October 1, 2025

# White Paper

GEOIntelligence

The GEOIntelligence Group's first White Paper Report, issued in August 2023, was on "Great Power Competition." The initial report remains accurate, as many of the issues are long-term in nature. But the competition has evolved with increasing complexity, hence this updated report. More importantly, a new section on the "economic implications" has also been added.

After the end of the Cold War in the early 1990s, it seemed that Great Power Competition would enjoy a pause, with a single Great Power (the United States), enabling booming global economics, the spread of democracies, and many other opportunities. This period lasted perhaps 20+ years, but is clearly over, with a return to Great Power Competition – with critical ramifications for the U.S., the West, and indeed, the world.

## Background:

Great Powers have many attributes to qualify for this unique status. As a working definition in the modern era, a Great Power is a nation-state that has the intent and capability to influence the globe, spanning all elements of national power. These elements can be succinctly referred to as "DIME," or Diplomatic, Informational, Military, and Economic instruments or levers.

Great Power Competition is timeless. From antiquity to the present, most of world history involved contests amongst Great Powers. In ancient times, we can reflect on many empires, such as the Egyptians, Greeks, Romans, Chinese, Aztecs, and others. More recently, in the first half of the 20th Century, we can recall the Great Powers of the United Kingdom, Germany, Japan, France, Russia, and the emergence of the United States.

In the second half of the 20th Century, the United States and the Soviet Union were best positioned for global influence and squared off in a Great Power rivalry, with most of the world gravitating to one or the other, focused mainly on a struggle over ideology. Competition cut across many areas, lasting from roughly 1948 to 1991. It was labeled the "Cold War" as each side learned to compete with the other, without resorting to traditional conflict or a "hot war," as the advent of nuclear weapons created a fear that direct military conflict between nuclear powers could escalate into a nuclear war. This is not to say there were no wars associated with the Cold War; in fact, there were many, several of which involved one side, either the USSR or the United States, attempting to gain an advantage by supporting and exploiting proxy wars against the other. In the early 1990s, the Cold War ended quickly and unexpectedly, but peaceably, with the West as the clear victor, led by the United States.

After the collapse of the Soviet Union, optimism took hold, with many believing that a "New World Order" had emerged, replacing Great Power Competition with a stable international order for the foreseeable future led by a largely benevolent sole Great Power, the United States. Similarly, some opined that this watershed moment marked the "end of history," meaning the end of Great Power Competition.

In the early 1990s, Russia had no choice but to accept a greatly reduced role on the world stage. At the same time, China focused mainly on its economic prospects while maintaining tight internal control, keeping open the possibility of a non-competitive rise in status over the long term.

In retrospect, it seems clear that Russia and China watched the United States closely, and separately developed strategies to compete with the U.S. and the West in general. It took the U.S. several years to realize the geopolitical shift toward Great Power Competition was taking place, and even longer for some of its allies (particularly in Europe) to acknowledge that many irons were in the fire, especially to include extended wars in the Middle East and Central Asia, and more broadly, the war on terror following 9/11.

Strategic competition among great powers has returned to center stage. The previous Administration's 2022 National Security Strategy stated: "We face two strategic challenges. The first is that the post-Cold War era is definitively over and a competition is underway between the major powers to shape what comes next…." The new Administration has not yet released its various strategies (this is normal – sometimes it can take two years into a new Administration for its strategies to be published). But highlighted in Secretary Hegseth's Interim National Defense Strategy guidance are three lines of effort: "Defend the Homeland, Deter China in the Indo-Pacific, and Empower allies and partners to do more." All three lines of effort fit within a framework consistent with strategic competition (and within this, "strategic deterrence" as well –more on this shortly).

## Implications:

Unlike the Cold War, with two Great Powers in opposition, today's situation involves three, with the U.S., Russia, and China, which are in simultaneous competition. Many terms are forming to describe this challenge; one is to call this the "Three-Party Dynamic." This dynamic makes the Cold War look relatively easy in comparison to the challenges facing the U.S. and the West. Why?

An interesting connection in the fields of physics and geopolitics helps explain this new dynamic. In physics, a two-body problem can be solved with a "closed-form solution" – meaning a solution that can be expressed in finite terms, and with great predictability. In terms of geopolitics, the Cold War would be a prime example of the two-body problem, where both sides, the U.S. and USSR, largely understood each other's objectives and red lines. Whenever crises occurred threatening stabilization, both sides sought alternatives to direct military conflict, allowing crises to subside, re-establishing two stable bodies and general predictability.

