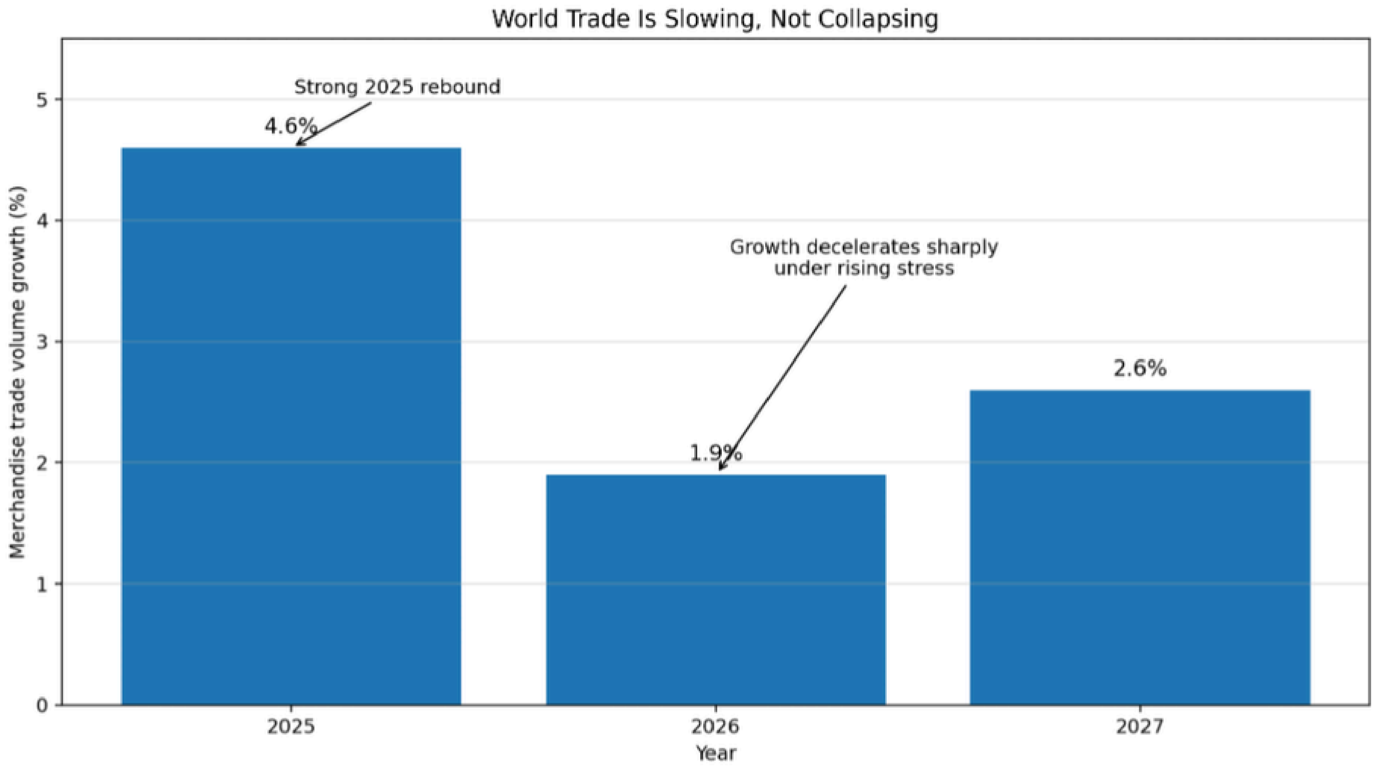
This is not yet a collapse thesis. IMF entered 2026 with a relatively resilient baseline, and the global system retains strong inertia. The unresolved question is not whether trade or capital flows stop. It is whether repeated shocks push states into a lasting resilience posture that permanently changes the cost structure of trade, finance, alliance management, and industrial strategy.

I. Trade is still moving, but the system around it is weakening

The first analytical error is to describe the current moment as simple deglobalisation. That is too crude and commercially unhelpful. WTO's numbers tell a more precise story. The system still moves goods at large scale; what is changing is the cost and political structure required to sustain those flows. A fall from 4.6% trade growth in 2025 to 1.9% in 2026 is not evidence of systemic shutdown. It is evidence of deceleration under rising stress.

