

THE WORLD IN 2026

COMPREHENSIVE GEOPOLITICAL STRATEGIC ASSESSMENT



The International System, Great-Power Competition,
War, Finance, Energy, Technology, Military Power,
Alliances, Demographics and Strategic Risk



RESEARCH CUTOFF: SEPTEMBER 2, 2026



The American Newspaper

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Publication Note and Research Protocol

Purpose. This edition rebuilds the earlier condensed assessment as a substantive research report. It preserves the original 39-part analytical mandate and expands the body rather than inflating page count through formatting. Current claims are tied to source codes and a source register. Fast-moving claims are treated more cautiously than official statistical series.

Research cutoff and source freeze

The source freeze for this edition is **September 2, 2026 at 23:24 UTC**. The report does not intentionally incorporate developments occurring after that moment. A source published or updated on September 2 is used only when the underlying event or dataset is understood to precede the cutoff. Because war reporting can be revised after initial publication, battlefield and casualty claims remain explicitly confidence-qualified.

Source hierarchy

1. **Tier 1 - primary/official:** national governments, ministries, central banks, statistical agencies, NATO, EU institutions, IMF, World Bank, IEA, UN agencies and official legislation or treaties.
2. **Tier 2 - high-quality analytical institutions:** SIPRI, IISS, RAND, CSIS, Brookings, Carnegie, Chatham House, Kiel Institute and comparable institutions where methods and data are transparent.
3. **Tier 3 - reputable journalism:** Reuters, Associated Press, Financial Times, Bloomberg, Wall Street Journal and BBC, used particularly for fast-moving events and independently reported interviews.

Analytical vocabulary

FACT	Directly supported by a source considered reliable for the claim.
ESTIMATE	Quantitative approximation or intelligence-style inference with material uncertainty.
ANALYTICAL JUDGMENT	Interpretation produced by weighing evidence, incentives and structural constraints.
SCENARIO	Conditional future pathway; not a prediction.
UNKNOWN	Information that cannot be established reliably at the cutoff.

Probability calibration

Label	Approx. range	Interpretive meaning
Very Low	<10%	Exceptional outcome requiring unusual triggers.
Low	10–25%	Plausible but not a base-case expectation.
Moderate	25–45%	Material possibility requiring active monitoring.
High	45–70%	More likely than many alternatives, though far from certain.
Very High	>70%	Strong expectation conditional on present trends continuing.

Probability ranges in this report are *analytical judgments*, not statistically estimated frequencies.

Currency and verification audit

The report uses the newest available full-period official data where possible and identifies the period explicitly. Where 2026 annual data do not yet exist, the latest 2025 actual or 2026 partial-year figure is used. Market prices are treated as point-in-time observations. Official claims by belligerents are not automatically treated as verified facts; where possible they are compared with independent observation.

Contents

Publication Note and Research Protocol	i
I. Executive Assessment	1
The forces shaping the system	1
What kind of international system is emerging?	2
Relative gainers and losers	3
Time-horizon risks	3
Potential balance-of-power discontinuities	3
II. Structure of the Contemporary International System	4
Distribution of power: capability is multidimensional	4
The U.S.-led order: resilience beneath relative decline	4
China's challenge: counter-order or parallel capacity?	5
Russia's structural role	5
Europe and strategic autonomy	5
The Global South and multi-alignment	5
Weaponization of interdependence	6
III. United States	7
Political operating environment	7
Grand strategy	7
Military position and readiness	7
Nuclear strategy	8
Economic power	8
Dollar and sanctions power	9
Industrial policy and reshoring	9
Technology and AI	10
Assessment of U.S. power	10
IV. China	11
Political leadership and elite stability	11
Economic conditions	11
Industrial capacity: China's central strategic advantage	12
Trade and external imbalances	12
Demographics	12
Technology strategy	12
Critical minerals and processing power	13
PLA modernization and naval power	13
Nuclear expansion	14
Taiwan and regional strategy	14
External diplomacy	14
China trajectory: rising, plateauing or declining?	14
V. U.S.-China Strategic Competition	15
The competition is a system, not a dispute	15
Military balance around Taiwan	15

Blockade versus invasion	15
South China Sea	16
Trade and industrial policy	16
AI and compute	16
Finance and currencies	16
Critical minerals and energy	16
Cyber, information and intelligence	17
Five-year escalation assessment	17
VI. Russia and the Post-Soviet Strategic Space	18
Russia's place in the hierarchy of power	18
Political stability and regime durability	18
War economy and fiscal burden	18
Energy and sanctions	18
China relationship	19
Iran and North Korea	19
Central Asia, Caucasus and Arctic	19
Net assessment	19
VII. Russia-Ukraine War	20
Operational picture at the cutoff	20
Territorial control and battlefield geometry	20
Manpower	20
Artillery, drones and missiles	20
Air power and air defense	21
Defense-industrial sustainability	21
Western assistance	21
Negotiations and ceasefire possibilities	21
6-24 month trajectories	22
Verified, judged and unknown	22
VIII. Europe and NATO	23
NATO's transformation	23
European rearmament and the EU	23
Germany	23
France and the United Kingdom	23
Poland, Nordics and Baltic states	23
U.S.-Europe burden sharing	24
Migration, populism and fiscal pressure	24
Autonomy verdict	24
IX. Middle East	25
Regional map after the 2026 Iran war	25
Iran: damaged but not capitulated	25
Strait of Hormuz: energy chokepoint as weapon	25
Oil-market consequences	26
Israel	26
Gaza and Palestinians	27
Lebanon and Hezbollah	27
Yemen, Houthis and Red Sea	27
Saudi Arabia, UAE and Qatar	27

Turkey and Egypt	27
Pathways to larger regional war	27
X. Indo-Pacific	29
The emerging security architecture	29
Japan	29
Philippines and South China Sea	29
Australia	29
India	29
ASEAN and multi-alignment	29
Pacific Islands	30
Containment coalition?	30
XI. Korean Peninsula	31
North Korea: a larger nuclear and missile problem	31
Deterrence dynamics	31
North Korean economy and domestic stability	31
South Korea: alliance, modernization and strategic debate	31
South Korea-Japan relationship	32
The South Korean nuclear debate	32
Risk assessment	32
XII. Japan	33
From restrained power to active strategic state	33
Defense spending and force structure	33
Counterstrike and missile defense	33
Taiwan contingency	33
Economic security and semiconductors	33
Japan-Korea-China relations	33
Autonomous military power?	34
XIII. India	35
Economic rise	35
Demography	35
Industrial policy	35
Military modernization	35
Nuclear forces	35
United States relationship	35
Russia relationship	36
China competition	36
Top-three power potential	36
XIV. Global South	37
Why “Global South” does not mean a bloc	37
Multi-alignment as rational strategy	37
Brazil	37
Mexico	37
Indonesia and Vietnam	37
Saudi Arabia and UAE	37
South Africa and Nigeria	38
Turkey	38

Global South conclusion	38
XV. Global Economy	39
2026 macroeconomic baseline	39
United States	39
China	39
Euro area	39
Japan	40
India and emerging markets	40
Trade and investment flows	40
Sources of systemic crisis	40
XVI. Global Financial System	41
Dollar dominance: measure, do not sloganize	41
Why the dollar persists	41
Renminbi internationalization	41
Euro and yen	42
SWIFT, sanctions and alternatives	42
Treasury market and fiscal risk	42
De-dollarization verdict	42
XVII. Energy Geopolitics	43
Oil remains strategic	43
OPEC+	43
United States	43
Russia	43
Natural gas and LNG	43
Nuclear power	43
Renewables and grids	44
Energy transition and power	44
XVIII. Critical Minerals and Resources	45
From mining to full value chains	45
Key minerals	45
Concentration	45
Export controls	45
Diversification challenge	45
Strategic priorities	45
XIX. Technology and AI Geopolitics	46
Technology as national power	46
Semiconductor ecosystem	46
TSMC	46
Samsung and SK Hynix	46
Nvidia and Chinese alternatives	46
AI infrastructure	47
Quantum technology	47
Biotechnology	47
Robotics and autonomous weapons	47
Technology bifurcation	47

XX. Military Balance	48
Why spending rankings are insufficient	48
United States	48
China	48
Russia	49
India	49
European powers	49
Japan and South Korea	49
Israel	49
North Korea	49
Comparative matrix	49
XXI. Nuclear Strategy	51
A new arms-race environment	51
United States and Russia	51
China	51
France and United Kingdom	52
India and Pakistan	52
Israel	52
North Korea	52
First-use doctrines and tactical weapons	52
Missile defense and space	53
Arms-race verdict	53
XXII. Global Defense Industrial Base	54
Industrial capacity as a combat variable	54
United States	54
Europe	54
Russia	54
China	54
South Korea	55
Japan	55
Production categories	55
Industrial balance judgment	55
XXIII. Cyber, Intelligence and Information Warfare	56
Persistent competition below armed conflict	56
Cyber warfare and infrastructure	56
AI-enhanced cyber operations	56
Espionage	56
Election interference and influence	56
Intelligence competition and policy	57
XXIV. Space Geopolitics	58
Space as military infrastructure	58
United States and commercial space	58
China	58
Russia	58
Europe and India	58
Lunar competition	58
Escalation risk	59

XXV. International Institutions	60
United Nations and Security Council	60
NATO	60
European Union	60
IMF and World Bank	60
WTO	60
G7 and G20	60
BRICS	61
SCO	61
ASEAN	61
Institutional trajectory	61
XXVI. Alliances and Strategic Blocs	62
The U.S.-centered network	62
China and Russia	62
Russia-North Korea and Iran links	62
BRICS and non-aligned states	62
Are stable blocs emerging?	62
XXVII. Demographics	63
Demographic divergence	63
China	63
Japan	63
South Korea	63
Europe	63
Russia	63
India	64
Africa	64
Demographic power equation	64
XXVIII. Climate and Environmental Security	65
Climate as threat multiplier	65
Water and food	65
Extreme weather and infrastructure	65
Migration	65
Arctic competition	65
Environmental-risk judgment	65
XXIX. Domestic Politics as a Driver of Foreign Policy	66
States are not unitary actors	66
United States	66
China	66
Russia	66
Europe	66
India	66
Japan	67
South Korea	67
Israel and Iran	67
Turkey	67
Analytical implication	67

XXX. Major Flashpoints	68
Ranking methodology	68
Flashpoint interaction	70
XXXI. Global Risk Matrix	71
Cross-domain risk portfolio	71
Risk interaction and nonlinear outcomes	74
XXXII. Power Rankings	75
Methodology	75
Overall national power	75
Military power ranking	75
Economic power ranking	76
Technological power ranking	76
Financial power ranking	76
Diplomatic influence ranking	76
Industrial capacity ranking	76
Long-term strategic potential	77
Methodological caution	77
XXXIII. Winners and Losers	78
Significantly improved relative position	78
Moderately improved	78
Broadly stable	78
Deteriorated	78
Significantly deteriorated	78
XXXIV. Scenario Analysis: 2026-2030	80
How to read the scenarios	80
Scenario A - Managed U.S.-China Competition	80
Scenario B - New Bipolar Cold War	80
Scenario C - Fragmented Multipolarity	81
Scenario D - Major Regional War in East Asia	81
Scenario E - Global Financial/Fiscal Crisis	82
Scenario F - Managed Settlement in Ukraine and Middle East De-escalation	82
Scenario comparison	83
XXXV. Strategic Indicators Dashboard	84
Purpose	84
Dashboard interpretation	85
XXXVI. Source and Verification Standards	86
Claim-to-source matching	86
Cross-check protocol	86
Wartime claims	86
Economic data	86
Source limitations	86
XXXVII. Analytical Discipline	87
Facts and judgments must not merge	87
Capability is not intention	87
Trend is not destiny	87

Competing interpretations	87
Base-rate caution	87
XXXVIII. Quantitative Requirements	88
Data should discipline adjectives	88
Core quantitative dashboard	88
Data comparability	88
XXXIX. Final Strategic Synthesis	89
1. Fundamental structure in September 2026	89
2. Principal powers	89
3. Central strategic rivalry	89
4. Is U.S. dominance eroding?	89
5. Is China still rising?	89
6. Russia strengthened or weakened?	89
7. Is Europe an independent pole?	89
8. Is the Global South gaining bargaining power?	90
9. Is globalization ending?	90
10. Is major-power war becoming more probable?	90
11. What matters during the next 12 months?	90
12. Largest unexpected change	90
Strategic synthesis: where power is moving	90
The World in One Page - September 2026	91
Appendix A - Key Quantitative Tables	93
Military expenditure, 2025	93
Nuclear inventories, January 2026	93
Selected real GDP indicators	93
Strategic chokepoints	94
Appendix B - Confidence Framework	95
Confidence labels	95
Examples	95
Appendix C - Source Register and Audit Trail	96
Appendix D - Editorial and Currency Audit	98
Audit completed for this edition	98
Known limitations	98
Publication identity	98

List of Figures

1	Conceptual AI-generated illustration of a fragmented institutional order. Not a documentary image.	4
2	United States fiscal pressure under the February 2026 CBO baseline. Source: CBO. ^[S03]	9
3	China: selected official growth indicators for 2026. Source: National Bureau of Statistics. ^[S07]	11
4	IEA reports China accounts for more than 90% of refining in the illustrated categories; bars visualize the concentration threshold, not precise point estimates. ^[S38] . .	13
5	Conceptual AI-generated illustration of U.S.-China strategic competition. Not documentary imagery and not an actual force disposition.	15
6	Strategic flow magnitudes through the Strait of Hormuz using IEA 2025 baseline data. ^[S22]	26
7	IMF July 2026 real GDP growth projections for selected economies. ^[S01]	39
8	Global FDI inflows in 2025. Developed and developing totals use UNCTAD categories and may not sum exactly to the rounded global total. ^[S37]	40
9	Approximate composition of allocated official foreign-exchange reserves, Q1 2026. Dollar share from IMF COFER; other shares rounded for presentation. ^[S05]	41
10	Estimated military expenditure in 2025. Source: SIPRI. ^[S09]	48
11	Estimated total nuclear inventories, January 2026. “Total inventory” includes retired warheads awaiting dismantlement where applicable and is not equivalent to deployed force. Source: SIPRI. ^[S10]	51
12	Illustrative global risk heat map. Positions are analytical judgments using the probability calibration defined in the methodology.	71

I. Executive Assessment

Global Strategic Bottom Line. The international system in September 2026 is best understood as **competitive, fragmented multipolarity organized around a U.S.-China structural rivalry**. The United States remains the only actor combining global military reach, reserve-currency power, frontier technology, deep capital markets and a worldwide alliance network. China is the only state capable of contesting U.S. power across industry, trade, technology and regional military power at the same time. Russia remains a nuclear superpower and wartime military actor but rests on a much smaller economic base. India is the most consequential rising swing power. Europe is rearming rapidly but remains only partially autonomous. Middle powers increasingly hedge rather than choose permanent blocs.

The forces shaping the system

The first force is the conversion of U.S.-China competition from a mainly economic relationship into an integrated contest over the technological and industrial foundations of power. Trade, semiconductors, AI compute, critical minerals, shipbuilding, undersea infrastructure, telecommunications, cloud capacity, financial sanctions and military geography are now treated as connected security domains rather than separate policy portfolios. This shift is creating a form of *competitive interdependence*: neither side has achieved broad decoupling, but both seek to reduce dependence where interruption would create military or political vulnerability. **ANALYTICAL JUDGMENT:** selective technological bifurcation is more likely than comprehensive economic separation.^[S38,S39,S40,S41,S42]

The second force is the return of sustained interstate war as a determinant of national power. Russia's invasion of Ukraine has become a test of manpower, drones, artillery, air defense, defense-industrial mobilization and external financing. The 2026 U.S.-Israeli conflict with Iran has simultaneously demonstrated the persistence of maritime chokepoints, missile warfare, air-defense consumption and energy coercion. War has therefore shifted strategic attention from inventories to *replacement rates*: how fast a state can replace interceptors, shells, unmanned systems, ships, aircraft components and trained personnel. Global military expenditure reached an estimated \$2.887 trillion in 2025, the eleventh consecutive annual increase.^[S09,S13,S20,S23,S54]

The third force is alliance reinforcement accompanied by alliance bargaining. NATO has set a 2035 target of 5% of GDP for defense and defense-related resilience, while the European Union is building joint procurement, air-defense, drone-defense and space initiatives. In Asia, bilateral U.S. alliances, AUKUS and Quad cooperation create an increasingly networked balancing structure without a formal "Asian NATO." Yet burden-sharing disputes and domestic politics prevent these networks from being treated as automatic or costless.^[S11,S12,S28,S29,S53]

The fourth force is the securitization of globalization. States are not abandoning trade; they are changing its composition. Global FDI rose 6% to \$1.6 trillion in 2025, but more than 80% went to the top 20 host economies and strategic sectors represented 44% of global greenfield project values. Supply chains are being rebuilt around redundancy, subsidy, export controls, trusted jurisdictions and national-security review.^[S37]

The fifth force is the increasingly direct conversion of technology into national power. AI training capacity, advanced semiconductors, high-bandwidth memory, lithography, secure cloud infrastructure, autonomy, sensing and space systems affect both productivity and military capability.

Because the relevant supply chains contain extreme chokepoints - leading-edge fabrication in Taiwan, HBM in Korea, lithography in the Netherlands, design and cloud ecosystems in the United States, and critical-mineral processing in China - technology competition has become inseparable from alliance policy.^[S38,S39,S40,S41,S42]

The sixth force is fiscal and financial constraint. The dollar remains the dominant reserve and transaction currency, but the United States is carrying gross federal debt above \$40 trillion and a CBO baseline in which debt held by the public rises from about 101% of GDP in 2026 to roughly 120% by 2036. Higher bond yields are therefore not merely a market variable: they affect defense affordability, alliance commitments, industrial subsidies and perceptions of long-term American state capacity. Similar fiscal pressures constrain Europe and Japan.^[S03,S04,S05,S06,S61]

The seventh force is demographic divergence. China, Japan, South Korea, much of Europe and Russia face aging and low fertility, while India and many African states retain younger age structures. Demography does not translate mechanically into power; it matters through labor productivity, education, migration, capital formation and fiscal institutions. But over a multi-decade horizon it changes the size of the tax base, military recruitment pool and domestic savings structure.^[S46,S47,S48]

The eighth force is declining effectiveness of universal institutions in hard-security disputes. The UN, WTO and arms-control architecture remain important, but the political ability to compel major powers has weakened. At the same time, coalition institutions - NATO, EU defense mechanisms, BRICS, Quad, AUKUS and issue-specific partnerships - are becoming more consequential. SIPRI reports that deployed personnel in peace operations fell to 78,633 by end-2025, the lowest level in at least 25 years.^[S35,S36,S58]

What kind of international system is emerging?

Model	Assessment	Why
Unipolarity	Declining	U.S. remains first overall but cannot dictate outcomes across all theaters.
Bipolarity	Partial	U.S.-China rivalry increasingly structures technology and Indo-Pacific security, but India, Russia, Europe and middle powers retain autonomy.
Multipolarity	Rising	Several actors possess veto power or regional leverage disproportionate to GDP.
Bloc competition	Rising	U.S. alliance network is tighter than the opposing network; many states deliberately avoid full alignment.
Fragmented globalization	Best fit	Trade and investment persist while sensitive sectors are screened, subsidized, restricted or rerouted.

Table 1: Competing descriptions of the 2026 international system.

ANALYTICAL JUDGMENT: The post-Cold War order is neither intact nor replaced. It is being **re-layered**. The U.S.-led financial and alliance core remains powerful; China-centered industrial and trade networks are dense; Russia has militarized revisionism; and middle powers exploit overlap between systems. The resulting order is more resilient than a simple “collapse of globalization” thesis implies, but also more prone to coercive disruption because the same interdependence that creates wealth can be weaponized.

Relative gainers and losers

Gainers. India is gaining because high growth, population scale, nuclear capability and diplomatic autonomy compound. Japan is gaining relative strategic weight because its defense policy is normalizing and its industrial base is being redirected toward security. Poland and Nordic states have become more central inside NATO. South Korea's defense industry and advanced memory sector give Seoul leverage beyond the peninsula. Saudi Arabia and the UAE retain financial and energy bargaining power even while war raises their physical risk.^[S09,S12,S33,S34,S41,S70]

Constrained or declining actors. Iran has suffered direct military and economic damage, although regime survival prevents a simple "defeat" label. Ukraine remains a capable state but carries an increasingly difficult manpower, air-defense and fiscal burden. Russia has accumulated battlefield experience and wartime production but pays in casualties, demographics, technology access and economic distortion. Universal multilateral institutions have lost relative conflict-management capacity.^[S13,S14,S15,S20,S26,S58]

Time-horizon risks

Horizon	Highest-consequence risks
0–6 months	Iran/Hormuz escalation; Ukraine operational deterioration; NATO-Russia hybrid incident; South China Sea collision; energy-driven inflation shock.
1 year	Prolonged Middle East energy disruption; failure of Ukraine financing/air defense; U.S. fiscal-market stress; critical-mineral restrictions; cyberattack on critical infrastructure.
3 years	Taiwan blockade crisis; accelerated nuclear arms race; deeper technology bifurcation; Chinese debt/property drag; European fiscal-defense tradeoffs.
5 years	Major U.S.-China military confrontation; disorderly global financial repricing; arms-control breakdown; climate-resource shocks interacting with fragile states.

Potential balance-of-power discontinuities

Five developments could alter the system more rapidly than gradual trend lines: a Chinese blockade or attack on Taiwan; a severe U.S. fiscal/financial crisis that damages Treasury and dollar confidence; military collapse or negotiated termination in Ukraine on terms that fundamentally alter European security expectations; regime transition in a major authoritarian power; or a technological discontinuity in AI, autonomy, quantum sensing or energy storage that changes productivity or military effectiveness. None is the base case, but all deserve strategic planning because their consequences would be nonlinear.

II. Structure of the Contemporary International System

Distribution of power: capability is multidimensional

The distribution of power cannot be captured by nominal GDP or military spending alone. The United States has unmatched global basing, dollar finance, alliance density and frontier technology. China has unmatched manufacturing scale, enormous trade centrality and rapidly improving regional military capacity. Russia has a much smaller economy but a vast nuclear arsenal, energy resources, geographic depth and a political system willing to sustain high military costs. India has less near-term military reach but greater long-term demographic and economic potential. Europe has aggregate resources comparable to a great power but suffers from political fragmentation, procurement duplication and incomplete strategic command integration.^[S09,S10,S11,S12,S34]

A useful distinction is between **aggregate power** and **usable power**. Europe illustrates the problem: total European economic output and military spending are large, but the ability to move forces, standardize ammunition, sustain air defense and make rapid collective decisions depends on institutions and national politics. Russia demonstrates the reverse: a smaller economic base can generate disproportionate coercive power when the state accepts very high military burden and mobilizes production. China combines both aggregate and usable industrial power, though its global expeditionary network remains much smaller than America's.^[S13,S54,S55,S56]



Figure 1: Conceptual AI-generated illustration of a fragmented institutional order. Not a documentary image.

The U.S.-led order: resilience beneath relative decline

The most durable elements of the U.S.-led system are not ideological slogans but networks: the dollar and Treasury market; U.S.-centered capital markets; security treaties; military interoperability; intelligence-sharing arrangements; universities and technology ecosystems; and a dense web of bilateral defense relationships. These generate network effects that are difficult to replace because alternatives must be credible at scale and simultaneously provide liquidity, legal predictability, military capacity and technological access.^[S05,S06,S11]

The order is nevertheless becoming less permissive. Washington increasingly uses tariffs, export controls, sanctions, investment review and industrial subsidies. Allies use similar instruments. This does not mean the liberal order has disappeared; it means economic openness is increasingly conditional on security classification. In practice, “free trade” is yielding to “managed strategic trade” in semiconductors, critical minerals, defense, energy infrastructure and data-intensive technology.^[S38,S39,S59]

China’s challenge: counter-order or parallel capacity?

China does not yet offer a universal institutional order comparable to the post-1945 Western system. Instead it has built parallel or supplementary capacity: BRICS, Belt and Road finance, bilateral currency arrangements, infrastructure investment, development banks, trade centrality and a large domestic market. Beijing’s strongest source of influence is often not ideological attraction but economic indispensability - particularly manufacturing, intermediate goods and processing capacity.^[S35,S37,S38]

This produces an asymmetry. The United States is strongest where rules, finance, security alliances and advanced technology matter. China is strongest where physical production, trade, infrastructure and industrial supply chains matter. The systems overlap. A large number of states want access to both, which explains why full bloc formation remains incomplete.

Russia’s structural role

Russia is a revisionist military power rather than a comprehensive systemic peer. Its nuclear forces can impose existential risk on the United States and Europe; its energy and commodity exports remain globally relevant; and its position across the Arctic, Caucasus, Central Asia and Eurasia gives it strategic depth. But it lacks China’s industrial scale and America’s financial-technological ecosystem. Its most consequential role is therefore to raise the military and political costs of the existing order, not to replace the order economically.^[S10,S13,S17,S43]

Europe and strategic autonomy

European strategic autonomy is becoming less rhetorical and more material. The EU Readiness Roadmap aims to close capability gaps by 2030, move toward at least 40% joint procurement by end-2027, and increase procurement from the European defense technological and industrial base. Yet Europe still depends heavily on U.S. nuclear deterrence, high-end ISR, strategic lift, some missile defense and U.S. stockpiles of selected weapons.^[S12,S14,S69]

Thus Europe’s trajectory is best described as **autonomy inside alliance**, not autonomy from alliance. A more capable Europe can become a stronger pole only if it converts spending into common capabilities, munitions depth, command structures and political willingness to use force.