Unlike the two-body problem in physics, with the three-body problem, there is no closed-form solution, and the resulting system is dynamic…unpredictable…non-linear. This may be the nature of today's Three-Party Dynamic geopolitically, where each of the three Great Powers has the potential for simultaneous chaotic and unstable interactions. Making it more challenging for the United States is that the other two parties, China and Russia, have similar aims, such as to destabilize the international order at the expense of the U.S. and democracies writ large, whereas the United States aims to maintain the status quo of the international order.

In history, there are many instances involving competition…even conflict…with three or more Great Powers, but there are no examples that we can reflect on where each of the three parties had the ability to existentially destroy the others with nuclear weapons – this is unique.

Again, reflecting on the Cold War, where after learning from a series of escalating crises, both sides determined that direct conflict with the other could spiral into a limited nuclear war…or worse, and that the acme of Great Power Competition was through a mutual vulnerability that enabled deterrence, to the left of, or prior to conflict. “Strategic deterrence” proved critical to disincentivize escalation by Great Powers.

## Strategic Deterrence:

The fundamentals of deterrence are unchanged. Deterrence relies on influencing an aggressor’s perceived consequences of action and restraint. Deterrence aims to convince adversary decision makers that military or other aggression or escalation would be ineffective and/or too costly, and acceptable, though not preferred, alternatives to aggression exist and should be taken.

Strategic deterrence involves all elements of national power, once again, “DIME” or Diplomatic, Informational, Military, and Economic capabilities. Though deterrence as a theory is perpetual, emerging technologies have reshaped the landscape. Cyber Operations, Space Capabilities, Hypersonics, and Artificial Intelligence all now play critical roles. The informational domain, especially AI-driven and cyber-enabled influence, complicates attribution and response. Modern deterrence must integrate conventional and non-kinetic tools to prevent not only physical aggression, but also hostile actions in cyberspace and the evolving AI-driven information environment.

Strategic competition and deterrence are distinct, but they have interrelated concepts central to modern geopolitics, simultaneously making the lines between deterrence and competition hard to distinguish. Deterrence threatens to impose costs and/or deny benefits to attempt to influence adversaries to decide not to take an action. Whereas competition involves long-term efforts by nation-states to gain a geopolitical position of advantage using diplomatic, informational, military, and economic tools. As competition intensifies, deterrence becomes necessary to prevent escalation and maintain stability. Deterrence sets red lines that define the limits of acceptable competitive behavior, such as deterring an invasion of allies or the employment of nuclear weapons. However, if deterrence fails, competition can spiral into conflict. Overdeterrence, on the other hand, can provoke escalation. The key is balancing both: competing assertively to protect national interests while deterring actions that could lead to war. Together, competition and deterrence form a framework that enables influence without conflict, guiding national strategy in an increasingly unstable world.

## Objectives of the Great Powers:

### United States:

Much like the post-WWII Marshall Plan, where the U.S. implemented policies to promote U.S. and Western economic and political/ideological interests through interconnectivity, industrial reforms, and open economies, its post-Soviet era goals have, in a macro-sense, stayed the same. While some of the key players on the international stage changed over time, the United States’ objectives arguably remain similar: open economies, bolstering of the capitalist model as the road to success, encouraging democracies, and reinforcement of the United States’ role at the head of the table by retaining a dominant voice in the control of the machines that maintain a post-Cold War status quo, such as NATO, the World Bank, International Monetary Fund, etc.

The U.S. model of strategic competition presents challenges to China and Russia, as a U.S.-established world order keeps it in a dominant position. Conversely, a weakened U.S., by challenging the United States' strengths of alliances, economy, military, and institutions, is in both Xi and Putin's interests – these strengths are therefore the targets that China and Russia aspire to disrupt.

While leaders of all nations place their countries' needs and desires above all others, they rarely state it as boldly and openly as President Trump. His "America First" philosophy influences all elements of national power (again, "DIME") and impacts alliances, treaties, agreements, defense initiatives, and economic relationships. For China, it appears that President Trump's objectives are to correct the trade imbalance with China and end unfair practices (and with many other countries as well), and to maintain U.S. primacy and influence in the Indo-Pacific region. As for Russia, President Trump's key objectives are to end the Ukraine-Russia War and to create a new geopolitical reality aimed at weakening the Russia-China partnership while preserving the U.S.'s role of primary global influencer.