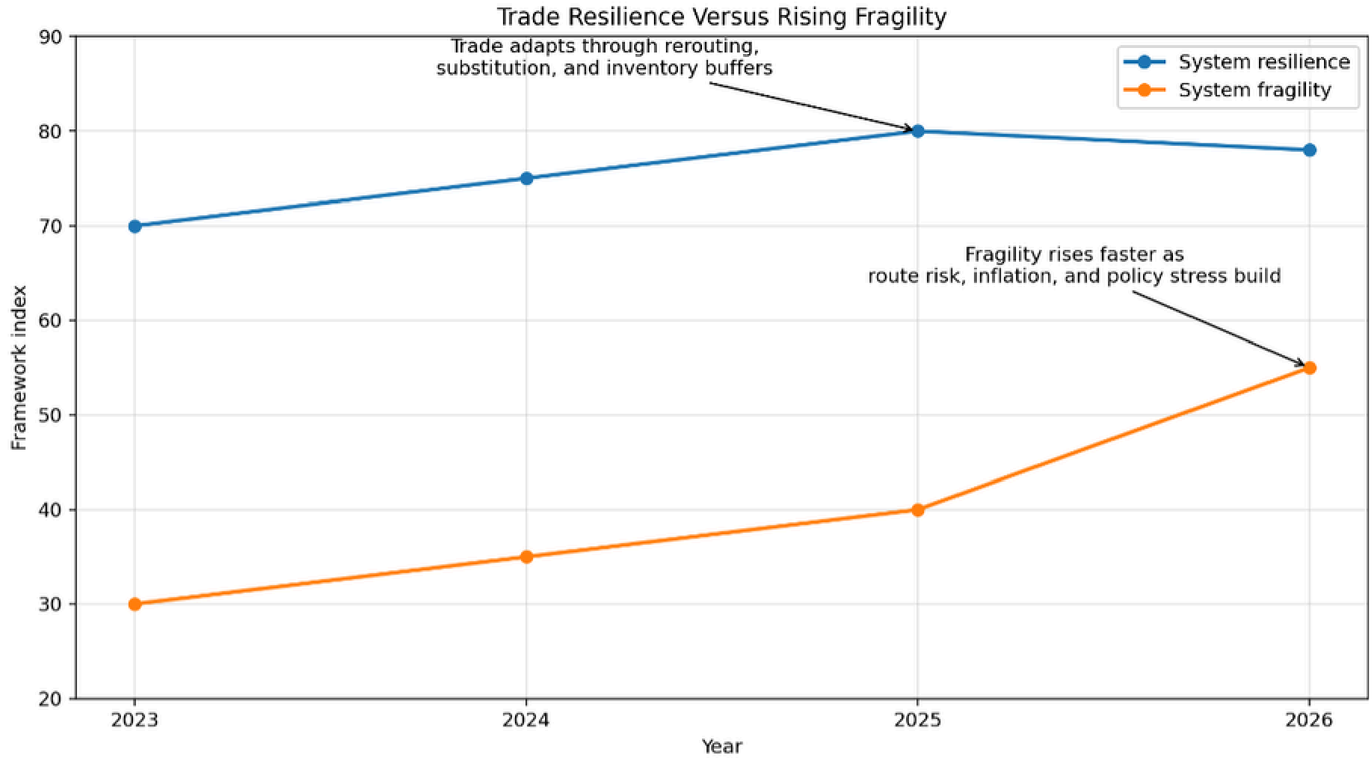
The more useful concept is selective integration under rising fragility. Firms are still rerouting, substituting, inventory-buffering, and managing disruptions. But those adaptations are not free. They require more working capital, more supply-chain complexity, more insurance, and more tolerance for policy risk. In other words, trade resilience is still real, but it is being purchased at a rising price.

The critical insight is that trade volume and system coherence are not the same thing. The global economy can remain connected while the governance architecture around it becomes weaker, more fragmented, and more expensive to maintain. That is where the opportunity and risk lie. Investors and executives who focus only on top-line trade volumes will miss the deeper deterioration in the quality and cost of the system that carries those volumes.



Source: WTO Global Trade Outlook and Statistics, March 2026. Values shown: 2025 actual; 2026–2027 baseline forecast.

Chart 1. *WTO data show that merchandise trade volume growth remained strong in 2025 but is expected to slow sharply in 2026.*



Analytical framework chart for Edition 1. Resilience captures adaptation capacity; fragility captures rising structural stress.

Chart 2. *Framework chart distinguishing continued system adaptability from rising structural fragility.*

II. Route security is now a macro variable

The second analytical error is to treat energy insecurity as a narrow oil-price story. It is not. It is a route-security story with inflation, credit, and fiscal consequences.

The Strait of Hormuz is the clearest example. Nearly 20 mb/d of oil still moved through the Strait in 2025, equal to roughly a quarter of the world's seaborne oil trade. About 19% of global LNG trade also transits the same corridor. Yet only Saudi Arabia and the UAE have operational crude pipelines that can bypass the Strait, and available bypass capacity is just 3.5–5.5 mb/d. That is a major structural asymmetry.

