

Chapter 3b

## **Mid-Decade Great Power Geostrategic Dynamics**

### **Competitive Elements and Tool Sets**

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*The chapter assesses the hard and soft power tools of the three Great Powers. It focuses on the tools each has today and is likely to attain before 2030, analyzing how each might use these tools to advance its major strategic interests across the five major categories of state interaction: political and diplomatic, ideological, informational, military, and economic. The chapter assesses that although Russia's power capabilities have been severely eroded by its war in Ukraine, Moscow remains an acute but transient security rival to the United States. China's mid-decade power tools and latent capabilities confirm that Beijing remains the true near-peer Great Power challenger to American national interests and global policy preferences. At mid-decade, Beijing's relative power transition timeline with the United States experienced a setback from forecasts prior to 2020. Beijing continued to grow, especially in its economic and military power capabilities relative to the United States through 2024, but with some notable backsliding due to the COVID-19 lockdown and related economic and diplomatic setbacks. Beijing will need the remainder of the 2020s to recoup its past growth trajectory. The power capabilities of the United States grew between 2020 and 2024, with its most notable gains from multilateral military alliances and strategic partnerships and via its rapid relative economic recovery from COVID-19. American advantages in late 2024 became less certain in early 2025, as the second Trump administration arrived. Its reorientation to an America First 2.0 strategic framework projected less focus on comparative American soft power strengths in ideology, diplomacy, and transparent communications and greater focus on the development and application of coercive military and economic power to deter strategic rivals and extract economic gains from rivals and partners alike. Should the Trump administration proceed with this reorientation of traditional American power tools, Russia, and especially China, may find an opening to exploit the erosion of American soft power in a manner clearing a more direct path for Beijing to change long-standing liberal international norms, rules, and institutions into those with "Chinese characteristics" by the early 2030s.*

## Introduction

Chapter 3a establishes the geopolitical trajectories and primary strategic aims of the three contemporary Great Powers: the United States, China, and Russia. It provides analysis of where their major strategic narratives align and diverge. The chapter also specifies an assessment of each state's national interest intensity in specific locations and domains—indicating where their most critical strategic interests come into conflict.

This chapter turns to an evaluation of the tools and main capabilities possessed by each Great Power to advance its general strategic aims and specific strategic goals. It assesses the assets the Great Powers bring to their competitive interactions, with a focus on the tools each power now possesses, those likely to be attained in the next five to seven years, and their abilities to employ these tools to advance their interests and attain their strategic aims. The chapter first evaluates power as the physical resources that states can draw on to attain strategic interests—their *means*. It then assesses each power's potential to employ these means to attain strategic aims—their *ends*.<sup>1</sup> The chapter briefly addresses the difference between gross power indicators and net power indicators, using net indicators to demonstrate that a power transition between the United States and China may be less imminent than most now imagine. Although the details anticipated from contemporary Great Power competition (GPC) across many specific regions of the world are provided in book chapters that follow in section three, this chapter concludes with an overview assessment of how current and forecast future power tools of the major Great Powers should be anticipated to interact in major competitive areas over the period from 2025 to 2030.

## Refreshing the Concepts of Relative Power, State Capabilities, and Tool Sets

As operationalized in the chapter 1 definition, a *Great Power* has three substantive features: capabilities, behavior, and status attribution by other states in the system.<sup>2</sup> In chapter 3a, we establish the evolving major goals and strategic interests of the three Great Powers and demonstrate that their interests display broad global foreign policy aims and activities, with China's strategic aims more ambitious and global in reach than Russia's; other states in the international system still view all three as major players and treat them accordingly; and India remains years away from achieving global Great Power status, if ever. Chapter 3b now turns to an analytical review of the first aspect of our Great Power definition: the power capabilities (tool kits) they possess with which to pursue these strategic interests.

Most scholars measure power in terms of resources, specifically wealth and military assets. They assume that these gross power indicators are good enough, serving as “rough but reliable” measures of power, and that they are the “best comparable indicators available given data constraints.”<sup>3</sup> This chapter utilizes many of these canonical measures of Great Power capabilities. But it also moves beyond traditional quantitative economic and military factors to consider some other nonstandard, often qualitative, power tools important to Great Power strategic influence in the 21<sup>st</sup> century. Prominent among these tools are levels of economic innovation and engagement with private global financial markets; resonance and popular appeal of state ideology, language, and culture; and a consideration of a relatively new approach to understanding national power and comparison of relative state power with an index that better considers net economic and military resources (assets less

costs) than historic national capability indicators. The chapter thus focuses on the power factors most germane to the five categories of major state interaction developed in table 1.3 of chapter 1 and table 3a of chapter 3a, and reprised here in [table 3b](#):

- Major Political and Diplomatic Tools. These include objective measures of the state's presence in multilateral political institutions and qualitative assessment of its influence in intergovernmental organizations (IGOs). They also include a quantitative overview of the state's geopolitical diplomatic presence and its political tools for securing key state partners and multistate alliances.
- Major Ideological Tools. These power factors consist of qualitative assessments regarding the attractiveness of the Great Power's values, narratives, and political system in other states. The trajectory and relative influence of this soft power attractiveness is best evaluated in geopolitical polling results and measurable in the relative number of tourists and higher education and scientific research capture of global talent.
- Major Informational and Communications Capabilities. The qualitative dimensions of this competitive category are more important than the quantitative ones. State power tools include the degree of penetration by key communications technologies in significant geostrategic regions and around the globe. In addition, the state tool kit in this area incorporates the way competitive visions of information pathways and system openness play with Great Power competitor states and those lesser states integrated/integrating in the communications networks.
- Major Military Capabilities. These include the classical quantitative hard power comparative assessments of available major weapons systems, which are the easiest to measure. This chapter also focuses on military systems and capabilities harnessing emerging commercial technologies from leading-edge commercial areas. Military tools include those with the potential for influence and suasion, like the cohesion and capacity of military alliances and the way military technology sales and military personnel exchanges work to enhance state aims and potential adversary perspectives.
- Major Economic "Tools"—Commercial and Financial. Economic power is often understood as the ultimate foundation of military power and a strong influence on the other forms of state power. Here, the canonical economic growth dynamics are measured in nominal gross domestic product (GDP), nominal GDP per capita, and level of industrialization. The chapter also considers the amount and impact of outbound direct foreign investment—both governmental and private. To properly understand the influence of modern and future economic power factors, financial linkages and innovation potential will be described and analyzed with reference to the percentage of global private investment transactions. Additionally, the level and trajectory of economic innovation potential in the state are discussed.

The chapter now turns to a delineation and analysis of the power factors and their strategic implications for our three modern Great Powers for the remainder of this decade and beyond.

### **Measuring Contemporary Great Power Relative Power Capabilities, 2025–2030**

In general terms, China has continued to grow its relative power capabilities in comparison to both the United States and Russia during the first half of the 2020s. This was most obvious in the Sino-Russian relationship, and to a lesser extent for the U.S.-China strategic dyad. But China's relative power capabilities are ascending unevenly. Beijing has made noteworthy progress in building its relative military prowess across the Indo-Pacific region and converting its decades-long global infrastructure investment programs more overtly into strategic political influence and military access. On the other hand, Chinese diplomatic acumen did not progress, and may even have regressed, in its handling of disputes with Australia, Lithuania, and a host of other nations and nongovernmental organizations between 2020 and 2024. China's economy emerged from COVID-19 in early 2023 under duress domestically and under international stress from the dawn of anti-China economic "de-risking" and "disentanglement" programs mainly from the United States and European Union.<sup>4</sup> China's overall ideological appeal remained low, despite a vast and growing mass media presence across the "Global South," where it places special emphasis on condemning U.S./Western ideological norms as a form of hegemonic disrespect and even "cultural imperialism."

America's global military status and influence remain unrivaled but spread thin between support for the North Atlantic Treaty Organization (NATO) and Ukraine in Europe and under stress from processes of reframing and reinvigorating security alliances and partnerships across the Indo-Pacific region in opposition to growing Chinese strategic presence there. America's economy emerged from the COVID-19 pandemic stronger and more dynamic than all the major national economies and especially in comparison to both China and Russia. Under duress but resilient, America's global image and ideological support remained broadly positive, including in the developed world, at the end of 2024. However, this resilience was increasingly challenged by a barrage of critical Chinese and Russian rhetoric across the Global South that was forecast to expand in scope and resonance for the remainder of the 2020s, even before the arrival of the second Trump administration. By mid-2025, the new Trump administration's imposition of broad global tariffs and the growing U.S. national debt cast unanticipated doubt about the relative strength of the American economy for the remainder of the decade.<sup>5</sup>

Russia hemorrhaged relative power across all competitive elements during the early 2020s. Its physical military losses against Ukraine were staggering, and its global military reputation was damaged severely but not fully compromised. Its economy contracted under the weight of global economic sanctions, and its reliance on fossil fuels exposed a vulnerability now and into the future. Moscow's struggles drove it away from post-Cold War interactions with the Western world and increasingly into the orbit of China—where Beijing has demanded an increasing amount of fealty and tribute for continuing support of Russia's war in Ukraine. Russian diplomacy and its global disinformation activities remain an exception to its accelerating relative power decline. But even these exceptions were colored by the degree to which Moscow began to parallel and parrot Chinese accusations against the West rather than navigating its anti-American message around the world.

The status and trajectory of Great Power resources and capabilities matter to their relative abilities to attain desired strategic outcomes during the period from 2025 to 2030. Those strategic objectives were defined and evaluated in chapter 3a. This chapter now addresses the main power factors and approaches of the Great Powers at mid-decade for utilizing them, analyzing their anticipated strategic impact in global GPC over the remainder of the decade.

### **U.S. Competitive Posture and Tool Sets**

***General American Power Factors and Approaches.*** Nominal U.S. GDP in 2024 was an estimated \$29.8 trillion, up approximately \$7.5 trillion from 2019. China's 2024 estimate was \$19.8 trillion, a \$4.5 trillion increase from its 2019 \$15.3 trillion; and Russia's \$2.1 trillion estimate for 2024 a mere \$400 billion above its 2019 level (see [figure 3b.1](#)). These numbers confirm that America's remained the largest and most dynamic national economy throughout the COVID-19 years and into the post-COVID-19 era. In 2024, it generated an estimated 26.3 percent of global GDP, up from 23.9 percent of global GDP in 2019. Isolated in COVID-19 lockdowns for greater than a year longer than the United States, China's percentage of global GDP moved from 15.9 in 2019 to an estimated 16.9 in 2024.<sup>6</sup> China's relative decline in global GDP percentage vis-à-vis the United States in the early 2020s was the first time Beijing's relative growth versus that of the United States did not improve since 2002.<sup>7</sup> The relative decline in U.S. share of the global GDP remained as the dominant pattern it has been for almost 30 years, but the early 2020s slowed the rate, demonstrated U.S. economic resilience in the face of crises, and extended the timeline projections for when China might eclipse the United States in percentage of global GDP, if ever.<sup>8</sup> Once-dominant pre-COVID-19 expert forecasts that China would overtake the United States in nominal GDP by the late 2020s were amended by mid-decade around a median projection of the late 2030s, and then only if a number of very favorable economic factors survive ongoing Chinese Communist Party (CCP) efforts to stifle them (see [figure 3b.2](#)).<sup>9</sup>

The United States remains an import-dominant economy and thus relatively less vulnerable to export fluctuations and currency devaluations. At mid-decade, approximately 11 percent of nominal U.S. GDP was generated by export of goods and services, less than 1 percentage point above the number in 2018.<sup>10</sup> In June 2024, the top American exports were aircraft parts, refined petroleum, crude petroleum, general commodities, and cars. America's top imports were cars, crude petroleum, computers, general commodities, and telephones.<sup>11</sup> In order, the United States exported mostly to Canada, Mexico, China, the Netherlands, and Japan. It imported mostly from Mexico, Canada, China, Germany, and Japan.<sup>12</sup> Supply chains from Canada and especially Mexico remained deeply intertwined with China, so the relative decline in American imports from China over the early 2020s was often offset by the rerouting of Chinese products and precursors through Mexico and Canada.

America remained the perennial global leader in services exports with just over \$1 trillion recorded in 2023.<sup>13</sup> A U.S. trade surplus in services was driven by digitally enabled information and communications technology network activities, including licenses to use computer software, cloud computing and data storage services, and royalty payments for industrial designs to manufacture specialized equipment.<sup>14</sup> Other major American services

exports at mid-decade included banking, insurance, and financial services, all of which continue to flourish globally due to the “exorbitant privilege” of the U.S. dollar.<sup>15</sup> Top importers of American services, in order as of 2023, were Ireland, the United Kingdom, Canada, Switzerland, and China.<sup>16</sup>

Forty-one percent of the U.S. economy was industrialized, a modest decline since 2020 (see [figure 3b.3](#)). Almost 18 percent of American exports were high research and development intensity exports (such as in aerospace, computers, pharmaceuticals, scientific instruments, and electrical machinery). This percentage declined modestly by just over 1 percent in the early 2020s, from almost 19 percent in 2019 to 17.85 percent in 2023. The early 2020s continued a trend of relative American decline compared with China over the past three decades, but at a decelerating pace.<sup>17</sup>

In mid-2018, President Donald Trump began a trade war with China by imposing heavy tariffs on U.S.-imported Chinese goods. President Joe Biden maintained them and introduced several new trade restrictions during the early 2020s.<sup>18</sup> Citing national security interests, the Biden administration’s new restraints initially focused on exports, denying Beijing access to sensitive U.S. technologies. Primarily, the Biden team targeted Beijing’s access to advanced semiconductors and semiconductor precursor technology to hinder Chinese advancement in this high-tech sector that is critical for generating advanced artificial intelligence (AI) systems with civilian and military applications.<sup>19</sup> Later in his term, citing the need “to protect American workers and American companies from China’s unfair trade practices,” including forced technology transfers and theft of intellectual property, President Biden imposed an array of targeted import tariff increases. Noting in 2024 that China’s “growing overcapacity and export surges that threaten to significantly harm American workers, businesses, and communities,” Biden’s U.S. Trade Representative’s office imposed tariffs and restrictions on the “strategic sectors” of steel and aluminum, semiconductors, electric vehicles (EVs), batteries, critical minerals, solar cells, ship-to-shore cranes, and medical products.<sup>20</sup>

The ultimate impact of America’s early 2020s extension of targeted import tariffs and especially the export trade in high-tech restrictions against China remained unclear at the end of 2024. On one hand, U.S. export restrictions seemed to have had a significant impact on China’s semiconductor ecosystem, limiting access to equipment essential for next-generation production. On the other hand, China began intensifying its domestic investments in more advanced chips, squeezing U.S. firms with reduced Chinese market shares and upping its commercial espionage in a bid not to fall behind in the advanced semiconductor space or, in sequence, the high-end AI applications space. For semiconductor restrictions to work over the long term, the United States needed unwavering support from its Western high-tech manufacturing partners—especially with respect to Dutch and Japanese export of advanced lithography equipment to China. Their allegiance could not be taken for granted if there had been a second Biden term, and their willingness to accept U.S. leadership in these intensifying high-tech trade restrictions against China was met with a new challenge in early 2025, as both were hit with very stiff reciprocal tariffs by the Trump administration.<sup>21</sup>

Even before the Trump administration tariffs hit the global market, the Biden administration’s control policy faced the challenge of stimulating high-end semiconductor

and AI manufacturing sectors across an array of Western economies to offset the loss of China's huge market, encourage a "leap ahead" in computing and processing technologies necessary to stay on the cutting edge of innovation in an era of increasing global economic fragmentation, and safeguard Western high-tech breakthroughs from Chinese espionage.<sup>22</sup> Here, the historical and unique synergy between American innovation in high tech and investment capital was a unique U.S. economic power asset at mid-decade. But this clear advantage faced new challenges at the beginning of 2025.

