



**GEOIntelligence**

# **2025 Year in Review**

January 14, 2026

Bancroft Capital

# Preface

In today's rapidly changing economy and markets, geopolitical risk poses a constant threat, capable of disrupting market expectations and economic narratives in unforeseeable ways. Acknowledging this ever-present factor, Bancroft Capital has established the GEOIntelligence Group, a team of experts led by the esteemed Major General (Retired) Ferdinand "Fred" Stoss, who bring decades of experience in the U.S. Air Force and strategic analysis.

The Group's mission is to keep clients informed on long-term and evolving strategic problems, regional flashpoints, and topical challenges like cyber threats, space activities, nuclear weapons, and terrorism. Bancroft Capital's GEOIntelligence Group can assist businesses in navigating these complexities through their valuable resources, including white papers, executive summary reports, directed reports, and personalized expert commentary.



## **In-Depth Insights for Long-Term Strategy**

To provide insight into complex and evolving geopolitical developments, the GEOIntelligence Group releases White Papers – thematic series of recurring reports. These papers delve into emerging trends and issues, providing clients with unique insight and context. From monitoring regional tensions to understanding the implications of technological advancements, these recurring reports offer a fresh approach to managing geopolitical risks through the eyes of hundreds of years of deep military expertise.



## **Timely Insights for Event-Driven Decisions**

Geopolitical events can unfold suddenly, impacting economies and markets within a short span. To cater to clients' urgent needs for relevant insights, the GEOIntelligence Group prepares executive summary reports. These concise yet focused reports summarize the key takeaways from significant events to inform our clients.



## **Tailored Analyses on Client-Specified Interests**

To address the unique and sophisticated needs of our clients, the GEOIntelligence group releases Directed Reports – specialized thematic papers, each custom-crafted to explore and analyze trends and issues as directed by client-specified interests. These reports deliver extensive insight and strategic context, empowering our clients with actionable intelligence that is directly aligned with their respective objectives and concerns in the geopolitical sphere.



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# A Note from the CEO

On January 9th, 2002, while serving in Afghanistan, seven died, and I lived. I realized that my life had been spared for a reason – to serve a cause greater than myself. Bancroft Capital is the manifestation of that truth.

Mission-oriented and purpose-driven, Bancroft is committed to utilizing its prosperity to facilitate life-changing opportunities for disabled veterans and first responders as they transition into vibrant civilian careers. Moreover, we are committed to delivering the value of a military perspective into the discourse of executive corporate America.

Nothing we do is possible without you, partners who value our commitment to develop and grow professional excellence through harnessing one of the greatest assets our country has, its military veterans. Thank you!



Cauldon D. Quinn, Chief Executive Officer

# A Letter from the Editor-In-Chief

Hello,

In today's rapidly changing economy and markets, geopolitical risk poses a constant threat, capable of disrupting expectations and reshaping economic narratives in unforeseeable ways. In response, Bancroft Capital established the GEOIntelligence Group – a team comprised of 11 retired General and Flag Officers with deep military executive leadership experience, along with a former Treasurer of a top-10 company who provides a critical corporate perspective.

The Group's mission is to keep clients informed on long-term and evolving strategic problems, regional flashpoints, and topical challenges such as cyber threats and nuclear weapons. Through timely reports and in-depth presentations tailored to corporate executives and teams, the GEOIntelligence Group helps businesses navigate these complexities as well as opportunities.

Geopolitics has become and will remain center stage for the foreseeable future, particularly for corporations. As such, the first Section of our 2025 Year in Review focuses on the Return of Strategic Competition and the implications of this return, including Escalation Dynamics between Great Powers. Here, we address key players within the global context with the intense near-term problems presented by Russia and long-term challenges from China. This provides a foil for the second Section, President Trump's National Security Strategy.

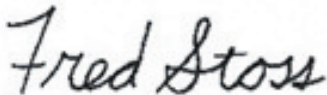
Then we move to the third Section, with the geopolitical nexus of national security and economics. Economics are increasingly influenced by geopolitical factors, and the corporate world must adjust accordingly. As geopolitical factors grow in relevance, with competition and situational events impacting national and economic security, uncertainty for businesses accelerates.

Finally, we address the ongoing strategic conflicts of Ukraine vs. Russia and Israel vs. Hamas. Respectively, they represent nearly five years of tragedy in Ukraine following Russia's 2022 invasion, and three years of war between Israel and Hamas after the atrocities of Oct 7, 2023.

In sum, our annual review highlights key indicators, forecasts, and economic considerations to inform leaders' judgment and risk assessments for decision-making. Corporations need access to what we refer to as "GEOIntelligence," resourced either internally or externally, to remain informed on long-term and evolving strategic challenges.

Visit <https://www.bancroft4vets.com/geointelligence/> to view our team bios and full report library. For questions or to arrange a meeting, please contact the Bancroft Sales Team and/or email me at [geointelligence@bancroft4vets.com](mailto:geointelligence@bancroft4vets.com).

Very Respectfully,



Ferdinand B. Stoss III, Major General, US Air Force, Retired

# Table of Contents

|   |    |
|---|----|
| Section 1: Strategic Competition .....                                      | 1  |
| Return to Strategic Competition .....                                       | 1  |
| Great Power Escalation Dynamics .....                                       | 7  |
| Section 2: U.S. National Security Strategy .....                            | 13 |
| Section 3: Intersection of National Security and Corporate Strategies ..... | 22 |
| Global Commons .....  | 23 |
| Arctic .....  | 24 |
| Cyberspace .....  | 26 |
| Artificial Intelligence .....   | 28 |
| Resource Security .....   | 30 |
| Mass Migration .....  | 32 |
| Population Dynamics .....   | 33 |
| Section 4: Two Strategic Conflicts: .....                                   | 35 |
| Ukraine-Russia War .....  | 35 |
| Israel-Hamas War .....  | 43 |

# SECTION I: Strategic Competition

After the end of the Cold War in the early 1990s, it seemed that Strategic 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 Strategic 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.

Strategic 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 20<sup>th</sup> 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 20<sup>th</sup> 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 Strategic 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....” As for the new Administration, highlighted in Secretary

Hegseth's Interim National Defense Strategy guidance is 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.

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 Strategic 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 Strategic 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.

## Escalation Dynamics Between Great Powers:

This installment delves into the darker edge of that rivalry: the pathways through which competition can spiral into confrontation, conflict, and potentially catastrophic escalation. It explores the concept of “Escalation Dynamics” to include how miscalculation, miscommunication, or deliberate provocation can push nation-states beyond redlines, into crisis, armed conflict, or even nuclear war. By presenting a structured framework of escalating violence, from gray zone tactics to the unthinkable prospect of existential nuclear exchange, this report aims to equip business leaders with analytical tools to understand, anticipate, and potentially mitigate the risks of Great Power escalation.