That is where the old efficiency model fails. Under an efficiency-first order, the relevant question is whether a barrel can be delivered at the lowest cost. Under a security-first order, the questions are different: can it move at all, under what geopolitical conditions, at what delay, under what insurance and naval protection, and with what impact on the rest of the system if it cannot? Once those questions dominate, route security becomes a macroeconomic variable rather than a specialist concern.

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This matters commercially because chokepoint dependence is not evenly distributed. Asia is far more exposed to Hormuz than the United States. Europe is more exposed to imported energy and associated inflation spillovers than many market narratives still admit. And the pricing of resilience is therefore uneven across regions, sectors, and asset classes. The point is not simply that chokepoints are dangerous. The point is that openness now rests on infrastructure with insufficient redundancy, and that is a system-wide pricing problem.

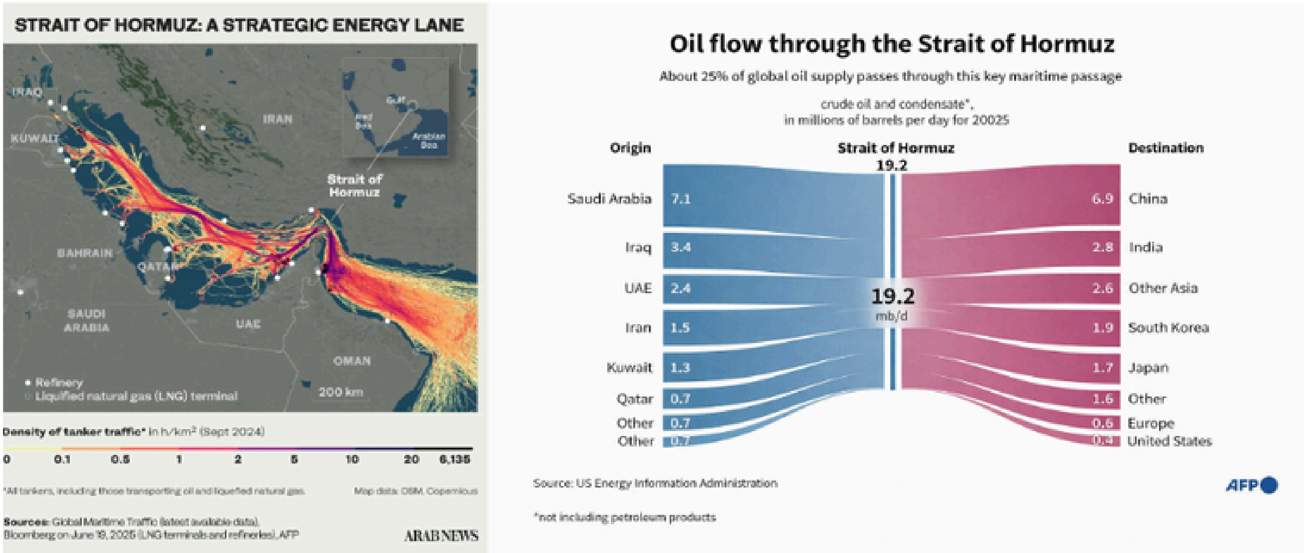

Image A. *Approximately 20 mb/d of oil flows through the Strait of Hormuz, while available bypass capacity remains structurally limited.*