The Global South and multi-alignment

The label “Global South” is analytically useful only when it does not imply unity. Brazil, India, Saudi Arabia, Indonesia, South Africa, Turkey, Vietnam and Nigeria have different security environments and economic models. What they increasingly share is a preference for **strategic option value**: cooperation with the United States in one domain, China in another, Russia in another, and regional coalitions where beneficial. BRICS expansion reflects demand for institutional voice but not a treaty alliance; the grouping lacks a constitutive treaty, permanent secretariat or collective-defense mechanism.^[S35]

Weaponization of interdependence

Interdependence becomes a weapon when one side controls a network chokepoint that another cannot quickly replace. The dollar clearing system, advanced semiconductor equipment, rare-earth refining, shipping insurance, energy chokepoints and cloud infrastructure all create asymmetric leverage. The IEA's 2026 minerals work is particularly illustrative: China accounts for more than 90% of refining in several strategic mineral categories, and full implementation of certain rare-earth restrictions could place trillions of dollars of downstream production outside China at risk.^[S38]

ANALYTICAL JUDGMENT: the most important structural change since the 1990s is not simply “multipolarity.” It is the shift from viewing interdependence as a stabilizer to viewing it simultaneously as a vulnerability. This produces duplication, stockpiling and national industrial policy even when doing so is economically inefficient.

III. United States

Political operating environment

FACT: Donald Trump is President of the United States, and Republicans control both chambers of the 119th Congress. The Senate composition is 53 Republicans, 45 Democrats and two independents who caucus with Democrats.^[S50,S75] The political environment is highly polarized and increasingly consequential for strategy because overseas commitments now intersect directly with immigration, tariffs, fiscal policy, energy prices and the 2026 congressional elections.

Reuters/Ipsos polling at the end of August put presidential approval at 33%, while 71% disapproved of handling of the cost of living; Democratic enthusiasm for the midterms exceeded Republican enthusiasm in the same survey. Separate polling has shown sharp partisan divides over the use of force in Iran and over alliance commitments. These figures should not be read as deterministic forecasts, but they demonstrate that foreign policy is being made under electoral constraint.^[S51,S52]

The administration's foreign-policy coalition contains several strands: traditional military primacy, economic nationalism, skepticism about open-ended nation-building, support for burden-sharing, hard-line China policy, and a willingness to use direct force when leaders judge vital interests at stake. Those strands are not always coherent. Pressure to reduce overseas exposure can conflict with the military requirements of coercive diplomacy; tariffs can strengthen bargaining power while also increasing allied friction; and a strategy of forcing allies to spend more can eventually produce allies that seek greater autonomy.

Grand strategy

The emerging U.S. grand strategy can be summarized as four simultaneous objectives. First, preserve decisive military and technological advantages over China in the Indo-Pacific. Second, compel allies to shoulder a larger share of conventional defense and industrial production. Third, use economic instruments - tariffs, sanctions, investment review and technology controls - more aggressively as instruments of state power. Fourth, retain escalation dominance and military access in the Middle East while attempting to avoid permanent occupation or large-scale stabilization missions.

This strategy is less universalist than the post-Cold War model and more transactional, but it remains global in practice. The United States still maintains treaty alliances across Europe and Asia, global naval deployments, nuclear extended deterrence, intelligence networks and forward bases. Pentagon deliberations over the roughly 80,000 U.S. troops in Europe show that posture is being reviewed, not abandoned.^[S53]

Military position and readiness

SIPRI estimates U.S. military expenditure at \$954 billion in 2025, roughly one-third of global military spending. The decisive U.S. advantage is not raw spending alone. It is the integration of global logistics, carrier aviation, attack submarines, aerial refueling, strategic airlift, space-based ISR, cyber capabilities, precision strike, nuclear forces, command-and-control, and allies that provide bases and interoperable forces.^[S09]

The principal vulnerabilities concern industrial depth. High-end weapons are expensive, produc-

tion lines are optimized for peacetime demand, and interceptor consumption in simultaneous theaters can expose inventory stress. European reliance on U.S. weapons stockpiles in mechanisms supporting Ukraine, together with reported shortages of Patriot interceptors, illustrates that a military able to win individual engagements may still face a strategic challenge if replacement rates lag consumption.^[S14,S69]

The Navy faces a particularly demanding industrial problem. China now dominates global commercial shipbuilding output and orderbooks, while U.S. naval strategy requires sustained presence across the Indo-Pacific, Middle East and Atlantic. In a long war, repair infrastructure, dry docks, munitions reload capacity and merchant shipping would become as strategically important as the number of exquisite platforms at the opening of conflict.^[S55,S56]

Nuclear strategy

The U.S. nuclear triad remains a foundational element of global power. SIPRI estimates a total U.S. inventory of about 5,042 warheads in January 2026. The strategic challenge is moving from a primarily bilateral U.S.-Russia deterrence framework toward simultaneous deterrence of two major nuclear peers as China's arsenal expands. The expiration of New START in February 2026 removed the last major treaty-based numerical constraints on U.S. and Russian strategic arsenals.^[S10]

The resulting requirements are broader than simply “more warheads.” They include resilient command-and-control, missile-warning architecture, submarines, bomber modernization, land-based missiles, non-nuclear long-range strike, missile defense, and assurance of allies who might otherwise debate independent nuclear capabilities.

Economic power

Real GDP grew at a 1.5% annualized rate in the second quarter of 2026 after 2.1% in the first quarter. The IMF's July outlook projected 2.3% real growth for the full year.^[S01,S02] The U.S. economic position remains structurally powerful because it combines a large consumer market, high labor productivity, frontier technology, energy production, flexible labor and capital markets, and the world's deepest pool of risk capital.

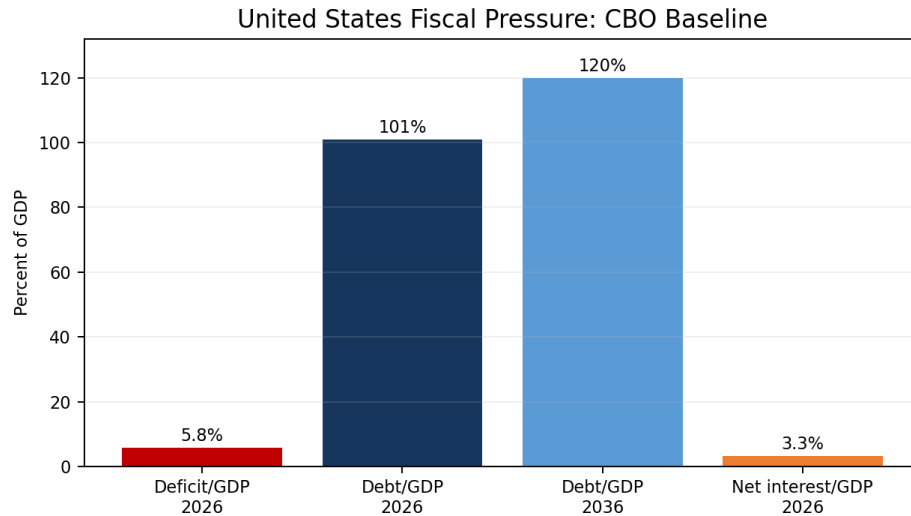


Figure 2: United States fiscal pressure under the February 2026 CBO baseline. Source: CBO.^[S03]

The principal strategic economic vulnerability is fiscal. CBO projected a FY2026 deficit of roughly \$1.9 trillion, or 5.8% of GDP, with debt held by the public around 101% of GDP and net interest above \$1 trillion. Debt held by the public rises to around 120% of GDP by 2036 under the baseline. Gross federal debt exceeded \$40 trillion in August.^[S03,S04] Fiscal deterioration does not imply imminent insolvency because the United States borrows in its own dominant currency and has enormous taxable capacity. But it can raise term premiums, crowd out private investment, reduce discretionary budget space and make sustained high defense spending politically harder.

Dollar and sanctions power

The dollar's international position remains one of the strongest pillars of U.S. power. IMF COFER data put its share of allocated official foreign-exchange reserves at 57.13% in Q1 2026. The Federal Reserve continues to find dollar dominance across reserves, foreign-exchange turnover, international debt securities, cross-border loans and payments.^[S05,S06]

This creates sanctions capacity because many global transactions pass through institutions exposed to U.S. jurisdiction. Yet overuse creates incentives for workarounds. The key distinction is between *diversification* and *replacement*: countries can hold more gold, use local currencies for bilateral trade or build alternative payment rails without creating a reserve asset with the liquidity, collateral role, legal infrastructure and scale of the Treasury market. The more credible long-term threat to dollar primacy is therefore deterioration of U.S. macro-financial credibility, not political declarations by BRICS.

Industrial policy and reshoring

Industrial policy has become a national-security instrument. Semiconductor incentives, tariffs on selected advanced computing imports, domestic fabrication investment and controls on advanced chip exports are designed to reduce the risk that critical technology production can be interrupted by a conflict in East Asia. Taiwan-linked investment is central to this strategy: TSMC's planned U.S. investment has risen to roughly \$265 billion, while other Taiwanese firms have announced

additional U.S. projects.^[S39,S40]

Reshoring should not be confused with autarky. The United States is rebuilding critical nodes while remaining dependent on allied capabilities: lithography and equipment from Europe and Japan, HBM from South Korea, and leading-edge foundry expertise associated with Taiwan. The emerging model is therefore **allied industrialization**, not purely national industrialization.

Technology and AI

The United States retains the strongest overall frontier-AI ecosystem because it combines leading model developers, Nvidia-class accelerators, hyperscale cloud providers, venture capital, universities and a large enterprise software market. Its strategic problem is converting this ecosystem into secure physical infrastructure: electricity, transformers, data centers, fabrication, packaging, HBM, networking and cyber defense.^[S39,S41,S42]

AI policy also has a military dimension. Models can accelerate cyber offense and defense, intelligence triage, logistics optimization, autonomous systems and targeting support. But state power depends not merely on model quality; it depends on compute scale, energy availability, data, secure networking, semiconductor supply and organizational ability to deploy systems under operational conditions.

Assessment of U.S. power

ANALYTICAL JUDGMENT: U.S. power is **stable at the top but declining from the extraordinary relative dominance of the post-Cold War era**. Absolute capacity is growing in AI, energy and parts of the defense budget. Relative industrial weight is lower than at previous historical peaks, China is a formidable manufacturing competitor, and fiscal constraints are growing. Yet no other state presently matches the full U.S. combination of military reach, alliances, finance, technology and institutional network effects.

IV. China

Political leadership and elite stability

Xi Jinping remains the central political authority of the People's Republic of China. The system's strength is mobilizational: the party-state can redirect credit, coordinate industrial policy, impose controls and sustain long planning horizons. Its weakness is informational and institutional: highly centralized authority can reduce the quality of feedback and make policy correction more dependent on the preferences of a narrow leadership circle.

Elite politics cannot be assumed frictionless. In August 2026, China removed two senior officers from the state Central Military Commission following investigations, leaving a highly reduced active membership around Xi.^[S62] The event should not automatically be read as regime instability; anti-corruption and political discipline have been recurring features of Xi's rule. But it indicates continued turbulence within the senior military establishment and creates questions about command trust, promotion and readiness.

Economic conditions

Official data show real GDP expanding 4.7% year-on-year in the first half of 2026, with second-quarter growth slowing to 4.3%. Manufacturing grew 5.5% in the first half and software/information technology services 10.7%, while construction contracted.^[S07]

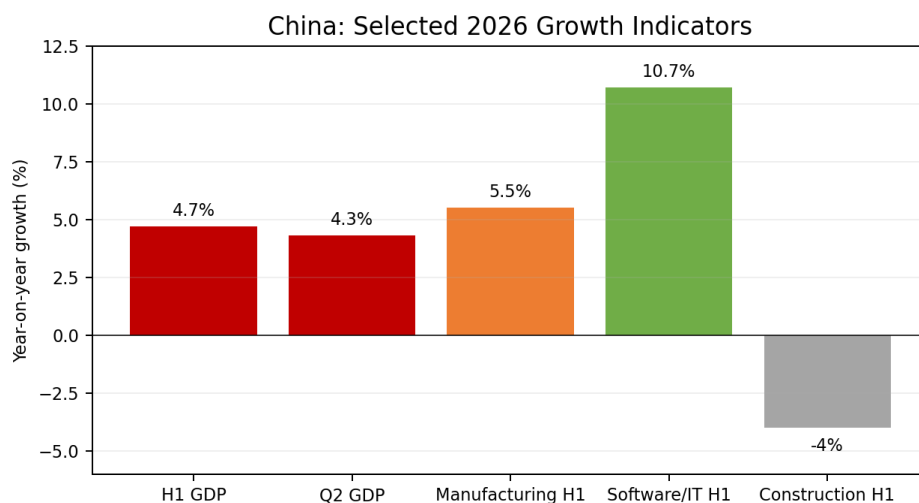


Figure 3: China: selected official growth indicators for 2026. Source: National Bureau of Statistics.^[S07]

The headline growth rate obscures a structural imbalance. Manufacturing and exports remain powerful; property, local-government finance and household confidence are weaker. The property downturn matters because housing was both a store of household wealth and a financing engine for local governments. Falling property investment therefore affects construction, local revenue, banking assets and consumption psychology simultaneously.

China's policy challenge is to shift from investment- and export-heavy growth toward stronger household consumption without destroying the industrial capacity that gives it geopolitical leverage. Beijing can manage a slow adjustment for longer than many market economies because the state influences banks, capital controls and local governments, but administrative capacity cannot make bad assets disappear. It can redistribute losses and time.

Industrial capacity: China's central strategic advantage

China's most important national-power asset is the density of its manufacturing ecosystem. It is a leading producer across steel, machinery, batteries, solar equipment, EVs, electronics, chemicals, drones, commercial ships and many intermediate goods. In shipbuilding, Chinese yards produced 56.1% of global output measured by deadweight tonnage in 2025 and held about 66.8% of the global orderbook, according to Chinese government data; UNCTAD data likewise show China far ahead in global shipbuilding tonnage.^[S55,S56]

This industrial breadth has several strategic consequences. It allows rapid scaling of dual-use technologies. It reduces vulnerability to embargoes on ordinary manufactured goods. It creates export-market leverage over trading partners. And it provides a potential mobilization base for prolonged warfare. The caveat is that military conversion is not automatic: precision engines, advanced sensors, some chipmaking equipment, nuclear-submarine components and specialized aerospace manufacturing remain much harder than producing commercial tonnage.

Trade and external imbalances

China remains deeply integrated with the global economy. Its trade surplus and export competitiveness are increasingly politically contentious because weak domestic demand can push industrial output toward foreign markets. At the September G20 finance discussions, most participants backed language addressing persistent imbalances while China dissented.^[S59]

The emerging problem is not that China is "too dependent" on exports in a simple macroeconomic sense. It is that export strength in strategic sectors - EVs, batteries, solar, machinery, electronics - collides with industrial policy in the United States, Europe and emerging markets. The result is a cycle of subsidies, tariffs, localization requirements and anti-dumping measures that can fragment production without fully reducing trade volumes.

Demographics

China's demographic reversal is real and strategically important but slow-moving. UN projections indicate that China could experience the largest absolute population loss in the world between 2024 and 2054, on the order of 204 million under the UN medium projection.^[S46] Aging raises pension and health costs, reduces labor-force growth and can change savings behavior.

Demographic decline does not mean near-term collapse. A smaller workforce can remain highly productive if capital deepening, automation and education improve. China also possesses a very large existing population and labor pool. The strategic question is whether productivity growth can offset demographic drag while debt and property adjustment are simultaneously managed.

Technology strategy

Beijing's technology policy seeks to reduce dependence on foreign chokepoints while exploiting domestic scale. The most difficult constraint remains advanced semiconductor production equipment and the highest-end fabrication ecosystem. U.S. restrictions have increased incentives for

domestic alternatives, while Chinese firms have expanded in mature-node production, packaging, AI accelerators, telecommunications and industrial applications.

The strategic contest is therefore dynamic. Export controls can slow diffusion at the frontier, but they also create protected demand for domestic Chinese suppliers. The outcome depends on whether the technological distance is large enough and the controlled components sufficiently difficult to reproduce. In AI, China's disadvantages in access to the newest accelerators are partially offset by scale, engineering optimization, local models and domestic hardware development.^[S39,S42]

Critical minerals and processing power

China's midstream dominance is one of the clearest examples of weaponizable industrial power. IEA data indicate that China is the top refiner with more than 90% share in gallium, graphite, manganese and rare-earth categories; China has also accounted for the overwhelming majority of growth in global copper smelting since 2005.^[S38]

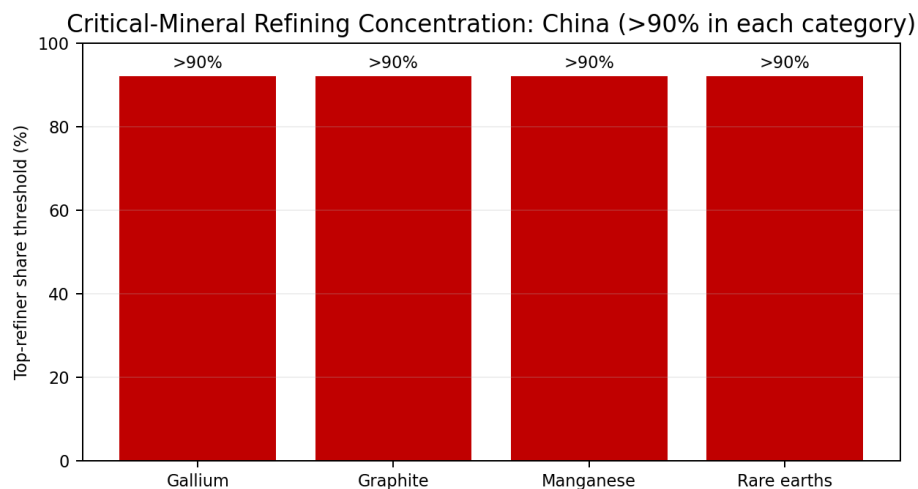


Figure 4: IEA reports China accounts for more than 90% of refining in the illustrated categories; bars visualize the concentration threshold, not precise point estimates.^[S38]

The vulnerability for other countries is not simply lack of mines. Processing requires specialized chemical knowledge, equipment, permitting, workforce and downstream magnet or battery manufacturing. Diversification can therefore take years even when governments commit capital.

PLA modernization and naval power

SIPRI estimates Chinese military expenditure at \$336 billion in 2025, second only to the United States.^[S09] The PLA's modernization priorities are optimized for the Western Pacific: long-range precision missiles, integrated air defense, naval aviation, submarines, space and cyber capabilities, unmanned systems, and the ability to complicate U.S. access to bases and operating areas.

China's naval expansion benefits from the world's largest commercial shipbuilding ecosystem, although naval combatants and nuclear submarines require specialized yards and technologies.

The geographic logic is central: China does not need to match the U.S. military globally to create local superiority or denial around Taiwan. It needs to make intervention costly, slow reinforcement, threaten bases and saturate defensive systems.

Nuclear expansion

SIPRI estimates China's total nuclear inventory at about 620 warheads in January 2026, far below U.S. and Russian totals but expanding rapidly.^[S10] The construction of large missile-silo fields, more capable submarines and diversified delivery systems is moving China away from the much smaller retaliatory posture historically associated with its nuclear forces.

The strategic consequence is a three-body deterrence problem. Washington must plan for two major nuclear competitors whose interests and escalation dynamics differ. Beijing, meanwhile, must decide how much launch readiness and warning capability it wants. Greater readiness can strengthen survivability but also increase crisis instability if leaders fear losing forces early in a conflict.

Taiwan and regional strategy

Taiwan is the most consequential unresolved sovereignty dispute in the system. Beijing seeks unification and has not renounced the use of force; Taipei rejects PRC sovereignty. Taiwan's planned 2027 defense budget exceeds NT\$1 trillion for the first time, and the government is pursuing additional spending on drones and asymmetric capabilities.^[S27,S65]

China's coercive menu is broader than invasion: air and maritime pressure, quarantine-like inspections, cyberattacks, economic sanctions, seizure of small offshore positions, temporary exclusion zones or a blockade. These options allow graduated coercion and complicate U.S. decisions because the threshold between peacetime pressure and war is deliberately ambiguous.

External diplomacy

China's external strategy combines great-power competition with Global South outreach. Xi's September visit to Egypt during the Iran war illustrates Beijing's effort to present itself as an economic and diplomatic partner in regions unsettled by U.S. military involvement.^[S63] BRICS, SCO and infrastructure finance increase access but do not create the obligations of a formal alliance system.

China trajectory: rising, plateauing or declining?

ANALYTICAL JUDGMENT: China is **plateauing in some dimensions of economic convergence while continuing to rise in industrial, technological and military capacity.** The most misleading binary is "rising versus declining." A state can experience slower GDP growth, demographic contraction and property stress while simultaneously increasing shipbuilding, military spending, AI deployment, nuclear forces and critical-mineral leverage. The key question for the 2030s is whether economic inefficiency and demographic drag become large enough to slow the resource transfer into strategic sectors.

V. U.S.-China Strategic Competition



Figure 5: Conceptual AI-generated illustration of U.S.-China strategic competition. Not documentary imagery and not an actual force disposition.

The competition is a system, not a dispute

U.S.-China competition is best understood as a contest over the infrastructure of future power. Military geography in the Western Pacific interacts with semiconductors produced in Taiwan, HBM from Korea, lithography from the Netherlands, U.S. cloud and AI firms, Chinese critical-mineral processing, dollar finance and maritime trade. A crisis in one domain would therefore propagate into others. A Taiwan blockade, for example, would immediately become a semiconductor, shipping, sanctions, insurance, cyber and financial-market crisis.

Military balance around Taiwan

The United States retains superior global power projection, attack-submarine experience, long-range aviation, allies and ISR. China benefits from geography, missile density, nearby air bases, shorter logistics and the ability to concentrate forces. The operational balance therefore differs sharply from global rankings. In a Taiwan contingency, time and distance favor Beijing in the opening phase; allied access, undersea warfare, long-range strike and industrial endurance favor Washington and partners if the conflict persists.

The crucial unknown is not whether the United States can destroy Chinese platforms. It is whether it can sustain operations while bases are attacked, networks are degraded, munitions are consumed and commercial shipping collapses. Similarly, the PLA must solve extraordinarily difficult joint-force problems if it attempts an amphibious invasion across the Taiwan Strait.

Blockade versus invasion

ANALYTICAL JUDGMENT: A coercive blockade or quarantine is strategically more plausible than a full amphibious invasion as an initial option because it allows Beijing to vary intensity, impose economic pain and test coalition cohesion without immediately attempting the most complex military operation possible. A blockade still carries major escalation risk because enforcing it may require firing on civilian or foreign military vessels.

A full invasion would require air and maritime superiority, suppression of Taiwanese defenses,

protection of transports, beachhead logistics, reinforcement under fire, urban combat and prevention of U.S.-Japanese intervention. The operation would be vulnerable to weather, mines, submarines, long-range missiles and intelligence warning. Its potential political payoff is enormous, but so is the regime-level risk of failure.

South China Sea

The South China Sea creates a different escalation pathway. China can apply coast guard and maritime pressure below the traditional threshold of armed conflict, while the United States has treaty obligations to the Philippines. ASEAN continues to emphasize peaceful management and a code of conduct, but incidents at sea can transform a sovereignty dispute into an alliance credibility test.^[S66]

Trade and industrial policy

Economic competition is shifting from tariffs on final goods toward control of productive capacity. Washington's selected semiconductor tariffs and export controls aim to slow Chinese access to advanced compute while attracting fabrication to North America and allied states. Beijing uses subsidies, domestic procurement, standards, licensing and export controls of its own.^[S38,S39]

The resulting equilibrium is costly but rational from a security perspective. Firms duplicate fabs, stockpile inputs and accept lower short-term efficiency in exchange for continuity. The unresolved issue is where to draw the boundary: controlling every traded technology would be economically destructive; controlling too few leaves security-critical dependencies intact.

AI and compute

AI competition has three layers. The first is model performance. The second is compute and physical infrastructure. The third is diffusion into military, intelligence and commercial organizations. The United States is strongest in frontier models and accelerators, but China has large engineering talent, data-rich applications and strong incentives to optimize around hardware constraints. Nvidia's partial re-entry into the Chinese market and the rise of domestic alternatives demonstrate that controls shape rather than freeze the competitive landscape.^[S42]

Finance and currencies

Dollar dominance gives Washington a major sanctions advantage. China has increased renminbi settlement and bilateral arrangements, but the currency's reserve share remains small. Capital controls and financial-market opacity limit its ability to substitute for the dollar globally. The likely outcome is a layered system in which more bilateral trade avoids the dollar while global reserve management and crisis finance remain heavily dollar-centered.^[S05,S06]

Critical minerals and energy

China's strongest geoeconomic leverage lies in mineral processing and manufacturing. The United States and allies are investing in mines, refining and recycling, but IEA analysis shows that replacing Chinese midstream capacity is expensive and technically difficult.^[S38] Conversely, China remains a major importer of seaborne energy, making maritime routes through the Indian Ocean and key straits strategically relevant. This mutual vulnerability helps explain why complete decoupling remains unattractive.

