POLICY NOTE

GOVERNING CONNECTIVITY: A FRAMEWORK FOR RESILIENT REGIONS

Stephen Scalet, TRENDS Research & Advisory
Najla Al Midfa, TRENDS Research & Advisory
Abdulaziz Al Marzooqi, TRENDS Research & Advisory

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Beginning with the Covid-19 pandemic, a succession of external shocks has disrupted economic relations among interconnected states and intensified pressures towards potential fragmentation. With the aim of increasing national economic security, governments have responded to these shocks with approaches centred on diversifying supply chains and protecting strategic sectors. These measures can reduce exposure to certain economic risks but otherwise have a limited role to play in relation to decreasing the political tensions that caused the scenario to arise. This policy paper proposes to move beyond viewing economic connectivity primarily as vulnerable to geopolitical instability and examine how its governance can contribute to peace, stability, restraint, and cooperative outcomes.

We believe that economic connectivity in the form of cross-border infrastructure, trade corridors, investment relationships, digital connections, and logistics networks creates significant incentives to preserve cooperation. Where supported by effective institutional arrangements, these relationships can also preserve channels of dialogue and cooperation, stabilizing international relations by ensuring predictability and transparency.[1] Equally, where economic, trade, financial, investment, and digital dependencies are skewed, this can create conditions through which coercion can be exercised. In this light, outcomes supporting peace depend largely on how the economic relationships are governed, as well as on the wider political context.

We propose to extend current thinking beyond the conventional economic functions of connectivity governance. Specifically, institutional arrangements originally designed to manage economic relationships may also help promote cooperation and political restraint during geopolitical tensions, including those originating outside economic relations. By containing the economic consequences of tensions and preserving channels of institutional dialogue, these arrangements also reinforce incentives for political restraint and broader international stability.

The policy question therefore becomes: how can economic connectivity be governed so that mutual economic gains and resilience are strengthened, potential vulnerabilities are reduced, and incentives for political restraint and cooperation are reinforced?

Drawing on the experience of Middle East nations, but conceptually applicable across regions, this policy paper proposes three voluntary G20 actions. Firstly, building on existing G20 principles for international investment, quality infrastructure, and trade cooperation by strengthening their application to the management of economic relationships during geopolitical tensions. Secondly, integrate conflict-sensitive evaluations into existing

[1] World Trade Organization, World Trade Report 2023: Re-globalization for a Secure, Inclusive and Sustainable Future (Geneva: WTO, 2023), 54-56, https://www.wto.org/english/res_e/publications_e/wtr23_e.htm

infrastructure and connectivity governance frameworks. Thirdly, strengthen G20 and T20 evidence and implementation reviews to assess connectivity's contribution to stability.

Governing connectivity amid geopolitical shocks

Since the Covid-19 pandemic, successive shocks have destabilized international economic relations. The Russia–Ukraine conflict disrupted energy and agricultural trade, while the 2026 escalation in the Gulf involving the United States, Israel, and Iran exposed the vulnerability of maritime routes, energy infrastructure, and the flows of essential supplies. In tandem with growing geoeconomic competition in critical minerals, microchip manufacturing and other areas, these disruptions illustrate how networks designed for economic efficiency can rapidly transmit insecurity across borders.

In 2023, Josep Borrell, the Former High Representative of the European Union for Foreign Affairs and Security Policy, presciently observed that a decline in global rule-setting institutions and diplomatic forums made it increasingly difficult to manage international tensions and prevent conflict escalation.[2] More recent analysis has concluded that this erosion of international legal norms and multilateral governance makes it more difficult to contain the cross-border economic consequences of political conflicts.[3] Adaptive capacity and resilience are the business of national security in these circumstances, to limit the effects of energy shocks, food insecurity and water risk on the population, including during political crises.