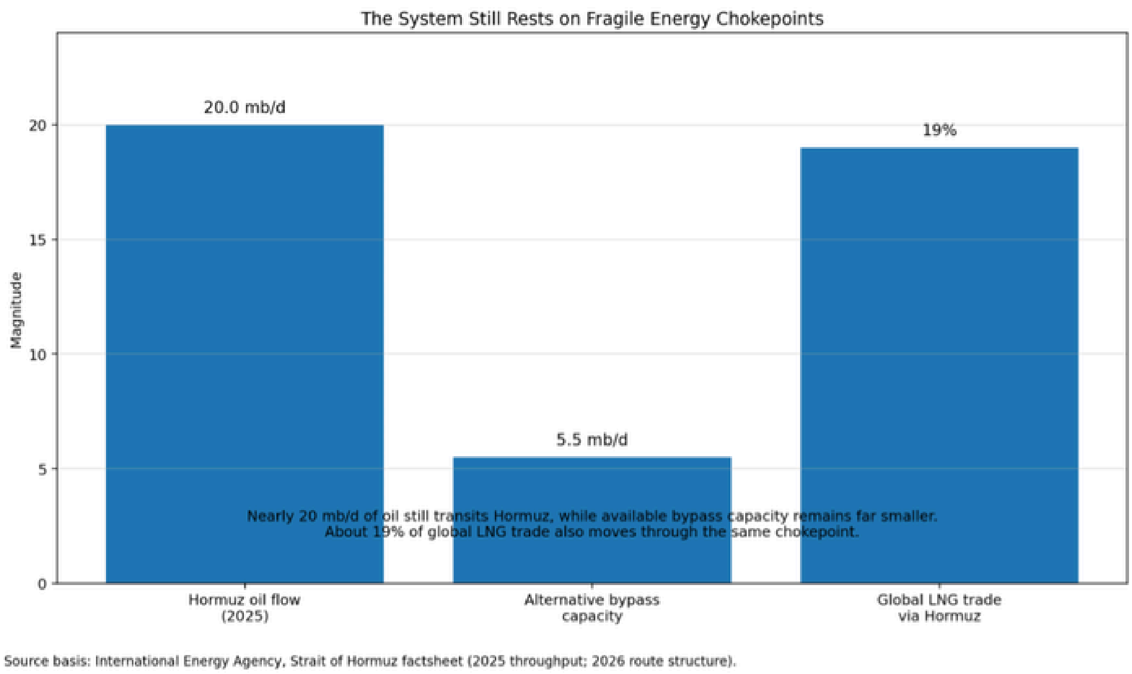

Chart 3. *Nearly 20 mb/d of oil still transits Hormuz, while available bypass capacity remains far smaller.*

III. The resilience bill is now showing up in inflation, budgets, and credit

The route shock matters because it is now visibly transmitting into macro policy. OECD's March 2026 interim outlook states that projected 2026 G20 inflation is now 4.0%, 1.2 percentage points above previous expectations. The ECB's March 2026 staff projections show euro-area headline inflation rising from 2.1% in 2025 to 2.6% in 2026. This is the key transmission mechanism. Energy insecurity is no longer just a commodity input. It is now entering the inflation process quickly enough to constrain monetary and fiscal policy.

That changes the political economy of resilience. Once route insecurity feeds into inflation, governments face a three-front burden. They must cushion households from higher living costs, fund more defence and security expenditure, and preserve credibility with bond markets and central banks. Security, in other words, becomes expensive in a way that can no longer be hidden off-balance-sheet.

EU defence spending makes that visible. Member-state expenditure rose from €343 billion in 2024 to €381 billion in 2025, moving from 1.9% to 2.1% of GDP. That is not rhetorical adjustment. It is fiscal reprioritisation.

Europe is therefore the clearest early stress case. January 2026 industrial production data show that the region most exposed to energy dependence, policy fragmentation, and imported inflation is already weakening in real-economy output. The credit channel reinforces the same point. The ECB's bank lending survey reported an unexpected net tightening in credit standards for loans to firms. Governments and strategists are calling for more capex, more rearmament, more redundancy, and more industrial resilience, just as private credit is becoming less willing to fund risk.

This is where the piece becomes more than a macro note. The old Western model was built on the assumption that cheap order would support both market efficiency and political tolerance. That assumption is breaking. Slower trade momentum, route dependence, higher inflation, rising defence budgets, softer industrial output, and tighter credit are not isolated problems. Together, they are the price tag of a more dangerous system.

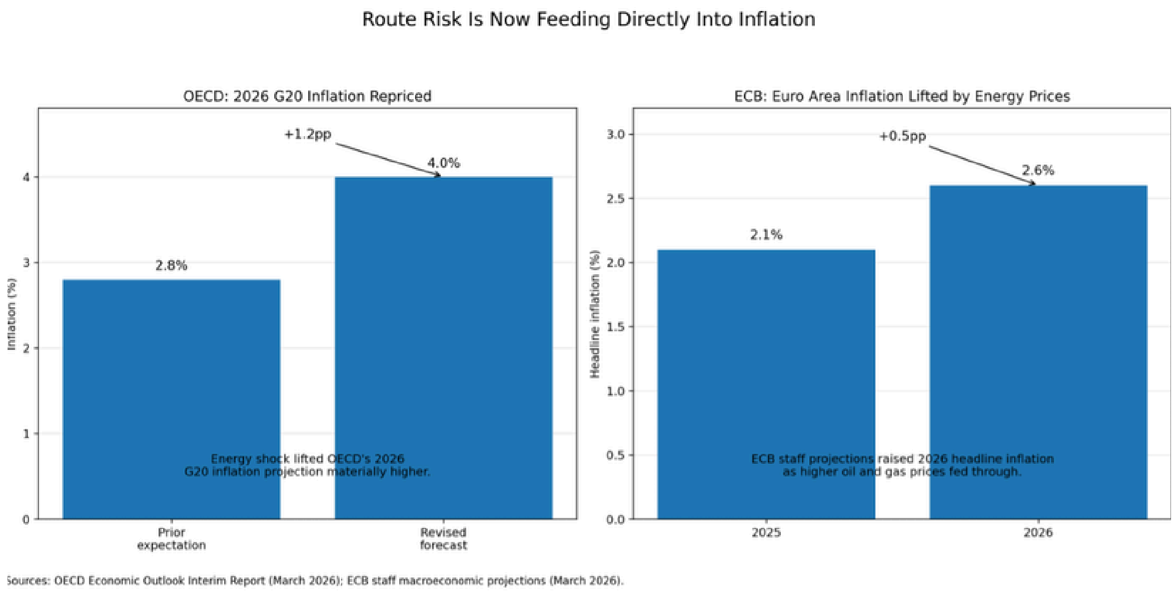

Chart 4: *Official forecasts now show the energy shock feeding directly into inflation.*