As of 2024, the United States was ranked in the top dozen innovative countries over the past decade and was expected to remain a global leader as an incubator for innovative manufacturing and services delivery for at least the next decade (see [figure 3b.4](#)). According to pre-2025 data, the United States remained the dominant nation in private global financial markets, accounting for 58 percent of these markets in 2024—up a remarkable 5 percent from the 53 percent of activity in 2018. This was an astounding metric when compared with the fact that America generated only about 25 percent of global GDP.<sup>23</sup> Largely unchanged during the early 2020s, China and Russia barely registered on this measure of financial activity and corresponding revenue from global commodity and services exchange ([figure 3b.4](#)). Data prior to 2025 demonstrated that the U.S. share of commercial financial markets continued to grow over the past decade and despite nascent Chinese efforts to introduce its currency and financial markets as an alternative.

Left on this trajectory, American financial entities seemed likely to remain more attractive compared to other global options, including those of the other Great Powers, for the remainder of the decade.<sup>24</sup> This was true despite the fact that overuse of financial sanctions risked backfiring, encouraging U.S.-sanctioned countries and entities to turn to alternative financial arrangements and reducing the effectiveness of the sanctions and straining relations with long-standing U.S. economic partners affected by the secondary impact. Some of this downside became evident in the early 2020s, as tightening U.S. sanctions against Russia drove Moscow from the American-led financial system and into one where China has a far greater sway.<sup>25</sup> Seen in the Sino-Russian context, alternative financial structures and arrangements might be generated to work around U.S. entities and erode the long-standing U.S. dominance in commercial financial services—but this process would take some time.<sup>26</sup>

The level of U.S. national debt during the early 2020s also produced a risk to its global economic strength and relative power standing. At the end of 2024, the national debt was forecast to emerge as a modest constraint on American economic power by the end of the 2020s if not addressed. In late 2023, the U.S. nominal national debt weighed in at almost \$33.2 trillion. This debt represented an enormous 33 percent increase from the 2018 rate of \$21.8 trillion and accounted for 123 percent of 2023 nominal U.S. GDP.<sup>27</sup> Twenty-nine percent of U.S. Government debt (\$7.9 trillion) was held by foreign entities, modestly up from 28 percent in 2018.<sup>28</sup> The top three foreign holders of that debt in 2023 were Japan (\$1.14 trillion), China (\$0.82 trillion), and the United Kingdom (\$0.69 trillion). Since 2018, China's holdings declined almost \$0.3 trillion, moving Japan ahead of China for the first time in years. The United Kingdom greatly expanded its U.S. debt holdings.<sup>29</sup> Seventy-one percent of U.S. total national debt remains with U.S.-based investors, making it more of a domestic issue than a foreign liabilities challenge. The strategic risk from national debt to the United States for the remainder of this decade is that rising debt interest could consume

an increasing piece of the Federal budget, leaving fewer dollars for the application of U.S. military, diplomatic, and economic power and influence activities around the world.<sup>30</sup> This risk seemed likely to grow even more germane in mid-2025, as the overall U.S. debt crossed \$36 trillion and forecast U.S. fiscal year budget for 2026 was estimated to add another \$3.7 trillion (or 11 percent) to the American national debt in the coming ten years if not offset by dramatic cuts to domestic spending and entitlement programs.<sup>31</sup>

As forecast in *Strategic Assessment 2020*, the COVID-19 pandemic of the early 2020s largely reinforced ongoing trends of friction and fragmentation in the global economy. At the end of 2024, America's economic advantages over its Great Power rivals remained relatively intact and its risk factors modestly reduced—but the accelerating fragmentation of global supply chains was evident. The Biden administration's overt move to constrain China's semiconductor and AI technological progress was the most significant change in America's post-Cold War use of economic power to achieve competitive interests prior to 2025.

Then in early 2025, President Trump introduced a very different American economic policy framework—one oriented around wide-ranging tariffs to bolster U.S. economic and national security mainly by bringing back manufacturing jobs to the United States.<sup>32</sup> Economists worried that the approach was unlikely to succeed at reasonable costs and pointed out that its main tariff formula was only based on trade in goods while not accounting for services (a category that includes financial services, digital services, and tourism), where America runs routine trade surpluses.<sup>33</sup> They also pointed out that the use of tariffs as a first-resort economic policy tool against both geostrategic friends and foes would appear indiscriminately coercive and erode American economic influence by attraction. They feared it was destined to alienate historic American trading partners, forcing them to seek alternative trade and finance arrangements—including with China—and accelerating the relative decline of American prosperity and associated global influence to a degree that once seemed implausible given American relative economic prowess at the end of 2024.<sup>34</sup> On the other hand, the second Trump administration inherited a robust set of global economic advantages that it could leverage to coerce transactional American gains from adversaries and friends alike. This might erode the advantages of American economic partnerships over the mid to long term but could be effective in capturing greater short-term economic gain and creating a world where U.S. political will is more widely accommodated—at least for a time.<sup>35</sup>

At mid-decade, the United States remains demonstrably superior across most quantitative and qualitative measures of global military power. Its military budget was steadily increasing, and its international military presence and activity levels rose from 2020 to 2024 to a decade-long high as Washington led NATO's response to the largest war in Europe since World War II and revamped its military alliances and partnerships in the Indo-Pacific to reinforce security and stability in the face of growing Chinese military and paramilitary activities. The Biden administration's military budget request for fiscal year 2025 was almost \$850 billion, up from \$738 billion in fiscal year 2020.<sup>36</sup> The second Trump administration submitted its initial budget in early 2025, and its proposal targeted a 13 percent increase in U.S. defense spending to a total of \$1.03 trillion.<sup>37</sup> China's announced 2024 defense budget was US\$232 billion—roughly 30 percent of U.S. expenditures.<sup>38</sup> Western analysts doing a

deeper dive into the opacity and obfuscation shrouding Chinese military spending concluded that China most likely spent about \$471 billion on defense in 2024.<sup>39</sup>

Although it accounts for almost 30 percent of total Russian government spending, Moscow's 2024 \$109 billion wartime military spending budget remained less than a quarter of China's and just a fraction of America's.<sup>40</sup> The Congressional Budget Office projected that while U.S. military spending is likely to grow another \$330 billion by 2034, U.S. defense spending as a share of GDP actually will decline due to American economic forecasts—from 2.9 percent of GDP in 2024 to 2.5 percent in 2034. That is considerably lower than the 50-year average U.S. spending on defense of 4.2 percent of GDP.<sup>41</sup> Therefore, sustained American defense spending is tracking to far exceed both of its Great Power rivals for the remainder of the 2020s and likely beyond.

Across the spectrum of military hardware and systems, the United States retains qualitative and quantitative advantage over its Great Power rivals and is on a path likely to sustain this advantage at the end of the decade. The United States publicly declared in May 2023 that it had 1,419 warheads assigned to 662 deployed ballistic missiles and heavy bombers.<sup>42</sup> This remains below its New Strategic Arms Reduction Treaty (START) obligation of no more than 1,600 warheads. Of the deployed warheads, U.S. Government figures from 2022 and 2023 reported that approximately 400 were on intercontinental ballistic missiles (ICBMs), 980 were on submarine-launched ballistic missiles, and approximately 40 are located at bomber bases in the United States.<sup>43</sup> This is a slightly higher number—by about 70—than recorded in 2017. The United States has set the groundwork for a wide-ranging nuclear modernization program that will ultimately see every nuclear delivery system replaced with newer versions over the coming decades. That program could begin in earnest by early 2026. The total cost of this modernization could reach over \$1.7 trillion.<sup>44</sup> Since 2010, New START, between the United States and Russia, has constrained both countries' deployed strategic forces. After recurring U.S. complaints in 2023 that Moscow was obstructing the verification requirements mandated in the treaty, Russia abruptly suspended parts of New START in early 2024. The full treaty expires in February 2026. If there is no new agreement, the United States and Russia could activate and move several hundred stored reserve warheads onto their launchers, and the three Great Powers could lurch into a new nuclear weapons arms race.<sup>45</sup>

In 2023, the all-volunteer U.S. military shrunk below 1.3 million Active-duty forces, a 64,000-member decline since 2020 that produced the lowest-sized Active U.S. military in 80 years. Most of this decline resulted from the inability of the Services to find qualified recruits to fill the full number of authorized military slots.<sup>46</sup> The Army had 445,000 billets, the Marine Corps, 186,000, the Navy, 330,000, the Air Force, 320,000, and the Space Force, approximately 10,000.<sup>47</sup> Despite its worrisome manning difficulties, since 2020, the United States has notably extended global reach and operational capability of its forces around the world—especially in Europe and the Indo-Pacific region.

The Navy remained optimized for global reach with 11 top-end aircraft carriers and 9 smaller ones compared to 2 full-operations carriers for China and 1 largely inoperable major carrier in Russia. America's total surface fleet numbered just less than 300 battle force ships and featured almost 90 frigates and destroyers, most with anti-air-, antiballistic missile-, and antisubmarine-capable systems. It has 68 modern submarines, 18 of which are

ballistic missile carriers and all of which are nuclear powered and thus capable of extended range and duration operations. Despite unanticipated diversions of manpower and equipment into the waters around Europe and in response to threats in the Middle East, most large-scale U.S. naval exercises took place in the strategically crucial areas in the Western Pacific during 2023.<sup>48</sup>

But trend lines for the Navy were not good at mid-decade. Its personnel shortfalls resulted in uncrewed ships during 2023 and 2024, and its aims to build up to 380 manned ships along with an unmanned vessel force of 150 were at risk from both the sailor recruiting shortfalls and the crisis of manning and expertise in its national shipbuilding and maintenance programs.<sup>49</sup> Despite these mid-decade challenges, the second Trump administration announced in early 2025 that it was committed to pursue a 381-ship fleet and the president promised to “restore America’s maritime dominance” with an executive order focusing renewed attention to overall shipbuilding and the generation of a robust inactive reserve naval fleet by 2035.<sup>50</sup>

The combined, manned U.S. aviation fleet remains the only one among the Great Powers with truly global reach and rapid deployment capability. The aggregate manned fleet numbers over 13,000 aircraft and remains larger than the total of the five next largest air forces. At mid-decade it featured 2,300 modern fighter aircraft, 2,800 attack aircraft, 1,150 transport aircraft, and over 5,400 total helicopters, including 970 attack helicopters.<sup>51</sup>

In the last half-decade, the relevance and importance of military uncrewed aerial systems (UAS) have exploded. In 2017, the United States led the world with a fleet of 7,500 UAS, 10 percent of which (786) operated strategic range, mid- and high-altitude, long-endurance intelligence or strike platforms. But by 2024, the Russo-Ukrainian war elevated the role of unmanned systems to the top drawer of strategic and operational art. In numbers that were simply unimaginable in 2020, Ukrainian armed forces and Russian military units conducted vital missions in surveillance, intelligence gathering, early warning, and precision strike.<sup>52</sup> Ukraine planned to build one million drone systems for intelligence, reconnaissance, and attack during 2024, and to import another one million. Drone and counter-drone tactics evolved on an accelerating cycle in the war. Thus, the United States identified the need to prioritize the acquisition and innovation of military unmanned aerial vehicles and counter-drone systems. Although slowly, it accelerated spending on research and development for new strategic UAS technologies to modernize a strategic fleet that has become increasingly vulnerable to the growing number of air defense and electronic warfare capabilities of the Great Powers and other international actors.<sup>53</sup>

America’s military deployability remains unrivaled. At mid-decade it was head and shoulders above of its Great Power competitors in the number of troop transports, helicopters, and fighter jets, with twice the number found in the next largest force, the Chinese military. American military operational experience and expertise remain superior to that of China, and Washington’s at-distance support for Ukraine through NATO against Russia has fed lessons learned back to the U.S. military.<sup>54</sup> The United States also retains a fleet of 6,000 technologically sophisticated main battle tanks, 39,000 armored fighting vehicles, and 3,000 artillery and rocket forces—almost all of which are operational and deployable worldwide.<sup>55</sup>

America’s defense industrial base (DIB) became a point of concern during the early 2020s in part due to the demands that began in early 2022 for munitions and military

equipment to support Ukraine in its war against Russia. American support for Kyiv in that high-intensity conflict demonstrated what many studies had previously warned: the United States rapidly ran down and struggled to quickly replace stocks of artillery shells, long-range missiles, missile interceptors, precision-guided munitions, and other key military sinews.<sup>56</sup> By the end of the Biden administration, a majority of American defense analysts assessed that to meet the demands of military deterrence and defense in Great Power competition, the DIB must significantly expand in its capacity and flexibility, and in the ability to produce to scale a new array of unmanned and AI-enabled systems that were cost-effective and smart rather than exquisite and expensive.<sup>57</sup> Before its departure, the Biden administration took some budgetary and administrative steps to modernize and fortify the U.S. DIB for success in Great Power deterrence and, if necessary, war.<sup>58</sup> But it was left to the Trump administration to set the trajectory of future systematic reforms. In early 2025, the Trump administration took notable financial and bureaucratic steps to accelerate transition of the American DIB to a modern and scalable one for Great Power competition, although it remains to be seen if these initiatives will generate the hoped-for competitive improvements necessary to sustain and enhance America's military reach and prowess by 2030.<sup>59</sup>

After more than a decade under duress, American military alliances and strategic partnerships underwent extensive renewal and invigoration between 2021 and 2024. As stated in chapter 3a, the Biden administration featured expansion and enhancement of American military alliances as a key component of its "Strategic Competition" policy framework with extensive focus on Europe and the Indo-Pacific.<sup>60</sup> In Europe, the NATO alliance responded to the strategic challenge of Russia's February 2022 military move into Ukraine with newfound cohesion, resolve, and unanticipated expansion. After decades of strategic neutrality, Finland and Sweden joined NATO in 2023 and 2024 and immediately began participation in the Alliance's efforts to thwart Russian aggression and call out Chinese support for Russia over the interests of Europe as a whole.<sup>61</sup> In the Indo-Pacific, the United States vigorously enhanced and extended security partnerships, transforming long-standing bilateral security arrangements into multilateral ones, inviting new participants into evolving networks, and formalizing stability and security activities in new frameworks like the Quadrilateral Security Dialogue (Quad) and the Indo-Pacific Security Initiative.<sup>62</sup> The United States also remained the world's largest arms exporter, with 42 percent of global exports from 2019 to 2023, up from 36 percent of the global total in 2018.<sup>63</sup> At mid-decade, most U.S. arms customers—14 of 20—are NATO member nations or involved with other American-led security initiatives in the Indo-Pacific region with some Middle East states included. The top states for U.S. military foreign sales support and security assistance in late 2023 were Ukraine, Japan, Saudi Arabia, Qatar, and Poland.<sup>64</sup>