Governments affected by disrupted energy and goods flows due to regional crises have responded by rapidly announcing initiatives focused on increasing resilience, diversification in relation to energy[4] as well as railways and trade corridors.[5] The IMF cautions that increased trade through intermediary economies can reflect rerouting of trade flows or production relocation and therefore does not always amount to genuine diversification.[6]

In the near term, uncoordinated defensive measures offer significant risks of raising costs, dividing markets, and weakening established channels of cooperation. Substantial economic costs may be generated as a result of redirecting production and investment away from their most productive uses, increasing supply chain costs and consumer prices, and restricting market access to trade from other countries. While addressing strategic economic vulnerabilities is a normal natural priority, excessively securitizing trade and international economic relations bears broader risks. Therefore, in our view, the challenge is not to choose between national economic security and international economic openness, but to develop

[2] Borrell, J., (2023) Multipolarity without multilateralism, European Union External Action Service, https://www.eeas.europa.eu/eeas/multipolarity-without-multilateralism_en

[3] Virginie Collombier, Luigi Narbone, and Akram Zaoui, eds., “Hormuz: Breaking the Insecurity Continuum,” ORF Special Report no. 326 (ORF Middle East, October 2026), https://orfme.org/research/hormuz-breaking-the-insecurity-continuum/

[4] International Energy Agency, State of Energy Policy 2026 (Paris: IEA, 2026), executive summary, https://www.iea.org/reports/state-of-energy-policy-2026/executive-summary

[5] Renad Mansour, “New Energy and Trade Routes Could Bypass Hormuz and Change the Middle East. But Major Challenges Remain,” Chatham House, September 25, 2026, https://www.chathamhouse.org/2026/09/new-energy-and-trade-routes-could-bypass-hormuz-and-change-middle-east-major-challenges

[6] Tatjana Schulze and Weining Xin, “Demystifying Trade Patterns in a Fragmenting World,” IMF Working Paper 2025/129 (2025), https://doi.org/10.5089/9798229011679.001

measures that, while strengthening resilience, actively sustain and strengthen the economic relations and institutional cooperation that will enable connectivity to contribute to peace and stability.

The question for the G20 is therefore not a stark policy choice between national economic resilience and international connectivity, but how economic connectivity can be governed to strengthen resilience while contributing to more stable international relations. In practice, this means that rather than only protecting economic relationships from the consequences of geopolitical crises, states can proactively establish shared rules, institutional arrangements, and durable cooperation that create incentives for political restraint and preserve communication channels during periods of tension. From the perspective of the G20, the key challenge is to reconcile legitimate national economic security priorities with the promotion of open, rules-based international economic relations, while developing cooperative approaches to resilience that minimize fragmentation and strengthen institutional cooperation.

Economic diplomacy from national advantage to shared restraint

In an increasingly multipolar and geoeconomically contested international system, economic diplomacy has evolved beyond its traditional emphasis on trade promotion, investment attraction, and market access. Governments increasingly use economic agreements, investment partnerships, technology cooperation, and regulatory coordination to pursue wider strategic and foreign-policy objectives. In this context, economic diplomacy overlaps with economic statecraft, through which states deliberately employ economic instruments to advance their broader national interests. For small and middle powers, these instruments can also expand strategic autonomy, diversify international partnerships, and create opportunities for engagement across geopolitical divisions.[7]

However, using economic instruments to advance national interests does not necessarily contribute to international stability. Such instruments can equally reinforce geopolitical competition or enable economic coercion. Their potential contribution to peace depends on whether economic partnerships are governed through institutional arrangements that generate mutual interests, encourage sustained cooperation, and preserve channels of engagement during political tensions. The critical distinction, therefore, is between economic connectivity pursued primarily for national advantage and connectivity governed to create additional incentives for interstate restraint and cooperation.

Economic diplomacy can contribute to stability only through identifiable mechanisms. First, valuable two-way economic exchange may increase the opportunity costs of confrontation. Second, businesses, investors, and logistics operators may have incentives to support predictable relations, although commercial interests can also reinforce strategic competition. Third, agreements can create standing channels for information exchange, consultation, regulatory adjustment, and settlement of trade disputes. Such procedures can contain commercial friction and sustain contact even when broader relations deteriorate. These are plausible pathways to restraint, though the authors stop short of endorsing a universal causal

[7] Najla Al Midfa, “Economic Diplomacy as Statecraft: Evaluating the UAE’s CEPA Strategy” (Master’s thesis, Master of Arts in Global Affairs and Diplomatic Leadership, Anwar Gargash Diplomatic Academy, 2026).

relationship.[8] In practice, the effectiveness of these approaches will depend on how such governance arrangements are designed, implemented, and maintained, particularly during periods of geopolitical tension.