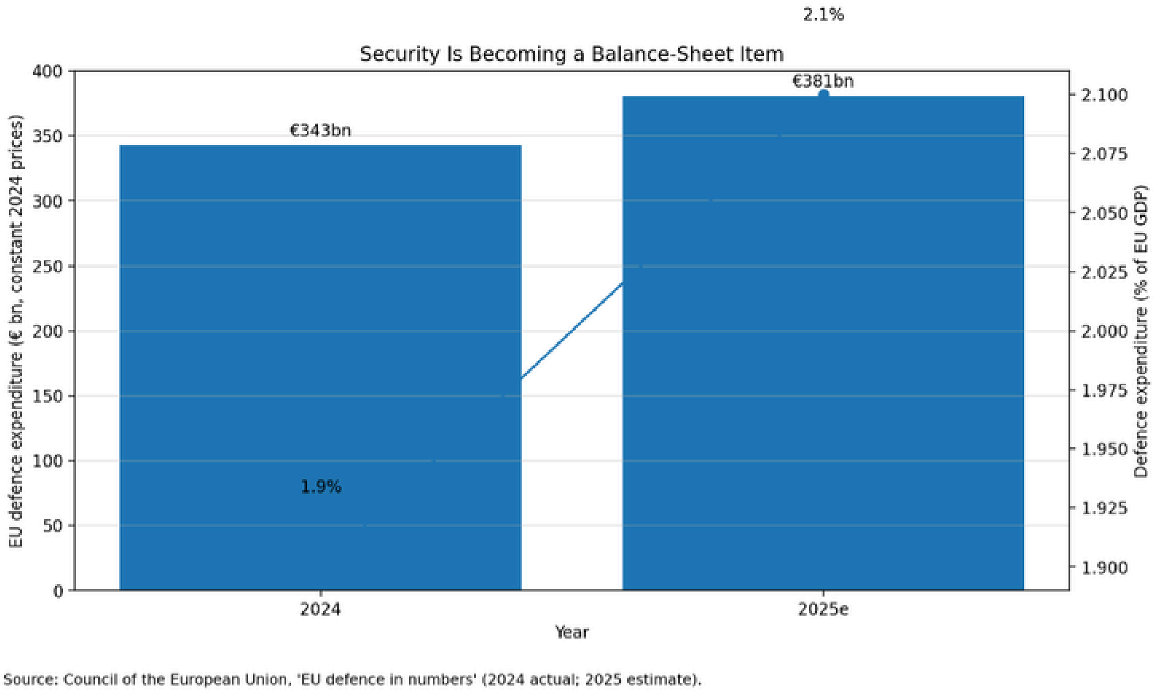

Exhibit 7. *EU defence expenditure rose from €343 billion in 2024 to an estimated €381 billion in 2025.*