Cyber, information and intelligence

ODNI assesses China and Russia as the most persistent and active state cyber threats to U.S. networks.^[S43] Cyber competition is attractive because it can support espionage, pre-positioning, technology theft and influence below the threshold of kinetic war. In crisis, however, cyber-attacks on ports, electricity, finance or military logistics could create pressure for physical retaliation and make escalation harder to control.

Five-year escalation assessment

Contingency	Assessment	Primary drivers
Sustained gray-zone coercion	Very High	Already present; low cost relative to war.
Selective tech bifurcation	Very High	Export controls, domestic subsidies and security screening.
Serious Taiwan blockade crisis	Moderate	Political signaling, PLA readiness, failure of coercion short of blockade.
Accidental military confrontation	Moderate	Dense air/maritime activity, alliance incidents, misinterpretation.
Full-scale Taiwan invasion	Low–Moderate	High cost and operational complexity; rises if Beijing judges peaceful unification permanently foreclosed.
Comprehensive economic decoupling	Low	Mutual costs too large outside narrow strategic sectors.

VI. Russia and the Post-Soviet Strategic Space

Russia's place in the hierarchy of power

Russia is simultaneously a great power, a nuclear superpower and an economically constrained state. These labels are not contradictory. It lacks the diversified economic and technological scale of the United States or China, yet its nuclear arsenal, geography, energy resources, military-industrial base, UN Security Council seat and willingness to employ force make it impossible to treat as merely regional.^[S10,S13]

Russia's strategic model emphasizes domains in which it can generate disproportionate effect: nuclear forces, missiles, electronic warfare, cyber operations, energy exports, intelligence services and military intervention. The Ukraine war has forced a transition from a peacetime military designed partly around high-end modernization to a wartime system emphasizing mass production, repair, drones and manpower.

Political stability and regime durability

The Russian political system has demonstrated substantial coercive and administrative resilience during the war. Sanctions, casualties and mobilization have not produced regime collapse. Stability, however, should not be confused with absence of cost. Elite incentives are increasingly tied to war spending and sanctions adaptation, while political repression limits the visibility of dissent. Leadership succession remains a long-run uncertainty because the system is highly personalized around Vladimir Putin.

War economy and fiscal burden

SIPRI estimates Russian military spending at roughly 16 trillion rubles in 2025, about 7.5% of GDP. The 2026 budget initially planned approximately 14.9 trillion rubles, or 6.3% of GDP, while SIPRI cautioned that wartime budgets can be amended.^[S13] Such burdens are sustainable for a period if the government prioritizes defense, but they distort labor markets, crowd out civilian investment and make growth increasingly dependent on state demand.

Russia's economy has also adapted through rerouted trade, domestic substitution and continued commodity exports. Yet sanctions raise transaction costs and restrict access to advanced technology. The long-term question is whether a war economy can continue generating military output without creating unacceptable inflation, capital deterioration or civilian stagnation.

Energy and sanctions

Russia remains a major energy power, but its oil sector faces increasing strain. Reuters reported a 2026 production forecast around 9.88 million barrels per day, the lowest since 2009, reflecting sanctions, refinery disruption and Ukrainian strikes.^[S17] Higher Middle East prices can partially offset lower volumes, demonstrating how conflicts in separate theaters interact economically.

Sanctions have not eliminated Russian exports; they have changed routes, discounts, shipping practices, financing and buyers. This is a broader lesson about economic coercion: sanctions

often work by reducing efficiency and future capacity rather than producing immediate policy capitulation.

China relationship

Russia and China have a strategically important but asymmetric partnership. Moscow supplies energy, military experience and diplomatic alignment; Beijing provides trade, industrial goods and political cover. China's larger economy gives it structural leverage. Neither side appears eager to create a formal alliance that would eliminate strategic flexibility, but the relationship has deepened as Russian ties with the West have collapsed.

Iran and North Korea

Russia's relationships with Iran and North Korea have become more operational. North Korean troops, artillery ammunition and missile support have materially aided Russia's war effort, while Russian support increases Pyongyang's military experience and political confidence. The exact scale of transfers is difficult to verify, but the relationship demonstrates how sanctions can encourage alternative military supply networks.

Central Asia, Caucasus and Arctic

Russia's post-Soviet influence is uneven. Central Asian states seek economic and security ties with Moscow while also expanding relationships with China, Turkey, Europe and the Gulf. In the Caucasus, local states increasingly test room for maneuver. In the Arctic, Russia retains the world's longest Arctic coastline and substantial military infrastructure; ODNI assesses Moscow is increasing military forces and permanent infrastructure while China pursues more limited economic and strategic access.^[S43]

Net assessment

ANALYTICAL JUDGMENT: Russia is strategically **weaker in long-term comprehensive power but stronger in wartime adaptation and coercive military experience**. The war has damaged its demography, technology access and European economic relationships, while simultaneously increasing defense production, tactical innovation and security cooperation with states outside the Western system. A postwar Russia could therefore be poorer and more militarized at the same time.

VII. Russia-Ukraine War

Operational picture at the cutoff

FACT: Russia retained the initiative on portions of the eastern front and continued heavy long-range strikes against Ukrainian cities and infrastructure. Reuters reported successive days of Russian attacks on Kyiv, Odesa and other areas into September 2.^[S16] Ukrainian forces continued deep drone attacks against Russian infrastructure and energy targets.^[S18]

FACT: Russian President Vladimir Putin claimed major August territorial advances. Those claims cannot be treated as independently verified. Independent mapping by the Institute for the Study of War indicated materially smaller confirmed gains and did not identify an operational breakthrough in August.^[S15] The correct conclusion is therefore that Russia was advancing incrementally in some sectors, but evidence did not establish a rapid collapse of Ukrainian front lines at the cutoff.

Territorial control and battlefield geometry

The war remains fundamentally attritional. Terrain and prepared defenses reduce the value of tactical breakthroughs unless the attacker can exploit them with fresh forces and logistics. Russia's pressure on the Donetsk "fortress belt" seeks to undermine a network of Ukrainian defensive cities and logistics hubs. If Russia can force Ukrainian withdrawals from successive urbanized positions, it can improve operational geometry even without dramatic daily territorial gains.

For Ukraine, the objective is to make each kilometer prohibitively expensive, preserve forces, strike Russian logistics and maintain access to Western weapons. The asymmetry is demographic and industrial: Russia has a larger population and mobilization base, while Ukraine depends more heavily on external finance and selected advanced weapons.

Manpower

Manpower is arguably Ukraine's most serious structural constraint. The relevant issue is not simply total population but the number of trained troops that can be rotated, replaced and led by experienced officers. Russia has also suffered severe losses and faces recruitment costs, but its larger population and ability to use high financial incentives provide more depth. Claims about exact casualties remain highly politicized and uncertain; this report therefore avoids single-point estimates where independent confidence is low.

A prolonged war rewards states that can sustain training pipelines, junior leadership, medical systems and rotation schedules. Exhaustion can degrade combat effectiveness before a formation disappears numerically. This is why institutional military quality matters alongside mobilization totals.

Artillery, drones and missiles

The war has accelerated the shift from artillery-dominant attrition toward a combined system of artillery, FPV drones, reconnaissance drones, loitering munitions, electronic warfare and long-range one-way attack systems. Cheap drones extend observation and strike range at the tactical level, making movement and concentration increasingly dangerous.

Russia benefits from a larger wartime industrial base and external supply. Ukraine compensates through innovation, distributed production and imported components. German financing for tens of thousands of Ukrainian interceptor and attack drones in 2026 illustrates the extent to which the European support effort is shifting toward mass unmanned systems rather than only legacy platforms.^[S14]

Missile and long-range drone warfare has a dual purpose: direct military effect and cumulative economic pressure. Strikes on power generation, ports, refineries and cities force the defender to allocate scarce air-defense interceptors and repair budgets. Ukraine's strikes on Russian refineries and energy infrastructure mirror this logic.

Air power and air defense

Neither side has achieved unrestricted air superiority across the front. Dense surface-to-air defenses have limited traditional manned aviation, pushing greater reliance on standoff weapons, glide bombs, drones and missiles. Ukraine's dependence on Patriot and other Western interceptors creates a particularly important external vulnerability. Reports of low European Patriot stocks during the simultaneous Iran conflict show how theater demands can compete for the same scarce defensive munitions.^[S69]

Defense-industrial sustainability

Russia has converted a larger share of its economy toward war production and can produce significant volumes of shells, drones and missiles. Ukraine's domestic industry has expanded rapidly, especially in unmanned systems, but the country remains dependent on European and U.S. finance, air-defense systems and specialized weapons. Europe increasingly funds procurement directly from industry, including from Ukrainian manufacturers.^[S14]

The strategic contest is therefore not simply Russia versus Ukraine. It is Russia's mobilized defense economy plus external partners against Ukraine's own mobilization plus an external Western industrial coalition. The sustainability of that coalition is a political variable as much as an industrial one.

Western assistance

Kiel Institute data indicate that Europe substantially increased allocations in 2026 and created a EUR 90 billion EU loan framework for 2026-27, but U.S.-origin weapons remain important in several categories.^[S14] Europe can increasingly replace financial support and some conventional materiel, but replacing certain U.S. air-defense, intelligence and precision-strike capabilities is slower.

The central uncertainty is not whether Europe can spend more. It is how quickly money converts into usable interceptors, barrels, explosives, drones, missiles and trained units. Industrial lead times create a lag between political commitment and battlefield effect.

Negotiations and ceasefire possibilities

Diplomatic contacts continue, but the bargaining space remains narrow because the parties disagree over territory, security guarantees, sanctions and the political status of occupied regions. A ceasefire can be militarily valuable without resolving the political conflict; conversely, a poorly designed ceasefire can allow rearmament and create incentives to resume war.

ANALYTICAL JUDGMENT: A frozen front is plausible over the next 24 months, but it should not be assumed to represent a durable peace. Any agreement would require credible enforcement, rearmament rules, security guarantees and clarity about sanctions relief. Those conditions are difficult precisely because both sides fear the other will use a pause to improve its military position.

6-24 month trajectories

Trajectory			Probability	Logic
Slow Russian advances	ad-		High	Russia retains manpower/industrial advantages but faces strong defenses and high costs.
Front stabilizes			Moderate	Ukrainian adaptation plus European support reduces Russian marginal gains.
Negotiated armistice/freeze			Moderate	Requires political convergence not visible at cutoff; could emerge from exhaustion.
Ukrainian operational crisis			Low–Moderate	Manpower plus air-defense shortages could compound.
Russian operational breakthrough			Low–Moderate	Requires exploitation beyond incremental gains; not established by current evidence.
Direct NATO-Russia clash			Low	Low probability but systemic impact; hybrid incidents raise risk.

Verified, judged and unknown

Verified: continuing Russian offensive pressure; repeated long-range strikes; Ukrainian deep drone strikes; high dependence on external finance and air defense; substantial Russian war spending.

Analytical judgment: Russia holds the attritional advantage but has not demonstrated a decisive operational breakthrough at the cutoff.

Disputed/unknown: exact casualty totals, exact ammunition inventories, precise monthly territorial claims by belligerents, willingness of leaders to accept compromise terms not publicly stated.

VIII. Europe and NATO

NATO's transformation

Russia's war has converted NATO from a post-Cold War crisis-management alliance back toward territorial defense. The Hague commitment targets 5% of GDP by 2035, including at least 3.5% for core defense and up to 1.5% for security-related investment. European allies and Canada increased combined defense spending by nearly 20% in real terms during 2025.^[S11]

The alliance's challenge is now implementation. Spending can rise faster than production capacity. Air defense, long-range fires, ammunition, logistics infrastructure, hardened bases and command systems require multi-year procurement. NATO's deterrence therefore depends on the credibility of reinforcement plans during the period between political commitments and delivery of new capability.

European rearmament and the EU

The EU Readiness Roadmap 2030 attempts to reduce fragmentation by creating capability coalitions, common procurement and flagship projects for eastern-flank surveillance, drones, air defense and space. It sets a milestone of at least 40% joint procurement by end-2027 and aims for a larger share of spending within the European industrial base.^[S12]

The policy is strategically significant because European weakness is less about aggregate spending than fragmentation. Multiple tank types, artillery systems, missile families and procurement rules increase costs and reduce interoperability. Common demand can support larger production runs and more stable industrial investment.

Germany

Germany's strategic role has changed faster than at any time since reunification. Higher defense spending, stronger support for Ukraine and investment in long-range strike and air defense are moving Berlin toward the military role implied by its economic size. The remaining constraints are procurement speed, personnel, fiscal politics and the historical reluctance to treat military force as a normal instrument of statecraft.

France and the United Kingdom

France remains Europe's strongest candidate for autonomous strategic leadership because it combines nuclear weapons, an independent defense industry, overseas territories, expeditionary forces and a permanent UN Security Council seat. Britain retains a nuclear deterrent, major intelligence capabilities, advanced aerospace and a close U.S. relationship. The change of British prime minister to Andy Burnham in July 2026 introduces a new political variable but does not by itself remove deep institutional security ties.^[S74]

Poland, Nordics and Baltic states

Poland is rapidly becoming the conventional center of gravity on NATO's eastern flank. Reuters reported core 2026 defense spending around EUR 53 billion, approximately 4.7% of GDP, with the armed forces above 220,000 personnel and sharply increased domestic procurement.^[S70] Finland

and Sweden add geography, reserve systems, air power and access around the Baltic and Arctic. The Baltic states remain vulnerable because of size and proximity but benefit from the alliance's larger regional depth after Nordic enlargement.

U.S.-Europe burden sharing

The strategic question is no longer whether Europe will spend more; it is whether Europe can assume enough conventional responsibility that U.S. assets can shift to the Indo-Pacific without creating a credibility gap in Europe. This requires European control of more air defense, logistics, long-range strike, ISR and munitions production. Pentagon review of U.S. European posture reinforces the urgency.^[S53]

Migration, populism and fiscal pressure

European strategy is constrained by domestic politics. Aging populations increase pension and health spending just as governments seek to rearm. Migration can alleviate labor shortages but fuels polarizing political movements. In Germany, regional strength of the AfD and debate over Russia illustrate how social and geographic political cleavages can affect support for Ukraine and defense policy.^[S78]

Autonomy verdict

ANALYTICAL JUDGMENT: Europe is becoming **more strategically capable but not strategically independent**. The most plausible outcome through 2030 is a more Europeanized NATO in which the United States remains indispensable for nuclear deterrence and selected high-end enablers while Europe supplies a much larger share of conventional force, logistics and industrial capacity.

IX. Middle East

Regional map after the 2026 Iran war

The Middle East in September 2026 is defined by a direct U.S.-Iran conflict layered on top of the unresolved Israeli-Palestinian conflict, weakened but surviving Iranian partner networks, Red Sea insecurity, Gulf energy dependence and competitive external influence. The region is therefore more systemically important than at any point in the previous decade because security shocks now directly affect global oil, LNG, inflation and bond markets.

Iran: damaged but not capitulated

FACT: The current U.S.-Iran conflict began on February 28, 2026 and has lasted roughly six months. U.S. and Israeli strikes severely damaged military capabilities, while Iran retained ballistic missiles, drones, maritime leverage and the capacity to retaliate against regional U.S. facilities. Reuters on September 2 reported the most intense U.S.-Iran exchange since July, with U.S. strikes on air defense, radar, maritime, mine-laying and communications targets followed by Iranian attacks on U.S.-linked facilities in the region.^[S20,S71]

Iran's strategic problem is cumulative. Military losses reduce conventional options; the maritime conflict constrains oil exports; inflation and economic isolation strain domestic legitimacy; and its regional network has suffered setbacks. Yet coercion has not produced surrender. The regime can still impose costs through missiles, drones, mining, shipping restrictions and attacks on regional infrastructure.^[S26]

Strait of Hormuz: energy chokepoint as weapon

The Strait of Hormuz is only 29 nautical miles wide at its narrowest point. In 2025 it carried about 20 million barrels per day of oil and products - roughly one-quarter of world seaborne oil trade - and nearly 19% of global LNG trade, overwhelmingly destined for Asia. Only about 3.5-5.5 mb/d of pipeline bypass capacity is available.^[S22]

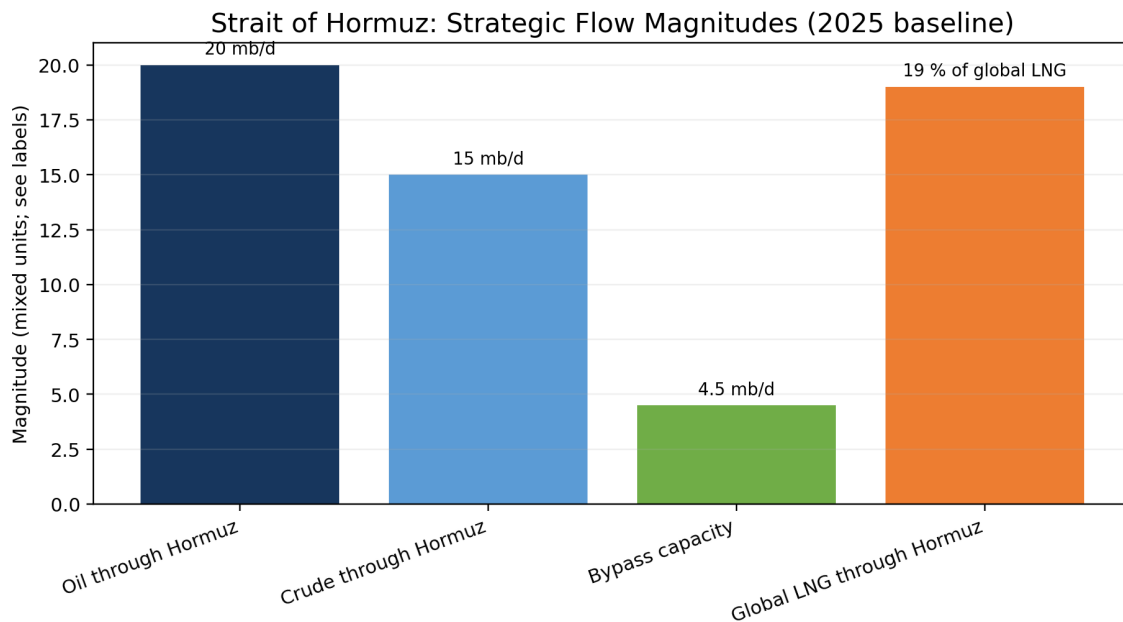


Figure 6: Strategic flow magnitudes through the Strait of Hormuz using IEA 2025 baseline data.^[S22]

The 2026 conflict demonstrates that closure need not be absolute to create global effects. Higher insurance, rerouting, blacklists, attacks on tankers, transponder shutdowns and uncertain rules can reduce traffic even when some ships pass. Iran expanded a blacklist of non-compliant vessels, while Reuters reported Saudi tankers attacked in or near the strait.^[S21,S72] LNG cargoes have even been transferred ship-to-ship outside the Strait to maintain deliveries to Asian customers, an extraordinary sign of market adaptation.^[S73]

Oil-market consequences

The IEA in August forecast global oil demand to decline 1.6 mb/d in 2026 and supply to fall 4.3 mb/d to around 102 mb/d, largely because of Middle East and Russian disruptions. Gulf output remained far below pre-war levels and loadings had fallen sharply from early-July peaks.^[S23]

This is a reminder that the energy transition has not ended oil geopolitics. Even a world with rising EVs and renewables remains dependent on liquid fuels for aviation, shipping, petrochemicals, heavy transport and military operations. Because spare capacity is concentrated in the Gulf, regional disruption simultaneously affects current supply and the market's emergency buffer.

Israel

Israel retains major qualitative military advantages in intelligence, air power, precision strike and missile defense, reinforced by U.S. support. The strategic challenge is converting military superiority into durable political outcomes. Gaza remains unresolved; the Palestinian governance question remains open; and repeated operations can degrade militant capacity without producing an accepted postwar political settlement.

Israel's confrontation with Iran has also changed from shadow warfare to direct conflict. That improves Israel's ability to strike Iranian military infrastructure but increases the risk that retaliation targets Gulf bases, energy systems or global shipping, drawing additional states into the conflict.

Gaza and Palestinians

The central variables are Hamas's residual military and political capacity, Israeli security requirements, Palestinian governance legitimacy, humanitarian reconstruction and whether any diplomatic process can produce a stable authority. Tactical ceasefires do not resolve these structural issues. The longer reconstruction and political governance remain uncertain, the larger the risk that localized violence regenerates.

Lebanon and Hezbollah

Hezbollah is weaker than before the major Israel-Lebanon fighting of the mid-2020s, but it retains armed networks and political relevance. Lebanon's state weakness makes full disarmament difficult. A renewed front would impose serious costs on both Israel and Lebanon and could interact with the Iran conflict if Tehran seeks additional pressure channels.

Yemen, Houthis and Red Sea

Houthi attacks continue to create strategic friction in Bab el-Mandeb and the Red Sea. Reuters reported new fatalities from attacks on commercial shipping in August and traffic remained far below pre-crisis norms.^[S24] The strategic importance lies in cost imposition: relatively inexpensive missiles and drones can force expensive naval deployments, raise insurance and redirect shipping around Africa.

Saudi Arabia, UAE and Qatar

The Gulf monarchies seek three objectives that can conflict: security from Iran, strategic autonomy from overdependence on the United States, and continued economic transformation. Saudi Arabia and the UAE have invested in domestic defense, AI, infrastructure and diversified diplomacy. Qatar remains a major LNG supplier and diplomatic intermediary. The Iran war increases their dependence on U.S. military protection while simultaneously strengthening incentives to keep channels with China and other partners open.

Turkey and Egypt

Turkey is a NATO member that practices strategic autonomy, balancing relations with the West, Russia, Gulf states and regional actors while developing a large domestic defense industry. Egypt remains central because of the Suez Canal, population, Arab political weight and proximity to Gaza. Xi Jinping's September visit to Egypt amid the Iran war illustrates how Beijing seeks to expand diplomatic space without assuming U.S.-style regional security obligations.^[S63]

Pathways to larger regional war

Highest-risk escalation triggers: (1) a large Iranian strike causing substantial U.S. fatalities; (2) prolonged or near-total Hormuz closure; (3) attacks that pull Saudi Arabia or UAE directly into the war; (4) renewed large-scale Israel-Hezbollah conflict; (5) strikes on major nuclear or leadership facilities that Tehran interprets as regime-change operations; (6) Houthi attacks causing mass casualties or severe energy disruption.

ANALYTICAL JUDGMENT: Near-term regional escalation risk is **Very High**. The central reason

IX. Middle East - Syria, Iraq and Regional Connectivity

Syria: reintegration without full consolidation

Syria entered September 2026 in a fundamentally different diplomatic and financial position from the Assad era. The United States rescinded Syria's State Sponsor of Terrorism designation on August 24 and removed HTS from additional terrorism-related sanctions lists, while broad Syria sanctions had already been dismantled. This opens channels for banking, investment and reconstruction, but does not eliminate internal security fragmentation. Kurdish forces, minority protection, integration of former armed groups and the durability of the new central government remain decisive variables. [S79,S83]

Iraq: sovereignty, militias and financial leverage

Iraq is simultaneously a sovereign middle power, a platform for U.S.-Iraq security cooperation and a principal arena of Iranian influence. U.S. forces have been consolidating and shifting toward an enduring bilateral-security model while counter-ISIS operations in Syria continue. Iran-aligned militias retain coercive and political weight; U.S. Treasury actions in 2026 targeted militia commanders and networks, while Washington's leverage over dollar access and oil-revenue channels gives Iraq unusual exposure to financial coercion. [S80,S81,S82]

Middle East Strategic Nodes and Chokepoints - Schematic

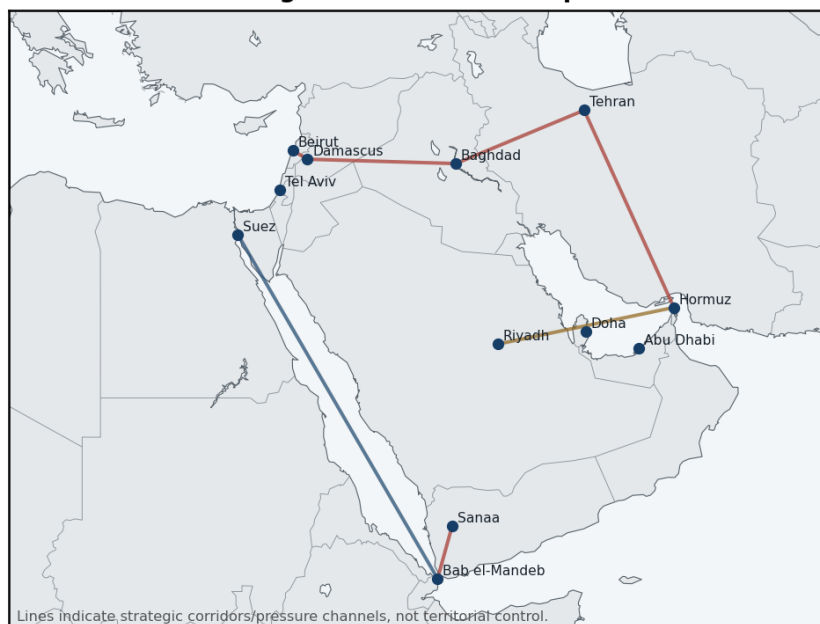


Figure: strategic nodes and chokepoints; schematic, not a territorial-control map. Sources: U.S. Treasury/DoD and Reuters. [S79-S83]

X. Indo-Pacific

The emerging security architecture

The Indo-Pacific does not have a single collective-defense structure comparable to NATO. Instead it has a network: U.S. bilateral alliances with Japan, South Korea, Australia and the Philippines; AUKUS; Quad coordination; expanded access agreements; trilateral exercises; and growing defense cooperation among U.S. allies themselves. This architecture is harder for China to isolate because it contains overlapping rather than centralized commitments.