Governance as a critical complement to connectivity

Economic connectivity can also create vulnerabilities that undermine its potential contribution to interstate stability. Concentrated shipping routes, energy networks, financial payment systems, and digital platforms can create asymmetric dependencies where skewed. Control over essential resources, technological inputs, and critical skills can be used as leverage. Major infrastructure projects can also aggravate conflict when financing is opaque, benefits are unequally distributed, or local communities are excluded.[9] Research on economic interdependence has also highlighted how network control can enable coercion where asymmetries exist.[10]

From the perspective of this policy paper, the implication is that expanding connectivity on its own may be insufficient to ensure enduring stability. Much attention needs to be given at the policy level to how relationships are structured and subsequently governed, accounting where necessary for institutional arrangements that reinforce mutual interests in general and, in the specific case, manage asymmetrical dependencies.

A credible peace-supporting connectivity agenda therefore requires transparent obligations, legitimate access, usable consultation procedures, noncoercive contingency arrangements, and attention to distributional effects. Its objective is certainly to avoid extreme cases of unilateral dependence, which can heighten vulnerability, in favour of a diversified, mutually beneficial connectivity governed to preserve cooperation under times of political tension.

The significance of these governance arrangements extends beyond their capacity to manage economic disagreements. By institutionalizing consultation and establishing shared obligations, they can also preserve channels of cooperation when political tensions arise for reasons unrelated to economic relations. Their potential contribution to peace therefore lies in influencing incentives for restraint and providing opportunities for engagement when political relations deteriorate rather than resolving underlying causes of political conflict.

The UAE CEPA Program: an institutional test case

The Gulf provides a particularly relevant regional context for examining the relationship between economic connectivity and interstate stability. Located at an East–West–South crossroads, the economic development strategies of several Gulf nations, including that of the

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[8] Edward D. Mansfield and Jon C. Pevehouse, “Trade Blocs, Trade Flows, and International Conflict,” International Organization 54, no. 4 (2000): 776, 780–81, https://doi.org/10.1162/002081800551361

[9] International Finance Corporation and World Bank, A Guide to Community Engagement for Public-Private Partnerships (Washington, DC: World Bank Group, 2021), 12, https://documents1.worldbank.org/curated/en/099415306302239733/pdf/P149535-58c39c22-15f2-46c4-b408-3a3121c9fc64.pdf

[10] Katherine Barbieri, “Economic Interdependence: A Path to Peace or a Source of Interstate Conflict?,” Journal of Peace Research 33, no. 1 (1996): 29–49, https://doi.org/10.1177/0022343396033001003

United Arab Emirates (UAE), are predicated on expanding global connectivity, whether of trade routes, financial systems, or digital infrastructure.

In common with other internationally integrated economies, industrial development strategy critically depends on open trade relations that provide access to global supply chains, technology, scientific knowledge, and finance. These relationships contribute not only to economic growth, employment and technological development but also to the creation of shared economic interests across national borders. Crucially, these economic relationships can also sustain cross-border constituencies and channels of engagement. Their wider significance for interstate stability, however, depends on how they are governed. Where economic partnerships are supported by durable institutional arrangements, they can create incentives for political restraint and preserve channels of communication during geopolitical tensions.

Economic relations are connected with interstate political relations in the following three ways: first, the opportunity cost of confrontation increases where mutually valuable economic exchanges exist; second, business constituencies may favour stable and predictable outcomes; and thirdly, economic agreements ordinarily provide procedures and mechanisms for resolving disputes through mediation and consultation.