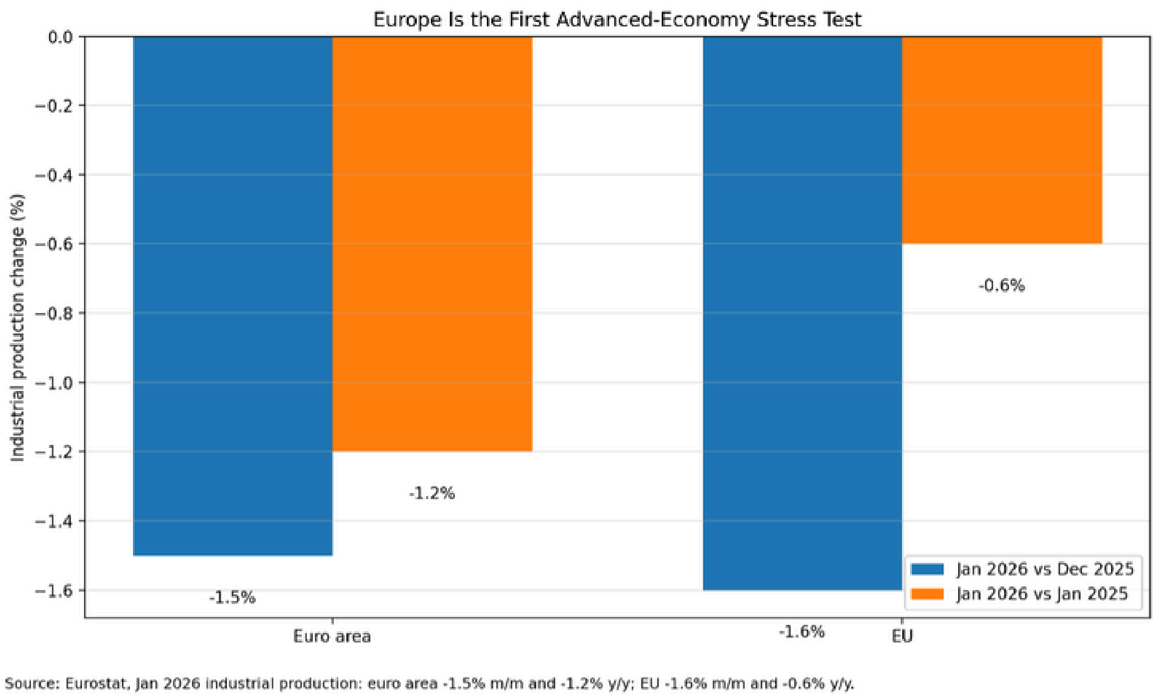

Chart 5. *January 2026, industrial production fell in both the euro area and the EU.*

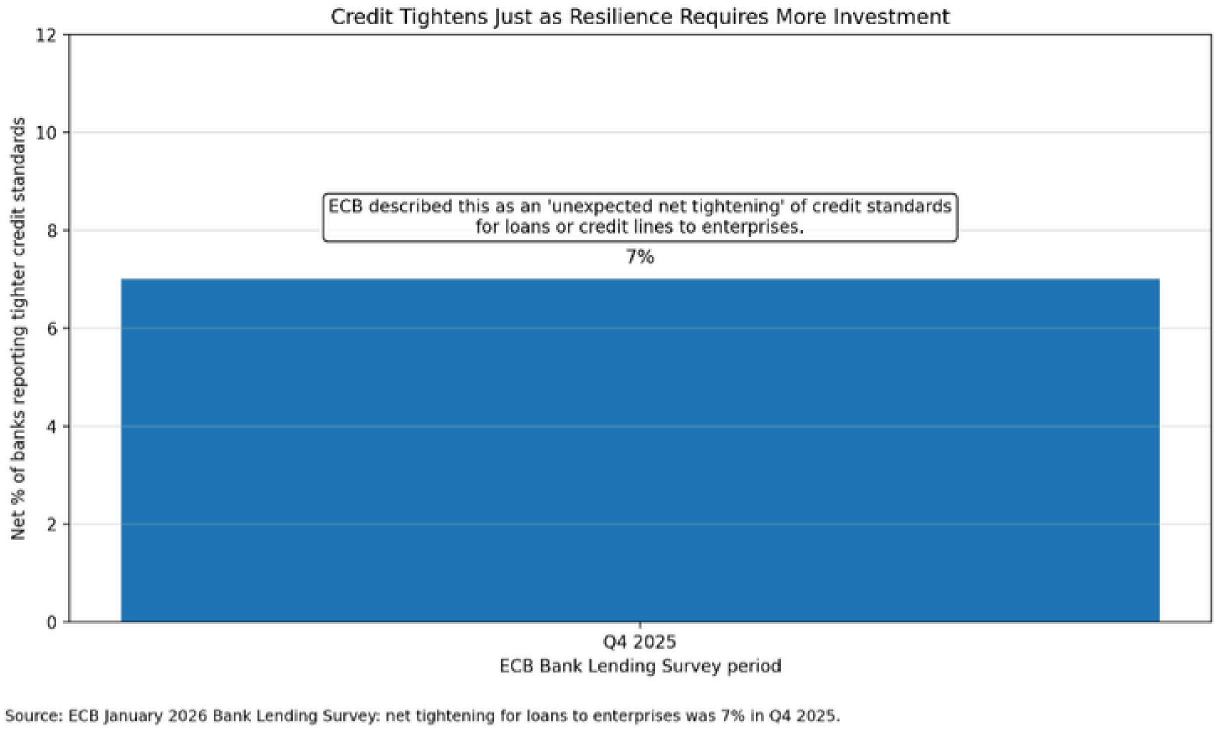

Chart 6. *The ECB reported an unexpected tightening in credit standards for loans to enterprises in Q4 2025.*

IV. The physical economy is back in command

One reason the old model is weakening is that the next growth cycle is not mainly about software narratives or financial conditions. It is about the physical economy. AI, electrification, logistics resilience, strategic autonomy, and industrial renewal all depend on electricity, grids, cooling, transmission, minerals, ports, and construction capacity.