The next report will focus on escalation dynamics within the broader Strategic Competition during the ongoing Ukraine-Russia War, concentrating on Russia’s expanding operations in the gray zone, its strategic objectives, Russia’s horizontal escalations to include nuclear provocations, and the implications.

### Levels of Violence:

A structured vertical escalation ladder explains how Strategic Competition can shift from low-intensity competition to catastrophic conflict. The six primary levels of violence are: Gray Zone, Crisis, Conflict, Non-nuclear Strategic Attack, Limited Nuclear War, and Existential Nuclear War. Escalation to higher levels remains rare but is increasingly plausible. Understanding these levels is essential for anticipating, deterring, or de-escalating future crises.

*Gray Zone:* Coined by U.S. Special Operations Command in 2015, the gray zone encompasses actions by state or non-state actors that are coercive and aggressive yet fall below the threshold of open warfare. These include operations across diplomatic, informational, military, and economic (DIME) dimensions. Examples include cyber intrusions, economic coercion, and disinformation. All are designed to shift international norms without exceeding redlines (be they known or postulated), which, if surpassed, could trigger serious escalation against the sponsor of the gray zone activity. Within the gray zone, “proxy wars” were (and are) fought by belligerents supplied and assisted by a Great Power to avoid direct conflict. The West’s support for Ukraine today could also be characterized in this light, as well as Russian drone incursions over Western nations and the apparent deliberate cuts of undersea cables and a key gas pipeline serving Western nations.

*Crisis:* A crisis marks the tipping point between gray zone activities and open conflict. It typically involves high-stakes incidents, often military, which raise the risk of war. In many crises, where both parties want to steer clear of war, once these crises are recognized by the participants, rapid communications and mutual de-escalations occur, returning to the day-to-day gray zone (examples are many, but an exemplar is the 1962 Cuban Missile Crisis). But other times, one or more of the parties in the crisis may desire further escalation into conflict to secure its objectives (a prime example of this case was the European crisis in August 1914 that led to World War I). Some crises may persist for months or years, as seen with NATO-Russia tensions over Ukraine.

*Conflict:* At this stage, armed confrontation is clear and deliberate. Military forces are actively engaged, often with support from other elements of national power. Conflicts can be regional or global, involve conventional and hybrid warfare, and span all domains - land, sea, air, space, and cyberspace.

*Non-nuclear Strategic Attack:* These attacks cause catastrophic effects without crossing the nuclear threshold. They include cyberattacks, space-based disruptions, or massive conventional strikes targeting critical infrastructure. Historical examples include Pearl Harbor, 9/11, and potentially future state-sponsored cyber offensives. U.S. doctrine intentionally leaves this category vaguely defined to preserve deterrence flexibility. Precisely defining what constitutes a non-nuclear strategic attack could

invite an adversary to push the boundaries to the edge of the definition, and counter efforts to strategically deter aggression.

**Limited Nuclear Attack:** This involves the employment of nuclear weapons on a small scale, typically aimed at military or strategic targets. Nuclear weapons can create a wide range of effects, from High Altitude Electromagnetic Pulse (or HEMP) detonated in space to generate electrical surges on the earth's surface to cause widespread outages, to surface nuclear strikes that can devastate targeted areas, and could include nuclear fallout, etc. Even low-yield nuclear weapons such as those used on Hiroshima and Nagasaki can cause mass casualties and long-term effects. Such an attack would mark a major escalation with global repercussions.

**Existential Nuclear War:** This is full-scale nuclear warfare aimed at destroying an adversary's leadership, economy, and population centers. It involves massive casualties - potentially in the hundreds of millions - and would likely trigger mutual assured destruction among nuclear-armed Great Powers.

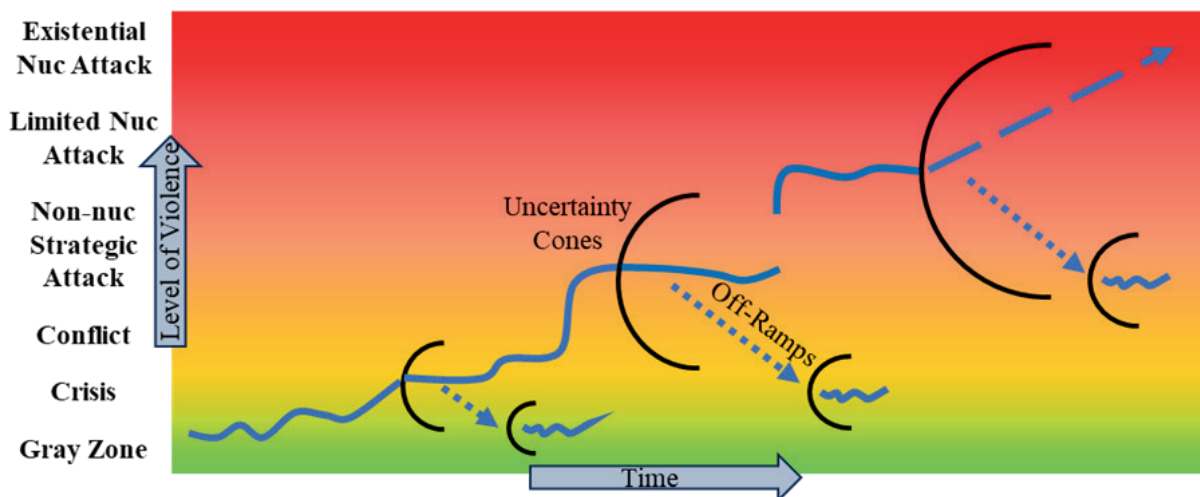
For reasons detailed later in this report, the epic ramifications of escalation into higher levels of violence (especially nuclear attacks), to include likely retaliation in kind, provide powerful deterrent effects preventing such escalations in modern history. Today, the risk of Great Power escalation remains low, but it is increasing.

### Great Power Escalation Dynamics:

A few points to make before tearing into some escalation scenarios. First, is that volumes have been written (with more to come) on the incredibly complex dance between Great Powers in terms of Escalation Dynamics – this report will reveal several interesting nuances, but it will not attempt to cover all of them in the interest of brevity.

Second, of course, Escalation Dynamics can occur between all state and non-state actors. But this model focuses on the Great Powers, as the Great Powers have many advantages over non-Great Powers in levels-of-violence options. First, Great Powers enjoy enhanced capabilities across DIME. Plus, focusing on the military element, Great Powers have robust capabilities across all domains; they are capable of global reach (to varying degrees) and backed up by large assured second-strike nuclear arsenals that can threaten the other Great Powers all the way up to an existential nuclear attack. Bottom line, Great Powers have unique escalation capabilities.

## GREAT POWER ESCALATION DYNAMICS BETWEEN TWO PARTIES



The above graph depicts a model of possible escalation between two Great Powers since the nuclear era. There could be scenarios where all three Great Powers are simultaneously escalating, but for simplicity, let's just stick with two (and two are complicated enough).