It is within this broader context that the UAE's Comprehensive Economic Partnership Agreements (CEPA) program, which has been pursued since 2021, provides an example of how economic diplomacy can institutionalize cooperation. As of the end of October 2026, the UAE had concluded CEPA agreements with 40 nations, 20 of which had entered into force.[11] In general terms, broad-based economic agreements can contribute to regional stability by creating shared economic interests, strengthening institutional relationships, and establishing channels for sustained communication that increase incentives for cooperation and raise the economic cost of potential conflicts. At the institutional level, mechanisms included in the agreements such as joint economic committees, dispute-resolution procedures, regulatory coordination, and cooperation on critical supply chains can help prevent commercial disagreements from escalating into political disputes and maintain essential supply chains during times of geopolitical tension.[12]

The UAE–India CEPA, which took effect on May 1, 2022, is significant in this regard. The UAE–India CEPA combines tariff and market-access commitments with regulatory cooperation requirements and a Joint Committee. At the Committee's third meeting in November 2025, officials from both countries discussed rules of origin, standards, market-access issues, trade remedies, and other questions related to implementation. The economic significance of the relationship is considerable, with India reporting bilateral trade of USD 100.06 billion in fiscal year 2024/25. While not, of course, demonstrating that the

[11] Emirates News Agency (WAM), "UAE's Comprehensive Economic Partnership Agreement with Democratic Republic of Congo Enters into Force," October 30, 2026, https://www.wam.ae/en/article/c3051gr-uae%E2%80%99s-comprehensive-economic-partnership-agreement

[12] Al Midfa, "Economic Diplomacy as Statecraft."

agreement prevented a political dispute, the standing institutional arrangement nonetheless provides some evidence that the agreement has created an active official channel.[13]

The case of the UAE–Türkiye CEPA, which has been in force since 2023, offers another insight into how economic incentives can powerfully facilitate political rapprochement. In this case, political reconciliation was quickly institutionalized by the negotiation of a CEPA agreement linking the two economies. Indeed, some authors have argued that economic considerations were the principal driver of Türkiye's drive to normalize relations against a background of severe economic difficulties since 2018, including a soaring exchange rate and high inflation.[14] Business communities were involved in the consultation process, with Turkish exporters invited in March 2025 to submit concerns and recommendations on market-access difficulties ahead of the first Joint Committee meeting in April 2025 in Abu Dhabi.[15]

These examples illustrate how economic agreements can institutionalize cooperation, but do not establish whether these arrangements can remain effective during geopolitical crises. The broader challenge remains to build on this institutional experience by identifying where and how governance mechanisms can be strengthened to preserve economic cooperation when political relations deteriorate

Why a framework informed by Middle East experience belongs on the G20 Agenda

Recent proposals for a G20 Connectivity Compact have highlighted the need for voluntary cooperation, interoperability, and improved governance across fragmented international infrastructure and economic networks.[16] Building on this emerging policy discourse, a framework led by regional experience could introduce an additional dimension as a result of exploring how the *governance* of economic connectivity can promote cooperation and strengthen political restraint during crises.

Geographically, the Middle East links Asian, European, and African trade and investment networks. The UAE has considerable experience in economic agreements and cross-border facilitation, while other regional states, economic corridor users, and neighbouring partners bring their important interests and perspectives. Moreover, the region's experience of recurring crises and its growing use of economic diplomacy provide a reasonable basis for contributing practical lessons to international connectivity governance. Against this

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[13] Government of India, Press Information Bureau, "India–UAE Convene Third CEPA Joint Committee Meeting: Bilateral Trade Crosses USD 100 Billion," November 27, 2025, https://www.pib.gov.in/PressReleasePage.aspx?PRID=2195127&reg=48&lang=2

[14] Salim Çevik, Turkey's Reconciliation Efforts in the Middle East: Ambitions and Constraints in a Changing Regional Order, SWP Research Paper 2024/RP 15 (Berlin: Stiftung Wissenschaft und Politik, October 2024), https://www.swp-berlin.org/en/publication/turkeys-reconciliation-efforts-in-the-middle-east

[15] Karadeniz İhracatçı Birlikleri (Black Sea Exporters' Associations), "Türkiye-BAE KEOA 1. Dönem Ortak Komitesi Toplantısı," Circular No. 2025/154, March 10, 2025, https://kib.org.tr/files/downloads/2025154.pdf

[16] Peter Middlebrook, Amba Tadaa, and Eleni Kubolli, "Toward a G20-Led Global Infrastructure & Connectivity Initiative," Geopolicity Inc., republished by the Global Governance Innovation Network (GGIN), Stimson Center, June 10, 2026, https://ggin.stimson.org/lib/policy-solutions/toward-a-g20-led-global-infrastructure-connectivity-initiative/

background, a framework led by Middle East experiences and practices would draw on both the region's vulnerabilities and its experience in developing economic partnerships across different geopolitical groupings.