AUKUS Pillar I is moving toward rotational U.S. and UK submarine presence in Western Australia and eventual Australian nuclear-powered submarines; Pillar II expands cooperation in advanced capabilities including undersea systems.^[S28] The Quad is not a military alliance but increasingly coordinates maritime security, economic resilience, technology and disaster response.^[S29]

Japan

Japan is the pivotal northern anchor. Its geography sits across sea lanes from the East China Sea into the western Pacific, and U.S. bases in Japan are central to any Taiwan or Korean contingency. Japan's accelerating counterstrike and defense-industrial plans therefore have consequences beyond homeland defense.

Philippines and South China Sea

The Philippines is the most plausible alliance flashpoint outside Taiwan. China can use coast guard and maritime militia pressure to stay below a clear war threshold, but fatalities or severe vessel damage could trigger demands for U.S. treaty support. The strategic challenge is to maintain deterrence without making every collision an automatic escalation ladder.

Australia

Australia's role is shifting from remote ally to forward logistics and undersea partner. AUKUS expands submarine cooperation, while northern bases and long-range systems increase Australia's relevance to Indian Ocean and western Pacific operations. The tradeoff is greater exposure to Chinese coercion and long-range strike in a conflict.

India

India participates in the Quad while rejecting alliance dependence. Its primary strategic concern is a two-front problem involving China and Pakistan, not simply a U.S.-China binary. This makes India an important balancing power but an unreliable candidate for automatic coalition warfare outside its interests.

ASEAN and multi-alignment

ASEAN states want U.S. security presence without sacrificing Chinese trade. Vietnam, Indonesia, Malaysia and others therefore combine maritime resistance with economic engagement. Indonesia's naval cooperation with China east of Taiwan in 2026 illustrates the complexity: a state can

X. Indo-Pacific - Alliance Geometry and Multi-Alignment

The Indo-Pacific security architecture is best understood as overlapping networks rather than a single bloc. U.S. treaty alliances with Japan, South Korea, Australia and the Philippines intersect with AUKUS, Quad cooperation, Taiwan support, Pacific access arrangements and national rearmament. India remains strategically autonomous; ASEAN members hedge; and some partners exercise with China even while deepening U.S. ties. [S28,S29,S66,S68]

Indo-Pacific Security Architecture - Geographic Logic

Hawaii



Schematic network: treaty allies and strategic partners overlap rather than form a single Asian NATO.

Containment coalition?

ANALYTICAL JUDGMENT: a balancing architecture is emerging, but it lacks NATO-style automatic defense commitments outside bilateral treaties. Its strength is network redundancy; its weakness is uneven threat perception and political willingness.

Indicator to monitor

Watch Japanese counterstrike deployment, Philippine access/basing, Taiwan mobilization and drone production, Australian submarine/long-range strike programs, and the operational tempo of PLA forces around Taiwan. Taiwan MND recorded 1 PLA aircraft, 5 PLAN ships and 3 official ships in the 24 hours ending 6 a.m. Sept. 2. [S88]

XI. Korean Peninsula

North Korea: a larger nuclear and missile problem

North Korea in 2026 is not simply the isolated state of earlier decades. Its strategic relationship with Russia has created new channels for military learning, revenue, technology exchange and diplomatic support. Pyongyang has provided material support to Russia and gained combat-related experience through deeper security cooperation. This relationship reduces the effectiveness of isolation and complicates any attempt to return to the pre-2022 sanctions equilibrium.

SIPRI estimates North Korea possessed roughly 60 assembled nuclear warheads at the beginning of 2026, with fissile material for additional weapons.^[S10] Pyongyang continues to improve solid-fuel missiles, survivable launch systems, tactical nuclear concepts and the ability to threaten U.S. regional bases. North Korean statements in August 2026 reiterated that its nuclear arsenal would continue to grow and rejected the premise that U.S. policy had fundamentally changed.^[S31]

Deterrence dynamics

The Korean nuclear problem is more complex than a simple North Korea-versus-United States dyad. South Korea and Japan rely on U.S. extended deterrence; China wants to avoid regime collapse and U.S.-allied military expansion near its border; Russia has become more directly aligned with Pyongyang. Each actor therefore has a different threshold for crisis intervention.

North Korea's expanding theater nuclear capability can create an "asymmetric escalation" problem. Pyongyang may believe limited nuclear threats or use could deter conventional regime-threatening operations. The United States and South Korea must therefore deter both initial conventional aggression and escalation after conflict begins.

North Korean economy and domestic stability

Reliable macroeconomic data are limited. The regime prioritizes political control, military production and strategic programs while tolerating lower civilian welfare. Chinese trade remains important, while Russia provides new opportunities. Sanctions restrict high-quality technology and finance but have not prevented strategic weapons development.

UNKNOWN: The degree of elite cohesion and public stress cannot be measured with confidence from open sources. The regime has survived repeated episodes of economic hardship, making external predictions of collapse unreliable. The more useful indicators are food prices, border trade, unusual security measures, leadership visibility, military redeployments and changes in Chinese support.

South Korea: alliance, modernization and strategic debate

FACT: Lee Jae Myung is President of South Korea. On September 2 he called for conditions to resume U.S.-North Korean dialogue while also supporting eventual transfer of wartime operational control before the end of his term.^[S30,S76] This combination illustrates Seoul's dual objective: preserve credible deterrence while reducing the probability of accidental or uncontrolled escalation.

South Korea possesses one of the world's most technologically advanced conventional militaries, a sophisticated missile force, major shipbuilding capacity and a rapidly expanding defense industry.

Its strategic importance is further increased by semiconductor memory: South Korean firms are central to high-bandwidth memory used in frontier AI systems.^[S41]

South Korea-Japan relationship

Security cooperation between Seoul and Tokyo has improved because both face North Korean missiles and Chinese regional pressure, but historical disputes remain politically sensitive. The U.S. objective is to institutionalize trilateral cooperation so that it survives leadership changes. Intelligence sharing, missile warning, exercises and logistics are more strategically valuable than symbolic summitry if they become routine.

The South Korean nuclear debate

North Korea's expanding arsenal and uncertainty about U.S. commitment periodically strengthen arguments for an indigenous South Korean nuclear weapon. The case for nuclearization rests on autonomy and fear of decoupling; the case against emphasizes alliance damage, sanctions risk, regional proliferation and the economic costs of breaking nonproliferation commitments.

ANALYTICAL JUDGMENT: The probability of an actual South Korean decision to build nuclear weapons remains lower than the probability of a more intense domestic debate and requests for stronger U.S. nuclear assurance. The most important trigger would be a perceived weakening of U.S. extended deterrence combined with continued North Korean arsenal expansion.

Risk assessment

Contingency	Probability	Key indicators
Limited maritime/artillery incident	Moderate	NLL activity, live-fire exercises, unusual force alerts.
Major conventional conflict	Low–Moderate	Mobilization, evacuation, missile dispersal, command relocation.
North Korean nuclear use	Low	Regime-survival perceptions, allied deep strikes, loss of C2.
Diplomatic reopening	Moderate	U.S.-DPRK contacts, sanctions signaling, China mediation.
South Korean nuclear decision	Low	Alliance rupture, U.S. retrenchment, domestic supermajority support.

XII. Japan

From restrained power to active strategic state

Japan's security transformation is no longer incremental. Prime Minister Sanae Takaichi's government has committed to revising the Three Strategic Documents during 2026, strengthening counterstrike capability, expanding defense technology cooperation and reorganizing the Air Self-Defense Force into an Air and Space Self-Defense Force.^[S32,S77] The policy shift reflects a judgment that the regional environment has changed faster than the institutional assumptions of Japan's postwar defense model.

Defense spending and force structure

Japan's FY2027 defense request was reported around 8.9 trillion yen, with emphasis on drones, AI, missiles and resilience.^[S33] Spending alone understates Japan's latent capacity: it possesses advanced shipbuilding, electronics, materials science, precision manufacturing, robotics and aerospace. The strategic question is how quickly civilian technological depth can be converted into military production, repair, munitions and autonomous systems.

Counterstrike and missile defense

Counterstrike capability changes deterrence by allowing Japan to threaten launch infrastructure and military targets beyond immediate defensive engagement. It does not eliminate the need for missile defense because China and North Korea can disperse launchers and saturate defenses. A balanced posture requires layered air and missile defense, hardening, dispersal, civil resilience and offensive options.

Taiwan contingency

Japan's southwestern islands are geographically close to Taiwan and the East China Sea. A Taiwan war would therefore implicate Japanese bases, shipping, energy imports and possibly territory even if Tokyo initially sought to limit involvement. U.S. operations from Japan could make Japanese facilities targets. This geographic reality is one reason Tokyo's defense planning increasingly emphasizes long-range missiles, island defense and resilience.

Economic security and semiconductors

Japan is strategically important in semiconductor materials, manufacturing equipment, precision components and chemical inputs. Tokyo's economic-security policy therefore combines subsidies for domestic capacity, cooperation with the United States and Taiwan, and controls on selected technology transfers. Semiconductor resilience is part of national defense because disruption would affect automobiles, communications and weapons production.

Japan-Korea-China relations

Japan's relationship with South Korea is strategically necessary but politically vulnerable to historical disputes. China is simultaneously Japan's largest-scale strategic challenge and a major

trading partner. North Korea adds an immediate missile and nuclear threat. Japan's policy therefore requires deterrence without severing economic connections unnecessarily.

Autonomous military power?

ANALYTICAL JUDGMENT: Japan is becoming a major military power but not a fully autonomous strategic power. It remains dependent on the U.S. nuclear umbrella and gains enormous operational value from alliance intelligence, logistics and basing. By the early 2030s, however, Japan could possess one of the world's most capable conventional forces if spending, munitions production, autonomous systems and command reform continue.

XIII. India

Economic rise

India is the major power with the strongest combination of demographic scale and current growth. Real GDP expanded 7.8% year-on-year in April-June 2026, with manufacturing growth of 9.2%, private investment rising strongly and gross fixed capital formation around one-third of GDP.^[S34] The IMF's July outlook projected 6.4% growth in 2026 and 6.7% in 2027.^[S01]

India's strategic potential depends on whether growth becomes manufacturing- and productivity-intensive rather than remaining uneven across regions and sectors. Infrastructure, electricity reliability, logistics, education and female labor-force participation are therefore geopolitical variables, not merely development indicators.

Demography

Unlike China, Japan and much of Europe, India still benefits from a comparatively young population. That advantage is conditional: a youth bulge without sufficient employment can create political stress; with education, urbanization and industrial expansion it can create a large tax base, military recruitment pool and consumer market.

Industrial policy

New Delhi seeks to attract supply chains in electronics, semiconductors, defense, batteries and manufacturing without becoming economically subordinate to either Washington or Beijing. "China+1" investment can benefit India, but manufacturing ecosystems are difficult to replicate quickly. India must compete with Vietnam, Mexico, Indonesia and others for foreign capital while improving domestic supplier networks.

Military modernization

SIPRI estimates Indian military expenditure at \$92.1 billion in 2025, fifth globally.^[S09] India's military must address land competition with China, enduring hostility with Pakistan and maritime security across the Indian Ocean. This produces a broad force structure: large ground forces, nuclear weapons, ballistic missiles, carrier aviation, submarines and expanding space/cyber capability.

Nuclear forces

SIPRI estimates India's inventory at about 190 warheads.^[S10] India's deterrence was historically centered on Pakistan but increasingly accounts for China. Longer-range missiles and sea-based deterrence improve survivability and create a more complex three-state nuclear geometry in Asia.

United States relationship

U.S.-India relations are driven by structural convergence on China and technology, but India resists alliance dependence. Defense exercises, Quad cooperation and technology initiatives coexist with disagreements over trade and India's ties with Russia. Washington gains a large balancing

partner; New Delhi gains technology and diplomatic leverage without accepting treaty obligations.

Russia relationship

Russia remains important for legacy military equipment, energy and strategic history. India has incentives to preserve Moscow ties both for practical reasons and to prevent Russia from becoming completely dependent on China. This illustrates Indian multi-alignment: relations with Russia are not evidence of anti-U.S. alignment any more than Quad membership makes India a U.S. ally.

China competition

The disputed Himalayan border, Chinese infrastructure and Pakistan ties make China India's primary long-term strategic competitor. India also worries about Chinese naval access in the Indian Ocean. New Delhi's answer is a combination of border forces, maritime expansion, partnerships with the United States/Japan/Australia, and economic efforts to reduce sensitive dependencies.

Top-three power potential

ANALYTICAL JUDGMENT: India can plausibly become one of the world's three most consequential strategic powers, but the timetable is uncertain. The ingredients exist: population, growth, nuclear status, geography and diplomatic autonomy. The limiting variables are state capacity, infrastructure, human capital, industrial depth and the ability to avoid resource-draining conflict with Pakistan or China.

XIV. Global South

Why “Global South” does not mean a bloc

The Global South is best understood as a bargaining category rather than a strategic alliance. States share dissatisfaction with unequal representation and pressure to choose sides, but their interests differ sharply. India competes with China; Saudi Arabia depends on U.S. security but trades heavily with Asia; Brazil emphasizes autonomy and development; Vietnam resists Chinese maritime pressure while maintaining a large trade relationship; South Africa and Nigeria face different regional priorities.

Multi-alignment as rational strategy

Multi-alignment allows states to acquire different public goods from different partners. A government may purchase U.S. or European weapons, Chinese infrastructure, Russian energy, Gulf investment and Indian pharmaceuticals simultaneously. This is not ideological incoherence. It is a rational response to a world in which no single power can offer the optimal package across security, finance, infrastructure and trade.

Brazil

Brazil’s strategic weight derives from agricultural exports, energy, minerals, territory, diplomatic tradition and leadership in Latin America. It generally resists binary U.S.-China framing and seeks influence through BRICS, G20 and climate diplomacy. Its challenge is converting commodity and population scale into higher productivity and technological power.

Mexico

Mexico’s structural importance comes from integration with the U.S. economy. Nearshoring and North American supply chains can increase its industrial role, but dependence on U.S. demand and political disputes over migration, security and trade constrain autonomy. Mexico is therefore less “non-aligned” than many BRICS states even when it pursues an independent diplomatic identity.

Indonesia and Vietnam

Indonesia has demographic scale, nickel resources and maritime geography. It seeks downstream processing and investment from multiple partners rather than choosing a camp. Vietnam’s location on the South China Sea makes Chinese military power more directly threatening, yet China remains economically central. Both states show why ASEAN’s preferred strategy is diversified external engagement.

Saudi Arabia and UAE

Saudi Arabia and the UAE use energy, sovereign wealth, logistics, investment and diplomacy to maximize strategic autonomy. They deepen economic ties with China and India while still relying heavily on U.S. military systems and security relationships. The Iran war increases both their

vulnerability and bargaining power.

South Africa and Nigeria

South Africa retains diplomatic significance through BRICS and African institutions despite domestic economic constraints. Nigeria's long-term potential rests on population, energy and regional influence, but governance, security and infrastructure limit current conversion of scale into power.

Turkey

Turkey is perhaps the clearest example of multi-alignment inside a formal alliance. It is a NATO member, maintains relations with Russia, fields an increasingly important defense industry, intervenes regionally and uses geography controlling access between the Black Sea and Mediterranean. Ankara's behavior is not "non-alignment" but alliance membership combined with autonomous bargaining.

Global South conclusion

ANALYTICAL JUDGMENT: The Global South is gaining **bargaining power**, not forming a coherent pole. Its leverage rises when U.S., China, Europe and Gulf investors compete for access. The most successful middle powers will be those able to convert competition into infrastructure, technology transfer, local manufacturing and diplomatic space without becoming dangerously dependent on any one patron.

XV. Global Economy

2026 macroeconomic baseline

The IMF's July 2026 update projected world real GDP growth of 3.0% in 2026 and 3.4% in 2027, with global headline inflation around 4.7% in 2026.^[S01] The central global macroeconomic tension is unusual: AI-related investment and productivity expectations support capital spending while the Middle East energy shock raises inflation and weakens real incomes.

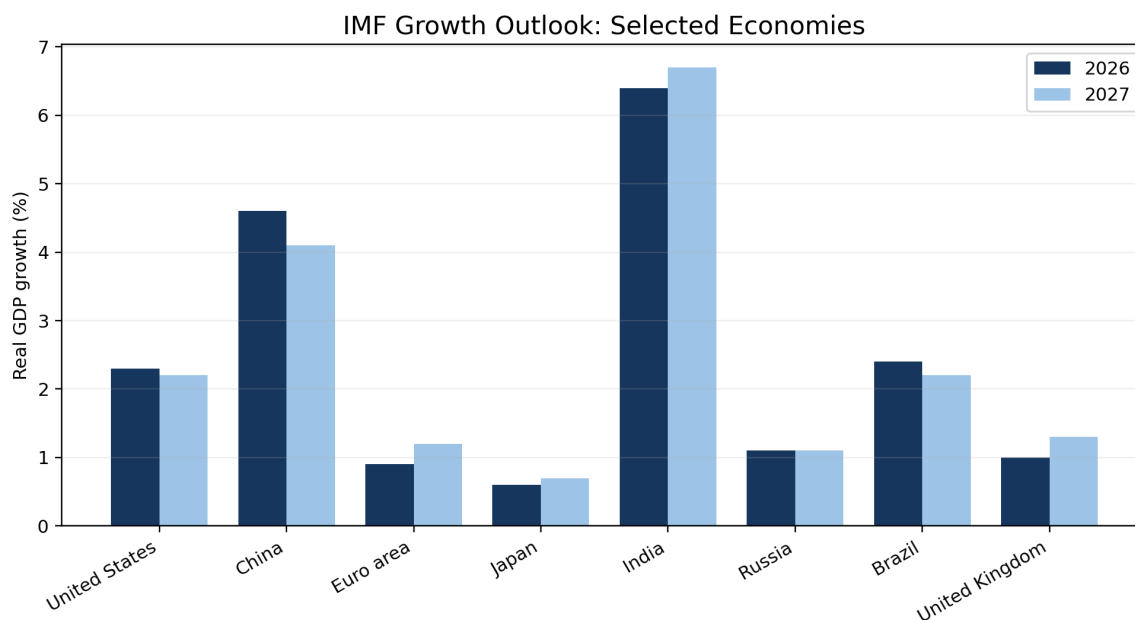


Figure 7: IMF July 2026 real GDP growth projections for selected economies.^[S01]

United States

The United States remains relatively resilient, but growth slowed in Q2 and fiscal conditions are becoming more important for interest rates. High technology investment, energy production and household demand are strengths; debt service, elevated yields and political uncertainty are constraints.^[S02,S03,S61]

China

China's 4.7% first-half growth masks structural divergence between advanced manufacturing and weaker property/construction. Global growth is therefore increasingly sensitive not only to China's headline GDP but to whether domestic demand strengthens enough to absorb industrial output. Persistent export surpluses can produce protectionist responses abroad.^[S07,S59]

Euro area

The IMF projected only 0.9% euro-area growth in 2026, with inflation around 2.9%.^[S60] Europe's vulnerability is concentrated in imported energy, weak productivity growth, aging, and the fiscal

cost of simultaneously funding defense, social welfare and industrial transition.

Japan

Japan's economy faces a transition away from decades of ultra-low inflation and yields. Higher domestic interest rates can change global capital flows because Japanese institutions have historically held large overseas bond portfolios. Rising Japanese yields therefore have implications for U.S. and European financing conditions, not merely Japan.^[S61]

India and emerging markets

India is the strongest large-economy growth story, but many emerging markets remain sensitive to dollar funding, imported energy and food prices. Higher U.S. yields can trigger capital outflows even in countries with sound domestic fundamentals. Commodity exporters can benefit from price spikes while importers suffer terms-of-trade deterioration.

Trade and investment flows

Globalization has not ended. UNCTAD reported global FDI rose 6% to \$1.6 trillion in 2025. But the concentration of flows in strategic sectors and leading destinations shows that capital is becoming less geographically neutral.^[S37]

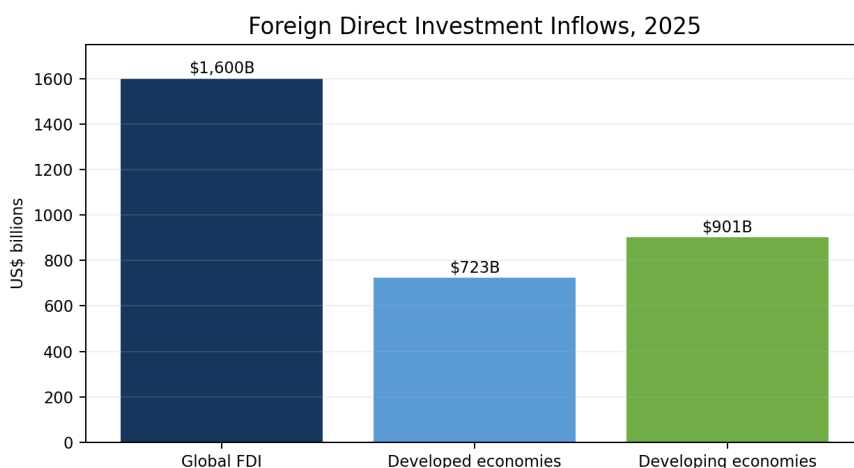


Figure 8: Global FDI inflows in 2025. Developed and developing totals use UNCTAD categories and may not sum exactly to the rounded global total.^[S37]

Sources of systemic crisis

The largest plausible macro-financial shocks are connected rather than independent. A prolonged Hormuz disruption can raise energy prices, force central banks to keep rates higher, increase sovereign borrowing costs and expose leveraged financial positions. A Chinese property shock can weaken commodity exporters and manufacturers. A U.S. fiscal repricing can tighten financial conditions globally. An AI investment correction can reduce equity wealth and corporate capex. The dangerous scenario is a combination rather than any single shock.

XVI. Global Financial System

Dollar dominance: measure, do not sloganize

The dollar represented 57.13% of allocated official foreign-exchange reserves in Q1 2026, according to IMF COFER.^[S05] That share is lower than historical peaks but remains far above the euro and vastly above the renminbi. The Federal Reserve also finds dollar dominance in foreign-exchange markets, international borrowing and payments.^[S06]

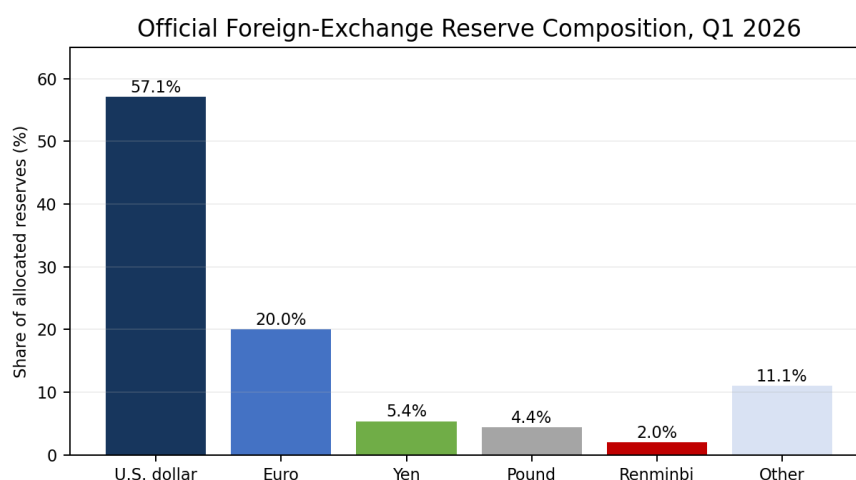


Figure 9: Approximate composition of allocated official foreign-exchange reserves, Q1 2026. Dollar share from IMF COFER; other shares rounded for presentation.^[S05]

Why the dollar persists

Reserve currency status is a network equilibrium. Central banks want liquid assets that can be traded during stress. Banks and firms want currencies accepted by counterparties. Derivatives, collateral, trade invoicing and legal infrastructure reinforce one another. The United States supplies a huge stock of government securities and open capital markets. Replacing the dollar therefore requires more than bilateral payment experiments.

Renminbi internationalization

China can increase renminbi use through trade settlement, swap lines, lending and regional payment infrastructure. Its constraints are capital controls, limited convertibility, governance concerns and the smaller stock of globally trusted liquid assets. These constraints are partly policy choices: Beijing values control of capital flows and domestic financial stability, which conflicts with the openness expected of a dominant reserve currency.

Euro and yen

The euro is the only current currency with significant reserve share and a large underlying economy, but the absence of a single federal fiscal asset equivalent to U.S. Treasuries fragments the market. The yen retains important reserve and funding roles but Japan's demographic and fiscal scale limits its ability to replace the dollar globally.