The left of the chart shows the level of violence that each party is capable of escalating to, from the day-to-day gray zone, to crisis, which could lead to conflict in some scenarios, then the potential of further escalation with non-nuclear strategic attacks. Finally, the very high bar of limited nuclear attacks, and at the height of the escalation, large-scale existential nuclear attacks that could threaten the existence of one or more nation-states.

The horizontal bar at the bottom of the chart reflects the passage of time.

Note the “uncertainty cones” that are placed on the graphic at increasing levels of violence. The cones signify the potential of unintentional crossing of red lines, misreading of adversary stakes, faulty or missing intelligence, and the potential of chaotic decision-making that can always occur, but that can be made worse in a time-compressed period of escalation, etc. Within the uncertainty cones, each side attempts to influence the other to gain an advantage. Both may decide on a mutual path to de-escalation if a return to the status quo is desired. Or, one or both could deliberately decide to either remain in crisis or to further escalate.

Also note the “off-ramps” with the dashed arrows pointing down to lower levels of violence. These show opportunities for de-escalation if both parties mutually decide that it is in their best interest to do so. Or perhaps one side is compelled to de-escalate due to the action (or the threat of action) by the other side and believes further escalation would just make matters worse. There will be more on this later, but Great Power Competition from the Cold War to the present frequently employed these “off-ramps” to de-escalate.

It also bears noting that one side cannot “control” escalation of the other, though statements as such are frequently made. Each side will attempt to influence decision-making on the other side by threatening potential unacceptable costs and/or by denying the benefits of adversary escalation, but it is each side that controls whether or not it is in its best interests to escalate into a conflict or even higher levels of violence. Perceptions of adversary leadership and the things that influence decision-making are critical, acknowledging that perfect knowledge of perceptions is impossible, and estimates can range from being relatively accurate to assessments that are widely incorrect. Further, the “cones of uncertainty” likely grow in scale and consequence as parties climb the escalation ladder as stakes and consequences increase.

Escalations can be dramatic as they increase vertically up the ladder of violence, but escalations can also be horizontal in nature. Horizontal escalation does not increase the intensity of actions within a specific level of violence but rather increases the geographic scope and space of escalations. The third report in this series will delve deeper into this topic.

The blue line, beginning at the bottom left of the chart, shows the ebbs and flows of the potential for escalation as two Great Powers compete. As depicted in this case, as time moves to the right, the two Great Powers steadily edge toward the point of a crisis. Most likely (though not in every case), a crisis between Great Powers would probably begin with a regional flashpoint of increasing friction, either head-to-head or in support of allies or partners.

Then, once in crisis, one or both parties may choose not to “off-ramp” for any number of reasons, and this scenario may advance into conflict. Perhaps like the World War I example highlighted previously, one of the parties intends to secure an objective through force. Or perhaps both sides stumble into conflict from factors within the “cone of uncertainty” described earlier.

Once at war, many phenomena likely occur. Though the stakes in the conflict may not be equal, the stakes will be high for both parties, as a loss will have ramifications beyond the war itself and likely would diminish one's status as a Great Power. Further, a loss could result in regime change – a situation that authoritarian leaders in China and Russia are very sensitive to.

One or both sides may determine that additional escalations (but short of nuclear employment) are desired. There are many reasons why further escalation can occur. For example, a leader may believe that escalation with non-nuclear strategic attacks may more quickly and assuredly secure a victory. Second, escalation could offer an option to attempt to restore deterrence with its adversary (in other words, “to escalate to de-escalate”). Other reasons include escalating to offset a loss, to show superior stake/resolve, or because of domestic pressures, miscalculations, and so on.

In the graph above, one side escalates vertically with a non-nuclear strategic attack. After one side escalates, the other party would likely reciprocate, possibly even more so.

Things could go sideways with Great Powers going after each other with the gloves off, and with stakes continuing to climb for both. At some point, one side may believe it needs to escalate to nuclear to either achieve its objectives (Russian doctrine has examples of this) or, more likely, to offset an impending loss with all the ramifications that come with defeat. Decisions before this point were heavy, but with the standing taboo against nuclear employment and with the likelihood that the other side will similarly respond, the decision to escalate into nuclear war, even in small numbers, is huge...and this is an understatement.

Unfortunately, history lessons cannot inform decision makers on how to attempt to manage a limited nuclear war, as it has never occurred. When the U.S. attacked Japan in 1945 with nuclear weapons, Japan could not retaliate in kind. Strategists believe that de-escalation after initial nuclear weapon employment will be difficult because of the tremendous stakes in the war by both sides. The scope and scale of nuclear retaliation strikes could steadily (or quickly) increase as the stakes increase. If this tragedy were to ever occur, ideally, both sides could come to their senses and choose to off-ramp to a lower level of violence and/or a ceasefire, instead of further nuclear escalations.

But at some point in a limited nuclear war, one side may believe that restoration of nuclear deterrence is impossible with the other side, and that the least bad option is to launch a surprise large-scale nuclear attack to gain an advantage (of sorts...acknowledging that there are no winners in large scale nuclear war) by making the first the move...or to borrow a business phrase, to gain “first-mover advantage.” But since all three of the Great Powers have assured second-strike nuclear capabilities for this very reason, after one side “goes big first” with a large-scale strike, the other side will still have enough surviving nuclear weapons that can it conduct an existential retaliation even after being forced into the “second mover” position, in other words, “mutual assured destruction” on both parties.

Who is the winner at this point? Obviously, neither of the two Great Powers that existentially attacked each other would qualify. The only winning Great Power in this scenario is the one that did not participate (assuming the third Great Power kept out of the conflagration).

### **Geopolitical Implications:**

There are reasons why the world (and within that, the Great Powers), thankfully, has not experienced an existential nuclear attack, a limited nuclear attack (except for Japan in 1945), and in fact, not even conflict between Great Powers since the end of World War II.

During the “Cold War” (lasting from roughly 1948 to 1991), 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 (similar to

the scenario above). This is not to say there were no wars associated with the Cold War; in fact, there were many (to include Great Power proxy wars as mentioned earlier). But the worst form of conflict, a direct war between the Great Powers, was prevented prior to the threshold of war.

Unfortunately, it is an open question if the lessons learned from the Cold War that disincentivized Great Power direct conflict (and therefore, potential escalation that could increase all the way up to existential nuclear attacks) remain the case today. Could one or more of the Great Powers believe there are scenarios that are advantageous for it to intentionally make war with another Great Power despite the risks of escalation? It only takes one Great Power to test this theory. Then the other Great Power would need to decide if it should concede...or fight.

There is no foreseeable scenario where the United States would initiate a direct war with either Russia or China. The international status quo advantages the United States; the United States will work hard to maintain the status quo and strategic stability.

But, as many of our reports have articulated, both China and Russia seek to alter the international status quo, norms, and behaviors, and there are scenarios with one (or both) that could lead to direct conflict with the United States and its allies and partners.