The UAE's emphasis on multilateralism and its engagement with diverse international institutions complement its approach to economic diplomacy. Its participation in the UN Security Council from 2022 until 2023, hosting of COP28 and the World Trade Organization's (WTO)13th Ministerial Conference, engagement with the G20 and BRICS, and forthcoming co-hosting of the 2026 UN Water Conference (UNWC) with Senegal illustrate its capacity to convene international actors across different political and economic groupings. Beyond facilitating dialogue, such multilateral engagement offers opportunities to develop shared rules, coordinate economic policies, and establish institutional mechanisms that sustain cooperation across geopolitical divisions.

The UNWC, taking place in slightly over a month and co-hosted by the UAE and Senegal, provides an opportunity to advance such cooperation through transboundary partnerships under the UN Water for Cooperation dialogue. Under the terms of this dialogue, co-chaired by Finland and Zambia, transboundary water governance and inclusive decision-making are explicitly addressed. While the outcome of the UNWC will be a summary of proceedings and not a negotiated institutional instrument, the commitments contained therein are expected to provide a foundation for future transboundary partnerships and cooperation mechanisms that can establish channels for consultation and dispute prevention.

The UNWC and other major events held in the region are anchored in the idea of global inclusivity and embody a commitment to increasing multilateralism, coordinating common positions among external actors, and ultimately driving normative development on a global scale. This bridging philosophy and practical ability is also relevant to a Middle East-led connectivity framework, in which participating states could use multilateral platforms to strengthen the governance of economic relationships, manage shared vulnerabilities, and preserve channels of cooperation during political crises.

Recognizing the complexity of multilateral economic governance in managing politically sensitive disputes, we emphasize that our view is focused on conflict resilience rather than conflict resolution. The objective would be to contain the economic consequences of geopolitical tensions, preserve institutional cooperation even when broader political relations deteriorate, and potentially reinforce incentives for political restraint and stability.

In this light, preserving economic cooperation during geopolitical crises is likely to require governance arrangements that favour non-adjudicatory mechanisms, including institutional consultation, transparency, and the technical examination of politically sensitive scenarios without seeking to adjudicate the underlying political disagreements. Building on this experience, a G20-led approach could extend consultation mechanisms, transparency, and crisis-management procedures to connectivity networks, infrastructure, and investment relationships.

Recommendations and next steps

These recommendations build on emerging G20 connectivity governance proposals and existing G20 principles by incorporating explicit peace-supporting objectives into the implementation of international economic partnerships and critical networks.

First recommendation - Strengthen existing G20 economic governance frameworks to support interstate stability

The existing G20 principles for international investment,[17] quality infrastructure,[18] and trade cooperation[19] should be reviewed in the context of potentially strengthening their application to the management of economic relationships during geopolitical tensions. Rather than developing another set of general principles, we propose identifying and reinforcing governance mechanisms that preserve institutional cooperation and mutual economic interests when wider political relations suffer. The precise mechanisms need to be further investigated but could include regular joint-committee consultations, transparent regulatory procedures, early-warning arrangements, and dedicated communication protocols that remain operational during political crises, *including those originating outside economic relations*. For example, partners could agree that their joint committee must meet within a fixed period whenever either side takes a measure that disrupts trade, whatever the political climate, and could name officials who stay in contact even when other diplomatic channels are suspended.

A first practical step would be for the G20, plus technical input from the WTO, to develop a voluntary implementation checklist to assess whether existing economic agreements contain the institutional arrangements necessary to sustain cooperation during geopolitical tensions. The UAE's CEPAs with India, Indonesia, Türkiye, and Australia offer a useful comparative starting point, representing agreements at different stages of implementation. Where this exercise identifies shortcomings, governments could introduce administrative improvements or mutually agreed adjustments to existing arrangements without necessarily renegotiating the underlying agreements.