That is why the European Commission's Competitiveness Compass matters more than it first appears. The significance of the document is not its branding. It is that the EU's own institutional language is shifting. The Commission now frames competitiveness around three necessities: closing the innovation gap, decarbonising the economy, and reducing dependencies. That is a major conceptual move away from the old implicit belief that market openness and cost efficiency alone would generate durable strength.

This matters commercially because it changes what counts as a strategic asset. Grid build-out, energy transport, LNG infrastructure, industrial equipment, logistics, defence-industrial capacity, and selective materials exposure all become more important in a world where resilience has to be bought rather than assumed. Europe's challenge is therefore more severe than a simple growth problem. Europe is trying to pursue rearmament, decarbonisation, industrial renewal, and social cohesion at the same time under tighter fiscal and political conditions.

The deeper insight is straightforward: the next era will reward jurisdictions that can combine energy reliability, industrial competence, state capacity, and political cohesion. It will punish those that continue to rely on cheap openness without the means to secure it. That is why the physical economy is back in command — and why the commercial winners and losers of the next cycle will look different from the last one.

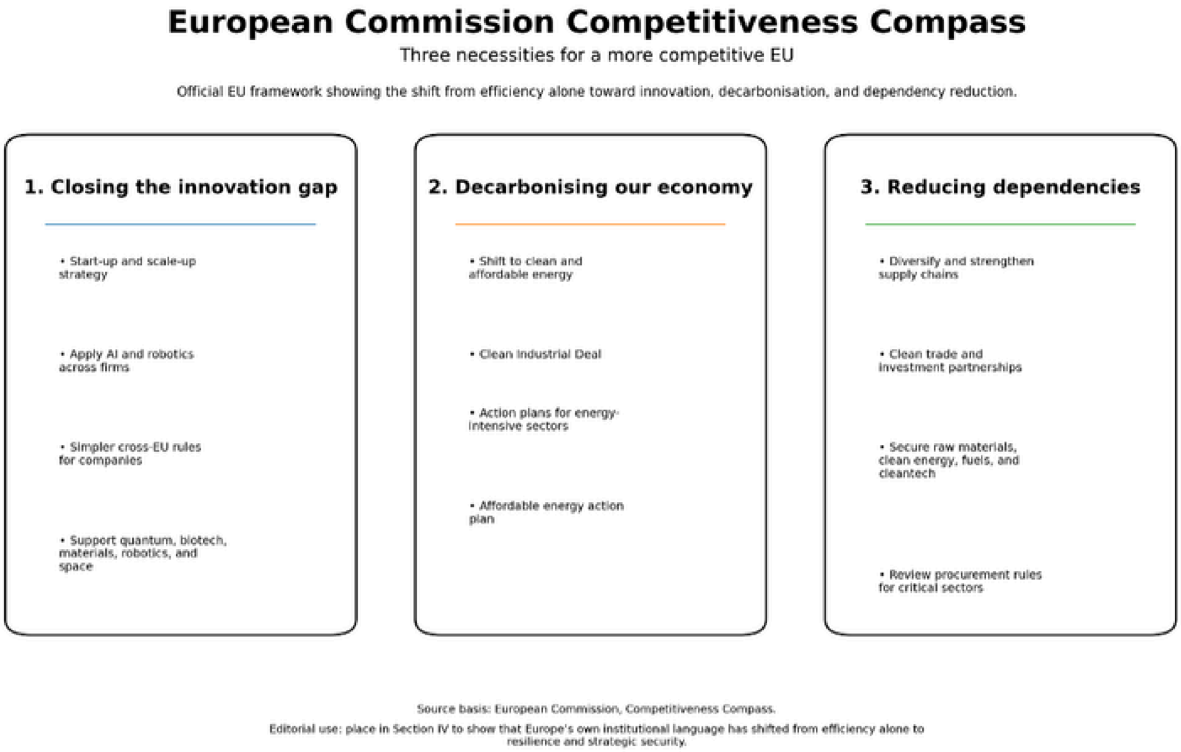

Image B. *The European Commission's Competitiveness Compass formalises the shift from a pure efficiency framework toward resilience and reduced dependency.*

STRATEGIC IMPLICATIONS

For commercial readers, the implication is immediate. The system is not collapsing, but the pricing of resilience is changing. That means more focus on route risk, energy intensity, sovereign burden-sharing, industrial exposure, grid access, logistics resilience, defence spending, and credit selectivity. The winners are less likely to be those that merely optimise in equilibrium. They are more likely to be those that can perform under stress.

For policymakers, the implication is that the security tax is colliding with democratic tolerance. Voters were socialised in a low-cost order. Governments are now asking them to fund defence, subsidise resilience, absorb higher energy costs, and tolerate weaker growth without honestly repricing the political bargain. That is why the first major fracture is emerging inside the West itself. The disagreement is not only about enemies or alliances. It is about who pays for order, which order is being defended, and whether the legacy model is still affordable.