SWIFT, sanctions and alternatives

Sanctions can exclude institutions from dollar finance and messaging systems, creating strong incentives for alternative rails. Yet alternative messaging does not automatically create alternative credit, liquidity or legal trust. The practical trend is therefore diversification at the margin: local-currency trade, gold accumulation, non-Western payment links and selective use of digital assets.

Treasury market and fiscal risk

Gross U.S. federal debt crossed \$40 trillion, and long-dated Treasury yields approached multi-year highs around the cutoff.^[S04,S61] A high yield is not itself evidence of loss of reserve status; it can reflect inflation, monetary policy, issuance supply and term premium. But persistent fiscal deterioration could eventually undermine the perception that Treasuries are uniquely safe, especially if political conflict threatens debt management or monetary independence.

De-dollarization verdict

ANALYTICAL JUDGMENT: “De-dollarization” is real as a **diversification process** but exaggerated as an imminent regime change. The measurable evidence supports declining concentration, not displacement. The dollar's greatest strategic vulnerability is endogenous: poor U.S. fiscal and institutional management could do more damage than BRICS rhetoric.

XVII. Energy Geopolitics

Oil remains strategic

The 2026 Iran conflict has demonstrated that oil remains a central input into global power even during electrification. Aviation, shipping, chemicals, agriculture, heavy transport and military forces remain highly dependent on liquid fuels. Because oil is globally priced, regional disruption affects states that do not import directly from the affected producer.

The IEA's August report cut expected global supply and demand sharply because of prolonged Gulf disruption.^[S23] Brent crude traded around the mid-\$90s on September 2 after renewed fighting, with prices highly sensitive to physical shipping and perceptions of escalation.^[S64]

OPEC+

OPEC+ remains important because Saudi Arabia and partners hold significant spare capacity and can influence market balance. The paradox of the Hormuz crisis is that much of the world's spare capacity is located behind the same chokepoint. A theoretical ability to increase output is less valuable if exports cannot move safely.

United States

U.S. shale and conventional production reduce America's direct import vulnerability and improve geopolitical flexibility. But domestic consumers still pay globally influenced prices. Energy abundance therefore does not isolate the United States from a Middle East shock; it changes the distribution of domestic winners and losers.

Russia

Russia's energy exports fund state revenue and maintain links with non-Western markets. Sanctions and Ukrainian attacks reduce efficiency and production, but high global prices can offset some volume losses.^[S17] This creates a strategic externality: Middle East instability can indirectly strengthen Moscow's revenue position.

Natural gas and LNG

Gas markets are more regional and infrastructure-dependent than oil. LNG has globalized them, but liquefaction plants, terminals and shipping create bottlenecks. Qatar and UAE exports through Hormuz represent about 19% of global LNG trade.^[S22] Disruption therefore has direct implications for Asian electricity and industrial costs.

Nuclear power

Nuclear power is regaining strategic attention because it provides low-carbon firm electricity and reduces dependence on imported gas. Its geopolitical chain includes uranium mining, conversion, enrichment, fuel fabrication and reactor technology. Dependence can shift from hydrocarbons to nuclear fuel-cycle suppliers rather than disappear.

XVII. Energy Geopolitics - From Fuel Security to System Security

The 2026 Hormuz crisis demonstrates that the energy transition has not displaced hydrocarbon geopolitics. Oil, LNG, electricity grids, uranium and mineral-processing capacity now coexist as strategic dependencies. Energy security therefore has two layers: molecule security (oil, gas, uranium) and electron/material security (grids, transformers, batteries, copper, graphite and rare earths). [S22,S23,S38]

System	Concentration / exposure	Strategic consequence
Hormuz oil	~20 mb/d in 2025; ~25% of seaborne oil trade	Conflict transmits rapidly into inflation and freight
Hormuz LNG	~19% of global LNG trade	Qatar/UAE flows create Europe/Asia price sensitivity
Electric grids	Long equipment lead times	Transformers and grid hardware become security assets
Nuclear fuel	Uranium conversion/enrichment chains concentrated	Diversification matters more than mine output alone
Renewables	Lower fuel dependence, higher mineral intensity	Security shifts toward copper, magnets, storage and grids

Strategic bottom line

The energy transition changes the composition of geopolitical leverage rather than ending it. States with diversified generation, domestic hydrocarbons, nuclear capacity, flexible LNG access and secure mineral-processing chains are structurally advantaged. The most vulnerable states are those dependent on both imported fuel and imported strategic equipment.

XVIII. Critical Minerals and Resources

From mining to full value chains

Strategic competition over minerals is frequently misdiagnosed as a race to open mines. The bottleneck often lies later: concentration, chemical separation, refining, cathodes, anodes, magnet production and specialized equipment. A mine that exports concentrate to China may diversify geology without diversifying processing risk.

Key minerals

Lithium is central to batteries; cobalt and nickel affect selected battery chemistries and aerospace; copper is essential to grids, motors and data centers; uranium supports nuclear energy; graphite is critical for battery anodes; rare-earth magnets matter for motors, wind turbines and weapons; gallium and germanium are important in semiconductors and communications.

Concentration

IEA analysis finds that China is the top refiner with over 90% global share in gallium, graphite, manganese and rare-earth categories, while Indonesia dominates nickel. Excluding rare earths, the average share of the top refining country reached 72% in 2025.^[S38] Concentration is strategically dangerous because even small-volume materials can halt much larger downstream industries.

Export controls

China's export controls on heavy rare earths and other strategic materials in 2025 demonstrated the economic leverage of processing concentration. The IEA estimates full implementation of expanded rare-earth restrictions could expose roughly \$6.5 trillion per year of downstream production outside China, while a full graphite disruption could threaten more than \$300 billion.^[S38]

Diversification challenge

Projects outside dominant suppliers often face 20% to more than 150% higher capital costs for refining and roughly 50% higher operating costs on average, according to IEA analysis.^[S38] Permitting, workforce, feedstock and equipment constraints compound the difference. Diversification is therefore an industrial-policy project rather than a quick market response.

Strategic priorities

The most effective resilience strategy combines stockpiles, recycling, allied offtake agreements, processing investment, substitute materials, permitting reform and demand transparency. Recycling can reduce long-term vulnerability but cannot solve near-term bottlenecks where existing end-of-life volumes are small.

XIX. Technology and AI Geopolitics

Technology as national power

Technology matters geopolitically when it raises productivity, creates coercive dependencies or changes military effectiveness. AI, advanced semiconductors, cloud computing, quantum technology, biotechnology, robotics, space systems and telecommunications satisfy all three criteria. Unlike earlier industrial eras, many of the decisive platforms are owned by private firms, which creates a persistent boundary problem between national strategy and corporate incentives.

Semiconductor ecosystem

The advanced semiconductor system is highly internationalized. U.S. firms dominate much chip design, electronic design automation and AI accelerators. Taiwan dominates leading-edge contract fabrication. South Korea is central to advanced memory and HBM. Japan supplies materials and equipment. The Netherlands hosts the crucial advanced lithography firm ASML. China is the largest electronics manufacturing base and is building domestic capacity across mature and increasingly advanced nodes.

This distribution means no major power is technologically self-sufficient. The system's efficiency came from specialization; its strategic vulnerability comes from the same specialization.

TSMC

TSMC is a geopolitical asset because many of the world's most advanced chips depend on its process technology and manufacturing scale. Its planned Arizona investment has reached roughly \$265 billion, demonstrating a deliberate attempt to create geographic redundancy.^[S40] Redundancy will be expensive and incomplete, but even partial relocation can increase resilience against blockade or conflict.

Samsung and SK Hynix

South Korea's role is especially important in advanced memory. SK Hynix's planned Indiana investment and strong position in HBM demonstrate how AI supply chains are creating new industrial links between U.S. compute and Korean memory.^[S41] Samsung adds fabrication and memory diversification. A Korean security crisis would therefore have consequences for AI infrastructure far beyond the peninsula.

Nvidia and Chinese alternatives

Nvidia remains central to the AI accelerator ecosystem, but export controls restrict the highest-end products in China. Partial shipments of lower or controlled products coexist with rapid development by Huawei and other Chinese firms.^[S42] Controls may preserve a frontier gap while also guaranteeing a domestic market for substitutes.

AI infrastructure

National AI power requires far more than models. It requires electrical generation, transmission, data-center construction, cooling, networking, chips, packaging, memory, cloud orchestration and cybersecurity. Countries with cheap reliable power, capital and permitting capacity can turn AI demand into an industrial advantage.

Quantum technology

Quantum computing remains technologically uncertain, but quantum sensing and communications may have nearer-term strategic applications. The most disruptive future possibility is not general-purpose quantum computing itself but the ability to break widely used cryptographic systems. This explains the strategic urgency of post-quantum cryptography even before large fault-tolerant machines exist.

Biotechnology

Biotechnology combines economic, public-health and security implications. Synthetic biology, gene editing, automated labs and AI-assisted molecular design can accelerate medicine and agriculture while also reducing technical barriers to misuse. Strategic leadership therefore depends on research capacity, bio-manufacturing, secure data and strong biosafety systems.

Robotics and autonomous weapons

Ukraine has shown how rapidly cheap unmanned systems can diffuse. AI-enabled autonomy may make drones more effective under electronic warfare and allow larger swarms. The strategic concern is cost exchange: a cheap autonomous system that destroys an expensive platform can undermine existing force structures. States with deep electronics and manufacturing ecosystems may therefore gain disproportionate advantage.

Technology bifurcation

ANALYTICAL JUDGMENT: Full technological separation is unlikely, but **stack bifurcation** is accelerating. Different countries may increasingly use separate chips, cloud services, AI models, telecommunications standards and payment/data rules. This can reduce efficiency, complicate multinational operations and force smaller states to make sector-by-sector choices rather than a single geopolitical alignment.

XX. Military Balance

Why spending rankings are insufficient

Military power is a system. Budgets buy different amounts in different countries; personnel quality varies; geography can favor the defender; and industrial production determines endurance. A credible comparison therefore requires spending, readiness, logistics, ISR, training, command, munitions, repair, alliances and nuclear forces.

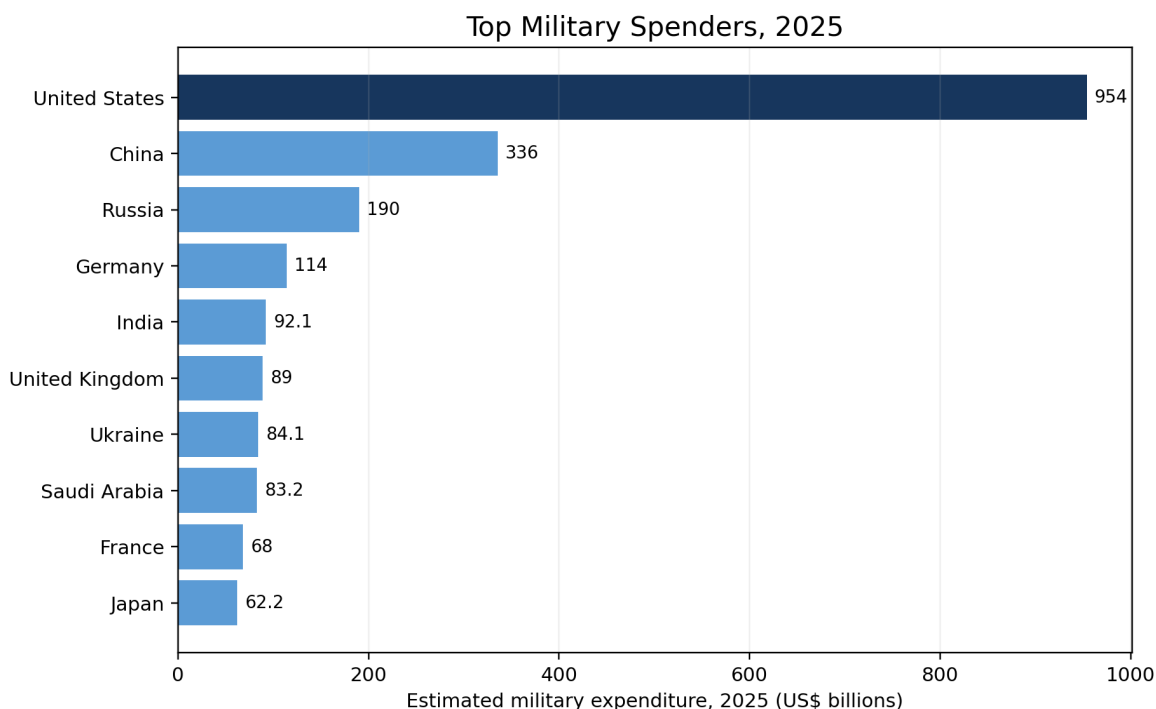


Figure 10: Estimated military expenditure in 2025. Source: SIPRI.^[S09]

United States

The United States remains first in global military capability. Its unique strengths are worldwide logistics, alliance access, carrier and submarine operations, strategic aviation, space ISR, precision strike and the nuclear triad. Its constraints are simultaneous-theater demand, shipbuilding, munitions production and the cost of maintaining global readiness.

China

China is the strongest regional conventional challenger to the United States. Its missile force, air bases and naval growth are designed to exploit geography in the Western Pacific. Commercial shipbuilding dominance and large manufacturing capacity give it potentially formidable long-war depth. Its weaknesses include less combat experience, a smaller global logistics network and the enormous complexity of amphibious operations.

Russia

Russia combines nuclear mass, land warfare experience, missiles, drones and electronic warfare. The Ukraine war has revealed weaknesses in conventional planning and losses in equipment but also significant adaptation. Russia's military power is now more optimized for sustained Eurasian war than it was in 2022.

India

India fields large land and air forces, nuclear weapons and a growing navy. Its challenge is modernization across a heterogeneous inventory and preparation for both Pakistan and China. Its geography across the Indian Ocean gives it increasing importance to maritime trade routes.

European powers

France and the United Kingdom retain nuclear weapons and expeditionary capabilities. Germany is increasing conventional power. Poland is rapidly expanding land forces. Nordic states add advanced air power and reserve systems. Europe collectively has major potential but must solve fragmentation and dependence on U.S. enablers.

Japan and South Korea

Japan and South Korea are technologically sophisticated and increasingly important industrial powers. South Korea has substantial artillery, missile and armored production; Japan has major naval, air and industrial capability. Both rely on U.S. extended deterrence.

Israel

Israel's military strength is concentrated in intelligence, air power, precision strike, missile defense, mobilization and operational experience. Its limited strategic depth and small population mean prolonged multi-front wars can create manpower and interceptor constraints.

North Korea

North Korea is conventionally inferior in technology and air power but dangerous because of nuclear weapons, large artillery and missile forces, hardened infrastructure and regime willingness to accept economic sacrifice. Simple equipment-count comparisons therefore understate its coercive capability.

Comparative matrix

XX. Military Balance - Capability, Geography and Sustainment

Military power is not a single inventory count. The matrix separates global reach, theater mass, maritime scale, air-enabling capacity, missile depth, nuclear role and industrial endurance. Ratings are qualitative and context-dependent; they are not substitutes for campaign analysis. [S09,S10,S84,S90]

State	Global	Theater	Naval / shipbuilding	Air	Missiles	Nuclear	Long-war industry
United States	V.High	High	High; constrained yards	V.High	High	Full triad	High-tech; munitions bottlenecks
China	Moderate	V.High W. Pacific	V.High; world-leading	High	V.High regional	Expanding	V.High manufacturing depth
Russia	Limited-global	V.High Eurasia	Moderate	Moderate	V.High	Largest total	Wartime mobilized
India	Regional+	High S. Asia	Growing	Moderate	High regional	Triad developing	Growing / import exposure
Japan	Limited-global	High home theater	High technology	High	Growing strike	U.S. umbrella	V.High latent industry
South Korea	Regional	V.High peninsula	High	High	High regional	U.S. umbrella	V.High conventional output

Industrial qualifier

China completed 56.1% of global commercial shipbuilding tonnage in 2025 and held 66.8% of global orderbook tonnage - civilian-industrial scale with mobilization relevance. The United States retains unique global logistics, carrier aviation, submarines, ISR and alliance access, but shipbuilding and munitions throughput remain constraints. [S90,S84]

XXI. Nuclear Strategy

A new arms-race environment

The nuclear order has entered a qualitatively more difficult phase. SIPRI estimates a global inventory of 12,187 warheads in January 2026, with 9,745 in military stockpiles and about 4,012 deployed. Roughly 2,100-2,200 warheads were maintained at high operational alert.^[S10] The expiration of New START in February removed the last major bilateral numerical ceiling on U.S. and Russian strategic forces, while China continues rapid expansion.

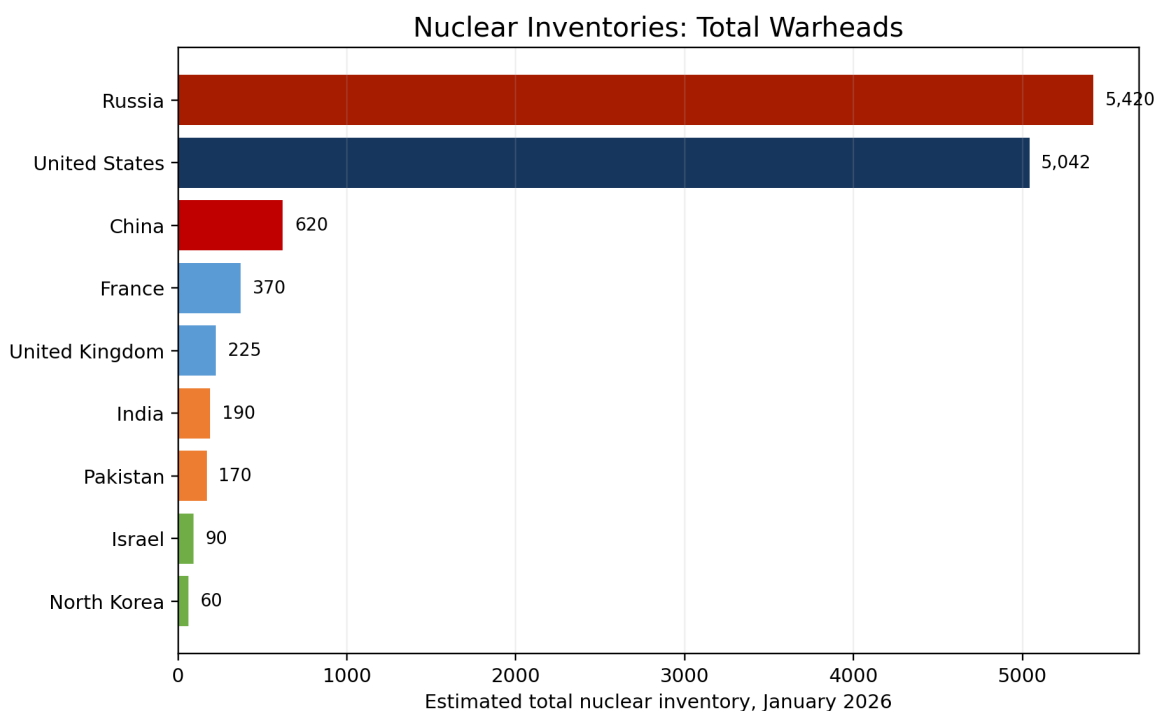


Figure 11: Estimated total nuclear inventories, January 2026. “Total inventory” includes retired warheads awaiting dismantlement where applicable and is not equivalent to deployed force. Source: SIPRI.^[S10]

United States and Russia

The United States and Russia still possess the overwhelming majority of global nuclear weapons. Both are modernizing delivery systems, command structures and warheads. Their deterrence relationship is mature but increasingly entangled with conventional precision strike, missile defense, cyber operations and space systems. The danger is that attacks on dual-use command or warning systems during a conventional war could be misinterpreted as preparation for nuclear disarming strikes.

China

China’s expansion from a relatively small minimum-deterrent posture toward a larger and more diversified force is the central structural change in nuclear strategy. A larger silo force, ballistic missile submarines and more capable delivery systems can improve survivability but may also

push Beijing toward higher readiness. The United States then confronts the problem of deterring two large nuclear competitors simultaneously without a trilateral arms-control framework.

France and United Kingdom

France and the United Kingdom maintain smaller but survivable independent deterrents. Their strategic importance in Europe increases if confidence in U.S. extended deterrence becomes politically contested. France's force gives Paris unusual strategic autonomy; Britain's system is more closely integrated with the United States while remaining nationally controlled.

India and Pakistan

India and Pakistan maintain a dangerous regional nuclear dyad shaped by short warning times, territorial disputes and terrorism risk. India's force increasingly accounts for China, creating an interconnected triangle: improvements designed for China can alter Pakistani threat perceptions. Crisis stability is therefore sensitive to missile defenses, tactical systems and conventional deep-strike capabilities.

Israel

Israel maintains nuclear opacity and is widely assessed to possess a nuclear arsenal. Its deterrent is aimed at existential threats rather than routine regional warfighting. The Iran conflict raises proliferation questions because a perception that non-nuclear states can be subjected to regime-threatening conventional attack may alter incentives elsewhere, while Iranian nuclear capabilities remain a core regional concern.

North Korea

North Korea's arsenal is small compared with U.S., Russian or Chinese forces but strategically transformative because it threatens South Korea, Japan and potentially the U.S. homeland. Pyongyang may see nuclear weapons as essential to regime survival and as tools to deter allied conventional superiority. This makes voluntary disarmament increasingly difficult as the arsenal becomes more mature.

First-use doctrines and tactical weapons

Doctrinal categories are not perfectly comparable. China and India have historically declared no-first-use policies, while Russia, the United States, Pakistan and others preserve varying forms of ambiguity or first-use options under extreme circumstances. The critical issue is not declaratory language alone but force posture, exercises, command arrangements and leaders' beliefs about escalation.

Tactical nuclear weapons create particular instability because they may be perceived as more "usable." Any nuclear use, however limited, would create enormous uncertainty about retaliation, alliance credibility and further escalation. The operational distinction between tactical and strategic effects can collapse rapidly once nuclear thresholds are crossed.

XXI. Nuclear Strategy - Force Structure and Escalation

The nuclear system is becoming more complex because the old U.S.-Russia bilateral framework is giving way to a larger three-power problem while regional nuclear dyads remain active. Total inventory figures should not be read as deployed force. The critical variables are survivability, alert posture, command-and-control, doctrine, missile defense and confidence in second-strike capability. [S10]

State	Approx. total inventory*	Public posture / strategic feature
Russia	5,420	Large triad; broad public conditions for nuclear use; extensive nonstrategic inventory
United States	5,042	Triad; no no-first-use pledge; extended deterrence to allies
China	620	Declared no-first-use; rapid silo/warhead expansion and greater readiness potential
France	370	Independent sea/air deterrent focused on vital interests
United Kingdom	225	Sea-based continuous deterrent; deliberate doctrinal ambiguity
India	190	Declared no-first-use with caveats; China/Pakistan two-front logic
Pakistan	170	No NFU; emphasizes escalation risk against larger conventional opponent
Israel	90	Nuclear opacity; survivable deterrent inferred
North Korea	60	Growing arsenal; public law permits nuclear use under specified conditions

*SIPRI January 2026 estimate; totals include retired warheads awaiting dismantlement where applicable. [S10]

New arms-race judgment

ANALYTICAL JUDGMENT: the world is entering a new nuclear arms competition, but not a simple replay of the Cold War. A three-way U.S.-Russia-China strategic interaction, missile defense, hypersonic systems, counterspace capabilities and regional nuclear forces increase the number of escalation pathways and make future arms control harder to design.

XXII. Global Defense Industrial Base

Industrial capacity as a combat variable

The defining defense-industrial lesson of Ukraine and the Iran conflict is that advanced militaries can consume munitions far faster than peacetime procurement systems replace them. A state that begins war with sophisticated platforms but cannot repair, reload or manufacture may lose strategic freedom within months. Defense industry is therefore part of deterrence: visible production capacity can convince an adversary that a quick war will not exhaust the defender.

United States

The U.S. defense industrial base is technologically exceptional but optimized around high-value platforms and relatively low peacetime production rates. Strengths include combat aircraft, submarines, missiles, sensors, space systems and advanced electronics. Weaknesses include concentrated suppliers, long lead times, fragile sub-tier suppliers and limited surge capacity for selected munitions.

The central reform problem is demand certainty. Firms will not build factories for a temporary procurement spike without multi-year contracts. Government therefore has to convert strategic forecasts into stable orders, workforce pipelines and stockpile policy.

Europe

Europe's industrial base is broad but fragmented. France, Germany, Italy, the UK, Sweden and others possess advanced firms, while Poland and Central Europe are increasing production. EU joint procurement targets are intended to aggregate demand and reduce duplication.^[S12] Europe's challenge is to translate high spending into standardized volume rather than many small national orders.

Russia

Russia's wartime economy has expanded production of ammunition, missiles, drones and repair. SIPRI's estimate of very high military burden demonstrates the degree of resource prioritization.^[S13] Russia also benefits from supply relationships with North Korea and access to dual-use imports through third countries. The tradeoff is civilian distortion and dependence on sanctions-evasion networks.

China

China has the largest latent industrial base because of manufacturing and shipbuilding scale. Chinese yards account for a majority of global commercial shipbuilding output and orderbooks.^[S55,S56] This does not imply that every commercial yard can produce warships, but it gives China a dense supplier network in steel, engines, electronics, welding, design and skilled labor.