Second recommendation - integrate conflict-sensitivity into existing infrastructure and connectivity governance frameworks

We recommend that the G20 build on its existing principles for Quality Infrastructure Investment by explicitly incorporating consideration of the potential consequences of cross-border connectivity for interstate relations beyond economic relations. Interested governments and potentially development finance institutions could extend existing project assessments to explore whether strategic corridors, ports, energy networks, digital infrastructure, and financial systems strengthen incentives for cooperation, or create

[17] G20, "G20 Guiding Principles for Global Investment Policymaking," annex III to the G20 Trade Ministers Meeting Statement (Shanghai, July 10 2016), endorsed at the Hangzhou Summit, September 2016, https://g20.utoronto.ca/2016/160710-trade-annex3.html?

[18] G20, G20 Principles for Quality Infrastructure Investment (Osaka G20, June 2019), https://www.mofa.go.jp/mofaj/gaiko/g20/osaka19/pdf/documents/en/annex_01.pdf

[19] G20, "G20 Principles on Trade and Sustainable Development," endorsed at the G20 Trade and Investment Ministers' Meeting (Brasília, 24 October, 2024), https://www.g20.utoronto.ca/2024/241024-principles-on-trade-and-sustainable-development.html

asymmetric dependency and opportunities for economic coercion. In relation specifically to governance, a conflict-sensitive assessment would examine whether existing governance arrangements ensure transparency, fair participation, and appropriate rules, and also whether institutional mechanisms are appropriate for preserving communication and cooperation when political tensions arise, including those unrelated to the economic partnership itself. These considerations would complement existing assessments of financial viability, environmental and social impacts, and infrastructure resilience. Where gaps are identified, existing operating rules, joint governance arrangements, consultation mechanisms, and contingency procedures could be strengthened.

Third recommendation - strengthen G20 and T20 evidence and implementation reviews to assess connectivity's contribution to stability

Whereas the previous recommendations assess how agreements are designed, this recommendation assesses how they perform in practice. We propose that the G20 build on existing infrastructure monitoring and connectivity initiatives by introducing a specific assessment of whether economic governance arrangements contribute to interstate cooperation and political stability. In coordination with the T20, WTO, International Monetary Fund (IMF), and potentially other relevant development banks, this initiative would examine the effectiveness of existing economic partnerships during periods of geopolitical tension. Its central purpose would be to distinguish formal institutional commitments from their practical implementation and to investigate further whether economic relationships and governance mechanisms influence political behaviour. IMF research on connector economies illustrates why this distinction matters, as increased trade through intermediary countries may reflect genuine production relocation, supply-chain restructuring, or the rerouting of existing trade flows.[20] Whereas production relocation may strengthen domestic industrial capacity and diversify supply chains, trade rerouting will largely leave underlying strategic dependencies unchanged without necessarily reducing vulnerability to economic shocks. By this logic, increased trade and investment alone cannot establish that economic relationships contribute to political restraint. The suggested review should compare similar economic partnerships and examine whether governance mechanisms help maintain cooperation during political crises.

Conclusion

The three mutually reinforcing recommendations build on established G20 economic governance principles and emerging connectivity initiatives by incorporating peace-supporting objectives into the implementation of international economic partnerships and critical networks. Together, these recommendations offer a practical approach to governing economic connectivity that moves beyond protecting economic relationships from external shocks toward strengthening their potential contribution to peace and stability.

The region’s recent experience demonstrates both the exposure of economic connectivity to political shocks and its value in sustaining cooperation. The G20 is well placed to turn that

[20] Tatjana Schulze and Weining Xin, “Demystifying Trade Patterns in a Fragmenting World,” IMF Working Paper 2025/129 (2025), https://doi.org/10.5089/9798229011679.001

experience into a shared agenda, one that treats the governance of economic connections not only as a matter of resilience but as a practical contribution to restraint and stability.

Building on the emerging policy discourse around economic connectivity for peace, a G20-backed framework, informed by Middle East experience, would introduce an additional dimension as a result of exploring how the *governance* of economic connectivity can promote cooperation and strengthen political restraint during crises.