Another potential conundrum is if the United States finds itself in a major escalation (such as a conflict that would likely include non-nuclear strategic attacks) with one of the other Great Powers, with the third Great Power deciding to simultaneously also escalate with the United States. The third party could do this in cooperation with the second party or do so for its own opportunistic reasons. Either way, the United States would have its hands full dealing with escalations with one Great Power – dealing with two simultaneously would be a wicked problem.

U.S. decision makers must closely consider moves up the Escalation Dynamics ladder against other Great Powers, and determine if its stakes, objectives, and the implications are worth possible extreme consequences – and this must be carefully weighed early on and after each escalation. Conversely, the U.S. must be careful not to be self-deterred by other Great Powers to maintain international order along with its allies and partners, as doing so can establish a “new normal” that disadvantages the West writ large.

U.S. defense treaties with NATO, Japan, South Korea, Australia, the Philippines, and Thailand, as well as strategic commitments to Taiwan and Israel, strengthen deterrence by signaling resolve and collective defense. However, they also heighten the risk of escalation, as allied nations may have different risk tolerances and strategic priorities than the U.S. An attack on a NATO ally, for example, could trigger Article 5 and obligate U.S. military involvement, even in response to a limited provocation. Similarly, U.S. support for Taiwan could transform a regional standoff with China into a broader conflict. As mutual defense obligations expand, escalation management becomes increasingly complex, making de-escalation more difficult in a fast-moving crisis involving multiple actors and overlapping national interests.

### **Economic Implications:**

As highlighted in this and other reports, the risk of Strategic 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 zero. 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, which could occur over years to months. Less likely, but not impossible, could be “black swan” events that could develop rapidly. 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.

It can be argued that NATO (and within that, the United States) is in a crisis zone with Russia since its invasion of Ukraine in 2022. As such, an upcoming report will highlight the escalations from Russia since its invasion of Ukraine in 2022, along with potential ramifications.

As for China, in the past few years, it has ratcheted up tensions in both the South China Sea and in/around Taiwan (please see the following reports for additional details: [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](#)). While these activities are in the new gray zone, further escalations could easily increase to a crisis and beyond.

In the current environment, we are already seeing the economic impacts of the escalating uncertainty across the globe due to Strategic Competition. The economic element of DIME is being actively pursued through sanctions, tariffs, and other economic incentives to deter aggression in the near term through non-military means. As discussed in prior papers on Great Power Competition, the interconnectedness of the global economy increases the complexity of the methods to escalate and de-escalate gray zones, crises, and indirect and direct conflicts using economic tools with financial consequences in the near term to deter aggression.

For business leaders navigating today's volatile geopolitical landscape, understanding Great Power Escalation Dynamics is no longer optional; it is a core element of strategic risk management. As competition between the United States, China, and Russia intensifies, the risk of miscalculation or crisis carries profound implications for global markets, supply chains, energy security, and economic stability.

Many executives now embed geopolitical foresight into planning, recognizing that crisis preparedness, diversification, and intelligence are no longer exclusive to governments. These tools are critical for enterprise resilience in a world where Great Power Competition shapes the business environment.

While global economic markets do not like uncertainty, they often only focus on the near-term implications of the geopolitical environment, such as the cost of supply chain disruption. The other important consideration, given the high inter-dependence between economies, is the long-term strategic position. Future capabilities requiring assets such as natural resources, industrial base, and technology leadership will influence Great Power Competition over the coming decades. Existing conflicts like Ukraine and gray zone tensions in Taiwan, the South China Sea, in Space, Cyberspace, and in the Arctic reflect strategic positioning for the future capabilities by the powers to change the world order over time.

Businesses should be aware of their exposures and use a strategic near and long-term mindset for diversification of value chain elements, including supply chains, raw materials, production, talent, customer concentrations, technology assets, including data centers, global partners, and funding sources to balance the risk-reward in this increasingly uncertain world. Opportunities will also exist in developing new markets and creating products and solutions across all sectors, especially in technology, cyber, defense, energy, and agriculture.

## SECTION 2: U.S. National Security Strategy

Published in November 2025 as the capstone statement of the Trump Administration's national security policy, the National Security Strategy (NSS) outlines the President's approach to protecting U.S. interests at home and abroad.

This section explains the 2025 National Security Strategy; to describe what the strategy says, how it is structured, and how it has been received by analysts across the policy community. The NSS spans roughly 30 pages and articulates a distinct vision of American power, priorities, and restraint. What follows is a summary of the document, paired with commentary reflecting the wide divergence of expert opinion. Some analysts praise the strategy for clarity, realism, and economic focus, while others criticize it for the very same features, underscoring how contested its assumptions and implications remain.

### History of U.S. National Security Planning:

The modern United States national security planning system began with the National Security Act of 1947, which established the National Security Council and formalized presidential coordination of foreign policy, defense policy, and national security decision-making. In the decades that followed, strategic guidance was primarily communicated through classified National Security Council directives rather than the standardized public statements of national strategy issued directly by the President.

The Goldwater-Nichols Department of Defense Reorganization Act of 1986 required the President to submit a comprehensive National Security Strategy to Congress that articulated United States interests, objectives, commitments, and policies across all instruments of national power. The first official National Security Strategy was published in January 1987 during the Reagan Administration. While the law envisioned annual submissions, in practice, the strategy has been issued once per presidential term. Since 1987, only nine NSS documents have been published.

The NSS functions as the capstone document for the United States national security policy. It presents a comprehensive presidential vision that integrates diplomacy, defense, economic policy, homeland security, intelligence, and information tools. Through this approach, the strategy explains how an administration interprets the international environment, identifies major threats and opportunities, and establishes overarching priorities for protecting national interests. As a result, the NSS serves not only as a statutory requirement but also as a reflection of presidential worldview and strategic judgment, shaping both foreign and domestic security policy.

United States national security planning operates within a nested three-tiered framework designed to ensure coherence from the White House to operational execution. At the top is the NSS, prepared by the White House and signed by the President, which defines the fundamental goals of national security policy. The second layer is the National Defense Strategy, produced by the Secretary of Defense, which translates national priorities into defense-specific guidance for the Department of Defense (which is currently in the process of changing its title to the Department of War). The third layer is the National Military Strategy, written by the Chairman of the Joint Chiefs of Staff, which outlines how the armed forces will be organized and employed to achieve strategic objectives. Together, these documents ensure alignment between national goals, defense planning, and military operations.

### Observations about the Strategy:

Analysts offer a range of perspectives on the 2025 National Security Strategy (NSS), highlighting both its strengths and weaknesses.

It is praised for accurately reflecting the administration's priorities and presenting an honest portrayal

of its worldview and strategic goals. Its clarity, readability, and confident articulation are highlighted as strengths, making the document clear, consumable, and coherent. The NSS is also recognized for emphasizing economic strength as central to U.S. security, underlining the importance of economic discipline, investment, and technological and industrial prowess. Analysts appreciate the strategy's focus on efficiency, encapsulated in the idea of America "doing more by doing less," and its effort to highlight domestic and hemispheric priorities in a straightforward manner.