China:

Currently, there are disagreements on the pace and extent of China's strategic goals, but most analysts agree that China's fundamental aim is to supplant U.S. ideological, economic, and political dominance, first regionally, and eventually globally. Xi has been much more willing than his recent predecessors to flex his muscle to target U.S. (and generally, Western) dominance. Many of Xi's endeavors confront U.S. ideological, economic, and political dominance simultaneously, attempting to diminish the United States' "brand" while simultaneously enhancing China's brand. The list is exhaustive but includes efforts such as: opening the economy and embracing a form of market capitalism; the Belt and Road Initiative; exportation of the Chinese culture through Confucius Institutes and exchange programs; emerging on the global stage to broker international peace accords; increasingly seeking international agreements/treaties that place China in a leadership role, etc. While already a significant regional military power, China's economic growth has enabled it to become an expanding power.

Activity from China suggests that as of today, it realizes it is in no position to boldly and directly confront the United States. That said, Xi's China is increasingly posturing against the West, aggression continues to grow in the South China Sea (SCS) and near Taiwan, while China addresses its relative weaknesses across the board. For more information on these potential crisis/conflict areas, please see: Bancroft GEOIntelligence Executive Summary on the South China Sea Implications and Economic Considerations and Bancroft GEOIntelligence Executive Summary on Taiwan Security Implications and Economic Considerations.

China's efforts are underpinned by enormous military growth and modernization. During this decade, China is expected to undergo a significant expansion of military capabilities, to include its nuclear forces, its conventional force writ large, its space and cyber capabilities, and so on. While China is largely driven first by its desire for regional security and hegemony, this expansion of capabilities has led it to lay claims to areas further abroad, like the Arctic, to develop strategic bases in other regions, and increase confidence over time to potentially move against Taiwan and/or the SCS. While Xi may be cautious, his eye remains fixed on that long-term goal: supplant U.S. ideological, economic, and political dominance – first regionally and then globally.

In terms of support to Russia, China explicitly said it will not allow Russia to "lose" the war. During a diplomatic exchange between China and European Union officials, China's foreign minister stated that Russia's invasion of Ukraine is a blessing for China because it prevents the United States from placing its full attention on deterring China in the Pacific region.

Russia:

Putin shares Xi's goal of a world where U.S. ideological, economic, and political dominance is diminished. However, his strategic goals are less grand than those of Xi. First, Russia's economy is weak in comparison – its GDP is about one-tenth that of China and even less so compared to the United States. Second, while Putin clearly wants a greater influence regionally, his greatest challenge is the conflict in Ukraine. Putin's Russia will continue to seek to undo the effects of what Putin has called "the greatest geopolitical catastrophe of the century." While Putin may only dream of a re-established "Soviet Bloc," he will continue to seek a buffer between Russia and the West, weaken NATO and other Western alliances, and do what he can to take advantage of Russia's world-leading energy stores. Restated, Putin is attempting to secure what can be called Russia's "near-abroad." All the while, Putin continues to seek a Ukrainian solution that allows him to keep a portion of his conquest (and his position, too), and he will continue to strengthen his alliance with Xi.

While maintaining some modicum of its Cold War military force from the Soviet Union, especially its nuclear forces, Russia is a declining power – this competes with Putin's purpose of Russia regaining its place in the world. With an economy roughly the size of Italy and a shrinking population, this is a losing battle in the medium to long term. This is also likely to lead Russia to continue to behave as a more adventurous and aggressive international competitor in the near term as Putin seeks to reverse Russia's decline. Ukraine may very well serve as a key marker in the decline of Russia as a Great Power, which, as Paul Kennedy concludes, occurs because of decades of declining economic activity preceding lengthy military activity. For additional context with the Ukraine-Russia War, please see: GEOIntelligence Executive Summary on Ukraine - Russia War and the Economic Implications.

Starting about two years ago, it is apparent that Russia is behind many nefarious activities in NATO nations that are actively supporting and arming Ukraine, including munitions factory arson incidents, undersea cable cuts, and cyber-attacks. Recently, Russia has been increasing pressure via intentional drone and fighter aircraft intrusions into the sovereign airspace of NATO and several neighboring countries. Some of the NATO countries invoked NATO's Article Four, requiring emergency consultations to discuss security threats. Russian motives could be many, ranging from testing NATO's response on one bookend to the threat of escalation on the brink of war with NATO nations that are most active in supplying Ukraine with weapons on the other bookend. Expect Russia to continue escalations, albeit trying to keep it below the line of conflict or war – Russia is not prepared for a war with NATO – but Putin's escalations could trip NATO redlines if he gets careless.