South Korea

South Korea has become a major defense exporter because it can deliver artillery, armored vehicles, aircraft and missiles comparatively quickly. Its commercial shipbuilding and electronics base add strategic depth. In a prolonged coalition conflict, Korea could be one of the most important allied sources of conventional materiel.

Japan

Japan possesses enormous latent industrial capacity in shipbuilding, electronics, robotics and materials but has historically constrained defense exports and production. Policy reform is unlocking more of this potential. The key variable is whether Japan creates large production runs and durable export partnerships rather than small bespoke programs.

Production categories

Category	Strategic bottleneck	Why it matters
Artillery shells	Explosives, propellant, metal-lurgy, filling capacity	Sustained land warfare consumes enormous volume.
Air-defense missiles	Seekers, motors, electronics, testing	Defending cities/bases can consume expensive interceptors rapidly.
Drones	Motors, chips, batteries, software, EW resilience	Enables cheap mass and tactical sensing/strike.
Cruise/ballistic missiles	Precision components and propulsion	Deep strike and base suppression.
Aircraft	Engines, skilled labor, long assembly	Replacement in war is slow; repair is crucial.
Ships/submarines	Yard capacity, nuclear skills, components	Maritime wars require repair and replacement over years.
Explosives	Chemical plants and safety regulation	Often an invisible limiting input across multiple munitions.
Electronics	Semiconductors, sensors, packaging	Cross-cutting dependence for nearly all modern weapons.

Industrial balance judgment

ANALYTICAL JUDGMENT: The United States retains the highest defense technology, China the strongest broad manufacturing base, Russia the most mobilized current wartime production among major powers, and Europe the fastest-growing rearmament demand. The strategic winner in a long conflict would be the coalition able to integrate civilian industry, allied production, logistics and technology while keeping energy and finance functioning.

XXIII. Cyber, Intelligence and Information Warfare

Persistent competition below armed conflict

Cyber and intelligence operations are attractive because they can produce strategic effect without crossing a clear military threshold. States can steal technology, map critical infrastructure, compromise software supply chains, influence political debate and pre-position access for use during crisis.

ODNI assesses China and Russia as the most persistent and active cyber threats to the United States, while Iran, North Korea and ransomware groups also seek access to critical infrastructure and sensitive networks. North Korean cryptocurrency theft probably reached about \$2 billion in 2025, with proceeds supporting state and strategic programs.^[S43]

Cyber warfare and infrastructure

The most dangerous cyber operations are those that bridge digital and physical systems: electricity grids, pipelines, ports, telecommunications, water, hospitals and financial clearing. A state may implant access during peacetime without intending immediate disruption. The presence of such access can itself become coercive if discovered during crisis.

Attribution remains a central strategic problem. Technical indicators can suggest origin, but state sponsorship often requires intelligence not publicly available. Premature attribution risks escalation; excessive hesitation can weaken deterrence.

AI-enhanced cyber operations

AI can speed reconnaissance, phishing, malware adaptation and vulnerability analysis while also improving defensive triage and anomaly detection.^[S43] The likely near-term effect is not fully autonomous “cyber war” but a rise in the speed and volume of operations, especially against organizations with weak defenses.

Espionage

Traditional human intelligence remains important because leaders’ intentions cannot be inferred reliably from satellites or network telemetry. Great-power rivalry increases demand for insight into political decision-making, military readiness, sanctions evasion and technology programs. Open-source intelligence has also grown more powerful through commercial satellite imagery, vessel tracking and social media, but adversaries can deliberately manipulate these sources.

Election interference and influence

Influence operations seek to amplify existing social divisions rather than create them from nothing. AI-generated text, audio and video lower the cost of producing tailored content and fake personas. The strategic defense is therefore broader than content moderation: resilient institutions, transparent political finance, media literacy and rapid attribution reduce the impact of

XXIII. Cyber, Intelligence and Information Warfare

Cyber and intelligence competition is continuous because it offers strategic access below the threshold of overt war. The distinction between espionage, pre-positioning and sabotage may become visible only after a crisis begins. ODNI assesses China and Russia as the most persistent state cyber threats to U.S. networks, while Iran and North Korea employ cyber tools for asymmetric coercion, influence, disruption and revenue generation. [S43]

Actor	Primary strategic uses	Typical targets	Escalation concern
China	Espionage, technology acquisition, pre-positioning	Government, telecom, critical infrastructure	Defensive cyber operations may cause some wartime disruption
Russia	Espionage, sabotage, coercive signaling, influence operations	Government, media, transport, political organizations	Hybrid activity can trigger NATO attribution crisis
Iran	Regional coercion, disruptive attacks, intelligence gathering	Self infrastructure, U.S./Israeli-linked systems	Cyber and kinetic retaliation can merge
North Korea	Revenue generation, espionage, disruptive capabilities	Finance, defense/technology targets	State finance and weapons programs linked to cyber theft

Intelligence effect on policy

Intelligence matters when it changes a leader's estimate of intentions, capability or warning time. Public release of intelligence can build coalitions and pre-empt narratives, but it also risks exposing sources and methods. AI intensifies the contest by automating collection and influence while reducing confidence that audio, video and documents are authentic. The strategic problem is therefore not only cybersecurity but decision integrity.

XXIV. Space Geopolitics

Space as military infrastructure

Modern military power depends on space for navigation, communications, weather, reconnaissance, missile warning and timing. Commercial constellations add resilience but also blur the boundary between civilian and military infrastructure. A future great-power war would almost certainly include efforts to jam, dazzle, cyber-compromise or physically threaten satellites.

SIPRI reports continued development of counterspace capabilities, while Reuters in September 2026 described U.S. and Chinese work on maneuverable satellites, spaceplanes and other technologies relevant to orbital competition.^[S44,S45]

United States and commercial space

The United States benefits from a powerful commercial launch and satellite sector that can increase redundancy. Reusable launch reduces cost and makes replacement more plausible. The strategic question is whether commercial networks remain available under attack and how governments manage legal and military dependence on privately owned systems.

China

China is rapidly building launch capacity, reconnaissance, navigation and communications. Its counterspace programs aim to complicate U.S. reliance on orbital ISR and networks. China also has civil and prestige ambitions in lunar exploration, which can support industrial and scientific capability even when not directly military.

Russia

Russia retains deep space and missile expertise but faces economic and technological constraints. Its military has long emphasized electronic warfare and counterspace options designed to offset U.S. information advantages.

Europe and India

Europe has advanced satellites and industrial capability but seeks more autonomous launch and security systems. India has demonstrated cost-effective launch and lunar missions and is developing a larger military-space architecture. Both are likely to become more important as space becomes a domain of strategic resilience.

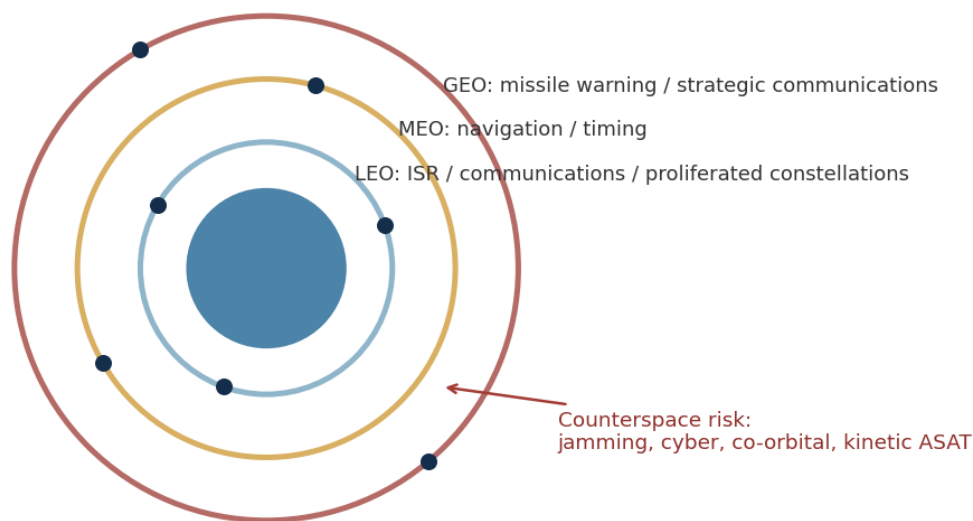
Lunar competition

Lunar exploration is partly symbolic and scientific, but long-term competition concerns communications, navigation standards, extraction rights and the location of infrastructure. The immediate military value is limited compared with Earth orbit, yet standards established now can influence a future space economy.

XXIV. Space Geopolitics - Dependence, Resilience and Escalation Risk

Space power is now inseparable from terrestrial military power. Navigation, missile warning, communications, weather, intelligence and targeting depend on satellites and ground networks. U.S.-China competition increasingly includes maneuverable satellites and other counterspace technologies; SIPRI records accelerating development of counterspace capabilities. [S44,S45]

Space Architecture: Strategic Dependence and Escalation Risk



Escalation problem

A satellite can support both conventional and nuclear missions. An attack intended to blind conventional targeting may also degrade missile warning or nuclear command links, creating worst-case assumptions. Resilience therefore depends on proliferated constellations, rapid launch, protected ground stations, alternative navigation/timing and crisis communication. Commercial systems add redundancy but also blur the boundary between civilian and military infrastructure.

XXV. International Institutions

United Nations and Security Council

The United Nations remains uniquely important for legitimacy, humanitarian coordination, sanctions architecture and peacekeeping, but the Security Council is structurally weak when a permanent member or close partner is a party to conflict. Veto power was designed to keep great powers inside the system; the price is paralysis when their interests clash.

Peace operations illustrate institutional retrenchment. SIPRI reports only 78,633 personnel deployed in multilateral peace operations at the end of 2025, down nearly half from 2016 and the lowest level in at least 25 years.^[558]

NATO

NATO is one of the clearest institutional gainers. It has expanded geographically, returned to territorial defense and adopted higher spending targets. The alliance's central test is whether increased resources create credible force posture before political cohesion weakens.

European Union

The EU is increasing its security role through sanctions, industrial policy, procurement finance and defense initiatives. It is not a military alliance in the NATO sense, but its regulatory and financial capacity can shape strategic outcomes. The overlap between NATO and EU functions is increasingly a strength if duplication is managed.

IMF and World Bank

The IMF and World Bank remain central because balance-of-payments crises and development finance require institutions with large resources and technical expertise. Critics seek greater voice for emerging powers, but alternative institutions have not displaced their global role. Their legitimacy will increasingly depend on governance reform and their ability to respond to debt and climate-related shocks.

WTO

The WTO's legal framework remains deeply embedded in global commerce, yet great powers increasingly use national-security exceptions, tariffs, subsidies and unilateral restrictions. The institution therefore governs much ordinary trade while exercising less control over strategic sectors.

G7 and G20

The G7 is cohesive among advanced democracies but represents a declining share of world output. The G20 is more representative but harder to coordinate; the September 2026 dispute over trade imbalances, with China dissenting from language supported by other participants, illustrates the tradeoff between inclusiveness and consensus.^[559]

BRICS

BRICS has expanded to eleven full members but remains institutionally loose.^[S35] Its influence comes from agenda setting, political symbolism and alternative financial cooperation rather than common military policy. Internal differences - including India-China competition and differing relations with the United States - limit bloc coherence.

SCO

The Shanghai Cooperation Organisation provides a Eurasian forum for China, Russia, India, Pakistan and others, but internal rivalries constrain integration.^[S36] It is more useful for diplomatic signaling and regional security discussion than as a collective-defense alliance.

ASEAN

ASEAN's strength is convening and norm-building in a region of large power asymmetries. Its weakness is consensus decision-making when members have different exposure to China. Its continuing work on South China Sea rules is valuable, but enforcement depends on member and external power behavior.^[S66]

Institutional trajectory

ANALYTICAL JUDGMENT: Universal institutions are losing relative ability to manage great-power conflict, while regional and coalition institutions are gaining. This does not imply “institutional collapse.” It implies a layered order in which universal forums provide legitimacy and technical coordination while smaller coalitions increasingly provide hard power.

XXVI. Alliances and Strategic Blocs

The U.S.-centered network

The U.S. alliance system is the most important institutional advantage in the global balance of power. NATO provides collective defense in Europe; bilateral treaties anchor Japan, South Korea, Australia and the Philippines; AUKUS deepens undersea and technology cooperation; Quad coordination links India without requiring alliance membership.

This network is not a single bloc with identical interests. Turkey, Hungary, India and others demonstrate divergent preferences. Its strength lies in interoperability and access, not ideological uniformity.

China and Russia

China and Russia coordinate strategically, conduct exercises, trade energy and support each other diplomatically, but their relationship lacks NATO-style integrated command and mutual-defense guarantees. The partnership is strengthened by common opposition to U.S. pressure and weakened by asymmetry and potentially divergent interests in Central Asia and elsewhere.

Russia-North Korea and Iran links

Russia's deepening military links with North Korea have become operationally significant. Iran's security partnerships are more strained after direct conflict but remain relevant through missiles, drones and regional networks. These relationships create a loose revisionist supply system rather than a unified alliance.

BRICS and non-aligned states

BRICS is not an alliance. India, Saudi Arabia, UAE, Brazil and others use it to expand bargaining space. Many of these states retain strong U.S. economic or security relationships, demonstrating why a map colored into two opposing blocs would misrepresent the actual system.

Are stable blocs emerging?

ANALYTICAL JUDGMENT: A stable U.S.-China bipolar bloc system is **not yet** emerging. The U.S. side is more institutionalized and alliance-based; the opposing side is more transactional. Middle powers preserve cross-cutting relationships. A major Taiwan war would be the event most likely to force sharper alignment by turning trade, sanctions and military access into binary decisions.

XXVII. Demographics

Demographic divergence

Population change is slow enough to be underestimated and powerful enough to reshape national capability. Aging affects labor supply, tax revenue, savings, pensions, health spending and military recruitment. Youthful populations can support growth but only when institutions create education and employment.

China

UN projections suggest China's population could decline by about 204 million between 2024 and 2054 under the medium scenario, the largest absolute decline among countries.^[S46] The main strategic effects will be lower labor-force growth and higher old-age dependency, partially offset by automation and capital intensity.

Japan

Japan is already deeply aged. It has compensated through high capital intensity, automation and gradual increases in labor participation and immigration. The fiscal burden is substantial, but Japan also shows that aging does not automatically eliminate technological or military capability if productivity remains high.

South Korea

South Korea faces one of the most extreme fertility declines. OECD analysis warns that under current demographic dynamics the population could fall dramatically over the coming decades and the old-age dependency ratio could rise sharply.^[S48] The security implication is unusually direct because South Korea maintains a manpower-intensive military facing a large North Korean force.

Europe

Most European countries have fertility below replacement. Migration is therefore both an economic adjustment mechanism and a political stressor. States able to integrate migrants into productive employment can mitigate aging; states that fail can face polarization without resolving labor shortages.

Russia

Russia combines long-standing low fertility and aging with war casualties and emigration. UN projections show significant population decline through mid-century.^[S46] A shrinking working-age population makes sustained high military burden more expensive over time.

India

India retains a demographic advantage but its fertility is moving toward replacement.^[547] The strategic window is therefore finite. The next two decades are critical for converting a large working-age population into skills, urban infrastructure and productive employment.

Africa

Africa's population will account for a growing share of global labor-force growth. The geopolitical consequence depends on governance. Successful industrialization and urbanization can create major new markets; failure can intensify unemployment, migration and instability. Outside powers increasingly compete for infrastructure, minerals, digital systems and diplomatic support across the continent.

Demographic power equation

ANALYTICAL JUDGMENT: Population is a multiplier, not a standalone asset. A more useful equation is **population × education × productivity × institutions × capital × technology**. A smaller advanced state can remain powerful; a large poorly governed state can remain weak. Demography changes the constraints within which policy operates.

XXVIII. Climate and Environmental Security

Climate as threat multiplier

WMO reports that 2025 was the second- or third-warmest year on record, about 1.43°C above the 1850-1900 average, while 2015-2025 were the warmest eleven years in the instrumental record and ocean heat reached record levels.^[S49] Climate change does not mechanically cause war, but it amplifies water stress, food shocks, infrastructure damage and migration pressures.

Water and food

Water scarcity is strategically important in the Middle East, North Africa, South Asia and parts of Central Asia. Drought can reduce agricultural output and hydropower while increasing urban competition. Food insecurity can interact with high fertilizer and energy prices, turning global commodity shocks into domestic political crises.

Extreme weather and infrastructure

Heat waves, storms, floods and wildfires impose fiscal costs on governments already managing debt and defense spending. Military bases, ports, power grids and undersea infrastructure must therefore be hardened against environmental as well as adversarial disruption.

Migration

Climate interacts with conflict and economic opportunity in migration decisions. It is rarely the sole cause. The political effect can nevertheless be large because migration pressures can reshape elections in Europe and North America, affecting foreign policy and alliance support.

Arctic competition

Melting ice and improved access increase strategic interest in Arctic shipping, resources, bases and surveillance. Russia has the largest Arctic coastline and extensive military infrastructure; China describes itself as a near-Arctic stakeholder and seeks commercial access.^[S43] NATO enlargement to Finland and Sweden has also transformed the northern military geography.

Environmental-risk judgment

ANALYTICAL JUDGMENT: Climate pressure is most likely to generate geopolitical instability where it intersects with weak institutions, rapid population growth, food dependence or existing conflict. The near-term security effect is therefore concentrated in fragile regions; the long-term fiscal and infrastructure effect is global.

XXIX. Domestic Politics as a Driver of Foreign Policy

States are not unitary actors

Foreign-policy analysis often assumes a coherent state maximizing national interest. In practice, leaders respond to elections, elite coalitions, bureaucratic interests, regime legitimacy, social identity and budget constraints. Domestic politics can change not only preferences but the credibility of international commitments.

United States

The November 2026 midterms, low presidential approval and public concern about the cost of living constrain the Iran war and broader overseas commitments.^[S51,S52] A strategy requiring sustained defense expenditure and high energy prices must therefore compete with domestic economic priorities.

China

The CCP does not face competitive national elections, but legitimacy depends heavily on economic performance, nationalism and elite cohesion. Property weakness, unemployment and demographic pessimism can create pressure for policy adjustment. Nationalist narratives around Taiwan can strengthen regime legitimacy while also narrowing room for compromise if expectations become too rigid.

Russia

The Kremlin's political survival is tied to control of information, elite distribution and the ability to portray war as manageable. High military spending creates constituencies that benefit from conflict. This can make demobilization economically and politically difficult even if large-scale fighting declines.

Europe

European governments must reconcile defense spending with welfare states, aging and energy costs. Populist parties can oppose sanctions, migration or Ukraine support. Coalition politics in parliamentary systems can make foreign-policy continuity sensitive to relatively small electoral shifts.

India

Indian foreign policy reflects a broad domestic preference for strategic autonomy and status as an independent civilizational power. Economic development, nationalism and security competition with China/Pakistan reinforce a policy that welcomes U.S. partnership without accepting subordination.

Japan

Japan's strategic normalization depends on domestic political legitimacy and public acceptance of higher defense spending. The Takaichi government's mandate provides room for faster reform, but constitutional and historical norms still shape the pace and framing of military change.

South Korea

South Korean foreign policy alternates in emphasis between deterrence, engagement with North Korea and balancing relations among the United States, Japan and China. The nuclear debate is particularly sensitive to public confidence in the U.S. alliance.

Israel and Iran

Israeli policy is heavily shaped by domestic security trauma, coalition politics and debates over the acceptable costs of prolonged war. Iranian decision-making combines the presidency, clerical authority, security institutions and the IRGC, with regime survival central. In both systems, domestic political incentives can make de-escalation harder after casualties.

Turkey

Turkey's foreign policy combines nationalism, regime politics, economic needs and the strategic autonomy ambitions of a regional power. Domestic defense-industry success reinforces a preference for independent action even within NATO.

Analytical implication

ANALYTICAL JUDGMENT: The most important foreign-policy surprises often occur when domestic constraints change faster than external balances. Elections, leadership succession, economic crises or protest can alter alliance credibility even without a change in military capability. Domestic political indicators therefore belong in any strategic early-warning dashboard.

XXX. Major Flashpoints

Flashpoints are ranked by a combination of escalation probability, potential impact, nuclear-armed actors, alliance entanglement and economic-system exposure. A lower-probability Taiwan war can rank above frequent local clashes because semiconductor, shipping and U.S.-China escalation consequences are systemic. The map locates the eleven theaters assessed in the following matrix.

Major Geopolitical Flashpoints - September 2026



Cross-theater warning

The highest systemic danger is simultaneous crisis: Taiwan during a Middle East energy war; a NATO-Russia incident during acute Ukrainian stress; or a Korean crisis during U.S.-China confrontation. Cross-theater competition forces allocation of air defense, submarines, long-range munitions, ISR and political attention. Indicators therefore must be monitored as a portfolio, not in isolation.

Rank	Flashpoint	Escalation	Impact	Key triggers	Indicators to monitor
1	U.S.-Iran / Israel-Iran	Very High	Global	Large U.S. fatalities; expanded blockade; regime-targeting strikes; Gulf-state entry	Hormuz transits; missile launches; U.S. carrier/air posture; Iranian oil exports; Gulf base alerts
2	Russia-Ukraine	High	Global	Ukrainian line rupture; major Western escalation; attacks on NATO territory	Monthly territorial change; Ukrainian air-defense stocks; Russian mobilization; NATO posture
3	NATO-Russia frontier	Moderate	Systemic	Sabotage with fatalities; air collision; strike attribution; Baltic incident	Air policing scrambles; infrastructure incidents; force dispersal; political warnings
4	Taiwan Strait	Moderate	Systemic	Blockade/quarantine; large exercise converts to operation; political sovereignty crisis	PLA amphibious logistics; missile dispersal; exclusion zones; Taiwanese mobilization; U.S./Japan posture
5	South China Sea	Moderate–High	Global	Philippine fatalities; vessel loss; base attack; treaty invocation	Coast guard deployments; resupply missions; U.S. access; Chinese maritime notices
6	Korean Peninsula	Moderate	Global	Artillery incident; missile test crisis; leadership miscalculation	Missile units; artillery alerts; evacuations; allied exercises; China border posture
7	Red Sea/Bab el-Mandeb	High	Regional/Global	Mass-casualty ship strike; naval escalation	Ship traffic; Houthi launch tempo; insurance; coalition naval deployments
8	India-Pakistan	Moderate	Global	Major terrorist attack; Kashmir crisis; deep conventional strikes	Air-force dispersal; missile units; diplomatic expulsions; border mobilization
9	India-China border	Low–Moderate	Regional	Patrol clash; infrastructure dispute; casualties	Force buildup; road/airfield activity; commander talks; national rhetoric
10	Caucasus	Moderate	Regional	Border breakdown; external intervention; internal instability	Mobilization; Russian/Turkish/Iranian diplomacy; transport corridor disputes
11	Balkans	Low–Moderate	Regional	Kosovo-Serbia violence; institutional crisis	Security-force movement; NATO/KFOR alerts; protest escalation

Flashpoint interaction

The most dangerous strategic possibility is simultaneous crises. A Taiwan confrontation during a major Middle East war would force the United States to allocate air defense, naval forces and munitions across theaters. A NATO-Russia incident during Ukrainian deterioration could generate pressure for rapid escalation while diplomatic bandwidth is already consumed. Strategic planning must therefore focus on **portfolio risk**, not isolated scenarios.

XXXI. Global Risk Matrix

Probability and impact are evaluated separately. Numbers correspond to the labeled risks below; clustering in the upper-right quadrant is more informative than ranking by probability alone. The map is an analytical judgment, not a statistical model.