However, analysts also raise significant criticisms of the 2025 NSS. Many argue that it departs sharply from previous strategies by downplaying Great Power Competition, historically a central feature of past U.S. national security policy. The document is seen as adopting a conciliatory tone toward strategic competitors, particularly Russia and China, while emphasizing spheres of influence over traditional alliance commitments. Critics point out that the NSS treats Europe in a needlessly offensive manner and signals a transparent desire to normalize relations with (the European aggressor) Russia, raising concerns about undermining U.S. leadership and credibility. The strategy's emphasis on migration and economic threats over broader military or geopolitical concerns is also viewed as short-sighted, almost reckless.

Overall, the 2025 NSS is seen as a document that clearly communicates the Trump Administration's priorities and worldview, particularly in economic and domestic terms, but does so at the expense of traditional alliance structures, strategic competition, and operational coherence.

### **President Trump's Cover Letter:**

The NSS opens with a cover letter from the President that frames the document as evidence of a restored American position at home and abroad. The letter highlights what the administration describes as dramatic improvements in U.S. security and global stability, contrasting these outcomes with what it characterizes as prior periods of weakness, extremism, and policy failure. Central to the message is emphasis on border security, sovereignty, and the modernization of U.S. military capabilities. The President also underscores the removal of ideological influences (Woke-ness) from the armed forces as part of efforts to reinforce military readiness.

Economically, the letter points to progress toward energy independence, industrial revival, and the reshoring of critical supply chains through tariffs and domestic-focused policies. It stresses strengthened alliances through increased burden-sharing commitments among partners, such as NATO members. Internationally, the President cites involvement in resolving major global conflicts as evidence of effective leadership. The letter concludes by presenting the NSS as a roadmap for safeguarding American interests, aligning national objectives with available means, and ensuring the United States remains the world's leading power.

The President's introductory letter is noted for careful word choice and concise, pithy writing. It emphasizes peacemaking, burden-sharing with allies, and highlights U.S. technological, industrial, and military strength, signaling an intention to balance ambition with discipline.

Yet, the framing is criticized for overstating restraint while simultaneously advocating expansive military dominance and global influence. Observers note that the letter may mislead readers about the true scope of U.S. ambitions. Finally, some criticize the informal language rarely, if ever, seen in Presidential correspondence.

### **Introduction – What Is American Strategy?**

After the President's opening letter, the NSS provides an introduction explaining how the Administration believes U.S. strategy went astray and how it will be corrected.

It explains that a clear, coherent strategy is essential for sustaining American strength, prosperity, and

global influence. Strategy is defined as a realistic plan linking desired ends with achievable means. It requires accurate assessment of objectives, capabilities, prioritization, and tradeoffs, recognizing that the United States cannot pursue every cause or operate everywhere. U.S. foreign policy should focus primarily on protecting its core national interests rather than shouldering forever global burdens peripheral to its interests.

The NSS states that Post-Cold War strategies often became wish lists rather than actionable plans. The NSS opines that national objectives were poorly defined, and U.S. leaders believed incorrectly that global U.S. dominance would last forever. This led to U.S. involvement in areas not aligned with national interests. Economic policies favoring globalism and free trade weakened the middle class and industrial base, undermining the foundations of U.S. power. Allies frequently shifted defense burdens onto the United States, drawing it into conflicts peripheral to national interests. Reliance on international institutions, some hostile to U.S. sovereignty, further diluted strategic control. The result was the pursuit of an unachievable grand objective that weakened the nation.

The NSS describes a course correction, asserting that past failures were the result of deliberate policy choices rather than inevitability. By reorienting U.S. policy toward core national interests, the Administration aims to correct course, leveraging strengths to protect priorities, reduce unnecessary burdens, and restore strategic clarity. This approach emphasizes realism, prioritization, and linking ends and means as its method.

The introduction is recognized for accurately reflecting the administration's priorities and worldview and for providing clarity on strategic intentions. The emphasis on strategic stability and peacemaking suggests a coherent direction in principle.

At the same time, other observers note that the NSS downplays Great Power Competition and recklessly lessens the U.S. focus on global leadership. Its framing reduces the importance of long-term historical alliances and globalization and causes dismay for those expecting a traditional focus on Europe and great power dynamics.

### **What Should the United States Want?**

Following the introduction, the 2025 NSS outlines the U.S.'s overarching objectives, detailing both broad national priorities and specific international goals. It emphasizes the survival and safety of the U.S. as an independent, sovereign republic that protects citizens' natural rights and well-being. The NSS prioritizes safeguarding the nation, its people, territory, economy, and way of life from threats, including military attacks, espionage, predatory trade, trafficking, propaganda, and cultural subversion. Central to this vision is full control over U.S. borders, immigration systems, and transportation networks, ensuring migration preserves stability and allows the U.S. to decide who may enter.

The NSS stresses the need for resilient infrastructure capable of withstanding disasters, resisting foreign threats, and mitigating events that could harm people or the economy. Military strength is a core element of national security, calling for recruiting, training, equipping, and fielding the world's most powerful and technologically advanced forces. The U.S. seeks a military that can deter conflict, win wars decisively, and maintain pride and confidence among service members. It also emphasizes a robust nuclear deterrent and advanced missile defenses to protect the homeland, overseas assets, and allies.

Economic strength is another pillar of national power. The NSS envisions the U.S. maintaining the world's most dynamic, innovative, and advanced economy, supporting prosperity, upward mobility, and global influence. A strong industrial base is critical for peacetime and wartime production, with industrial strength a top priority. Similarly, the energy sector fuels growth and serves as a leading

export industry. Technological leadership, intellectual property protection, and innovation are central to sustaining economic and military superiority.

The strategy emphasizes American soft power and global influence. The U.S. seeks to exercise positive influence worldwide while remaining unapologetic about its values and respectful of other cultures. The NSS also highlights restoring and strengthening cultural and spiritual health, envisioning citizens who are proud, optimistic, employed, and supported by strong families.

In foreign policy, the NSS outlines global goals. In the Western Hemisphere, the U.S. aims to ensure stability, prevent mass migration, counter transnational crime, and maintain access to strategic locations, asserting a modern Monroe Doctrine. Globally, it seeks to halt foreign economic damage, preserve freedom of navigation and secure supply chains in the Indo-Pacific, support European allies, prevent adversarial domination of the Middle East, and lead in AI, biotech, and quantum computing. These objectives represent the U.S.'s core national interests, requiring focused attention to safeguard long-term security, prosperity, and influence.

Section II's focus on economic vitality is acknowledged as a key strength, presenting a realistic view of national power. The section clearly messages China, Russia, and Iran, but does so without specifically mentioning them by name.