But in early 2025, the future of American military alliances and partnerships was put in doubt. The Trump administration entered office highly skeptical about these traditional collective security mechanisms. As a candidate and after taking office for the second time, President Trump questioned whether the rest of NATO would come to America's defense if it were attacked (despite its solidarity with the United States after the 9/11 terrorist attacks). He criticized NATO members for too little defense spending, speculated about whether the United States would defend those who were not spending 5 percent of their GDP per year on defense, and insinuated that NATO had a role in precipitating the Russo-Ukrainian

war.<sup>65</sup> President Trump also brushed aside the implications for NATO cohesion by refusing to rule out the use of force to control Greenland, despite NATO ally Denmark's ownership of that territory.<sup>66</sup> Across the Indo-Pacific, American allies and partners grew similarly worried that trusted security arrangements with the United States might not be durable if the Trump administration prioritized American economic dominance above all else. In early 2025, many began exploring formal economic and trade cooperation with China for the first time in more than five years. They remained wary of Beijing's penchant for bullying but were also uncertain if American security guarantees will be faithfully honored.<sup>67</sup>

After a decade under strain, American diplomatic and political assets were reinvigorated during the Biden administration. The U.S. State Department, led by close Biden confidant Antony Blinken, took front and center in the implementation of U.S. foreign and security policy.<sup>68</sup> Part of the U.S. diplomatic program consisted of better bilateral geopolitical interactions and included the announced opening of six new embassies in strategically significant, but long neglected, states across the Indo-Pacific and in the Global South where China's diplomats had established a ubiquitous presence.<sup>69</sup> The United States remained about even with China in numbers of global embassies, retaining an advantage in Europe, the Americas, and South Asia while beginning to challenge China's lead in East Asia and the Pacific.<sup>70</sup> But in early 2025, the Trump administration took office with a decidedly different perspective. In short order, the administration moved to defund and dismantle American diplomatic and humanitarian soft power instruments. It eliminated the U.S. Agency for International Development, froze multiple forms of direct foreign aid, eliminated an array of global health programs, and pulled back nearly 30 U.S. embassies and diplomatic missions from around the world—including several that were newly established during the Biden administration.<sup>71</sup> If these changes stand, American diplomatic and political influence may wain around the globe by the end of the decade, leaving space for Chinese initiatives to fill much if not all of the void.<sup>72</sup>

The Biden administration also re-prioritized American participation and activism in standing global multilateral organizations—many of which were neglected from 2017 to 2020. As of 2024, the United States was a full member of 44 globally or regionally inclusive IGOs, most importantly the United Nations (UN) Security Council permanent five, the largest voting member on the International Monetary Fund and the World Bank, and a leading member of the World Trade Organization and the World Health Organization.<sup>73</sup> Active U.S. representation and participation in about half of these rebounded during the Biden administration, reversing a trend that saw Chinese and Russian influence expand notably in them during the late 2010s.<sup>74</sup> Despite this reversal in diplomatic approach and activism in the early half of this decade, the question about what form of multilateralism and how much would be suited to advance U.S. national interests remained open.<sup>75</sup> Even before Donald Trump's election to a second term, latent American isolationism (and corresponding insularism) remained strong in U.S. populist political circles, and this had an impact on the 2024 presidential election results.<sup>76</sup> The Biden administration and other American politicians were confronted in 2024 with the need to placate aggrieved U.S. national political constituencies that considered themselves "losers" from three decades of globalization and that were unconcerned about the negative implications for national power and personal wealth if the international economy were to break into Great Power-led blocs.<sup>77</sup> The Biden

administration got no opportunity to confront this dilemma during a second term, and it became clear in early 2025 that President Trump was neither personally committed nor politically inclined to undertake this kind of rehabilitative work necessary to sustain the liberal international order—the *Pax Americana*.<sup>78</sup>

The new Trump administration almost immediately announced that it was withdrawing from and ending funding to several UN organizations. It directed a six-month review of any U.S. role in all international governmental organizations, conventions, or treaties to determine whether the United States should withdraw from them should they be found as contrary to American interests.<sup>79</sup> Given its immediate withdrawal from the World Health Organization and the Paris Climate Accords during the its first days in January 2025, it is difficult to imagine that the Trump administration will remain part of very many intergovernmental organizations or institutions that do not provide direct, observable benefit to America's near-term bottom line—and most do not.<sup>80</sup> At risk prior to the second Trump administration, America's potential for utilizing its wealth and power to attain national interests through international organizations and institutions seems destined for a notable decline before 2030.

As of late 2024, global impressions of America had generally improved since 2019. International polls taken in late 2022 and early 2023 revealed that views of America rebounded steadily from lows during the first Trump administration to relatively strong positives in measures such as attractiveness of U.S. technological education, entertainment, military prowess, and cultural appeal.<sup>81</sup> Sustained positive results for the United States from 2022 to 2024 contrasted with the largely negative polling for China's approach to foreign policy and its cultural resonance.<sup>82</sup> America's advantage ebbed a bit in early 2024, mainly due to fallout from its perceived role in supporting excessive Israeli military force in Gaza.<sup>83</sup> This mid-decade downward turn was important, because underlying trends were not encouraging for Washington's historic relative power advantage in terms of its ideological attractiveness even before the second Trump administration. By 2024, positive perceptions of China in Asia, the Middle East, and Africa continue to grow, and specific and overwhelmingly negative perceptions of Russia rebounded everywhere except in Europe.<sup>84</sup> A Chinese-led campaign across countries of the Global South—joined in by Russia media and diplomats—denigrating American-led “universal values” as a form of cultural disrespect and tacit racism begun in 2021–22 showed growing traction in 2023–24, especially in Africa, the Middle East, and Latin America.<sup>85</sup> President Xi Jinping's Global Civilization Initiative accused America and its rich Western allies of hegemonic arrogance, selfishness, hypocrisy, and “civilizational superiority” for passing judgment and imposing sanctions on Russia. Xi extended this criticism to similar American/Western actions against any regime not run on liberal, democratic lines.<sup>86</sup> The slowly evolving appeal of China's approach to deriding American values and ideology in the Global South caught the attention of the Biden administration and meant that the Global South was poised to become a major competitive space for cultural and ideological influence over the remainder of the decade.<sup>87</sup>

However, the early days of the second Trump administration suggested that it would not vigorously contest China over values and ideology. Global polling in 2025 revealed that views of America dropped steeply between the November 2024 presidential election and April 2025. For the first time ever, China overtook America in positive perceptions in all

regions of the world except Europe.<sup>88</sup> Other important measures of American soft power and influence showed signs of stress in early 2025. American tourism, long a bellwether of American cultural, social, and economic influence, took a sharp turn from December 2024 forecasts of an 8.8 percent growth during 2025 to April 2025 predictions of a 9.5 percent decline, potentially resulting in a \$9 billion loss in international visitor spending across the United States.<sup>89</sup> The same negative pattern unfolded in another American cultural-economic stronghold, higher education. An April 2025 analysis of data found an 11 percent drop in the total number of international students in the United States from March 2024 to March 2025.<sup>90</sup> Thus, by mid-2025, something very real and very negative began happening to the historically strong sinews of American cultural, social, and economic power.

The long-standing American preference for open information dissemination and communications across global borders came under untenable duress by mid-decade. China, Russia, and other authoritarian states around the world believed that free and open communications on a mass scale presented a threat to their national sovereignty and maintenance of domestic political order.<sup>91</sup> China and Iran completely blocked Internet and global telecommunications flows during periods of public unrest or government worry. China, Iran, and North Korea censored Internet and social media content, rendering them impervious to global communications patterns. Russia episodically constrained external media penetration prior to its 2022 invasion of Ukraine, then cracked down hard on most forms of external information exposure with new espionage laws and brutal police repression against all journalists and any information sites deviating from Kremlin propaganda.<sup>92</sup> Evidence presented in mid-2023 revealed that China and Russia were sharing tactics on Internet control and social media censorship.<sup>93</sup> In grudging recognition of the growing fragmentation of global information domains and the growing risks of rival exploitation of unilateral American/Western adherence to open net standards, the Biden administration in 2023 suspended the long-standing American pursuit of universal digital rights protections in future World Trade Organization negotiations.<sup>94</sup> The second Trump administration's perspectives on global information flows and the growing fragmentation of the cyber domain were somewhat unclear in 2025. On one hand, the Trump team indicated a preference for openness by targeting Europe's digital privacy and personal protection laws as unacceptable.<sup>95</sup> On the other hand, the emerging Trump tariff regime triggered a digital trade war, with America demanding zero digital service taxes by friends and foes or risking reciprocal tariffs that would further fragment the global Internet.<sup>96</sup> Given President Trump's strong affinity for tariffs, it seems most plausible that immediate economic concerns will come to overshadow long-standing American preferences for open, global communications and reinforce trends of fragmentation by the end of the decade.

After three decades of relying primarily on the private sector to project external information about American values and ideals and expecting that negative information about China and Russia to be self-evident globally, the Biden administration took a more deliberate interest in public messaging in the early 2020s. The administration increased funding and focus on the Global Engagement Center (GEC) in the U.S. State Department and charged it with combating foreign propaganda and disinformation.<sup>97</sup> From 2021 to 2024, the GEC expanded and shined a spotlight on Russian disinformation, especially in Africa and Latin America. It worked with Poland in 2024 to create a Kremlin-focused anti-pro-

paganda center with representatives from 12 countries, including NATO members.<sup>98</sup> Yet bipartisan American political support for the GEC was weak and its future always in doubt as year-to-year debates about its role roiled Congress and kept funding streams uncertain.<sup>99</sup> Congress defunded the GEC and demanded it terminate operations in December 2024. The second Trump administration doubled down on skepticism of U.S. Government counteraction of foreign propaganda, closing the State Department's Counter Foreign Information Manipulation and Interference hub established after the closure of the GEC, eliminating it in April 2025.<sup>100</sup>

Beyond that, Biden administration efforts to better promulgate positive messaging about its global policies and international activities—always limited in scale if not resonance—were dramatically cut in the early months of the second Trump administration. President Trump signed a March 2024 executive order gutting the congressionally funded U.S. Agency for Global Media that oversaw American international information platforms including Voice of America, Radio Free Europe/Radio Liberty, Radio Free Asia, the Middle East Broadcasting Networks, and others.<sup>101</sup> It appeared that the Trump administration might reshape and then reinstate these American-funded global media outlets so that they featured news and opinions more in line with administration thinking.<sup>102</sup> But it remains unclear whether such a transformation will occur or, if it does, whether these outlets could use American soft power to appeal to and influence millions around the world; or, if these actions will leave a void that Great Power rivals China and Russia will happily fill.<sup>103</sup>

***Key American Power Tools and Their Strategic Utility.*** From 2020 to 2024, the United States lost relatively little relative global power and even gained in some areas. Its relative power profile versus Russia grew in all five major areas of GPC. The United States also saw a relative deceleration in its decades-long economic power decline versus China. Stretched across a combat theater in Europe and an intensifying confrontational theater in the Indo-Pacific, America's military continued to display unmatched global power projection capacity and support for its allies and partners. American financial dominance remained unchallenged, its innovation dynamism was revealed to be remarkably robust in the aftermath of COVID-19, and its demographic profile was more conducive to long-term economic adaptation and expansion than its Great Power rivals. Considered together, America's economic and military power tools remained highly competitive and globally influential at the end of 2024. The dynamic and new direction of the second Trump administration challenged these trends in early 2025. American military prowess remained unmatched globally, and the Trump administration emphasis on growing defense budgets and forward deterrence, mainly but not exclusively in the Indo-Pacific, seemed likely to sustain this in the short term. But the Trump administration's turn to across-the-board tariffs, risking domestic economic turbulence, and global uncertainty about America's long-standing rock-ribbed economic reliability may be putting American trade and financial dominance in question and lead to a greater economic decline versus its rivals by the end of the 2020s.

**TEXTBOX 1 APPROXIMATELY HERE**

At the end of 2024, core U.S. ideological messages featuring freedom, openness, transparency, and universal human rights continued to resonate well in most parts of the world, providing the United States with the suasion to attract a growing network of alliance members and strategic partners supportive of American objectives and interests. This relative

ideological power was nonetheless under some duress. Russia and especially China had begun to realize some notable successes in the Global South with a narrative that challenged the legitimacy of liberal values and human rights in the global order. The Trump administration entered in 2025 far less inclined to uphold, much less actively promote, core American ideological tenets overseas. It also began policies that global pollsters found reduced American popularity vis-à-vis China and put at risk the long-standing American influence from ideological appeal.

The Biden administration's notable emphasis on reinvigorated bilateral and multi-lateral diplomacy along with enhanced diplomatic presence revitalized some American political and diplomatic power during the early 2020s. However, as the Biden term ended in early 2025, U.S. diplomacy and political influence remained under duress in many locations around the globe, and especially in the Global South, from Russian and Chinese narratives. The second Trump administration seemed unlikely to prioritize greater diplomatic resourcing or activity, even shrinking it notably in some places. This could accelerate a recent pattern of declining American diplomatic influence and political partnerships, making them more seriously rivaled by Russia and China before the end of the 2020s.

In sum, American military, economic, and ideological power tools and capabilities in early 2025 were more than sufficient to secure long-standing American strategic goals of sustaining a free and open liberal international order, even as its political and informational tools required greater attention to redress liabilities versus China and Russia. At mid-decade, American military and economic tools also were robust enough to enable the emerging objectives of an America First 2.0 global strategic approach—one less reliant on cooperation and influence by attraction with an array of multilateral strategic partners and more oriented toward coercive economic and geostrategic bilateral activities aimed to secure American transactional gains from friend and foe alike. American ideological, informational, and political-diplomatic tools of influence were less important to the American First 2.0 strategic framework and thus seemed destined to receive much less American investment of time or treasure. In 2025, it remains uncertain how effective or durable the Trump administration's use of American military and economic prowess to coerce America First 2.0 strategic objectives will be over the rest of the decade. But what does seem clear is that American ideological, informational, and political-diplomatic power tools will atrophy from neglect more rapidly during the remainder of the decade than would have been forecast prior to 2025. Simultaneously, American military and economic power resources will be consumed in the pursuit of near-term transactional gains. The longer this pattern persists, the less feasible will be any future American return to its 80-year strategic project of underwriting a free and open global order.

### **China's Competitive Posture and Tool Sets**

**General Chinese Power Factors and Approaches.** China's emergence as a global power stemmed from almost four decades of rapid economic growth. From 1979 to 2018, China's economy grew at an annual rate of 9.4 percent. During this time, China became the world's second largest economy, largest manufacturer, largest trader in goods, second largest consumer of commodities, second largest recipient of foreign direct investment (FDI), and largest holder of foreign exchange reserves.<sup>104</sup> China's rapid economic development took

full advantage of opportunities provided by globalization, including China's accession to the World Trade Organization in December 2001. China opened its doors to foreign investment and technology as companies relocated production to tap low-cost Chinese labor. This facilitated rapid growth, but it also brought new vulnerabilities as China became more dependent on foreign markets and on imports of natural resources and food. Chinese exports of goods and services peaked in 2006 at 36 percent of GDP. By 2019, exports had dropped to 18.4 percent of GDP as domestic consumption became a bigger driver of Chinese economic growth.<sup>105</sup> Economic and technology development gave China a central place in global production networks, with China importing integrated circuits and advanced manufacturing equipment from the United States, Europe, and East Asia and with developed countries making Chinese labor and manufactured inputs an essential part of their supply chains. China is now the top export market for almost all countries in Asia and an important customer for developing countries exporting oil and natural gas, minerals, and agricultural commodities. Dependence on China's market makes many countries (including U.S. allies) reluctant to engage in political fights with Beijing.