For investors and strategists, the main mistake is to wait for a spectacular rupture. The deeper pattern is cumulative repricing. Trade slows but continues. Inflation becomes more shock-sensitive. Defence budgets rise. Chokepoint dependence remains high. Industrial activity weakens in exposed regions. Credit tightens where resilience needs funding most. That is how regime shifts usually begin in practice.

BOTTOM LINE

The key global shift is not that the world has become less connected. It is that connection now requires more protection, more subsidy, more military cover, more political compromise, and more inflation tolerance than the old Western system was built to bear. The old order was not built on openness alone. It was built on underpriced security. That underpricing is ending, and the first system discovering the true cost is not the global periphery but the West itself.

BRIDGE TO EDITION 2

If security is now displacing efficiency as the organising principle of the system, the next question is monetary: what happens to the reserve, settlement, and collateral architecture built under the old order? Edition 2 should examine dollar plumbing, reserve diversification, gold, sanctions leverage, and platform dollarisation — not as a theatrical "end of the dollar" story, but as a slower repricing of trust, neutrality, and systemic dependence.

Selected sources

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- Organisation for Economic Co-operation and Development, Economic Outlook Interim Report, March 2026.
- European Central Bank, staff macroeconomic projections, March 2026.
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- Eurostat, industrial production release, March 2026.
- Council of the European Union, EU defence in numbers, 2025.
- European Commission, Competitiveness Compass, 2026.

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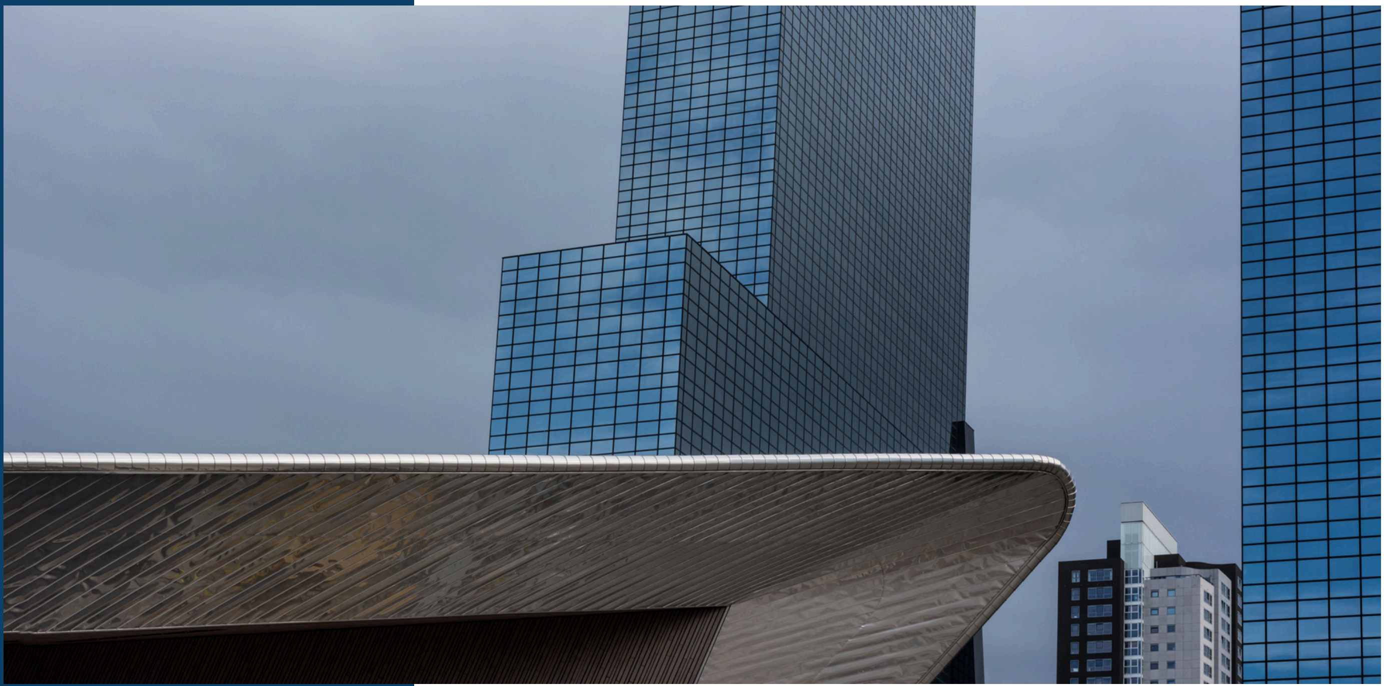

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