Criticism arises from the prioritization of the (non-existential) Western Hemisphere, immigration, and economic threats over (often considered existential) traditional military or geopolitical concerns. Allies are viewed primarily through a financial lens, and some argue that the NSS's assessment of major threats, such as migration over China or Russia, diverges sharply from conventional security logic.

### **What are America's Available Means to Get What We Want?**

Section III of the 2025 NSS shifts from U.S. objectives (Ends) and methods (Ways) to the resources (Means) available to achieve them. The strategy emphasizes that the U.S. maintains a uniquely advantageous global position, with world-leading assets across multiple domains: a flexible political system, the largest and most innovative economy, a leading financial system with the dollar as the global reserve currency, the most advanced technology sector, and the world's most capable military. These are complemented by broad alliances, favorable geography, abundant natural resources, unmatched soft power, and the patriotism and will of the American people.

Domestic initiatives further strengthen these advantages, including restoring institutional competence, boosting energy production, reindustrializing the economy, promoting economic freedom through tax cuts and deregulation, and investing in emerging technologies. By leveraging these resources, the NSS aims to enhance American power, sustain global preeminence, and ensure the nation's continued prosperity and security.

The NSS is praised for emphasizing economic tools as a central pillar of U.S. strength and for advocating disciplined, restrained use of power to preserve long-term leverage. Analysts highlight its focus on economic security, investment in technology, and encouragement of allies to assume greater defense responsibilities, alongside support for U.S. technological, industrial, and military capabilities.

However, critics contend that ideological inconsistencies and a lack of operational coherence limit the strategy's practical impact, leaving several priorities aspirational and not achievable. Inadequate resource allocation and weakened foreign policy institutions (like USAID) undermine the Soft Power the administration says is so important. Similarly, the strategy speaks to the importance of Allies and partners, many of which are growing increasingly distant to the U.S. after the first year of abusive tariff policy and verbal mistreatment by senior U.S. leaders.

## The Strategy:

The fourth section of the 2025 NSS is the longest and is subdivided into three subsections: Principles, Priorities, and The Regions. Below are summaries and commentary on each.

Principles: The first subsection outlines the guiding principles of President Trump’s foreign policy, emphasizing an “America First” approach that is results-oriented rather than rooted in traditional ideological frameworks. The policy is described as pragmatic, realistic, principled, strong, and restrained, prioritizing what is effective for American interests over abstract theories of global governance. Central to this vision is the assertion that President Trump’s leadership has produced significant peace outcomes, including the Abraham Accords during his first term and the resolution of multiple international conflicts during his second term through direct negotiation and leverage.

A core premise of the policy is the prevention of regional conflicts from escalating into broader wars that could harm American security and economic interests. The administration favors unconventional diplomacy combined with military strength and economic influence to deter aggression and resolve disputes, particularly among nuclear-capable states or long-standing regional rivals.

The framework rests on several key principles. First, it calls for a focused definition of national interest, arguing that overextension dilutes strategic clarity. Second, it advances “peace through strength,” asserting that economic power, technological leadership, cultural resilience, and military superiority deter threats and enable diplomacy. Third, it establishes a predisposition toward non-interventionism, setting a high threshold for military involvement while recognizing that absolute non-intervention is impractical.

The policy also emphasizes “flexible realism,” seeking cooperative relations without imposing political or social systems on other nations, and affirms the primacy of the nation-state as the fundamental unit of global order. Sovereignty and mutual respect are highlighted as essential, with strong opposition to foreign interference, transnational overreach, and efforts that undermine domestic governance or free expression.

Maintaining a balance of power is another pillar, aiming to prevent any single nation from becoming dominant enough to threaten U.S. interests, while avoiding unnecessary conflicts. Economically, the policy is pro-American worker, prioritizing broadly shared prosperity over growth that benefits only limited sectors. It also stresses fairness in alliances and trade, rejecting free-riding and calling for allies to shoulder greater defense and economic responsibilities.

Finally, competence and merit are presented as vital to national strength, innovation, and security, with the assertion that American policies must consistently prioritize the interests of U.S. citizens and workers above all else.

The principles section draws some praise for its realistic acknowledgment of the limits of U.S. power, signaling a more restrained and pragmatic approach to American engagement abroad. Its endorsement of peacemaking and careful diplomatic language, particularly on sensitive issues such as Taiwan, is seen as reflecting a measure of discipline and caution in U.S. strategy.

At the same time, critics argue that these principles amount to a repudiation of traditional alliances, privileging narrow economic self-interest over collective security commitments. European partners are portrayed less as strategic assets and more as ideological obstacles, with the approach described as revisionist and, at times, coercive. The absence of any reference to international law or a rules-based order further compounds these concerns, weakening the United States’ ability to rally allies, shape global norms, and sustain the foundations of its long-term influence. Some view the language of non-interventionism as hypocritical given the U.S. military operations in/against Iran, Venezuela, Somalia, and Nigeria – all in one year.

Priorities: The second subsection sets forth a series of national priorities grounded in sovereignty, security, civil liberties, and economic strength. A central theme is the assertion that the era of mass migration must end. The NSS argues that uncontrolled migration strains public resources, undermines social cohesion, distorts labor markets, and poses risks to national security. Border control is framed as a core component of sovereignty and national survival, essential not only for managing immigration but also for preventing terrorism, crime, drug trafficking, espionage, and human exploitation. A secure border, directed by the will of the American people, is presented as fundamental to maintaining the United States as a sovereign republic.

Another priority is the protection of core rights and liberties. The document emphasizes that the primary purpose of government is to safeguard citizens' natural rights, particularly free speech, religious freedom, freedom of conscience, and democratic self-governance. It warns against the abuse of governmental power under pretexts such as national security or democratic protection and calls for accountability when such abuse occurs. The United States is also expected to advocate for these liberties among allied nations and oppose elite-driven restrictions on democratic freedoms abroad.

Burden-sharing in global security is a key focus. The text rejects the idea of the United States bearing disproportionate responsibility for global stability and calls for wealthy allies to assume greater defense obligations. It highlights expectations for increased defense spending, especially within NATO, and proposes structured partnerships that align incentives through economic, technological, and defense cooperation while avoiding strategic overextension.

The document also emphasizes "realignment through peace," asserting that diplomatic efforts to resolve conflicts, even outside core regions, can enhance global stability, expand U.S. influence, and open new economic opportunities at relatively low cost.

Economic security is treated as inseparable from national security. Priorities include rebalancing trade to protect American workers, securing critical supply chains and materials, reindustrializing domestic manufacturing, revitalizing the defense industrial base, restoring energy dominance, and preserving U.S. leadership in global financial markets. Together, these measures aim to strengthen economic independence, sustain military readiness, and ensure long-term American prosperity and influence.