Since 2019, China's economic growth rates have slowed to around 4 to 5 percent per year, both because a larger economy needs more new activity to sustain growth rates and because China's economic model encountered increasing internal and external challenges. As of 2024, China's GDP was second only to that of the United States, at an estimated \$18.8 trillion in exchange rate terms (see figure 3b.1). China's percentage of global GDP almost tripled from 2007 to 2024, moving from 6.18 percent to 17 percent. Should China continue to grow annually at between 4 and 6 percent per year and the annual U.S. growth remains around 2.2 percent, China's GDP will pass that of the United States between 2036 and 2049, although in the past, such forecasts have consistently proven overly optimistic (see figure 3b.2).<sup>106</sup>

In 2025, China's economy faces increasing challenges and is likely to grow more slowly in the future. One inescapable challenge is demographics. In the boom years, Chinese growth benefited from a bulge in the working-age population caused by Mao-era policies that encouraged births, but today's economy has more retirees and fewer people in their prime working years due to the impact of the reform-era "one child" policy.<sup>107</sup> Another issue is the strong bias in favor of the state sector in Chinese economic policy, which funnels large amounts of capital from state-owned banks to large state-owned enterprises. The result often skews China's allocation of resources toward state companies with relatively low and declining return on investment while starving more innovative and productive private companies of capital.<sup>108</sup>

A third challenge is increasing countermeasures from developed countries against Chinese trade practices and industrial policies intended to help Chinese companies dominate key product sectors, measures formalized in the "Made in China 2025" plan.<sup>109</sup> China's high-tech exports were originally produced primarily by Western and Asian multinationals using imported components assembled in China, but Chinese firms have used state assistance to move up the technology chain to produce more of these goods on their own, displacing developed country firms and becoming formidable competitors in global markets. Although the share of high-tech exports in China's total manufactured exports has declined from around 30 percent from 2007 through 2021 to 26.6 percent in 2023, more

of the value-added in these goods is now being produced by Chinese firms using Chinese components<sup>110</sup> (see figure 3b.3 for the decline in Chinese overall industrialization since 2010).

The first Trump administration complained about China's large bilateral trade surpluses with the United States and employed higher tariffs and export controls on technologies such as advanced integrated circuits and semiconductor manufacturing technology used in critical economic sectors. These measures, along with a highly touted U.S.-China trade deal, had a limited impact on China's bilateral trade surplus but adversely affected some Chinese companies. For example, Huawei's smart phone business suffered a major loss in market share due to inability to purchase critical components. Many of these measures were sustained or augmented under the Biden administration, which sought to enlist developed countries in Europe and Asia to cooperate in tougher export controls and trade measures aimed at China. The net result is an increasingly hostile U.S. and European attitude toward Chinese manufactured exports and increasing limits on Chinese access to advanced manufacturing technology.

China responded with a three-part approach that matured in the early 2020s. First, the CCP and the Chinese state increased investment in research and development and other forms of support for Chinese companies to help them overcome technology restrictions through indigenous innovation. The goal was to reduce vulnerability to Western technology restrictions and to help Chinese companies master the technologies needed to dominate both established and emerging industrial sectors such as AI, quantum technologies, and biotechnology. This approach built on previous state efforts to foster technology development and innovation but gained more urgency as Western technology restrictions began to have a significant economic impact. This policy approach was also incorporated into ideology, as Chinese theorists wrote about the role of "new productive forces" in fostering economic development. Extensive Chinese efforts to promote innovation have had payoffs in some areas such as AI, where products such as DeepSeek have demonstrated significant technological breakthroughs. However, directed state support for technology and industrial development becomes more challenging as a country nears the global technology frontier and it becomes harder to tell which investments will pay off and which might be wasted.<sup>111</sup>

A second Chinese policy approach was to reduce China's dependence on developed country markets and technologies while making China integral to foreign supply chains. "Dual circulation" sought to restructure China's relationship with the global economy by increasing emphasis on domestic economic demand and domestic sources of critical technologies.<sup>112</sup> However, dual circulation does not advocate autarky. Instead, Chinese companies were prodded to use innovation to build comparative advantage in key manufacturing sectors to make themselves indispensable in global supply chains. This not only provided China with bargaining leverage to resist technology restrictions from developed countries but also allowed China to continue to benefit from globalization.

The third element of China's approach was to pursue a "fortress economy" in areas of critical importance for national security and stability such as food security, energy independence, and critical supply-chain resilience. This was intended "to bolster national self-sufficiency and resilience against external shocks and ultimately allow the nation to withstand 'extreme situations' including protracted armed conflict."<sup>113</sup> Dual circulation and

measures to promote technological self-reliance are compatible with this strategy, but it also includes stockpiling and diversification of suppliers of food, oil, natural gas, critical technologies, and manufacturing inputs.

This three-part approach produced some significant successes during the early 2020s and as Western economic pressure and technology controls have increased in the second Trump administration at the beginning of 2025. An early 2025 RAND study highlights a dichotomy in the Chinese economy.<sup>114</sup> On the one hand, economic growth has slowed significantly—due not only to the transient impact of COVID-19, but also to a contraction in the critical property sector, which at one point accounted for more than 25 percent of Chinese GDP. In addition to consuming much of China's expanded steel and concrete production, the property market absorbed most of the wealth of upper- and middle-class households seeking higher returns by placing their savings in investment properties. The property market was also critical for local government finances, which depended on acquiring land, rezoning it for commercial and property use, and selling it to developers to pay for required expenditures that local tax revenues and transfers from the central government would not support. The housing slump has had a major negative impact on consumer spending as previous real estate investments lost value, which aggravated local government debt problems. It has also created social problems as consumers witnessed property developers (who demanded large down payments before beginning construction on apartments) going bankrupt with limited prospects for either completing buildings or refunding their money. These property market woes produced a drag on overall Chinese economic growth during the early 2020s and resulted in a reallocation of capital and labor inputs into the manufacturing sector, producing even more goods that the domestic market cannot absorb, which are being dumped on increasingly resistant foreign markets. Chinese exports grew to 19.7 percent of GDP by 2023, with additional rapid export growth forecast for 2024 and 2025.<sup>115</sup>

On the other hand, “China is also the top global manufacturer, leading exports of many goods, investing heavily in high-tech sectors, and innovating rapidly, with DeepSeek being just the latest example.”<sup>116</sup> As of 2023, “China's manufacturing value-added reached \$4.66 trillion, 29 percent of the global total and more than the next four largest manufacturing economies combined (the United States, Japan, Germany, and India).”<sup>117</sup> China leads global exports in many high-tech goods, including electrical vehicles, lithium-ion batteries, and solar panels. In 2024, China's manufacturing value-added growth exceeded overall GDP growth, and high-tech manufacturing grew even faster.<sup>118</sup> China's current monopoly on rare-earth processing provides an important source of leverage in dealing with developed countries; Beijing has used export controls on rare earths to fight back against Western tariffs and export controls. Moreover, China's investments in building innovation capacity have paid some dividends: China ranks 11<sup>th</sup> in the 2024 Global Innovation Index, up from 29<sup>th</sup> in 2015 (the United States is 3<sup>rd</sup> in 2024 after ranking 5<sup>th</sup> in 2015), and 3<sup>rd</sup> in East Asia (behind Singapore and South Korea and just ahead of Japan)<sup>119</sup> (see [figure 3b.4](#) for global comparisons).

Long a net recipient of FDI, China became a net exporter of investment capital in 2015. The China Global Investment Tracker estimates that between 2005 and 2024, China's outbound FDI totaled approximately \$1.49 trillion, with \$253 billion of that in the past five

years.<sup>120</sup> Chinese overseas investment is focused on access to resources (especially oil and natural gas), factories and infrastructure projects that piggyback on Chinese trade, and efforts to acquire advanced technology that will support China's innovation and industrial upgrading from the United States, Europe, and Asia. Recent FDI has been concentrated in countries such as Indonesia, Brazil, the United States, the United Kingdom, and Hungary.<sup>121</sup> Chinese overseas construction activity—often backed by state bank financing—reached a total of \$1.01 trillion over the same period, with \$244 billion since 2019. These projects similarly focus on strategic investments in energy and transport infrastructure, particularly in Saudi Arabia, Australia, and Indonesia.<sup>122</sup>

China's state-managed investments generate influence with foreign elites by contributing to economic development in other countries. As discussed in chapter 3a, China continues to funnel outbound investment through the Belt and Road Initiative (BRI), but the volume of new investment has dropped significantly as China has applied stricter scrutiny on new projects due to a number of previous projects that have encountered difficulties, calling into question whether the borrowers will be able to repay their loans.<sup>123</sup> Some foreign analysts view problematic projects as a conscious Chinese strategy to generate influence by getting borrowing countries in over their heads, but retrenchment in Chinese BRI spending suggests this is not a primary motivation.<sup>124</sup> In addition to investment and construction, China held \$3.29 trillion in foreign exchange reserves as of May 2025.<sup>125</sup> Despite a recent drawdown, China remains the third-largest holder of U.S. Treasury securities, with \$757 billion in holdings—a position that reflects both deep financial interdependence with the United States and Beijing's cautious efforts to diversify assets amid the rising geopolitical tensions.<sup>126</sup>

As of 2025, China has an increasingly capable military with a wide range of instruments of power. While it has arguably passed the Russian military in many areas, it still does not fully match that of the United States. Over the early 2020s, China made substantial gains in the capability of its conventional force and the numbers of weapons platforms, but still lags U.S. forces in several areas: overall level of technology, capabilities of individual systems, and power projection capacity.<sup>127</sup> However, People's Liberation Army (PLA) modernization has made impressive progress over the last 20 years toward the goal of being able to “fight and win informationized wars,” including a major reorganization in late 2015 that greatly improved its ability to conduct joint operations.<sup>128</sup>

The PLA Army is the largest of the services, comprising about half of the PLA's two million soldiers (China also has a substantial reserve force, which is currently being reorganized). The post-reform army is organized in a standardized group army–brigade–battalion structure, with each of the 13 group armies equipped with 6 combined arms operational brigades and 6 specialized support brigades, including artillery, air defense, special operations, and army aviation. PLA Army combined arms brigades have operational (armored, mechanized infantry, or light infantry) and support battalions. The result is modular, relatively flexible units that can perform multiple functions and deploy by rail or air to fight away from their home garrison.<sup>129</sup> The PLA Army operates 4,700 main battle tanks, most of which are modern, front-line systems, along with 8,060 infantry fighting vehicles and 3,600 armored personnel carriers.<sup>130</sup> The army is also equipped with long-range artillery, rockets,

and combat drones capable of precision strikes at ranges of up to almost 500 kilometers.<sup>131</sup> The army also has six amphibious brigades that could be used in an invasion of Taiwan.

The PLA Navy has been upgrading and developing new major combat platforms (surface ships, submarines, and aircraft) that incorporate modern technology, including advanced anti-ship cruise missiles and advanced surface-to-air missiles. Its best surface platforms, such as the Type 055 cruiser, rival U.S. and Russian equivalents, and it is outbuilding the U.S. and Russian navies as it replaces older ships with much more capable modern replacements. The PLA Navy currently operates one rebuilt Ukrainian aircraft carrier, an indigenously built carrier of similar design, and is conducting sea trials on a third flat-deck carrier that can launch aircraft capable of offensive operations. The navy's aircraft carriers, advanced destroyers (42) and frigates (50), replenishment vessels, and amphibious assault ships give it an increasing ability to operate farther from China's coast, including into the Western Pacific and the Indian Ocean. This capability is necessary to protect China's overseas interests and is reflected in China's naval doctrine of "near seas defense and far seas protection."<sup>132</sup>

Over the last 25 years, purchases of advanced aircraft from Russia and improvements in the ability of China's aviation industry to produce modern aircraft have significantly enhanced the PLA Air Force's combat capabilities. Although not as capable as the most advanced U.S. and Russian aircraft, the Chinese air force now operates more than 1,300 modern fourth-generation fighters such as the J-10, J-11, and J-16, has deployed eight brigades of J-20 stealth fighters, and is developing a new long-range stealth bomber to augment its existing force of about 219 H-6 bombers.<sup>133</sup> The great majority of these aircraft have been indigenously produced by an increasingly capable Chinese aviation industry.<sup>134</sup> The air force also controls China's paratrooper corps and transport aircraft, which provide the PLA a degree of strategic mobility. Air force doctrine has shifted from territorial air defense to a new focus on conducting both offensive and defensive missions, including a growing emphasis on long-range strategic attack and bombing operations over water.<sup>135</sup> China has a robust UAS program that features low-altitude, low-endurance systems deployed across the PLA services, mid-altitude, long-endurance surveillance and strike drones, and several high-altitude, long-endurance UAS. Recent developments include operational deployment of the Xianglong jet-powered UAS and the unveiling of the supersonic WZ-8 UAS and a redesigned version of the GJ-11 stealth unmanned combat air vehicle.<sup>136</sup>

The PLA Rocket Force (PLARF), formerly known as the Second Artillery Corps, operates China's land-based conventional and nuclear missiles. The force operates an extensive array of conventional ballistic missiles and ground-launched cruise missiles, which are capable of precision strikes at ranges up to 4,000 kilometers. These include about 250 DF-26 intermediate-range ballistic missile launchers and the medium-range DF-17, which can carry a hypersonic glide vehicle to penetrate missile defenses. China may also be developing a conventionally armed ICBM.<sup>137</sup> The PLARF likely also controls other missile-based strategic capabilities, such as China's direct-ascent anti-satellite weapons and the anti-ship ballistic missile versions of the DF-21 and DF-26 missiles.