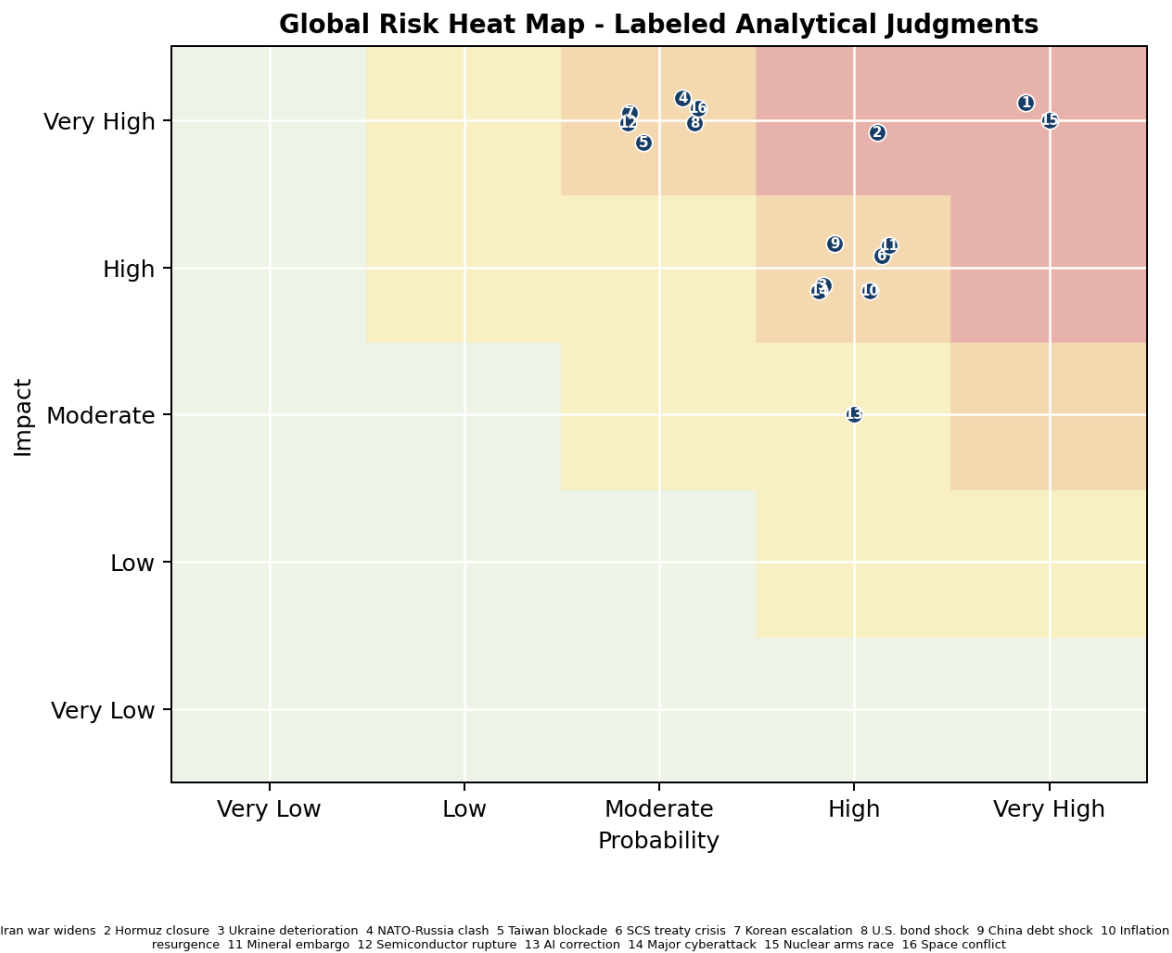


Figure: labeled risk heat map. See the following risk table for time horizon, actors and early-warning indicators.

Risk	Probability	Impact	Horizon	Main actors	Early-warning indicators
Iran/Hormuz escalation	Very High	Global	0–6m	U.S., Iran, Israel, Gulf	Tanker attacks; mine activity; traffic collapse; Gulf-base casualties; new U.S. strike packages
Ukraine operational deterioration	High	Global	0–12m	Russia, Ukraine, Europe, U.S.	Manpower gaps; air-defense rationing; accelerating Russian gains; fiscal shortfalls
NATO-Russia kinetic incident	Moderate	Systemic	0–24m	NATO, Russia	Sabotage fatalities; air collision; cross-border strike; emergency consultations
Taiwan blockade crisis	Moderate	Systemic	1–5y	China, Taiwan, U.S., Japan	Long-duration exercises; exclusion zones; reserve mobilization; amphibious logistics
South China Sea treaty crisis	Moderate–High	Global	0–3y	China, Philippines, U.S.	Casualties; ship loss; treaty consultations; persistent Chinese cordons
Korean escalation	Moderate	Global	0–3y	DPRK, ROK, U.S., China	Missile dispersal; artillery readiness; nuclear testing; evacuation measures
U.S. fiscal/bond shock	Moderate	Systemic	1–5y	U.S., global markets	Auction weakness; term premium; 10y/30y yield surge; fiscal confrontation; reserve diversification
China property/debt shock	High	Global	0–3y	China	Developer defaults; LGFV stress; bank recapitalization; consumer weakness; capital outflow
Global inflation resurgence	High	Global	0–2y	Global	Oil/LNG; shipping; wages; inflation expectations; central-bank repricing
Critical-mineral embargo	High	Global	0–3y	China, U.S., EU, Japan	Licensing delays; new controlled categories; price divergence; factory curtailments
Semiconductor rupture	Moderate	Systemic	0–5y	U.S., China, Taiwan, allies	Export-control expansion; Taiwan shipping disruption; fab shutdowns
Major cyberattack	High	Global	Continuous	Major powers/nonstate	Grid outages; financial disruption; destructive malware; emergency attribution
AI financial bubble correction	Moderate–High	Global	0–3y	Markets, tech firms	Capex/revenue divergence; credit spreads; data-center cancellations; GPU price collapse
Food/fertilizer shock	Moderate–High	Global	0–2y	Exporters/importers	Gas/fertilizer price surge; drought; Black Sea disruption; export bans
Nuclear arms-race acceleration	Very High	Systemic	1–10y	U.S., Russia, China, DPRK	Warhead production; testing signals; new deployments; alert changes
Space conflict	Moderate	Systemic	1–5y	U.S., China, Russia	Satellite proximity ops; jamming; ASAT testing; unusual launch tempo
Climate-fragility crisis	High	Regional/Global	1–10y	Fragile states	Food prices; water stress; displacement; state-capacity deterioration

XXXI. Global Risk Matrix - Risk Coupling

The final row of the risk portfolio - a global sovereign-debt wave - is less visually dramatic than a military crisis but can amplify almost every other risk. Refinancing stress, reserve loss and bank-sovereign feedback can convert geopolitical shocks into fiscal and political instability.

Global sovereign-debt wave

Probability: Moderate-High | Impact: Global | Horizon: 1-5 years | Main actors: sovereigns, central banks, IMF and markets | Indicators: refinancing spikes, restructurings, reserve loss, bank-sovereign feedback.

Initial shock	Transmission mechanism	Second-order effect
Energy disruption	Oil/LNG -> inflation -> tighter policy	Debt service rises; defense/social budgets squeezed
Major war / sanctions	Trade controls -> shortages -> price spikes	Corporate margins fall; supply-chain duplication accelerates
Cyber attack on finance	Payments disruption -> liquidity hoarding	Bank stress; emergency central-bank intervention
Taiwan/semiconductor rupture	Chip scarcity -> industrial stoppages	Global recession risk; defense/AI production constrained
Climate / food shock	Harvest loss -> food inflation / migration	Domestic political instability; fiscal support costs
AI asset correction	Capex repricing -> equity/credit losses	Investment slowdown; leveraged financial stress

Portfolio implication

Risks are correlated, not additive. The practical warning sign is often a change in transmission: an oil shock that begins to alter inflation expectations, a cyber incident that moves into payments, or a regional war that begins consuming globally scarce interceptors. Monitoring should focus on these cross-domain bridges.

Risk interaction and nonlinear outcomes

Risks are correlated. Energy shocks raise inflation; inflation raises interest rates; higher rates worsen debt sustainability; debt pressure constrains defense spending and social stability. War can trigger export controls; export controls can disrupt technology production; technology disruption can reduce productivity and market confidence. The practical implication is that risk management should monitor chains of transmission rather than maintain independent checklists.

XXXII. Power Rankings

Methodology

Rankings in this chapter are analytical composites, not official statistics. “Power” is divided into distinct categories to avoid treating every form of capability as interchangeable. Overall national power weights current economic capacity (20%), military capability (20%), technological position (15%), industrial capacity (15%), financial power (10%), alliances/diplomatic reach (10%), demographic-resource position (5%) and geographic/strategic resilience (5%). Scores are ordinal approximations designed to force explicit comparison, not false precision.

Overall national power

Rank	State	Score/100	Core rationale
1	United States	92	Only global combination of military reach, dollar finance, frontier technology and alliances.
2	China	86	Industrial scale, trade centrality, regional military growth; weaker alliances/finance.
3	India	68	Growth, demography, nuclear status and strategic autonomy; lower current industrial/financial depth.
4	Russia	64	Nuclear and military coercive power outweigh economic weakness.
5	Japan	62	Technology, capital and industrial depth; still security-dependent on U.S.
6	Germany	59	Economic-industrial scale and rising defense role; limited autonomous military power.
7	France	58	Nuclear deterrent, defense industry, diplomacy and expeditionary capability.
8	United Kingdom	57	Finance, nuclear force, intelligence and alliances; smaller industrial base.
9	South Korea	54	Semiconductors, defense industry and advanced conventional force.
10	Turkey	49	Geography, defense industry, regional military reach and strategic autonomy.

The ordering of India and Russia depends on the time horizon. Russia has greater immediate coercive and nuclear capability; India has stronger long-term economic-demographic potential. The ranking places India third because it is explicitly a composite of current and sustainable national capacity rather than battlefield power alone.

Military power ranking

1. United States - unrivaled global logistics, alliances, air/naval reach and nuclear triad.
2. China - strongest peer challenger in the Western Pacific, huge missile and industrial base.

3. Russia - nuclear superpower with wartime land-force experience and missile depth.
4. India - nuclear state with large land forces and expanding navy.
5. France - independent nuclear and expeditionary force with sophisticated industry.
6. United Kingdom - nuclear, submarine, intelligence and high-end aerospace capability.
7. Japan - advanced naval/air forces and rapidly growing long-range strike capability.
8. South Korea - high-readiness conventional force, missiles and defense industry.
9. Israel - exceptional air, intelligence and missile-defense capability at smaller scale.
10. Turkey - large force, regional reach and increasingly autonomous defense industry.

Economic power ranking

Nominal market size, productivity, financial depth and ability to mobilize resources matter more than nominal GDP alone. The ranking is: **United States; China; Germany; Japan; India; United Kingdom; France; South Korea; Italy; Brazil**. China's GDP scale is enormous, but U.S. income, finance and productivity create greater mobilizable wealth per unit of strategic burden.

Technological power ranking

The ranking is: **United States; China; Japan; South Korea; Taiwan economy; Germany; United Kingdom; France; Netherlands; Israel**. Taiwan is included as a technology economy because its semiconductor role is too strategically important to omit, while recognizing its contested international status. The Netherlands ranks highly because ASML represents a unique chokepoint in advanced lithography.

Financial power ranking

United States; China; Japan; United Kingdom; Germany; France; Switzerland; Saudi Arabia; Singapore; India. The United States' lead derives from the dollar, Treasury market and private capital markets. China has enormous banking and reserve resources but less globally trusted market openness.

Diplomatic influence ranking

United States; China; India; Russia; France; United Kingdom; Saudi Arabia; Turkey; Brazil; UAE. Diplomatic influence weighs permanent UN status, alliance leadership, mediation, aid/investment capacity and ability to maintain relationships across blocs.

Industrial capacity ranking

China; United States; Germany; Japan; South Korea; India; Russia; France; Italy; Turkey. China leads because of manufacturing breadth and physical output; the United States leads in high-value advanced industry but has offshored more basic and intermediate manufacturing.

Long-term strategic potential

United States; China; India; Japan; Indonesia; Germany; Brazil; Turkey; Saudi Arabia; Mexico. Long-term potential emphasizes demography, productivity upside, institutions, resources and location rather than only current power.

Methodological caution

ANALYTICAL JUDGMENT: Rankings are most useful as a map of tradeoffs. Russia's military rank greatly exceeds its economic rank; Japan's technology and industrial rank exceed its autonomous military rank; India rises sharply when long-term potential is weighted. Any single league table that obscures these differences is analytically inferior.

XXXIII. Winners and Losers

Significantly improved relative position

India. High growth, demographic scale and diplomatic autonomy allow it to gain from supply-chain diversification and great-power competition. Its influence in Quad, BRICS and Global South forums gives it unusual cross-bloc access.

Japan. Security normalization converts latent industrial capability into usable strategic power. The shift is especially significant because it occurs inside the U.S. alliance and near Taiwan.

Poland and Nordic NATO states. Geography that once appeared peripheral now gives them central relevance to European defense, procurement and alliance planning.

Moderately improved

South Korea. Defense exports and AI-memory leadership increase strategic relevance beyond the peninsula.^[S41]

Saudi Arabia and UAE. Energy, sovereign wealth and multi-alignment increase bargaining power, though the Iran war simultaneously raises physical vulnerability.

China in selected domains. Despite slower growth, China has improved its position in shipbuilding, EVs, batteries, critical-mineral processing and regional military power.

Broadly stable

United States. It remains first overall but faces tighter fiscal and industrial constraints and stronger competitors. “Stable” therefore means stable at the top, not unchanged relative dominance.

France. Maintains an unusual combination of nuclear, diplomatic and industrial autonomy, though economic growth is modest.

Deteriorated

Russia in comprehensive power. Wartime adaptation improves military experience, but demographic, economic and technological costs weaken the long-run position.

Europe in macroeconomic ease. Europe is strategically more serious but must fund rearmament while managing aging, energy shocks and low growth.

Significantly deteriorated

Iran. Direct war has damaged military assets, energy exports and economic stability. Regime survival prevents a conclusion of strategic defeat, but its room for maneuver is smaller.^[S20,S26]

Ukraine’s structural margin. Ukraine remains sovereign and capable but faces cumulative manpower, infrastructure, fiscal and air-defense pressure. This is deterioration in strategic margin, not a claim of inevitable military defeat.

Universal conflict-management institutions. Peacekeeping contraction, Security Council

XXXIII. Winners and Losers - Relative Strategic Position

Relative position is not a moral judgment and can differ by domain. A state may gain military relevance while losing economic welfare, or gain bargaining leverage while becoming more exposed to war. The table summarizes the report's net assessment at the September 2026 cutoff.

Category	States / actors	Why
Significantly improved	India; Japan; Poland / eastern NATO	Growth and strategic autonomy; military normalization; frontline relevance and m
Moderately improved	China industrial/technology base; Saudi Arabia/UAE bargaining power; South Korea defense industry	China's high-tech industrial base; South Korea's high-tech industrial base; Saudi Arabia/UAE bargaining power; South Korea's defense industry
Broadly stable	United States overall; France; major ASEAN hedgers	Still strong systemic advantages; autonomous capabilities; option-preserving diplo
Deteriorated	Russia net long-term position; Europe's economic position	War costs, demographics and technology access; energy/fiscal pressures despite st
Significantly deteriorated	Iran; Ukraine's structural burden; universal common interests	Over-managed blockade; Iran's structural burden; Ukraine's structural burden; universal common interests

Important qualification

Russia illustrates why “winner/loser” labels require domain separation. It has accumulated battlefield experience, drone/electronic-warfare competence and wartime production, yet pays for those gains through casualties, demographic stress, fiscal distortion and reduced access to Western technology. Europe similarly gains strategic seriousness while absorbing higher defense, energy and debt-service costs. The correct unit is relative national capacity after costs.

XXXIV. Scenario Analysis: 2026-2030

How to read the scenarios

The scenarios are not mutually exclusive and their probabilities do not sum to 100%. Each describes a dominant pattern that could coexist with elements of others. The purpose is to identify catalysts, sequences and market/security consequences before they occur.

Scenario A - Managed U.S.-China Competition

Probability: 35–45%.

Catalysts. Sustained leader-level communication; mutually costly recognition that Taiwan war would be catastrophic; continued but bounded export controls; crisis-management agreements for air and maritime encounters; stronger Taiwanese defense that reduces confidence in a quick Chinese victory.

Sequence. The United States tightens controls on a narrow set of strategic technologies while allowing broad trade to continue. China accelerates domestic substitution but avoids comprehensive retaliation. Military exercises around Taiwan remain intense but time-limited. U.S. allies increase defense spending. Economic competition shifts toward subsidies, standards and third-country infrastructure rather than coercive rupture.

Winners. United States and China both avoid the costs of war; India, ASEAN and Gulf states benefit from competing investment; technology firms gain from duplicated infrastructure.

Losers. Firms dependent on unconstrained cross-border technology flows; countries unable to finance redundant supply chains.

Economic consequences. Global growth remains positive but lower than under frictionless globalization. Strategic capital expenditure is high. Inflation is modestly higher because redundancy is expensive.

Military consequences. Arms competition continues; Taiwan and South China Sea remain dangerous; defense spending stays elevated.

Financial-market implications. Equity markets remain supported by AI and infrastructure investment, but geopolitical risk premiums persist. Dollar dominance changes slowly rather than abruptly.

Scenario B - New Bipolar Cold War

Probability: 25–35%.

Catalysts. Major Taiwan crisis short of war; comprehensive technology sanctions; Chinese retaliation against critical minerals; broader secondary sanctions; formalization of China-Russia military coordination.

Sequence. Advanced technology, finance and data systems divide. U.S. allies are pressured to restrict Chinese technology; China requires partners to use domestic standards and settlement systems. Investment screening expands from semiconductors into AI, biotechnology, cloud and energy. Middle powers are increasingly forced to choose platforms even if they refuse political alignment.

Winners. Domestic industrial champions, defense firms, strategically located intermediaries that can remain outside strict sanctions.

Losers. Multinational firms dependent on one global technology stack; export economies caught between standards.

Economic consequences. Lower productivity, higher capex, duplicated supply chains and weaker FDI efficiency.

Military consequences. More permanent forward deployments, faster nuclear modernization and declining transparency.

Financial-market implications. Higher structural risk premiums; more local-currency bilateral trade; dollar still dominant within a larger Western bloc.

Scenario C - Fragmented Multipolarity

Probability: 40–50%.

Catalysts. No decisive U.S.-China rupture; prolonged Ukraine and Middle East instability; greater autonomy by India, Gulf states, Turkey and Southeast Asia; weak universal institutions.

Sequence. Coalitions form issue by issue. The United States leads security alliances but not all economic outcomes. China remains central to manufacturing. India and Gulf states broker across camps. Regional wars continue without merging into world war. Institutions multiply but authority fragments.

Winners. Middle powers with financial resources, geography or strategic commodities; firms able to operate across regulatory systems.

Losers. Small states in contested regions; weak governments unable to hedge safely.

Economic consequences. Trade survives but becomes more regional and politically managed. Commodity and shipping volatility remains high.

Military consequences. Regional arms races accelerate; alliance boundaries remain ambiguous in some theaters.

Financial-market implications. Frequent episodic shocks rather than one systemic fracture; demand for hedges, gold and diversified supply chains rises.

Scenario D - Major Regional War in East Asia

Probability: 15–25% through 2030.

Catalysts. Taiwan blockade; accidental U.S.-China collision; Chinese judgment that political trends permanently foreclose peaceful unification; Philippine incident that escalates into direct U.S.-China conflict.

Sequence. China establishes exclusion or inspection zones. Taiwan mobilizes. U.S. and Japanese forces disperse. Cyber and space attacks begin. Shipping insurers withdraw. If Washington challenges the blockade, maritime and air combat follows. Sanctions and export controls rapidly expand. Semiconductor production and regional trade collapse.

Winners. There are no meaningful global winners. Some energy and defense producers gain financially, but systemic costs dominate.

Losers. Taiwan, China, regional economies, global technology firms, shipping and financial markets. U.S. and allies incur very high military costs.

Economic consequences. Severe semiconductor shock, recession risk, shipping disruption, capital controls and trade collapse in East Asia.

Military consequences. High risk of escalation to attacks on bases in Japan/Guam, counterspace warfare and eventually nuclear signaling.

Financial-market implications. Global equity drawdown, safe-haven demand, dollar liquidity stress despite U.S. involvement, emergency central-bank intervention.

Scenario E - Global Financial/Fiscal Crisis

Probability: 20–30%.

Catalysts. Energy inflation plus higher-for-longer rates; disorderly Treasury repricing; sovereign refinancing failures; AI credit/equity bust; Chinese debt shock that spreads through commodities and banks.

Sequence. Long yields rise, leveraged positions unwind, equity valuations compress and dollar funding tightens. Several sovereigns seek IMF support. Fiscal authorities face simultaneous demands for bank support, defense and household subsidies. Political polarization intensifies.

Winners. Cash-rich states and firms able to buy distressed assets; selected commodity exporters if the shock begins with inflation rather than recession.

Losers. Highly leveraged governments, property markets, speculative technology finance and emerging markets dependent on external dollar borrowing.

Military consequences. Procurement programs face delays; governments reassess commitments; adversaries may test alliances they perceive as distracted.

Financial-market implications. High volatility, widening credit spreads, emergency liquidity programs and potential capital controls in vulnerable economies.

Scenario F - Managed Settlement in Ukraine and Middle East De-escalation

Probability: 20–30% by 2030.

Catalysts. Exhaustion; fiscal pressure; credible security guarantees; partial sanctions bargaining; regional diplomacy; restoration of predictable shipping through Hormuz.

Sequence. Ukraine front freezes under an armistice-like arrangement while sovereignty issues remain unresolved. U.S.-Iran talks produce a maritime and nuclear restraint framework without full normalization. Oil prices decline, European inflation pressure eases and reconstruction capital flows increase.

Winners. Ukraine if sovereignty is preserved with security guarantees; Europe through lower energy risk; Gulf states through investment recovery; global trade.

Losers. Actors benefiting economically or politically from wartime mobilization; defense firms may face slower growth though stockpile rebuilding continues.

Military consequences. Rearmament persists because settlements are viewed as provisional, not a return to the 1990s security environment.

Financial-market implications. Lower energy risk premium, stronger European assets and improved emerging-market conditions.

Scenario comparison

Scenario	Probability	System effect	Primary market signature
Managed U.S.-China competition	35–45%	Competitive stability	High strategic capex, moderate risk premium
New bipolar Cold War	25–35%	Bloc hardening	Higher inflation/duplication, lower cross-bloc investment
Fragmented multipolarity	40–50%	Chronic volatility	Repeated regional shocks, hedging demand
East Asia major war	15–25%	Systemic rupture	Severe global recession and semiconductor shock
Global financial crisis	20–30%	Financial fracture	Credit stress, emergency liquidity, fiscal retrenchment
Managed conflict de-escalation	20–30%	Partial stabilization	Lower energy risk premium, reconstruction rally

XXXV. Strategic Indicators Dashboard

Purpose

A useful dashboard should contain indicators that change before headlines confirm a strategic shift. It should combine military posture, production, finance, technology and domestic politics. No single indicator is decisive; clusters matter.

No.	Indicator	Why it matters	Warning threshold / interpretation
1	PLA air/naval activity around Taiwan	Measures coercion and readiness	Sustained operations beyond exercise norms
2	Chinese amphibious logistics	Invasion/blockade preparation	Civilian ferry requisition, fuel/ammo staging
3	Chinese missile dispersal	Crisis escalation	Large-scale movement to launch positions
4	Taiwan reserve mobilization	Threat perception	Broad call-up beyond routine training
5	U.S./Japan Indo-Pacific dispersal	Allied crisis response	Aircraft/ships disperse; bases harden
6	China-Philippines maritime incidents	Treaty risk	Fatalities or major vessel loss
7	Russian monthly territorial gains	Ukraine front trend	Acceleration plus exploitation beyond local sectors
8	Ukrainian air-defense availability	City/front resilience	Rationing, uncovered regions, repeated penetration
9	Ukrainian mobilization/training	Manpower sustainability	Widening gaps or emergency policy changes
10	Russian missile/drone production	Long-war capacity	Sustained rise despite sanctions
11	NATO eastern-flank posture	Russia deterrence	Reinforcement, readiness and stockpile movement
12	Russia hybrid incidents in Europe	Escalation risk	Pattern of sabotage/attribution with casualties
13	Hormuz vessel transits	Energy-system risk	Persistent fall below wartime average
14	Iranian oil exports	Regime revenue	Collapse or rebound indicating blockade effectiveness
15	U.S.-Iran strike tempo	War trajectory	Shift from episodic to continuous high-intensity attacks
16	Brent crude and LNG prices	Inflation transmission	Sustained energy spike rather than one-day move
17	U.S. 10y/30y Treasury yields	Fiscal/financial stress	Rising term premium despite growth weakness
18	Treasury auction demand	Dollar/sovereign confidence	Weak bid-to-cover and foreign demand trend
19	Dollar COFER share	Reserve diversification	Multi-quarter decline beyond valuation effects

20	China property investment	Domestic demand/debt	Renewed double-digit contraction
21	Chinese capital flows	Confidence	Sustained pressure despite controls
22	China's goods trade surplus	Global imbalance	Further widening and protectionist response
23	India private capex	Rise sustainability	Investment broadens beyond public infrastructure
24	China mineral export licensing	Supply-chain coercion	Delays/denials in strategic minor minerals
25	Semiconductor export controls	Tech bifurcation	Expansion into equipment, cloud or allied end-use
26	TSMC geographic capacity	Taiwan concentration risk	Leading-edge redundancy grows outside Taiwan
27	HBM supply/packaging	AI bottleneck	Persistent shortages or concentration shock
28	Defense munitions output	Long-war readiness	Production growth vs planned stockpiles
29	Nuclear alert/deployment changes	Arms-race and crisis stability	Warhead mating, new basing, test preparations
30	North Korean fissile production/tests	Peninsula risk	New tests, reactor activity, missile deployments
31	Space proximity/jamming events	Counterspace escalation	Repeated hostile rendezvous or service outages
32	Major election polling on alliances	Commitment credibility	Durable majorities for retrenchment or radical change

Dashboard interpretation

The value of a dashboard lies in combinations. For example, rising PLA sortie rates are less alarming if amphibious logistics and missile dispersal are unchanged; together they could signal a different level of preparation. High Treasury yields are not inherently a crisis; weak auctions plus reserve diversification plus rising credit spreads would be more consequential. Analysts should therefore define escalation clusters rather than trigger alarms from single noisy series.

XXXVI. Source and Verification Standards

Claim-to-source matching

The Final Publication Audit Edition uses source codes at the paragraph, table or figure level and adds direct primary-source support in several previously thin areas. Tier 1 sources are preferred for data and formal policy; Tier 2 institutions are preferred for transparent cross-national estimates; Reuters/AP are used for volatile events and interviews. A source code resolves to the Source Register with a direct hyperlink.