This section is praised for clearly elevating the Western Hemisphere and for treating migration and economic challenges as central national security concerns. Supporters also highlight the emphasis on economic discipline as a source of long-term U.S. leverage, along with encouragement to invest in technology and science and to press allies to assume greater defense burdens. The strategy's articulation of achieving more by doing less is seen as a deliberate effort to recalibrate U.S. engagement and concentrate resources.

Critics, however, argue that the heavy focus on immigration and economic threats risks distorting strategic priorities and neglecting global military responsibilities and alliance management. "Mass migration" is viewed by some as miscast as the primary external threat, while the broader framework deemphasizes great power competition and leans too heavily on spheres of influence. Others contend that, despite claims of restraint, the strategy remains paradoxically expansive in ambition. Finally, there is concern by some that the reduction of U.S. support for global security will bring with it a reduction in the nations that feel obligated to support the U.S. in areas that matter to the U.S. but not necessarily to the other nations. There is a fear that nations will begin to hedge because they are unsure if the U.S. is a reliable defense partner.

The Regions: The NSS divides the world into five priority regions: the Western Hemisphere, Asia, Europe, the Middle East, and Africa. Before outlining regional approaches, the NSS stresses that an

effective strategy requires prioritization rather than comprehensive engagement everywhere. Limited resources demand focus on core interests, with peripheral threats addressed only when they directly affect U.S. security or prosperity.

*Western Hemisphere:* The Western Hemisphere is elevated as the top regional priority, framed through a “Trump Corollary” to the Monroe Doctrine. The strategy argues that U.S. neglect has allowed non-hemispheric powers, particularly China, to gain economic and strategic footholds. Reasserting U.S. leadership is presented as essential to homeland security, economic resilience, and access to critical geography.

The approach centers on two objectives: “enlist” and “expand.” Enlistment involves strengthening cooperation with key partners to address migration, drug trafficking, cartel violence, maritime security, and economic instability, alongside reassessing U.S. military posture and presence. Expansion focuses on positioning the United States as the preferred economic and security partner by developing supply chains, infrastructure, energy systems, and strategic resources through public–private collaboration. Commercial diplomacy, trade reciprocity, and security cooperation are key tools, alongside efforts to counter external influence by highlighting the long-term costs of rival powers’ engagement.

Supporters praise the renewed focus on Latin America and pragmatic engagement with major partners. Critics, however, warn that the strategy risks neo-imperial overreach, excessive securitization of regional challenges, and strained relations with allies, particularly given the omission of Canada and the prioritization of the hemisphere over other global commitments.

*Asia:* The Indo-Pacific is described as the central economic and geopolitical arena of the 21st century. The strategy emphasizes competition with China, arguing that prior assumptions about economic integration failed to moderate Beijing’s behavior. U.S. goals include rebalancing trade, reducing dependencies, protecting supply chains, and countering unfair practices, while maintaining deterrence against military conflict, particularly over Taiwan and the South China Sea.

Alliances are central, especially cooperation with Quad partners, combining economic, technological, and defense capabilities. Military deterrence, allied burden-sharing, and advanced technology development are presented as mutually reinforcing with economic strength.

Commentators generally view this section as a continuation of many previous administrations’ bipartisan Indo-Pacific policy. Concerns focus on Asia’s apparent secondary status to the Western Hemisphere and fears that burden-shifting and transnationalism could weaken alliance confidence.

*Europe:* Europe is portrayed as a partner in deep crisis, facing economic decline, demographic challenges, political fragmentation, and cultural erosion. The NSS calls for European self-sufficiency, greater defense responsibility, and renewed collective strength and confidence. It advocates stabilizing relations with Russia, ending the war in Ukraine, and restoring economic vitality while keeping Europe aligned with U.S. interests.

This section receives substantial criticism for downplaying Russian aggression in Ukraine, overstating cultural decline, and adopting an adversarial tone toward allies. Critics argue it undermines NATO cohesion and prioritizes ideological grievances over core security concerns.

*Middle East:* The Middle East is described as less central than in past decades due to U.S. energy independence and shifting power dynamics. The strategy emphasizes partnerships over intervention, focusing on securing energy routes, counterterrorism, Israel’s security, and economic cooperation. Expanding regional peace initiatives and investment is prioritized, while avoiding large-scale military

commitments. Analysts welcome the restrained, partnership-based approach but note limited detail and concern about the durability of U.S. engagement.

*Africa:* Africa receives brief treatment, emphasizing a shift from aid and ideology toward trade, investment, and resource development, while remaining vigilant against terrorism and avoiding prolonged military involvement. While praised for its economic focus, critics argue it is too narrow and insufficiently integrated with governance and security concerns.

### **Conclusion:**

Taken together, the commentary on the 2025 NSS reveals a deeply polarizing document that succeeds in clearly expressing the administration's worldview while simultaneously unsettling many long-standing assumptions about U.S. leadership, alliances, and global engagement. Supporters view the strategy as disciplined, realistic, and overdue in its emphasis on economic power, prioritization, and restraint. Critics see it as reductive, ideologically charged, and insufficiently attentive to alliance management, great power competition, and operational feasibility. The sharp divergence of views, often focused on identical passages and priorities, highlights that the NSS is not merely a policy document, but a statement of strategic philosophy. As such, its ultimate significance will depend less on its prose than on how its principles are translated into sustained policy, resources, and action over time.

### **Economic Implications:**

The NSS is clear that national security and economic security are interdependent for sustainable prosperity and global leadership. The U.S. is the global economic leader today with the world's largest economy, followed by China, which has been increasing its economic influence across the world. The plan's objective is to continue U.S. economic leadership, fueling world influence, innovation, and investment for growth while maintaining national security for the country, its allies, and partners.

The plan is comprehensive in scope, covering homeland security and foreign relationships. However, certain analysts have criticized the NSS for not strongly focusing on Great Power Competition. Ultimately, while not naming China, the common thread of strategy appears to be global competition with them. The NSS highlights the need to rebalance trade, rebuild and diversify the industrial base, protect intellectual property (IP), ensure supply chain access, and lead in financial market dominance. These positions address the situation with China as a challenger with its expanding net global export position, significant outsourcing for manufacturing to the world, rising threats to IP, aggression in the Indo-Pacific potentially disrupting supply chains, control of rare-earth minerals, and growing financial assets to invest in influencing sovereign nations across Asia and the Global South.

The current global economic environment is primarily driven by leadership in next-generation technologies such as AI and quantum computing, with their ecosystems concentrated in the Indo-Pacific. The long-term key to economic security through advanced technologies is free trade in the Indo-Pacific region, which makes deterrence in that region critical for the global economy, as addressed in the plan. China's escalations in the region, principally to Taiwan, Japan, South Korea, and the Philippines highlights its aspiration to ultimately control the technology ecosystem. As identified earlier, this is a top bipartisan priority. The prior Administration was also focused on derisking in the advanced technology industry through the 2022 U.S. Chips and Science Act, which had one of the same objectives to rebuild the industrial base for semiconductors outside of Asia through investment in the U.S. and other free-market nations. Advanced technologies will impact all sectors, including defense technology, which will be critical for the modernization of the U.S. military. Technology leadership will depend on a continued protected IP development, secure industrial base, and access to rare-earth minerals, with each of these elements being contested by China today. The strategic plan addresses the need for a strong private industrial base to partner with the government for national and economic security.