China is engaged in an unprecedented buildup of its nuclear force, from about two hundred deployed warheads in 2020 to six hundred warheads in 2024 and an estimated one thousand by 2030. This increase is mostly in the form of new ICBM silos, but China is also

strengthening its ballistic missile submarine force (which now regularly conducts operational patrols) and the nascent air leg of its nuclear triad. A portion of PLARF nuclear forces is now kept on alert status, and the force appears to be implementing a shift to a launch-on-warning doctrine.<sup>138</sup> This buildup constitutes a major shift in China's nuclear posture, which was previously based on a "lean and effective" nuclear force focused on deterring nuclear threats. China has not announced any change from its "no-first-use" nuclear policy or articulated an end-state to its nuclear buildup, which is changing the nuclear balance between the Great Powers.<sup>139</sup>

The PLA performs a range of tasks including domestic missions (such as maintaining political security and social stability), traditional military missions (such as nuclear deterrence and protecting China's sovereignty and security), new missions (such as protecting China's economic development and China's interests in space and cyberspace), and non-traditional security missions (such as emergency rescue, disaster relief, and international security cooperation). The PLA also supports China's foreign policy and broader strategic objectives by actively engaging in military diplomacy, with a focus in 2024 on Russia and Pakistan and in engaging countries on China's periphery in the Indo-Pacific region.<sup>140</sup> PLA diplomacy places special emphasis on senior-level visits, exercises with foreign militaries, and naval port calls. In 2024, the PLA conducted 28 bilateral and multilateral exercises with foreign militaries.<sup>141</sup>

China's military budget is now the second largest in the world, though its precise magnitude remains a subject of debate. As noted earlier in the chapter, the Chinese government officially reported defense budgets of \$232 billion for 2024 and \$245 billion for 2025.<sup>142</sup> However, external estimates suggest these figures significantly understate actual spending. The U.S. Department of Defense's 2024 *China Military Power Report* suggests that China may underreport its defense budget by 40 to 90 percent, implying actual expenditures that exceed \$330 billion.<sup>143</sup> SIPRI estimates China's 2024 military spending at \$314 billion,<sup>144</sup> while a study by three Massachusetts Institute of Technology experts estimates a total of \$474 billion.<sup>145</sup> The overall trend is clear: China's military spending surged at double-digit growth rates in the first two decades of the century and is now growing slightly faster than China's 5 percent annual growth rate. These expenditures have underpinned China's ambitious military modernization without imposing an unsustainable defense burden.<sup>146</sup>

China has become increasingly self-sufficient in defense production. By 2024, it had become the world's fourth-largest arms exporter (behind the United States, France, and Russia), accounting for 5.9 percent of global arms transfers between 2020 and 2024. The lion's share of these exports—around 77 percent—went to Asia, with an additional 14 percent going to Africa.<sup>147</sup> Pakistan purchased 63 percent of China's arms exports during this period; other major customers included Algeria, Bangladesh, Myanmar, and Nigeria. Recent exports have included fighter aircraft, ships, missiles, armored vehicles, and air defense systems.<sup>148</sup> Particularly noteworthy was China's 2021 sale of J-10 fighter jets to Pakistan—aircraft that were employed successfully during a recent clash with India.<sup>149</sup> China's arms sales remain limited compared to those of the United States and Russia, both in volume and strategic reach. China primarily sells to countries that cannot afford Western systems or are unable to purchase them due to human rights concerns. Chinese arms sales are driven

primarily by commercial motivations, but China donates a significant volume of arms to countries in sub-Saharan Africa to advance foreign policy objectives.<sup>150</sup>

China's principal military weakness relative to the United States and Russia is its limited power projection capability. China has invested in anti-access/area denial capabilities such as advanced diesel submarines, advanced surface-to-air missiles, anti-ship cruise missiles, and an innovative anti-ship ballistic missile designed to attack U.S. aircraft carriers. These capabilities raise the costs and risks for U.S. forces operating near China. The PLA's current limitations are partially offset by its geographic location and priority focus on the Indo-Pacific. The United States, Russia, and other potential military contestants face increasing challenges in projecting power and influence into the western Pacific and Asia where China is optimizing military capabilities for the coming decade.

However, the PLA's power projection capabilities fall off rapidly with distance, and China lacks allies or a network of overseas bases that could extend its range into other regions.<sup>151</sup> Nevertheless, the PLA is gradually expanding its global reach with investments in aircraft carriers, amphibious assault ships, strategic transports, and long-range, refuellable bombers. It is also likely considering establishing additional overseas military logistics facilities in Southeast Asia, South Asia, Africa, and the Middle East, although its political relationships are unlikely to win permission to conduct combat operations from these facilities.<sup>152</sup> China has invested in a range of anti-satellite capabilities that could degrade, interfere with, or directly attack U.S. satellites and has extensive cyber capabilities to collect intelligence and attack U.S. military computer networks. The PLA is developing a range of hypersonic weapons (and has deployed the DF-17 medium-range ballistic missile with a hypersonic glide vehicle) and investing heavily in military applications of AI.<sup>153</sup>

Despite impressive improvements in hardware, doubts remain about the PLA's ability to bring all its capabilities to bear in a conflict against a capable modern military, especially given its lack of combat experience and concerns about the ability of PLA commanders to execute complex joint operations.<sup>154</sup>

Beyond its military advances, China has sought to expand its influence within the international system, both through established multilateral institutions and by creating alternative frameworks.<sup>155</sup> China is a full member of 15 major IGOs and an observer in two dozen others.<sup>156</sup> China is now the second-largest financial contributor to both the UN's regular budget and its peacekeeping operations. As of June 2025, China ranks eighth globally in UN peacekeeping troop contributions, deploying nearly 1,800 personnel—more than all other permanent UN Security Council members combined.<sup>157</sup> China's leadership presence in international organizations has also grown. Chinese nationals currently occupy numerous senior roles across the UN system, including five positions within the UN Secretariat, two in major UN funds and programs (the UN Development Program and UN Environment Program), and nine across UN specialized agencies like the World Health Organization, World Intellectual Property Organization, and International Maritime Organization.<sup>158</sup> This leadership presence is down somewhat from 2022, when Chinese nationals held four top UN agency leadership posts.<sup>159</sup> China has leveraged these leadership roles to advance its strategic objectives. For example, former INTERPOL president Meng Hongwei, prior to his arrest and expulsion from the CCP, reportedly abused the INTERPOL system to target Chinese dissidents abroad.<sup>160</sup> China has used its seat on the UN Human Rights

Council to deflect international criticism of its rights record.<sup>161</sup> Beijing has also integrated its flagship BRI program into UN development discourse, portraying it as complementary to the UN Sustainable Development Goals.<sup>162</sup>

A second line of Chinese effort involves creating alternative organizations that compete with existing international arrangements. The BRI and Asian Infrastructure Investment Bank stand out as state-led infrastructure development programs that provide alternatives to multilateral UN development organizations such as the World Bank, the International Monetary Fund, and the Asian Development Bank. The recently expanded Brazil, Russia, India, China, South Africa (BRICS) grouping—which now includes Egypt, Ethiopia, Iran, the United Arab Emirates, and Indonesia—also challenges Western dominance and could potentially dilute the U.S. dollar’s global supremacy by promoting alternative currencies for trade settlement. However, the group’s heterogeneity and competing interests will likely temper its capacity for coordinated anti-Western action.<sup>163</sup> Finally, China’s global diplomatic footprint now surpasses that of the United States. It boasts more embassies and consulates worldwide, particularly across Africa, East Asia, and the Pacific Islands.<sup>164</sup>

#### TEXTBOX 2 APPROXIMATELY HERE

China has extensive propaganda and communications tools to get its message out to international audiences, but the content of that message limits its effectiveness. Beijing’s ability to craft and disseminate its preferred ideology in a resonant and positive message has been improving but still exhibits significant liabilities and shortcomings. China’s ideological framework of a “community of common destiny” glosses over conflicts of interest between nations, and its emphasis on state sovereignty at the expense of human rights and freedoms is inherently limited in appeal. These values resonate with autocratic elites but have limited appeal among ordinary citizens.

The CCP has long viewed information control as essential to regime security and international ambitions. Domestically, it enforces strict censorship through expansive surveillance, the digital “Great Firewall,” and control over media. Internationally, Beijing uses foreign media partnerships, co-optation of local outlets, and manipulation of social media algorithms to steer global narratives in its favor. Beijing’s global messaging aims to portray China as a responsible power, deflect criticism on issues like human rights, COVID-19, and Hong Kong, and promote its governance model as efficient and benevolent.

Once confined to the distribution of state-produced media such as Xinhua, CGTN, and *China Daily*, China now works to integrate its messaging into foreign media through content-sharing deals, paid placements, and op-eds. It also uses social media accounts with synthetic followings to spread its narrative and fosters self-censorship through pressure and intimidation. A 2022 Freedom House study found that in over half of 30 surveyed democracies, Chinese media influence had measurably grown between 2019 and 2022—often through local intermediaries, online proxies, and influencers, rather than direct state media.<sup>165</sup>

Chinese officials have developed formal content-sharing agreements with more than 130 media outlets across countries such as Nigeria, Laos, Belarus, Thailand, and Australia. These arrangements allow China-aligned messaging to appear in local newspapers, radio, and television outlets—often without clear disclosure of its origins.<sup>166</sup> A 2023 report revealed that China Radio International had quietly partnered with local radio stations in

countries like the Czech Republic, Serbia, Hungary, and Finland to broadcast China-favorable content without transparent disclosure to the audience.<sup>167</sup> Meanwhile, although Chinese citizens are blocked from accessing platforms like X, YouTube, and Facebook, Chinese state media and diplomatic accounts operate freely abroad, amassing large followings often boosted by bots and fake accounts. China also works to limit critical reporting by using coercion, lawsuits, and intimidation tactics against journalists. In Sweden, for example, Chinese diplomats threatened journalists covering topics critical of the PRC.<sup>168</sup> The *Arab Times* removed an interview with Taiwan's foreign minister after pressure from Beijing.<sup>169</sup> Within China, family members of foreign reporters and Chinese nationals working with Western outlets have been intimidated, creating a chilling effect on future reporting.

These propaganda efforts have yielded mixed results. While limited in scope, global polling data offers some insight into the impact of China's media outreach. The Pew Research Center's 2024 global survey of views on China polled respondents in 35 countries. Across these countries, a median of 35 percent expressed a favorable opinion of China, while 52 percent held unfavorable views. Negative perceptions dominate among the 18 high-income countries surveyed. In contrast, middle-income countries tend to view China more positively. Although the sample size is limited, findings suggest that in the Global South—where China has invested heavily in economic and political partnerships—views of China are generally more favorable and have improved since 2019. Compared to data from the 2019 Pew survey, China's image has declined in Western Europe, parts of Asia, and the Middle East, but has improved notably in Africa and South America.<sup>170</sup>

Although China increasingly delivers propaganda in local languages, the Chinese language limits China's broader influence. Very few people speak Chinese fluently as a second language around the world, while English is spoken fluently by almost 1.8 billion people, including hundreds of millions across the Indo-Pacific. The language barrier and the heavy role of state censorship have limited China's ability to use music, film, and entertainment as global soft power tools. These also are impediments to China's ability to use education as a source of cultural influence. The number of foreign students studying in China declined from 492,000 foreign students in 2019 (third most in the world) to about 256,000 in 2024, largely due to the impact of COVID-19. About 60 percent of those students were from Asia, 17 percent from Africa, and 15 percent from Europe.<sup>171</sup> The quality of Chinese higher education institutions varies widely, and Xi Jinping's efforts to tighten the CCP's ideological grip over college lesson plans are likely to leave a negative impression on foreign visitors.<sup>172</sup>

***Key Chinese Power Tools and Their Strategic Utility.*** China's contemporary overall power rests largely on its status as a global economic giant with growing resources and a steadily improving technology base. Beijing's economic influence exceeds that of the United States in some places and in some important categories; this edge may continue to expand over the coming five to seven years. China's capital reserves, level of industrialization, overseas investment, and attention to high-technology innovation underpin Beijing's ongoing efforts to both assume leadership in current international economic and political institutions and to develop new institutions more conducive to Beijing's interests. Yet its projected economic power advantages may not be sustainable unless China can address weaknesses that may constrain growth, including a fast-aging population, an educational and intellectual culture that makes it difficult to attract foreign talent, and an undersized presence in

financial markets, which limits the revenue potential and influence of Chinese financial services. Much depends on the success of China's efforts to build an economy capable of indigenous innovation in emerging high-tech sectors despite Western technology controls.

China's military capabilities have grown over the last decade to the point where it can compete with the U.S. military in East Asia and the Western Pacific. Its forces can deny U.S. naval and air forces uncontested access to areas near the Chinese coast, and it can hold major U.S. air and naval weapons platforms at risk. The PLA has coupled its impressive conventional capabilities with a major nuclear buildup that may give the United States pause in deciding whether to intervene in a Taiwan contingency. However, China will be pressed to project significant conventional combat power outside the second island chain over the next five to ten years. Beijing is spending far more on military forces than Russia and more than any other country than the United States. If its slowing economy can support technology innovation and continued growth in military spending, China may have the capacity to equal or surpass U.S. military forces at some point during the next two decades but not in the coming one. China's emergence as a full superpower is uncertain, and the timing is impossible to predict.

China's diplomatic power tools are important but not yet impressive. Beijing has filled leadership vacuums left by the U.S. and European withdrawal from international organizations in the late 2010s and has attempted to use opportunities to advance Chinese national interests and/or change the institutional rules to suit Beijing's preferences. These efforts have been less successful over the last five years in the face of U.S. efforts to organize its allies and partners to resist Chinese influence. However, the future trajectory of U.S.-China diplomatic competition is uncertain.

China displays clear weaknesses in its ideological, cultural, and communications power dynamics. Beijing has no real multilateral political or military alliances, only one true long-term strategic relationship, transactional interactions with economic and investment partners often wary of Chinese interests and financial terms, and poor ratings in international surveys. China's national narrative focuses on state control and social order over individual liberties in a manner that has resonated poorly outside of authoritarian circles despite Beijing's intense global messaging campaign. China continues to demonstrate limited language, cultural, or academic appeal. China's efforts to obfuscate the origins of COVID-19 helped mitigate the damage to China's international reputation in the developing world, but criticism that its repressive internal politics hid the problem from the rest of the world for far too long resonates in democratic societies.

China's power tools remain skewed toward the economic, but its conventional military power is exerting greater shaping force within the Indo-Pacific, and China has long-term potential to develop more global military tools in the future. China's trade and investment prowess make it a major force in the economic competitive space, and its long-term plan to leverage this economic advantage to develop greater military, political, informational, and ideological capability is evident. China's contemporary power factors do not present a current, urgent military threat outside the Indo-Pacific, but in the long term, China's growth and global aspirations make it the most important potential Great Power challenger to the current U.S. global position and to long-standing American/Western values, norms and institutions.

### Russia's Competitive Posture and Tool Sets

**General Russian Power Factors and Approaches.** Western strategists have a persistent history of underestimating Russian resilience and power projection capabilities. Russia remains a leading global power despite deep structural weaknesses in its economy, population dynamics, and intellectual climate that, in many cases are getting worse over time. The February 2022 invasion of Ukraine and ensuing confrontation with the West have affected Russia's long-term power trajectory in contradictory ways. Cut off from Western technology and financing, Moscow has turned increasingly to China as an alternative partner and facilitator of development. The combination of Chinese technology and an intense focus on import substitution has allowed Russia to weather the economic storm better than many analysts anticipated. At the same time, Moscow has had to eat more of its seed corn in the form of running down stocks of equipment and financing put aside in better times. It is also becoming increasingly dependent on China in ways that may prove uncomfortable to members of the political and security elite.

Unlike the American and Chinese economies, Russia's remains highly dependent on the extraction and sale of natural resources—above all crude oil, oil products, and natural gas. Taxes on the sale of these products are central to the country's overall GDP as well as to the Russian state budget. The overall size of Russia's economy is also much smaller than that of the United States or China. In 2025, Russia's aggregate GDP amounted to around \$2.08 trillion (at current prices), compared with \$30.51 trillion for the United States and \$19.23 trillion for China. Military spending was set to consume more than 7 percent of GDP, a significantly higher percentage than in any NATO member, and close to one-third of the state's total budget expenditures.<sup>173</sup> While much of that expenditure is going toward military operations in Ukraine, a significant amount is being spent on building up the defense industrial base, replenishing losses, and otherwise laying the foundation for an era of long-term confrontation with the West.