## Economic Implications:

The risk of Great Power Competition spiraling into conflict with either China or Russia (or worst case, both simultaneously) is "low," perhaps even "very low," but unfortunately, it is not nil. And the risk is increasing, with Russia in the near term and China in the longer term. There will likely be indicators that would precede conflict with a series of crises, especially those of military nature, that could occur over years to months. Less likely, but not impossible, could be “black swan” events that could develop rapidly. Needless to say, if competition with China and/or Russia were to escalate to a Great Power conflict, ramifications could be epic, ranging from wrecked economies to large-scale loss of life. In the early nuclear era, the ramifications of head-to-head conflict and mutual vulnerabilities contributed to deterring direct conflict between Great Powers – time will tell if this trend continues.

The global economy’s interconnectedness plays a complex and increasingly pivotal role in Great Power competition and deterrence. Mutual dependencies can stabilize relations and create leverage, as seen in coordinated sanctions against Russia, which have strained its economy and limited its options. At the same time, this interconnectedness complicates policy responses; for example, sanctioning China is far more difficult due to the widespread ripple effects on global markets. This dynamic is a critical context for understanding the distinct economic strategies and vulnerabilities of Russia and China.

Looking at Russia, a durable negotiated peace with security guarantees for Ukraine is critical to ending the destruction and loss of life and to begin the rebuilding in Ukraine and Russia. A negotiated peace has benefits to all parties to end loss of life and to rebuild infrastructure and commerce in Western markets. But for the near term, peace is elusive.

The war has unified and strengthened the NATO Alliance and its partners and identified the significant risk and need to increase investment in defense spending and adapt to a new type of warfighting with advanced technologies and consistent scaling of munitions. Progress is being made in this area – this will be a future topic of the GEOIntelligence Group. Europe, under all scenarios, must also continue to diversify its energy sources. The defense and energy sectors could see increased demand and investment.

As for Russian economics as described in the previous section, the key issues are that the Russian non-military economy is struggling, and its primary sectors of energy and agriculture are under significant economic pressures. The Russian economy is becoming more dependent on the Chinese market to support demand due to Western sanctions.

The Ukraine-Russia War continues to provide global market uncertainty. The ongoing response of BRICS+ countries, beyond China, to the conflict and associated sanctions is a key consideration for Western businesses. Specifically, India and Turkey have significant Western foreign direct investment and are viewed as potential countries to derisk from China. India and Turkey also have historically been trading partners with Russia, specifically for energy and defense. The U.S. relationship with these and other BRICS+ countries is a strategic element in future global market power.

Ukraine has potential foreign direct investment opportunities with an end to the war in its rebuilding and in the rare earth mineral markets, following on the heels of its agreement with the United States.

When looking at China, its global power aspirations pose a major national security and global economic risk for the U.S. and free-market economies. The PRC’s military aggression to control the South China Sea, threats to Taiwan, intimidation of the Philippines, and support for North Korea, which is placing pressure on the Republic of Korea, are all threats to free-market countries and supply chains. In addition, the PRC has been supporting Russia in its war with Ukraine.

China's strategic position as a key supplier to global markets for low-cost finished consumer goods, plus critical components and rare minerals in the technology, machinery, and healthcare sectors, provides significant global influence.

China's increasing aggression in the Asia Pacific Region, home to the largest global concentration of microchip foundries in Taiwan and the Republic of Korea, poses a long-term risk for the technology sector.

China is the second-largest economy in the world, which is an attractive market for free-market nation companies to sell to and invest in. China's strategy and disregard for property rights, IP, and data privacy must be considered in the decision-making by free-nation companies.

The strategic conundrum for foreign investment in China lies in balancing the market attractiveness with apprehension regarding regulatory and business practices. Many large companies from free-market nations have already invested in China with financial assets or operations. De-risking methods range from establishing physical, virtual, and legal firewalls to protect current interests and shift investments outside of China and its intrusive policies.

Companies are encouraged to map supply chains, product elements, financial investors, as well as information technology interfaces to assess the overall risk. This situation analysis can then provide the basis for strategic options and the feasibility of strategic pivots.

Bottom line: China is a major player in the global economy. It provides both opportunity and threat. The key takeaway is to have an informed mindset and strategy on how to invest, sell, and manage business relationships in the market, consistent with risk appetite.