Cross-check and cutoff protocol

Important volatile claims are checked against different source types whenever practical. Belligerent claims are evidence of what a government says, not automatic evidence of the underlying fact. The source freeze remains September 2, 2026, 23:24 UTC; later developments are intentionally excluded from the substantive assessment.

Final publication audit additions

- Added primary-source coverage for Syria sanctions/reintegration and Iraq/U.S. security posture. [S79-S82]
- Added Pentagon China Military Power reporting and Taiwan MND daily activity as military-balance/early-warning anchors. [S84,S88]
- Added U.S. Army and European Commission ammunition-capacity evidence and Chinese shipbuilding data for industrial-depth analysis. [S85,S86,S90]
- Converted several previously narrative-only pages into auditable matrices and labeled figures; analytical judgments remain explicitly separate from facts.

Known limitations

Open sources cannot reliably establish covert stockpiles, leaders' private intentions, undisclosed cyber access, precise wartime losses or nuclear release procedures. The report records such gaps as uncertainty rather than creating false precision. This is a strategic open-source assessment, not a classified intelligence product.

XXXVII. Analytical Discipline

Facts and judgments must not merge

Strategic writing becomes misleading when factual description silently transitions into prediction. This edition explicitly marks central judgments and scenarios. A sentence such as “China’s nuclear inventory is estimated at 620” is an externally sourced estimate; “China is moving toward a more launch-ready posture” is an analytical inference requiring additional evidence.

Capability is not intention

States often build capabilities they hope never to use. An amphibious exercise does not prove a decision to invade Taiwan; nuclear modernization does not prove intent to initiate nuclear war; higher European defense spending does not prove willingness to fight. Capability changes the feasible set of choices. Intention remains a separate intelligence problem.

Trend is not destiny

Demographic decline, debt and property weakness are constraints, not mechanical collapse triggers. Conversely, rapid GDP growth does not automatically produce strategic power without institutions and industrial capability. The report therefore avoids linear extrapolation where political adaptation is plausible.

Competing interpretations

Where analysts disagree, the report identifies the underlying dispute. China’s trajectory can be read as a plateau because growth and demographics weaken, or as continuing rise because industrial and military capacity expand. U.S. relative decline can coexist with durable primacy because the comparison baseline - 1990s unipolar dominance - was historically exceptional.

Base-rate caution

Major-power wars are rare but catastrophic. Assigning moderate probability to Taiwan conflict does not mean war is imminent; it means the risk is material over a multi-year horizon given stakes, capabilities and repeated coercion. The same discipline applies to financial crises: vulnerabilities can persist for years without triggering collapse.

XXXVIII. Quantitative Requirements

Data should discipline adjectives

Words such as “dominant,” “huge,” “rapid” and “unsustainable” should be grounded in measurable indicators. This report therefore prioritizes military spending, growth, reserve shares, FDI, population projections, energy flows, production concentration and debt burdens.

Core quantitative dashboard

Indicator	Current figure / period	Strategic interpretation
World military expenditure	\$2.887T, 2025	Rearmament is global, not regional. ^[S09]
U.S. military expenditure	\$954B, 2025	Largest single national military resource base. ^[S09]
China military expenditure	\$336B, 2025	Second globally; strong regional concentration. ^[S09]
Global nuclear inventory	12,187, Jan. 2026	Arms-control erosion occurs amid modernization. ^[S10]
China nuclear inventory	620, Jan. 2026	Rapid growth from historically smaller posture. ^[S10]
Global growth	3.0%, 2026 IMF forecast	Positive but below high-globalization-era peaks. ^[S01]
U.S. Q2 GDP	+1.5% annualized	Slower momentum amid fiscal/energy pressure. ^[S02]
China H1 GDP	+4.7% y/y	Growth remains substantial but unbalanced. ^[S07]
India Apr-Jun GDP	+7.8% y/y	Strongest major-power growth. ^[S34]
Dollar reserve share	57.13%, Q1 2026	Dominance persists despite diversification. ^[S05]
Global FDI	\$1.6T, 2025	Globalization persists but is concentrated. ^[S37]
Hormuz oil flow baseline	20 mb/d, 2025	Roughly 25% of seaborne oil. ^[S22]
Hormuz LNG share	19% global LNG, 2025	Asian gas vulnerability. ^[S22]
China refining share	>90% in several minerals	Concentrated geoeconomic chokepoint. ^[S38]
U.S. debt held by public	101% GDP, 2026 baseline	Fiscal flexibility increasingly constrained. ^[S03]

Data comparability

Not all numbers are directly comparable. Military-spending exchange rates can understate domestic purchasing power. Nuclear “total inventory” includes different categories across states. GDP forecasts can change rapidly after shocks. For these reasons, quantitative evidence should narrow plausible judgments, not substitute for context.

XXXIX. Final Strategic Synthesis

1. Fundamental structure in September 2026

The system is **fragmented multipolarity with an increasingly bipolar U.S.-China technological and strategic core**. The United States retains overall primacy; China is the only comprehensive challenger; Russia supplies military disruption; India adds a powerful autonomous pole; Europe is rebuilding strategic capacity; and middle powers maximize bargaining flexibility.

2. Principal powers

The United States and China occupy the first tier. Russia remains a first-tier nuclear actor but a lower-tier economic power. India is approaching the strategic second tier with the best long-term upside. France, the United Kingdom, Germany, Japan and South Korea are advanced powers whose influence depends partly on alliance structures.

3. Central strategic rivalry

The U.S.-China rivalry is the system's organizing competition because it spans military geography, technology, industry, finance, supply chains and diplomatic influence. Russia-West confrontation is more immediately violent, but its economic-system scope is narrower.

4. Is U.S. dominance eroding?

ANALYTICAL JUDGMENT: Yes, relative to the extraordinary post-Cold War peak, but erosion is not equivalent to displacement. U.S. alliances, capital markets, dollar finance and frontier technology remain major barriers to Chinese parity. The most serious U.S. self-imposed risk is fiscal and political dysfunction that reduces the ability to convert resources into sustained strategy.

5. Is China still rising?

ANALYTICAL JUDGMENT: Yes in industrial, technological and military capability; less clearly in broad economic convergence. Property, debt and demographics slow the trajectory but do not erase China's manufacturing and state-capacity advantages. The likely 2030s China is more powerful militarily than today even if its GDP growth is lower.

6. Russia strengthened or weakened?

Russia has strengthened in wartime adaptation, tactical experience and defense production while weakening in comprehensive long-term power through casualties, demographic loss, technology constraints and economic distortion. Net assessment: **strategically weakened relative to the costs incurred, but more militarized and dangerous**.

7. Is Europe an independent pole?

Not yet. Europe is becoming more capable and less dependent conventionally, but U.S. nuclear deterrence and high-end enablers remain central. The trajectory is toward a stronger European pillar inside NATO rather than a separate European bloc.

8. Is the Global South gaining bargaining power?

Yes. The mechanism is competition among larger powers rather than collective unity. States that control markets, minerals, energy, geography or votes in international institutions can extract better terms by avoiding rigid alignment.

9. Is globalization ending?

No. Globalization is being **security-filtered**. Investment and trade continue, but strategic sectors face redundancy, tariffs, export controls and localization. The world is trading through more political friction rather than ceasing to trade.

10. Is major-power war becoming more probable?

Yes, because military activity, arms spending and alliance commitments are rising while arms control and crisis-management institutions weaken. The absolute probability remains below certainty, but the number of pathways to miscalculation has increased.

11. What matters during the next 12 months?

The highest-priority developments are the trajectory of the Iran/Hormuz war; Russia's ability to convert pressure into operational gains; Ukrainian manpower and air-defense sustainability; implementation of NATO/EU rearmament; U.S.-China semiconductor and AI restrictions; PLA pressure around Taiwan; North Korea-Russia integration; U.S. Treasury yields and fiscal politics; Chinese property stabilization; and new critical-mineral restrictions.

12. Largest unexpected change

The largest discontinuities would be a Taiwan blockade/war, a severe U.S. fiscal-financial crisis, a sudden leadership transition in a major power, or a military collapse/settlement in Ukraine that changes alliance credibility. Technological discontinuity in AI or energy could also alter power, but its direction is less predictable.

Strategic synthesis: where power is moving

Power is moving toward states and coalitions that control four things simultaneously: **productive capacity, secure finance, advanced technology and resilient alliances**. Raw population or natural resources alone are insufficient. Financial power without industrial depth is vulnerable; manufacturing without secure energy and finance is vulnerable; military power without replacement capacity is vulnerable; technology without protected supply chains is vulnerable.

This explains the strategic position of the leading states. The United States is strongest because it combines most categories, though its fiscal and industrial gaps matter. China is strongest in physical manufacturing and increasingly formidable in technology and regional military power, though finance and alliances remain weaker. India has the greatest room to improve across categories. Europe has resources but must integrate them. Russia demonstrates how nuclear and military capacity can generate outsized influence despite economic weakness.

The 2026 international system is therefore neither a simple transition from America to China nor a return to the nineteenth century. It is a hybrid order in which old institutions persist, new coalitions overlay them, and economic networks are simultaneously indispensable and distrusted.

The World in One Page - September 2026

System

The world is best described as fragmented, militarized multipolarity under competitive interdependence. The unipolar era is over as a sufficient model, but no rival coalition matches the full U.S. combination of military reach, alliances, finance, technology and capital markets.

United States

Still the strongest overall power. Relative dominance is eroding, not collapsing. Its main structural vulnerabilities are fiscal burden, munitions/shipbuilding throughput and simultaneous-theater demand.

China

The principal structural challenger. Economic convergence is slowing because of property, debt and demographics, while industrial, technological, naval, missile and nuclear capacity continues to accumulate.

Russia / Europe

Russia remains a nuclear superpower and wartime military actor but pays growing economic and demographic costs. Europe is rearming rapidly yet remains strategically dependent on U.S. nuclear, ISR, lift and high-end enabling capabilities.

Middle East

The U.S.-Iran war and Hormuz disruption have turned regional conflict into a global energy/inflation transmission mechanism. Iran is damaged but not capitulated; Syria is reintegrating economically; Iraq remains a central arena of U.S.-Iranian leverage.

Indo-Pacific

An Asian NATO has not formed, but a networked balancing system is emerging around U.S. alliances, AUKUS, the Quad, Taiwan resilience and Japanese/South Korean military modernization. Taiwan remains the most consequential potential systemic war.

India / Global South

India is the most important rising independent pole. Many middle powers practice multi-alignment: security from one partner, trade from another, capital from a third and diplomatic optionality through BRICS/G20/ASEAN.

Economy / finance

Globalization is transforming, not ending. Supply chains are being security-filtered. The dollar remains dominant; the larger long-run risk to dollar primacy is U.S. fiscal credibility, not an imminent BRICS replacement currency.

Technology / industry

AI compute, advanced semiconductors, cloud infrastructure, rare-earth processing, shipbuilding, munitions and grid equipment are now measures of national power. Industrial throughput increasingly determines wartime endurance.

Bottom line

The most probable late-2020s order is competitive interdependence: trade without strategic trust, alliances under burden-sharing pressure, technology divided by security rules, nuclear deterrence with weaker arms control, and regional wars whose economic effects propagate globally.

Final Publication Audit - Executive Summary

This page records what changed between the Expanded Final Edition and this Final Publication Audit Edition. The purpose was not to add length but to increase defensibility, usability and publication quality.

Audit area	Action completed
Research gaps	Added separate Syria and Iraq analysis and new primary-source evidence.
Military balance	Added multidimensional capability matrix and China shipbuilding / Pentagon evidence.
Defense industry	Added auditable U.S./European ammunition-capacity anchors and long-war qualification.
Maps / visuals	Added Middle East, Indo-Pacific and global flashpoint maps; labeled risk heat map; space architecture graphic.
Risk analysis	Reworked unlabeled heat map and reinforced cross-theater interaction logic.
Citation discipline	Expanded source register with direct URLs and primary-source additions; preserved source-freeze protocol.
Typography	Corrected major heading hyphenation and replaced conspicuously sparse pages with substantive content.
Executive synthesis	“The World in One Page” now fits on a single page; this page replaces the former spillover page.

Publication status

The report is now suitable for public release as an open-source strategic assessment under The American Newspaper and AmericanTV, subject to the ordinary limitation that high-volatility events can change immediately after the research cutoff. Future revisions should be currency updates, not structural rewrites, unless the international system experiences a major discontinuity such as a Taiwan war, an end to the Ukraine war, regime transformation in Iran/Russia/China, or a systemic financial crisis.

Appendix A - Key Quantitative Tables

Military expenditure, 2025

Rank	State	US\$ billions
1	United States	954
2	China	336
3	Russia	190
4	Germany	114
5	India	92.1
6	United Kingdom	89.0
7	Ukraine	84.1
8	Saudi Arabia	83.2
9	France	68.0
10	Japan	62.2

Source: SIPRI.^[S09]

Nuclear inventories, January 2026

State	Estimated total inventory
Russia	5,420
United States	5,042
China	620
France	370
United Kingdom	225
India	190
Pakistan	170
Israel	90
North Korea	60

Source: SIPRI. Total inventory is not equivalent to deployed warheads.^[S10]

Selected real GDP indicators

Economy	Growth	Period/measure
World	3.0%	IMF 2026 forecast
United States	1.5%	Q2 2026, annualized q/q
China	4.7%	H1 2026, y/y
India	7.8%	Apr-Jun 2026, y/y
Euro area	0.9%	IMF 2026 forecast
Japan	0.6%	IMF 2026 forecast
Russia	1.1%	IMF 2026 forecast

Sources: IMF, BEA, China NBS, Reuters/India official release.^[S01,S02,S07,S34]

Strategic chokepoints

Chokepoint/dependency	Scale	Strategic issue
Strait of Hormuz oil	20 mb/d (2025)	25% world seaborne oil trade; limited bypass. ^[S22]
Strait of Hormuz LNG	19% global LNG	Qatar/UAE flows particularly exposed. ^[S22]
China critical-mineral refining	>90% in several categories	Gallium, graphite, manganese, rare-earth categories. ^[S38]
China commercial shipbuilding	>50% global output	Large supplier/yard ecosystem relevant to maritime power. ^[S55,S56]
Dollar reserves	57.13% Q1 2026	Persistent reserve-currency dominance. ^[S05]

Appendix B - Confidence Framework

Confidence labels

The report does not attach a confidence label to every sentence because that would make the document unreadable. For the most consequential judgments, confidence can be interpreted as follows: **High confidence** when supported by multiple independent sources or transparent official data; **Moderate confidence** when evidence is strong but incomplete or rapidly changing; **Low confidence** when the assessment depends heavily on inferred intentions, secret capabilities or disputed battlefield data.

Examples

Judgment	Confidence	Reason
Dollar remains dominant in 2026	High	Multiple measurable reserve, FX and financial-market indicators.
China's industrial power continues to rise despite slower GDP	High	Manufacturing, shipbuilding and processing data.
Russia has attritional advantage in Ukraine	Moderate	Observable industrial/manpower structure, but battlefield outcomes remain uncertain.
Taiwan blockade more plausible initial coercive option than invasion	Moderate	Operational logic; depends on Chinese political choices not observable.
Major East Asia war by 2030 15–25%	Low–Moderate	Scenario judgment; no statistical model or evidence of a decision for war.

Appendix C - Source Register and Audit Trail (1/2)

S01 [T1] 2026-07-08 - IMF, World Economic Outlook Update briefing imf.org/en/news	S24 [T3] 2026-08-11 - Reuters, Houthi Red Sea shipping attacks reuters.com/world/china
S02 [T1] 2026-08 - U.S. BEA, GDP Second Estimate Q2 2026 bea.gov/news/2026	S25 [T3] 2026-08 - Associated Press, six months of Iran war apnews.com/article/bb91832b61fa98fe12790d0a887719e0
S03 [T1] 2026-02 - CBO, Budget and Economic Outlook cbo.gov/publication/62105	S26 [T3] 2026-09-02 - Reuters, Iran faces multi-sided pressure reuters.com/world/middle-east
S04 [T3] 2026-09-02 - Reuters, U.S. debt tops \$40 trillion reuters.com/world/us	S27 [T3] 2026-09-02 - Reuters, Taiwan defense spending reuters.com/world/china
S05 [T1] 2026-07 - IMF COFER, Q1 2026 Data Brief data.imf.org/en/news	S28 [T1] 2026-05-30 - AUKUS Defense Ministers Joint Statement minister.defence.gov.au/statements/2026-05-30
S06 [T1] 2026-07-16 - Federal Reserve, International Roles of the U.S. Dollar federalreserve.gov/econres/notes	S29 [T1] 2026-07-22 - Japan MOFA, Quad Foreign Ministers mofa.go.jp/fp/nsp
S07 [T1] 2026-07-17 - China NBS, H1 2026 National Economy stats.gov.cn/english/PressRelease	S30 [T3] 2026-09-02 - Reuters, South Korea's Lee on DPRK dialogue reuters.com/world/asia-pacific
S08 [T3] 2026-08-28 - Reuters, China property outlook survey reuters.com/world/asia-pacific	S31 [T3] 2026-08-31 - Reuters, North Korea says arsenal will grow reuters.com/business/aerospace-defense
S09 [T2] 2026-04-27 - SIPRI, Global Military Expenditure 2025 sipri.org/media/press-release	S32 [T1] 2026-02-20 - Japan PM Office, policy speech japan.kantei.go.jp/105/statement
S10 [T2] 2026-06 - SIPRI Yearbook 2026, nuclear forces sipri.org/media/press-release	S33 [T3] 2026 - AP, Japan FY2027 defense request apnews.com/article/bdda63e2831ff47a214d786bd4e45907
S11 [T1] 2025-2026 - NATO, 5 percent defense-investment commitment nato.int/en/what-we-do	S34 [T3] 2026-08-31 - Reuters, India GDP Apr-Jun 2026 reuters.com/business/indias-gdp-grows-78-april-june-2026-08-31
S12 [T1] 2026-08 - European Commission, Readiness Roadmap 2030 defence-industry-space.ec.europa.eu/eu-defence-industry/readiness-roadmap-2030_en	S35 [T1] 2026 - BRICS official FAQ / membership brics.br/pt-br/sobre-o-brics
S13 [T2] 2026 - SIPRI, Russia's 2026 military budget sipri.org/publications/2026	S36 [T3] 2026 - AP, SCO summit / internal dynamics apnews.com/article/cf543dfad0a20097ed4c2b415a26e8b4
S14 [T2] 2026-08-13 - Kiel Institute, Ukraine Support Tracker kielinstitut.de/publications/news	S37 [T1] 2026-07-07 - UNCTAD, World Investment Report 2026 investmentpolicy.unctad.org/publications/1324
S15 [T2] 2026-09-01 - ISW, Russian Offensive Campaign Assessment understandingwar.org/research/russia-ukraine	S38 [T1] 2026 - IEA, Global Critical Minerals Outlook 2026 iea.org/reports/global-critical-minerals-outlook-2026
S16 [T3] 2026-09-02 - Reuters, Russian attacks on Ukraine reuters.com/world/europe	S39 [T1] 2026-01-14 - White House, semiconductor import action whitehouse.gov/presidential-actions/2026
S17 [T3] 2026-09-01 - Reuters, Russia 2026 oil-output forecast reuters.com/business/energy	S40 [T3] 2026-07-19 - Reuters, TSMC Arizona investment reuters.com/world/asia-pacific
S18 [T3] 2026-09-01 - Reuters, Ukrainian drone strikes in Russia reuters.com/business/aerospace-defense	S41 [T3] 2026-08-27 - Reuters, SK Hynix Indiana HBM project reuters.com/world/asia-pacific
S19 [T3] 2026-08 - Reuters, North Korean military support to Russia reuters.com/business/aerospace-defense	S42 [T3] 2026-08-20 - Reuters, Nvidia China AI chip market reuters.com/world/china
S20 [T3] 2026-09-02 - Reuters, U.S.-Iran exchange / conflict overview reuters.com/world/middle-east	S43 [T1] 2026 - ODNI, Annual Threat Assessment 2026 odni.gov/12660/pr-03-26
S21 [T3] 2026-09-02 - Reuters, Iran blacklists ships in Hormuz reuters.com/business/energy	S44 [T3] 2026-09-02 - Reuters, U.S.-China space warfare technologies reuters.com/world/asia-pacific
S22 [T1] 2026-02 - IEA, Strait of Hormuz factsheet iea.org/about/oil-security-and-emergency-ission	S45 [T2] 2026 - SIPRI Yearbook, Space Security sipri.org/yearbook/2026
S23 [T1] 2026-08-12 - IEA, Oil Market Report August 2026 iea.org/reports/oil-market-report-august-2026	

Appendix C - Source Register and Audit Trail (2/2)

S46 [T1] 2024 - UN World Population Prospects 2024 population.un.org/wpp/assets	S69 [T3] 2026 - AP, Patriot stock constraints in Europe apnews.com/article/09c7d8030a2e11fbd8ee3f7176b3f2d4
S47 [T2] 2025 - OECD, Fertility Trends in Asia-Pacific oecd.org/en/publications	S70 [T3] 2026-09-01 - Reuters, Poland domestic defense production reuters.com/business/aerospace-defense
S48 [T2] 2025 - OECD, Korea's Unborn Future oecd.org/en/publications	S71 [T3] 2026-09-02 - Reuters, latest U.S. strikes on Iran reuters.com/world/middle-east
S49 [T1] 2026-03-23 - WMO, State of the Global Climate 2025 public.wmo.int/publication-series/state-of-global-climate	S72 [T3] 2026-09-02 - Reuters, Saudi tanker attack in Hormuz reuters.com/world/middle-east
S50 [T1] 2026 - U.S. Senate, senators / party division senate.gov/senators/	S73 [T3] 2026-09-02 - Reuters, Gulf LNG ship-to-ship transfers reuters.com/business/energy
S51 [T3] 2026-08-31 - Reuters/Ipsos, U.S. approval and midterm enthusiasm reuters.com/world/us	S74 [T1] 2026 - UK Government, Prime Minister gov.uk/government/ministers
S52 [T2] 2026-06-10 - Pew Research Center, foreign-policy values pewresearch.org/politics/2026	S75 [T1] 2026 - White House, President Donald J. Trump whitehouse.gov/administration/donald-j-trump
S53 [T3] 2026-08-27 - Reuters, Pentagon review of NATO posture reuters.com/world/pentagons-nato-review-preparing-troop-options-hegseth-by-november-6-2026-08-27	S76 [T1] 2026 - Office of the President, Republic of Korea president.go.kr
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S57 [T2] 2026 - SIPRI, International arms transfers sipri.org/yearbook/2026	S80 [T1] 2026-02-19 - DoD OIR Report to Congress, Jul-Dec 2025 media.defense.gov/2026/Feb
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S59 [T3] 2026-09-01 - Reuters, G20 trade imbalances / China dissent reuters.com/world/china	S82 [T3] 2026-08-25 - Reuters, Iraq as a channel for U.S. pressure on Iran trade reuters.com/world/middle-east
S60 [T1] 2026-07-16 - IMF, Euro Area Article IV 2026 imf.org/en/news	S83 [T3] 2026-09-02 - Reuters, Kurdish fighters and security integration in new Syria reuters.com/world/middle-east
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S66 [T1] 2026 - ASEAN, Situation in the South China Sea asean.org/our-communities/asean-political-security-community	S89 [T3] 2026-08-31 - Reuters, Pentagon multi-year missile production agreements reuters.com/business/aerospace-defense
S67 [T3] 2026-09-02 - Reuters, U.S.-Australia Pacific commitments reuters.com/world/china	S90 [T1] 2026-02-01 - China State Council/MIIT, 2025 shipbuilding market shares english.www.gov.cn/archive/statistics
S68 [T3] 2026-08-12 - Reuters, China-Indonesia naval drill east of Taiwan reuters.com/world/china	

Appendix D - Final Editorial and Currency Audit

All 39 original top-level analytical sections remain distinct.

Research cutoff remains September 2, 2026, 23:24 UTC; no intentional post-cutoff substantive update is incorporated.

Syria and Iraq now receive separate Middle East treatment with primary-source and current Reuters support.

Military balance distinguishes global reach, theater mass, naval/shipbuilding, air enablers, missiles, nuclear role, logistics and industrial endurance.

Risk heat map is labeled; flashpoint geography is mapped; Middle East and Indo-Pacific geography are visualized.

The World in One Page is one page; its former spillover page now records the publication audit.

Source register includes direct links and additional Tier 1 military/industrial sources.

Major heading hyphenation and conspicuously sparse pages identified in the audit were corrected.

FACT, ESTIMATE, ANALYTICAL JUDGMENT, SCENARIO and UNKNOWN remain conceptually distinct.

AI-generated cover artwork remains labeled conceptual and non-documentary.

Known limitations

This open-source report cannot establish leaders' private intentions, covert inventories, undisclosed cyber access, exact wartime losses or secret nuclear procedures. Quantitative comparisons also combine official series, market estimates and analytical judgments with different uncertainty. Those limitations are disclosed rather than hidden.

Publication identity

The American Newspaper - <https://americannewspaper.org>

AmericanTV - <https://americantv.org>

END OF FINAL PUBLICATION AUDIT EDITION

Research cutoff: September 2, 2026 - 23:24 UTC