On the one hand, increased military spending has been a crucial driver of Russia's economic resilience, compensating for the loss of foreign investment since February 2022. It has been particularly beneficial in some of the poorer, less developed regions of Russia, especially parts of the old Soviet "rust belt" that fell into decline with the collapse of communism. The influx of state funds into defense production has been a boon for previously "left behind" areas of the country such as the Urals, long a center for metallurgy and weapons production.<sup>174</sup> On the other hand, this "military Keynesianism" is also transforming the Russian state and economy in ways that could augur long-term difficulties.<sup>175</sup> Dramatically boosting government spending on defense has driven up costs across the board, contributing to annual inflation above 8 percent—despite the Central Bank's maintaining interest rates around 20 percent.<sup>176</sup> Official inflation numbers understate the true extent of the problem because they exclude prices on food and other highly volatile items. High interest rates have, meanwhile, choked off investment in sectors outside defense (where firms can often borrow at subsidized rates), contributing to slow growth. Following a significant boost in the early stages of the war in Ukraine, the International Monetary Fund predicted Russia's annual growth would only be around 1.5 percent in 2025, well below the global average.<sup>177</sup> Low oil prices and international sanctions also act as a brake on growth. Russia thus faces

the increasingly likely prospect of stagflation—the combination of stagnant growth and high inflation that Western economies endured in the mid to late 1970s.<sup>178</sup>

Given the modest size of Russia's economy, moreover, the sustainability of its mid-decade spending levels is very much in question. By late 2024, Moscow had already run down much of its foreign reserves to finance the war in Ukraine and related efforts to bolster economic growth. The value of liquid assets in the National Welfare Fund, set up with windfall profits from oil sales in the 2000s and 2010s, fell from a peak value of \$113.5 billion at the start of the full-scale war in Ukraine to \$36.4 billion in early 2025. Analysts at a research center affiliated with the Russian presidential administration estimate that at current oil prices and spending levels, the National Welfare Fund could be wholly depleted by 2026.<sup>179</sup> Foreign investment has not been able to take up the slack, either. Russia remains blocked from international capital markets due to sanctions, while China too remains wary of investing in Russia because of potential exposure to secondary sanctions, a perception of high political risk, and an absence of economically viable opportunities.<sup>180</sup> Even optimistic scenarios suggest declining growth and investment during the 2025–2030 period.

Despite these economic challenges and the difficulties created by its increasingly centralized political model, Russia remains what political scientist Kathryn Stoner calls a “good enough power,” capable of channeling its limited resources into political outcomes in ways that other states at similar income levels cannot.<sup>181</sup> The full-scale invasion of Ukraine stands out as a strategic mistake, enabled by the increasingly personalistic political model created by Vladimir Putin. Until 2022, however, Russia had been quite successful at pursuing its aims, including maintaining predominant influence in its Eurasian neighborhood, forcing the West to give it a seat at the table on major issues of peace and security, and propping up pliable regimes across much of the Middle East and Global South.<sup>182</sup> Even with its army tied down in Ukraine, Russia was able to hold onto key levers of regional and global influence—despite suffering setbacks in places like the South Caucasus, Syria, and elsewhere. With the United States in a period of questioning its global commitments, Russia could still find itself playing a pivotal global role in 2030, assuming it maintains political stability and does not ultimately suffer a catastrophic defeat in Ukraine.

Russia's toolkit includes both hard and soft power, though its most effective capabilities often fall into the category of “sharp” power—using non-military instruments in a coercive manner.<sup>183</sup> Alongside the United States, Russia at mid-decade maintains the world's largest nuclear arsenal. Under the terms of the New START agreement (set to expire in 2026), Russia is permitted to maintain 1,550 deployed strategic nuclear weapons; it also possesses large numbers of undeployed weapons as well as the world's largest arsenal of non-strategic or tactical nuclear weapons. While Russia maintains a complete nuclear triad, the bulk of its strategic nuclear weapons are designed to be launched on ICBMs. Over the past decade, Russia's defense industry has been at work producing new weapons systems, such as hypersonic glide vehicles, designed to overcome U.S./NATO missile defenses. This arsenal allows Moscow to compensate for the comparative weakness of its conventional forces vis-à-vis NATO in Europe. Though Russia is generally quiet about the potential military threat from China, its nuclear weapons provide a hedge against Beijing as well. Russia reacted rather calmly to the U.S. withdrawal from the Intermediate-range Nuclear Forces (INF) Treaty in

2018 in part because its strategists envisioned a potential need to deploy INF-range missiles in Asia, where the military has long trained for the contingency of war with China.<sup>184</sup>

Apart from its nuclear forces, Russia retained a significant conventional military, albeit one decimated by more than three years of conflict in eastern Ukraine. Russia's military maintains a global power projection capability that surpasses most global actors save the United States (as the defeat of its client in Syria shows, however, this capacity has also been weakened by the costs of the war in Ukraine). Reforms dating to the mid-2000s designed to make the Russian military smaller, more professional, and more joint have had mixed results; by 2022, when the full-scale invasion of Ukraine began, the Russian military was neither wholly modern nor wholly Soviet. The full-scale war in Ukraine reinforced many of the Soviet-era tendencies that the earlier reforms were designed to root out, including a reliance on quantity over quality, a culture of brutality toward recruits, and an emphasis on fires over maneuver. Yet the Russian military has largely been able to fight in Ukraine while suffering enormous losses (approaching one million troops killed and wounded by early 2025) without having to throw large numbers of conscripts into the front lines as it did in previous wars.<sup>185</sup> It has done so by dramatically raising salaries for soldiers who enlist, but also through conscripting convicts, migrant workers, and others from the margins of society. It has also learned important tactical and operational lessons, improving its battlefield performance over time.<sup>186</sup>

Despite the losses it has suffered in Ukraine, the Russian military looks to reconstitute its combat capabilities in the coming years while integrating lessons from Ukraine. It remains a credible conventional threat to NATO thanks to a large arsenal of long-range strike weapons, uncrewed aerial vehicles, advanced air defense, and other capabilities. According to Defense Minister Andrey Belousov, defense spending accounted for almost one-third of Russia's total budgetary outlays in 2024.<sup>187</sup> While this level of spending is unsustainable even over the short to medium term, it has both provided a boost to the overall economy and created a foundation for post-conflict rearmament. Placed on a wartime footing, the defense industry has been able to increase production of key weapons systems, even as the war has stifled its ability to innovate. A recent report from the Royal Institute for International Affairs in London suggests that “[r]eplacing equipment at sufficient volume and pace will be challenging, and Russia will struggle to conduct combined-arms operations beyond the company level effectively.”<sup>188</sup> Nevertheless, Russian forces continued advancing in Ukraine during early 2025, however slowly, while the increase in defense production is allowing Russia to build up stockpiles that could be used to coerce NATO allies after the fighting in Ukraine winds down.

The construction of the Russian military reflects an adage attributed to Soviet leader Joseph Stalin that “quantity has a quality all its own.” Despite the presence of some exquisite, high-end capabilities, the Russian military—like its Soviet and imperial predecessors—is organized for the overwhelming application of mass against enemy forces. Kyiv's intelligence agencies believe that Russia maintained around 600,000 troops in Ukraine during 2024 and early 2025, accounting for the bulk of Russia's active-duty forces.<sup>189</sup> Due to the intensity of combat and scale of Russian losses, most of these troops are poorly trained, limiting Moscow's ability to conduct operational-level maneuvers.<sup>190</sup> They are supplemented by reserve forces as well as members of quasi-private military corporations (with the demise

of the Wagner Group in 2023, remaining quasi-private military corporations forces are closely integrated with the Ministry of Defense, even if they are paid for by external actors like Gazprom).<sup>191</sup>

The military is organized into five military districts: Leningrad, Moscow, Central, Southern, and Eastern.<sup>192</sup> Each is designed to concentrate command and control functions across a defined geographic space. In mid-2024, Putin signed an order to increase the size of the active-duty military to 1.5 million troops, with another 800,000-plus in reserve. The largest contingent serves in the Ground Forces (**Сухопутные войска**), which are doing the bulk of the fighting in Ukraine. Other branches of the Russian military include the Navy (**Военно-морской флот**), Aerospace Forces (**Военно-космические силы**), Strategic Rocket Forces (**Ракетные войска стратегического назначения**), Airborne Forces (**Военно-воздушные силы**), and Special Operations Forces (**Силы специальных операций**), colloquially referred to as *spetsnaz* (from the Russian term for “special designation,” *специального назначения*). Despite the scale of losses in Ukraine, the U.S. military estimates that Russia is still recruiting around 30,000 troops every month.<sup>193</sup>

Russian Ground Forces have borne the brunt of the fighting in Ukraine. Owing to a lack of prewar preparation, the structure of these forces remains haphazard. According to military analyst Rob Lee:

*Russia now has a disparate force. This includes the 1<sup>st</sup> and 2<sup>nd</sup> Army Corps—previously part of the Russian proxy Luhansk and Donetsk People’s Republics—which have now been formally incorporated into the Russian Ground Forces. There are also BARS reserve units, volunteer battalions, Storm Z and V units made up of convicts, and varied paramilitary units, some of which operate under the aegis of the GRU, Russia’s military intelligence agency.<sup>194</sup>*

Intense fighting in Ukraine has resulted in significant losses not just of men but also of materiel, including tanks and armored fighting vehicles. While the defense industry has been able to ramp up production to compensate for these losses to some degree, much of this production entails little more than retrofitting existing Soviet-era platforms.

The Russian Navy has suffered significant losses in the Black Sea over the course of the war as well, including the loss of multiple amphibious assault vessels in the first weeks of the war and the sinking of the Black Sea Fleet flagship *Moskva* by Ukrainian anti-ship missiles. The remainder of the Black Sea Fleet has been largely removed from its prewar base in the Crimean Peninsula and relocated to the eastern Black Sea port of Novorossiysk. Despite this defeat in the naval theater of its war with Ukraine and the effective loss of its Mediterranean foothold with the collapse of the Bashar al-Assad regime in Syria, the Russian Navy continues efforts at global power projection, including through strategic exercises with partners like China and Iran. The Navy is also acquiring new platforms, including in the past two years a new *Borei*-class ballistic-missile submarine, a *Yasen*-class cruise-missile submarine, and a *Gorshkov*-class guided-missile frigate. Apart from the Black Sea Fleet, Russia also maintains a Northern Fleet (focused on combat with NATO), a Pacific Fleet, a Baltic Fleet, and a Caspian Flotilla. As of 2025, the Russian Navy included 79 submarines and 222 surface ships of various classes. Russia’s ballistic missile submarines (8 out of 14

total) and cruise missile submarines (6 of 13), as well as its heavy cruisers (3 of 3), are all concentrated in the Northern Fleet, suggesting the focus on combat with NATO in Russian naval planning; the remaining ballistic and cruise missile submarines are all in the Pacific Fleet.<sup>195</sup> These forces conduct a steady drumbeat of naval operations around the world in connection with Moscow's emphasis on being perceived as a Great Power.<sup>196</sup>

Like the Navy, the Aerospace Forces have suffered significant losses in Ukraine without achieving much in the way of strategic effect. As of early 2025, the Aerospace Forces had lost at least 31 Su-34 ground attack aircraft in Ukraine—around a quarter of Russia's entire stockpile.<sup>197</sup> In May 2025, Ukraine's Operation Spiderweb used remotely piloted drones to destroy or damage dozens of Russian long-range bombers (Tu-22s and Tu-95s) and A-50 airborne warning and control aircraft.<sup>198</sup> Unlike many of the losses incurred by the Ground Forces, Russia's defense industry is incapable of replenishing these strategic aircraft because Soviet-era production lines no longer exist. Even before the loss of these aircraft, Russia was increasingly relying on attack drones, especially the Iranian-designed *Geran* (*Shahed* in Iranian nomenclature) to carry out aerial assaults, in part out of wariness of the risks posed to its manned aircraft by Ukraine's Western-enabled air defenses.<sup>199</sup> Despite these setbacks, the Aerospace Forces continue to focus on "a defensive air power strategy that prioritizes defending against . . . decapitation strikes, developing standoff weapons, and increasing the presence of uncrewed aerial vehicles (UAVs)."<sup>200</sup>

The Aerospace Forces operate a total of around 3,700 aircraft, including fighters (around 1,000), bombers (between 100 and 120), close-air support (slightly fewer than 200), transport aircraft (between 400 and 500), and helicopters (around 1,500). Though many platforms are Soviet-era designs, the Aerospace Forces are in the process of developing and ordering newer craft, such as the Su-57 fifth-generation fighter, designed to compete with the U.S. F-22. Production bottlenecks, however, mean that the Aerospace Forces have struggled to produce these modern airframes in significant quantities (Russia has around 25 Su-57s, compared with 185 F-22s in the U.S. inventory).<sup>201</sup> High-end aircraft and jet engines are one niche where Russia maintains a lead over China. Indeed, the Chinese military has been a primary customer for both fighter planes and engines produced by the Russian defense industrial complex. Despite these deficiencies and limitations, the Russian Aerospace Forces—like their naval force counterparts—continue to project Russian power and presence around the globe, sustaining Russia's Great Power claims.<sup>202</sup>

Across the armed forces, the emphasis on quantity over quality represents something of a retreat from efforts to modernize and "Westernize" the military after its poor performance in wars in Chechnya and Georgia. Post-2008 reforms based on lessons learned from these conflicts, as well as U.S. wars in Iraq and Afghanistan, emphasized the use of precision-guided weaponry in what the Russian military theorist General Vladimir Slipchenko characterized as "contactless" warfare—emphasizing airpower, precision munitions, cyber operations, and other tools designed to avoid bloody, World War II–style combat between mass armies.<sup>203</sup> When Russian forces rolled into Ukraine in early 2022, however, the limitations of this approach became clear, at least for the kind of large-scale fight against a determined adversary Russia found itself waging. Since 2022, then, Russia has increasingly reverted to the Soviet model of prioritizing quantity over quality, for instance fully reversing the post-2008 emphasis on establishing smaller, higher-readiness battalion tactical groups

and moving back to the traditional Soviet preference for large-scale regiments and divisions based on mobilization.<sup>204</sup> Throughout 2024 and early 2025, Russia continued to prosecute its war in Ukraine largely through frontal assaults on Ukrainian positions (grimly referred to by soldiers on both sides as “meat assaults”) coupled with drone and missile attacks on civilian infrastructure.<sup>205</sup> It also moved away from the emphasis on “jointness” promoted during the era of reforms and back to “a more stovepiped service-centric command and control model” that prioritizes the ground forces over other branches of the military.<sup>206</sup>

The scaled-up defense industry is, at mid-decade, producing vast quantities of artillery ammunition, drones, armored vehicles, and other capabilities in high use across Ukraine, but continues to struggle with producing advanced platforms, which mostly exist in small numbers. Production of 152-millimeter shells, the mainstay of Russian artillery, increased from 400,000 per year in 2022 to more than 250,000 rounds per *month* (around 3 million per year) in 2024.<sup>207</sup> This total exceeds the combined annual production of artillery shells by all NATO members. Russia is also producing somewhere around 1,500 tanks and 3,000 armored vehicles per year, well above the annual production capacity of the United States.<sup>208</sup> Most Russian tanks, however, are refurbished Soviet models such as T-72s, rather than the modern T-90. Many Western analysts regard this level of production as unsustainable given Russia’s declining stock of capital, shortages of workers, wage inflation, and other pressures. A 2025 analysis from the Institute for the Study of War suggests that Russia “will likely face a number of materiel, manpower, and economic issues” around late 2026 if current rates of losses at the front and economic mobilization continue.<sup>209</sup> At the same time, officials in NATO member states worry that Russia will maintain high levels of defense production even after the end of active fighting in Ukraine to lay the groundwork for a new offensive. Maps published by the *New York Times* in May 2025 show that Russia is constructing bases and infrastructure for military mobility along the border with Finland.<sup>210</sup>

Russian forces are designed and trained primarily to project power over its Eurasian neighbors. Elsewhere, Russia projects influence less directly, relying on tools such as the leveraging of economic ties, support for pro-Russian political actors, information operations, and various forms of sabotage and kinetic disruption. Europe has been on the front lines of many such operations. While dependence on Russian energy has declined since the start of the war in Ukraine, Russia calibrates deliveries of oil, gas, and other natural resources as well as investment in critical infrastructure for political ends. With Europe dramatically reducing its purchases of Russian oil and gas, Moscow has turned to other customers. China and India have emerged as critical markets for Russian oil, in the process reinforcing political ties with both Beijing and New Delhi.

Moscow also has a long history of direct and indirect support for pro-Russian political figures and parties in multiple states. In parts of the Global South, Russia has directly propped up authoritarian regimes with advisers and security personnel from its web of quasi-private military corporations. Elsewhere, Russia leverages ties with criminal groups, biker gangs, religious organizations, and other actors as sources of influence. Russia has also, more generally, been at the forefront of global efforts to disseminate mis- and disinformation for strategic ends. Echoing Soviet-era practices, many of these activities are organized and run by the different branches of the Russian security services.

In part because of its dependence on natural resources, Russia has proven comparatively resilient in the face of international sanctions. While China and India have continued buying Russian oil in sufficient volumes below the price cap imposed by the G7 to sustain revenues, numerous other states have assisted Moscow's efforts to evade sanctions and export controls. These states include Russian partners in the Eurasian Economic Union, as well as key middle powers like Turkey, Saudi Arabia, the United Arab Emirates, India, and others. Global willingness to look the other way at sanctions evasion is a symptom of an emerging multi-aligned world that reflects Russia's preference for unprincipled, interest-based cooperation. Moscow is also working with Beijing and others (notably Tehran and Pyongyang) to develop new tools for bypassing the dollar-denominated financial architecture that allows the United States to implement extraterritorial sanctions. Russia and China increasingly route payments through their own payment systems (Russia's *Mir* and China's CIPS) while settling an increasing percentage of their bilateral trade in renminbi rather than dollars. Sino-Russian trade increased from about \$147 billion in 2021 on the eve of the Ukraine War to \$245 billion in 2024.<sup>211</sup> Around three-quarters of this trade is denominated in renminbi.<sup>212</sup> Russia is further aligning with China on questions related to 5G communications standards and Internet governance.

Russia has also been effective in mobilizing and deploying its soft power, even if Russian soft power operates according to a different logic than its Western analogue. While the Soviet Union claimed to embody a cohesive ideology that it sought to promote globally, the Russian Federation is more diffuse in its approach. Since returning to presidential power in 2012, Putin has emphasized a strongly anti-Western message, centered on Russia's distinct civilizational identity and commitment to "traditional" values associated with the Russian Orthodox Church.<sup>213</sup> In practice, this message can contain a range of mutually contradictory strands, which the Kremlin deploys strategically through state-controlled media outlets like RT and *Sputnik*, in online forums, and through financial and logistical support for sympathetic politicians and movements. Much of the information produced and channeled through these outlets is false or at least presented in a misleading way designed to evoke a particular response. The main thrust of Russian information operations is to promote distrust of authorities and institutions—suggesting not that Russia itself offers a better model, but that Russian-style venality and self-dealing is the norm. This messaging strategy underpins the Kremlin's long-standing claim that democracy is not morally superior to other forms of government and that democratic elites in the West are deceiving their populations into supporting anti-Russian policies. In that sense, Russian information operations intersect with and support the broader backlash against expertise and elites roiling much of the Western world.

***Key Russian Power Tools and Their Strategic Utility.*** The war in Ukraine is a transformational event for Russia. It has accelerated and deepened Russia's anti-Western turn while solidifying Russia's alignment with China (and fellow authoritarian revisionist powers Iran and North Korea). On the one hand, the war has catalyzed something of an economic resurgence stoked by large increases in defense production. That increased production is helping revive Russia's industrial base and keeping the economy afloat despite unprecedented Western sanctions. Yet the war is also imposing enormous costs on Russia that could accelerate its mid- to long-term decline. Not only has Russia suffered around 1 million casualties

already (compared to an estimated 75,000–80,000 during the Soviet Union's decade-long war in Afghanistan), the war with Ukraine and associated sanctions have accelerated the out-migration of many of the country's best and brightest. The wartime economic boom is likely unsustainable, with the risks of stagflation looming.

Despite these challenges, it would be a mistake to underestimate Russia's capacity to project power and sow disruption. Unlike the United States and China, Russia's claim to Great Power status does not rest on its economic prowess. Even with an economy ranked just 11<sup>th</sup> by nominal GDP (smaller than Brazil, Italy, and Canada, among others) and highly skewed toward natural resource extraction, Russia remains a global heavyweight. Alongside the United States, it is perhaps the only country with the capacity to project military power globally. It has also—until the ill-fated 2022 invasion of Ukraine—shown a remarkable capacity for generating its desired political outcomes with or without the application of military force. It has benefited from a risk-acceptant strategic culture and a leadership that has channeled substantial resources into rebuilding military, informational, and other tools of power that withered after the collapse of the Soviet Union. It has also benefited from the preoccupation of the other great powers with ancillary challenges. The United States' extended focus on the Middle East, and then on the Indo-Pacific, has often led Washington to downplay, outsource, or ignore Russia's re-emergence as a Great Power strategic threat. China, meanwhile, has been able to build a close, if increasingly unequal, partnership with Russia by resolving territorial disputes, pursuing arms limitation agreements along the Sino-Russian border, and helping the Kremlin prop up its authoritarian political system.

In 2025, Russia has a consolidated authoritarian system dominated by the security services, a highly militarized economy capable of scaling up defense production in a way that the United States and its allies will struggle to match, and an ersatz ideological approach to politics that has nonetheless found adherents around the world. It also benefits from a generally well-educated workforce (despite an ongoing brain drain) and neighbors (apart from Ukraine) that are either weak, non-aggressive, or—in the case of China—strategically aligned. Russia's large nuclear arsenal provides an insurance policy against attack, particularly following revisions to its nuclear doctrine in 2024 expanding the circumstances under which Moscow will consider nuclear use, including against non-nuclear states.<sup>214</sup> Its conventional military power and ramped-up defense production make it a formidable foe not just for its neighbors, but for any NATO ally not backed up by the United States. It also has substantial unconventional capabilities that Moscow has been able to deploy far from its borders: quasi-private military corporations, local proxies, detachments from the security services, and others. Its energy resources will continue to find buyers as well, even if Moscow's efforts to use energy as a strategic tool vis-à-vis Europe largely fell flat.

Russia's weaknesses stem principally from its economic constraints, especially its reliance on volatile hydrocarbon prices to balance its budget and pay for its strategic assertion. The eventual shift away from hydrocarbons poses a serious challenge especially since—in contrast to states like Saudi Arabia and the United Arab Emirates—Russia has not made planning for a post-carbon future a priority. At the same time, Russia faces an acute demographic challenge thanks to low birth rates, high rates of premature death (exacerbated by wartime losses), and an increasingly hostile attitude to immigration, which had long served to compensate for other demographic weaknesses. The Russian political system is

also brittle. At the center, the increasing consolidation of power means that Putin's eventual departure poses a serious challenge; unlike China, Russia lacks a true ruling party that could ensure a managed succession. Putin's demise or departure could well be followed by a period of uncertainty like those accompanying the death of Joseph Stalin (1953) or the ouster of Nikita Khrushchev (1964).

Russia also faces problems of governance around its periphery. Putinist centralization has reduced the autonomy enjoyed by Russia's 24 ethnic republics, part of a deliberate strategy for ensuring Russia does not follow the Soviet Union in disintegrating along ethnic lines. The war in Ukraine has, on the one hand, seen these regions pay a disproportionate price in terms of the numbers of men called up and in overall casualty figures, and on the other, seen a disproportionate share of the benefits in terms of fiscal transfers to the families of troops and for defense production. Separatism is generally not a problem in these republics, most of which now have ethnic Russian majority populations. It could become more pronounced in the event of an unsettled succession, with local elites seeking to mobilize against the center to secure their own future. The North Caucasus, including Chechnya, remains the biggest question mark.

For the foreseeable future, Moscow will retain the capability to overawe and intimidate its post-Soviet neighbors, even as post-Soviet Eurasia is becoming increasingly multipolar.<sup>215</sup> Its wartime economic footing will also allow it to pose a threat to NATO, especially if the United States reduces its commitment to Europe's security. With this growing focus on Europe and Eurasia, Russia may be less capable of projecting power globally. The fall of the Assad regime in Syria, the successful Israeli and U.S. attacks against Iran's nuclear program, and even the emergence of new strategic actors in Eurasia suggest that Moscow cannot be everywhere at once. A serious economic crisis could impose further limits on Russia's ability to pursue its strategic aims; so too could Putin's unplanned departure from power and the ensuing uncertainties surrounding succession. Under any leader, however, Russia will retain its nuclear arsenal, significant conventional military power, and a range of disruptive tools. Its energy resources will also continue to find buyers until or unless the world moves beyond its dependence on hydrocarbons.

Over the coming years, Russia will likely continue its efforts to confront the United States and roll back U.S. influence, especially in Europe and Eurasia. That confrontation does not rule out the possibility of some kind of accommodation, particularly if Washington decides to pull back its presence in Russia's neighborhood or accept some kind of Russian sphere of influence. While such an arrangement would be inherently unstable (much like the 1945 Yalta agreement), it could usher in a transitional period of U.S.-Russia quiescence. Short of that, however, Russia and the United States are likely to remain fierce rivals in the coming years (as are Russia and Europe).

China will continue to be a partner for Russia in that endeavor, though the going is not likely to be smooth. Russia and China will maintain their economic relationship and continue signaling mechanisms (such as joint exercises) designed to show their strategic alignment. The Ukraine war, though, has deepened Russia's dependence on China as a purchaser of its natural resources and supplier of critical inputs for its defense industry. Though short of a formal alliance, Beijing has clearly taken Russia's side in Ukraine and in the larger competition with the West. But because the Sino-Russian relationship is not an alliance, and

because of the tensions created by Moscow's unbalanced dependency on Beijing, the possibility of major frictions cannot be ruled out. Russia will look for ways to ameliorate this dependence—for instance, by seeking out new partners in East Asia and the Global South. A potential conflict over Taiwan or in the South China Sea could, meanwhile, be a major test of the Sino-Russian partnership.

### **Contemplating Would-Be Great Power Potential: India, 2025–2030**

As described in chapter 3a, India is the one country at mid-decade with the most latent potential to become a Great Power. However, it is not yet one and is unlikely to become one before the mid-2030s, if even then.<sup>216</sup> While it is making noteworthy strides in building a global “brand” under the leadership of three-term Prime Minister Narendra Modi, India is nowhere near establishing the economic, military, or diplomatic presence and reputation around the globe necessary to autonomously secure its national interests or consistently influence international actors at the highest table of geopolitics. Despite its nuclear weapons arsenal (the sixth largest in the world), a growing diplomatic voice across an array of major international and regional organizations, and a global social/cultural reach fortified by its large international diaspora, India does not yet have the interests or possess the capabilities to attain major foreign policy outcomes beyond its own region and so is not perceived globally as an imminent Great Power.

India's economic promise still far exceeds its global status. In 2023, India surpassed China in terms of overall population and has the world's largest working-age cohort. Its impressive growth rate is forecast to move it from the fifth largest world economy to the third largest, behind only the United States and China, in a few years. However, China's economy remains about five times larger, and poverty is still widespread in India. Of India's 900 million working-age people, only around half are in the labor force, and more than one-third of females are illiterate.<sup>217</sup> Thus, India's economic profile is one of a relatively poor country today and likely to remain one through the 2030s due to its low average personal income. Burdened by an array of protectionist economic policies that frustrate domestic businesses and wary foreign investors, India will increasingly interact with global goods and labor markets, but its low per capita GDP and slow-to-unravel domestic barriers will limit New Delhi's economic reach and influence well into the future.<sup>218</sup>

Great Power status is historically linked to military power and the ability to widely project such power to generate geopolitical influence. India's military capabilities have grown in quantity and quality over the early 2020s but remain far from those required of a global Great Power. It is estimated to have about 170 nuclear warheads, placing it sixth in the world.<sup>219</sup> However, New Delhi has a doctrine of minimum credible deterrence and no first use. Thus—and despite some advancement in warhead technology in the early 2020s—it treats nuclear weapons as mainly a force for “existential deterrence” (we have them; therefore, they deter). India makes limited investments in its arsenal and does not undertake consistent testing of these weapons sufficient to have the confidence necessary for their use in coercive diplomacy around the South Asia region, much less against China.<sup>220</sup> India made incremental progress in the early 2020s with modernization of its strategic weapons forces, including fielding parts of a long-awaited nuclear weapons triad—land missiles, nu-

clear-capable aircraft, and submarine-launched weapons. It also has demonstrated better focus on acquiring the equipment and force structure necessary to confront China in the air and on the foreboding terrain of the Himalayan mountains and to track growing Chinese naval activities across the Indian Ocean region. However, India's overall military power remains constrained, its projection range limited, and its main international influence confined to the strategic partnerships it joins. It continues to feature an under-strength air force, an army force structure and doctrine locked into a last-century war-with-Pakistan scenario, and a navy that aspires to rise as a net security provider for the Indian Ocean region but does not yet have anywhere near the capacity it needs for the task against a surging Chinese naval presence.<sup>221</sup>

As mentioned earlier, India did elevate its global diplomatic profile in the early 2020s while leading the G20 and providing a voice for the Global South in international organizations. In addition to the G20, India is a major player in the BRICS grouping, a participant in the Shanghai Cooperation Organization, and a charter member of the Quad. India's membership in these and other prominent nongovernmental organizations demonstrates its ambitions to become a key player on the international stage.<sup>222</sup> But India is not yet a member of the UN Security Council permanent five despite long-standing U.S. and Russian support, and it does not have sufficient investment capital to sit at the highest table of major international financial and development organizations. Indian diplomatic shortcomings remain palpable. Its diplomatic corps is extremely undersized for a global presence, and Indian leaders consistently express disinterest and/or avoidance of diplomatic engagement in global disputes especially involving the Great Powers.<sup>223</sup>

Under Prime Minister Modi, India has evolved from a country most known internationally for the absence of any formal ideology or universal cultural narrative to one with a modest and novel approach to generating good will and some modest soft power influence. The approach has featured the promotion of yoga around the world.<sup>224</sup> To the extent that India aspires to be a teacher of the world, yoga is that subject matter. Prime Minister Modi's global emphasis on yoga indicates his ambition to put India on the path to become an alternative global normative power. His success with promoting yoga could generate an Indian cultural wedge creating a special narrative in the world. Modi's yoga push could be a tiny step toward India's emergence as a global power that defines important debates and transmits other ideals into the world.<sup>225</sup> If so, such a process is likely to take a long time to mature. The U.S. ideology of liberal democracy did not gain positive traction until after America's prominent role in two world wars and its leadership of a massive global reconstruction effort after World War II.<sup>226</sup> China has worked hard to popularize traditional Chinese medicine and conducted "panda diplomacy" during its strategic rise only to find that these may mainstream China globally but cannot overcome negative global perceptions of Beijing's more abrasive other ideological norms.<sup>227</sup>

After carefully considering these contemporary power factors, one can see that India has grown in prominence as key player on the international stage during the early 2020s. Its economy, although not as important to the global economy as those of China and the United States, has potential and promise. Its growing diplomatic profile in the Global South makes it an important interlocutor for the interplay of Great Power ideologies and narratives increasingly contested there. Finally, India's geostrategic location makes it a key player

in the growing Great Power competition between the United States and China in the Indian Ocean region. Nonetheless, India is not yet a Great Power and is unlikely to become one in this decade.<sup>228</sup>

### **(Re)Considering the Imminence of Great Power Transition: Intangible Factors**

At mid-decade, past pundit forecasts of an imminent power transition with China overtaking the United States have subsided. In their place, a new debate about the future of the Sino-American power transition and strategic competition has arisen. Simultaneously, the evolution of Russia as a resilient Great Power, but one facing the mounting challenges of growing dependence on China and fewer restraints in its confrontation with the United States, has created new uncertainties about the future of Great Power rivalry and the prospects for stability and peace.

On one side of the power transition debate, Western analysts led by Hal Brands and Michael Beckley argue that China already is peaking and is unlikely to catch—much less pass—the United States in relative power. More importantly, they view China to now be a short-term danger that is willing risk war with the United States and its partners before its geopolitical window of opportunity closes under duress from the inexorable economic fallout catalyzed by the worst aging crisis in history, a rising wave of foreign hostility, and the growing paranoia of the Chinese Communist Party that it will fall and national chaos will break out if it does not act soon. Their argument goes that whereas a rising China could afford to shelve disputes and de-escalate crises—confident that its wealth, power, and status were growing, and that the CCP's legitimacy was secure—a slowing and increasingly encircled China will be eager to score geopolitical wins while it still can.<sup>229</sup> Their policy recommendation is that the United States and its allies must focus on denying China near-term successes, military or otherwise, that would significantly alter the longer-term balance of power and prevent China from creating a large high-technology sphere of influence that would enshrine Beijing's leadership in critical areas of innovation likely to deliver massive economic and military relative gains.<sup>230</sup>

Another analytical perspective suggests that whether China eclipses American power in the near term or the long term is immaterial. It does not view China as an existential threat to the United States and believes China has nothing to fear from it.<sup>231</sup> Moreover, this line of reasoning argues that the mainstream Chinese leadership mid-decade view is that the East is in relative ascendance and the West is in relative decline; thus, Beijing does not fear that it has peaked.<sup>232</sup> In this view, the internal challenges and contradictions in both countries make their ultimate power postures uncertain. Instead, what is certain for this group of analysts is that collective planetary security threats supersede any supposed global, value-based threats, including what they view as an inflated and distorted international struggle between democracy and authoritarianism, as well as narrower, conventional security or economic rivalries playing out between the United States and China. This view contends that the United States should continue to seek cooperation with China on the critical transnational issues that will determine the fate of the international system. These issues feature nuclear stability, the environment, global health, and a peaceful Asia. They

assert that a cornerstone of cooperation on these matters despite Great Power rivalry is possible and necessary.<sup>233</sup>

Then, there is the looming mid-decade question about the exact nature and the future implications of the intensifying Sino-Russian strategic partnership. Ever since President Putin launched his all-out invasion of Ukraine in 2022 just after Moscow and Beijing formally announced their “no limits” relationship, bilateral trade and military cooperation between the two have dramatically increased. Russia began sending most of its oil and natural gas east to China. In return, Moscow received cars, machinery, and some critical components to keep Russia’s defense industrial base afloat despite crippling Western economic sanctions. China provided Russia with drone and missile engines as well as semi-conductors that Russia needed for its defense industry, propping up Moscow’s illegal war in Ukraine. Their vastly enhanced military cooperation came with implications for China’s relative power versus the United States and in the event of a potential U.S.-China conflict. Wary for years of providing Beijing with advanced military and aerospace technology, Russia opened the door to its privileged technology somewhat wider beginning in 2022, providing advanced air defense systems and reportedly some of the advanced technology used in China’s new breakthrough quiet submarines.<sup>234</sup>

But Chinese and Russian deal-making is not a friction-free melding of power assets. China remains wary of promised U.S./Western economic sanctions for its banks and firms directly assisting Russia so has resorted to nontraditional financial means to provide support.<sup>235</sup> Several major joint economic projects promised between Beijing and Moscow have faltered as Beijing insists Russia put up the initial capital costs and Moscow protests that it does not have the seed money.<sup>236</sup> Long-standing tensions in Moscow over Chinese encroachment into eastern Russia have been muted but remain just beneath the surface. Then, at the end of the day, Russia’s Great Power status is special to Moscow.<sup>237</sup> The Kremlin should be anticipated to follow the historical playbook of declining Great Powers in a multi-polar era. It will “die hard” and resist efforts by Beijing to usurp Russia’s remaining Great Power trappings and/or fall vassal to China. Russian power assets cannot, therefore, be assumed to enrich China now or into the future. America and its strategic partners may still face an important strategic opportunity as Moscow awakens to its Sino partnership conundrum. As in past multipolar Great Power eras, Russia may ultimately pivot away from China to preserve its Great Power status and tack back toward the West as a tactical maneuver to preserve status and flee subordination to China’s strategic aspirations.<sup>238</sup>

Finally, there are new questions surrounding America’s power potential to pursue the new strategic approach promised during a second Trump administration—America First 2.0. Objective criteria indicate that the United States possesses sufficient military, economic, and even ideological power capabilities to attain short-term success in pursuit of geostrategic goals that are less about protecting a liberal international order around the world and more oriented toward extracting greater economic and political value from all its inter-state relations irrespective of ideologies or past histories. As in past eras of multi-state Great Power competitions, the power capabilities of one Great Power might be realigned with those of a longtime rival when the intensity of their past rivalry is eclipsed by a common perception of threat from another Great Power.<sup>239</sup> It is not inconceivable, therefore, that an America First 2.0 strategic turn to a less ideological foreign policy framework might allow

space for a much greater partnership and alignment between Russia and the United States by the end of the decade.

### **Comparative Insights and Implications—2025–2030 and Beyond**

This detailed review of contemporary Great Power capabilities and tools for pursuit of geostrategic interests generates six major insights:

- First, dominant patterns of interaction among the modern Great Powers—the United States, Russia, and China—at mid-decade demonstrate them engaged in ever more vigorous strategic competition and intensifying, albeit indirect, rivalrous confrontation. The Great Powers are increasingly utilizing their military, economic, informational, and ideological tools to confront other Great Powers and coerce smaller states to extend their influence. “Sharp power,” “gray zone operations,” and “contested economics” are now major features of GPC and will be so for the remainder of the decade—driving increasing fragmentation of the global order into Great Power–aligned blocs or spheres.<sup>240</sup>
- Second, America retained a global military advantage during the early 2020s—one abetted by an expanded NATO and the creation of an array of multilateral security partnerships across the Indo-Pacific. While increasingly challenged by a growing Chinese military capability in the western Pacific Ocean—capabilities that will become more deadly to American and partner military forces by the end of the 2020s—the United States remained largely unrivaled in its ability to deploy overwhelming and effective forces anywhere in the world in the event of a crisis and is likely to remain so through 2030. It also demonstrated an ability to rally military allies and coalition partners to blunt military adventurism by Russia in Eastern Europe, while simultaneously reconfiguring force deployments across the Indo-Pacific in a manner challenging to even China’s growing military might.
- Third, while neither Russia nor China possesses the armed might to prevail in a protracted military clash with the United States for the foreseeable future, each knows the value of American military alliances and partnerships to America’s formidable military stature. They also know that a weakened American multilateral military partnership framework will enhance their relative power and disadvantage American strategic influence and deterrence, particularly in the Russian and Chinese spheres of influence in Eurasia and in the Western Pacific Ocean, respectively. China and Russia will welcome a decline in American alliance cohesion should trade frictions or political disputes generate such an effect. They also will welcome a decline in the traditional American advantage in soft power instruments including ideological appeal, humanitarian assistance, and global health support should the second Trump administration opt to devalue these tools of influence by attraction.
- Fourth, by early 2025, China had spent a productive half-decade generating increasingly impressive military forces for use in East Asia and the Indo-Pacific, leveraging its already world-class economic and telecommunications/information power capabilities. As the Biden administration departed, China was poised to compete vigorously for greater control of American-dominated global institutions

and to capture infrastructure standards and increasing ideological affinities around the world and especially in the Global South. China had the ability to seriously constrain U.S. (or Russian) military activities in East Asia, the Western Pacific, in cyberspace, and increasingly in outer space. The Biden administration faced the challenge of confronting this growing Chinese power by refining an array of multilateral institutions and partnerships that leveraged U.S. ideological and soft power advantages to undercut China's economic and growing military strengths. Should the second Trump administration dismiss the relevance of soft power assets to American competition with China and Russia for global influence, then China in particular might move to assimilate these tools to its future geostrategic advantage.

- Fifth, despite all its grave power losses in the Ukraine war, Russia at mid-decade retained sufficiently robust military, economic and communications advantages in its near abroad, Eurasia, and a limited but non-trivial ability to project these tools for influence in the Middle East, the Arctic, and cyberspace. Its economic, ideological, and political challenges will remain difficult over the remainder of the decade but will not prove fatal. Russian reliance on China for its economic and military survival seems likely to recede in the coming few years, and Moscow should be expected to tack away from China and toward America if the Trump administration chooses to reinstate Russia into the global market economy and accept that Russia has a Great Power sphere of influence in its near abroad.
- Finally, the combination of Great Power strategic interests and their current and future power assets makes it clear that Russia will remain a dangerous near-term strategic competitor to the United States, but China remains the Great Power with the strategic interests and the growing capabilities to derail the liberal international rule-based order so long championed by the United States and the West. Should the United States pursue a vigorous America First 2.0 strategy over the rest of the 2020s, then China may find itself with sufficient economic, military, informational, and diplomatic power to secure a relative sphere of influence across the western Pacific Ocean and greatly diminish the salience of American-preferred liberal rules, norms, procedures, and economic preferences there and across the Global South. In this event, the United States and China may find themselves by 2030 increasingly joined in a global strategic competition more focused on the direct acquisition of territory, natural resources, and markets around much of the world and especially in the Global South.

TEXTBOX 3 APPROXIMATELY HERE

### **Considering Great Power Strategic Competition in Key Functional Areas and Activities**

The next section of the book features five chapters that look deeply into the evolving competition between the Great Powers in several critical functional areas and activities. These include strategic GPC in innovation, key technologies, and advanced manufacturing; in cyberspace and AI; in outer space; in strategic deterrence and weapons of mass destruction; and in the arena of environmental instability.

Chapter 4 evaluates mid-decade Great Power competition in innovation, key technologies, and advanced manufacturing processes. There is a consensus among public leaders, thought leaders, and business leaders that innovation-driven technology and manufacturing will be a primary determinant of future Great Power economic and military relative status. The United States, China, and Russia have all laid out plans to drive such innovation into the future. The next chapter will explain those plans, evaluate their progress through 2024, and project their prospects for success through 2030.

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## Notes

<sup>1</sup> This distinction is derived from international relations power literature, in particular, David Baldwin, *Paradoxes of Power* (New York: Bail Blackwell, 1989). The priority focus of this chapter on power as material resources, before consideration of power as the ability to realize ends, aligns with the approach found in Stephen G. Brooks and William C. Wohlforth, *America Abroad: The United States' Global Role in the 21<sup>st</sup> Century* (Oxford, UK: Oxford University Press, 2016).

<sup>2</sup> This operational definition was derived from Thomas J. Volgy et al., "Major Power Status in International Politics," in *Major Powers and the Quest for Status in International Politics: Global and Regional Perspectives*, ed. Thomas J. Volgy et al. (New York: Palgrave Macmillan, 2011), 1–26. Their definition derives from an amalgam of several other classic efforts at defining Great Power status, including the following historic references: J. David Singer and Melvin Small, "The Composition and Status Ordering of the International System 1815–1840," *World Politics* 18 (1966): 236–82; Jack Levy, *War in the Modern Great Power System, 1495–1975* (Lexington: University Press of Kentucky, 1983); John Mearsheimer, *The Tragedy of Great Power Politics* (New York: W.W. Norton and Co., 2001); and Benjamin O. Fordham, "Who Wants to Be a Major Power? Explaining the Expansion of Foreign Policy Ambition," *Journal of Peace Research* 48, no. 5 (2011): 587–603.

<sup>3</sup> Insight from Michael Beckley, "The Power of Nations: Measuring What Matters," *International Security* 43, no. 2 (Fall 2018), 8–9, who argues for a use of net power indicators (power assets minus power liabilities). For insights on the historic use and defense of gross measures of state power in theory and in practice, see Paul M. Kennedy, *The Rise and Fall of the Great Powers: Economic Change and Military Conflict from 1500 to 2000* (New York: Random House, 1987); Mearsheimer, *The Tragedy of Great Power Politics*, 55–138; Joseph S. Nye, Jr., *The Future of Power* (New York: PublicAffairs, 2011), 25–81; Ashley J. Tellis et al., *Measuring Power in the Postindustrial Age* (Santa Monica, CA: RAND Corporation, 2000), 1–33; and Beckley, "The Power of Nations: Measuring What Matters," 8–12.

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<b>Competitive Aspect/Category</b>	<b>Main Competitive Elements</b>
Political and Diplomatic	Levels of influence in multilateral institutions, key posts held that control multilateral institutions, number and strength of political alliances.
Ideological	Value and political system appeal.
Informational	The manner and degree of transnational communications - open and transparent vs. closed and restrictive. Extent of denigration of "the other" in mass communications. Ability to manage internal messages and project external messages.
Military	Size, posture, professionalism, and technological edge of armed forces. Cohesion and capacity of military alliances.
Economic	Size, technological breadth, diversity and resource based on the national economy. The innovation ecosystem of a national economy, including its access to and management of financial capital.

**TEXTBOX 1**

“Even as it tends to solidify opposing liberal and authoritarian blocs in the northern hemisphere, the war in Ukraine has ushered in a new era of intensifying competition between them for influence in the Global South. With its arsenal depleted and its reputation for military prowess tarnished, Moscow will find it much harder to exert influence in the developing world. By contrast, Chinese strategists have for some time seen this vast domain as central to their plans for pushing back against U.S. and Western hegemony and catapulting their own country into a position of global leadership.”

—Aaron Friedberg, “A World of Blocs?” *War on the Rocks*, July 25, 2023

**TEXTBOX 2**

“PRC technology companies that are now omnipresent in foreign markets are increasingly integrated with the Party’s data storage and processing—and control and security—systems. This embedding potentially exposes huge swaths of the world’s population to a broad spectrum of data accumulation, espionage, and manipulation. [A]ll companies are forced to integrate into a centralized national data infrastructure controlled by the Party, structured to serve Party objectives in strategic competition with the West, and based on the fundamentally nonreciprocal premise that China maximizes the absorption of data from around the world while exporting as little of its own as possible.”

—Matthew Johnson, *China’s Grand Strategy for Global Data Dominance*, *China’s Global Sharp Power Occasional Paper Series 2* (April 2023)

**TEXTBOX 3**

“While the United States may not be able to engineer a Sino-Russian split, it should keep the diplomatic door open so that if and when strains arise in Beijing and Moscow’s relationship, one or both parties will see Washington as a viable option for hedging against the other.”

—Patricia M. Kim et al., “The China-Russia Relationship and Threats to Vital U.S. Interests,” *Brookings Commentary*, December 16, 2024