The NSS is a plan developed by a business-focused Administration. The plan's foundation is that without both national and economic security, the United States, its allies, and partners will not be in a world leadership position in the future. The premise of the plan is that the West today leads in economics and must use that strength to secure the future by increasing global deterrence, leading in next-generation technology, modernizing its military, rebuilding its industrial base, and driving coordinated public and private partnership investment with common interests. For businesses, the plan's objective is to create opportunities for investments domestically and internationally, especially in the technology and defense sectors, benefiting U.S. and free-market industries and their workforces.

## SECTION 3: Intersection of National Security and Corporate Strategies

The complexity and scale of business decision-making are increasing due to the demands of multiple stakeholders and evolving macro-situational issues. Business leaders must simultaneously account for various risk factors - economic, societal, technological, environmental, and legal. These factors are further complicated by customer demand, capital market conditions, advancing technologies, Strategic Competition (including the possibility of U.S. government sanctions and prohibitions affecting foreign market access), and accelerating climate and energy demands across multiple regions of the world. Institutional investors continue to consider geopolitics as a significant risk factor. To lead most effectively in this environment, executive teams and board members are well served by three things to frame and address problems and manage risk: a globally informed mindset, an effective strategic planning process, dynamic risk assessment, and mitigation tools.

- **Developing the globally informed mindset:** For businesses, the purpose of strategy is to drive long-term value creation for stakeholders, including customers, employees, investors, and the communities they serve. The best strategies drive sustained growth, while accounting for the global environment and its many dimensions of uncertainty.
- **Time-tested strategic military-like planning processes** inform executive-level judgment and decision-making. Corporations employ strategic planning processes focused on managing economic, customer, competitor, regulatory, and technological opportunities and risks.
- **Dynamic risk assessments and mitigation** tools are necessary to effectively navigate the increasingly Volatile, Uncertain, Complex, and Ambiguous (VUCA) environment. Such tools help leaders assess risk (e.g., political, military, economic, information, and social). Such assessments, when integrated within corporate strategic planning processes, help leaders prioritize efforts and make better-informed decisions.

Competitive friction associated with the influence and control of Global Commons, the Arctic, Strategic Resources, Artificial Intelligence, Mass Migration, and Population Declines presents complex implications for the interrelationship between governments and corporations. Such friction manifests through the nexus of national security and the influence of economic power, highlighting the clear interrelationship among the five warfighting domains (land, sea, air, cyber, and space) and corporate interests.

The relationship between risks related to national security, military planning, and execution, and corporations is often opaque. The GEOIntelligence Group products serve to inform leaders of this relationship, highlighting the interconnectedness of factors often outside the direct control of corporations. These products are designed to enable leaders to better understand and mitigate business risks that they might not otherwise anticipate or see.

## Global Commons:

One of the most complex and challenging security environments today is the Global Commons, the domains that lie outside of the exclusive territory of a state, but may be accessed and used by others. The Global Commons are a stateless maneuver space, which no nation or entity can claim as their own. They include oceans, Antarctica, the atmosphere, space, and cyber. Additionally, Global Commons contain natural resources that present opportunities and vulnerabilities due to congestion, overuse, degradation, and exploitation. These commons have interdependencies across all elements of national power: Diplomatic, Information, Military, and Economic (DIME). The following points demonstrate the significance of understanding the Global Commons:

- *Oceans* (Maritime) carry 80 percent of global trade by ship and house undersea cables carrying data that represents over \$10 trillion in daily financial transactions.
- *Antarctica* (the continent) has been set aside by international agreements for scientific research, yet Great Powers continue to press the limits of cooperation.
- *Atmosphere* continues to increase in temperature, and is expected to reach a 1.5 degree Celsius tipping point shortly after 2030; some consider this to be existential.
- *Space* has been the purview of relatively few nation-states. However, as more nations become space-capable, greater friction is emerging between authoritarian regimes (e.g., China and Russia) and liberal democracies with private sector space companies.
- *Cyber* as a domain does not fit clearly in the global commons' definition; however, Generative Artificial Intelligence, Machine Learning, and the evolution of Quantum Computing exhibit characteristics of a global common.

Critical choke points of high and accelerating risks in the global commons include:

- Piracy and Houthis-sponsored terrorism threaten commerce in the Bab-el-Mandeb Strait and Red Sea
- Chinese intimidation and coercion threaten freedom of navigation in the South China Sea
- The interruption and interception by nefarious nation-states and criminal actors of data transmitted through undersea cables
- Climate change is affecting sea levels, population-center shorelines, ice sheets in polar regions, and environmental systems, including ocean currents, coral reefs, and rainforests
- Nation-state vs private sector space exploration, and governance implications vis-à-vis property rights, weaponization, growing congestion, clutter, and general competition
- Accelerating cyber capabilities and drone technologies are creating competition among businesses, governments, legal and ethical systems, and incentivizing nefarious actors, including transnational criminal networks

## Arctic:

Historically, the Arctic merited limited geostrategic attention as the extensive ice coverage significantly limited economic development and transit. During the Cold War, there was competition in the Arctic between the U.S. and the USSR, but this was largely restricted to the military domain. However, a current and future look at the Arctic presents a broadening array of increasingly interconnected and irreversible regional issues with global implications, along with the potential for significant competition and possible conflict.

The Trump Administration places a high priority on homeland defense and securing the borders; the Arctic creates multiple threat challenges to the United States, as well as to several of our allies. These threat vectors range from Russian bombers and submarines operating off U.S. coasts to joint Russian/Chinese military exercises, to Chinese spy balloons, and investment attempts. Greenland has recently gained prominence with the President's concerns that China could develop infrastructure in Greenland and/or secure natural resources, thus damaging the national security of the U.S. and its allies.

There are other challenges to the Arctic, such as impacts from climate change and global warming, which affect resources, research, governance, diplomacy, and security. The influence of climate change and global warming on the Arctic has caused its ice mass and thickness to reduce by 25 percent and 40 percent, respectively, since 1980. The ice is receding so quickly that some predict most of it could be gone by 2050. Unabated, this rate of ice reduction has implications for rising water levels and potential global coastal migrations.

Despite the challenges, there are also new opportunities in the Arctic. As ice decreases in the Arctic, more people can access, inhabit, and transit the Arctic. Arctic commercial transit can capitalize on one of three shorter and quicker routes: the Northwest Passage, the Northeast Passage, and the Northern Sea Route, reducing time and distance by 30 percent or more. Access to the Arctic also affords access to significant resources, including 30 percent of the world's natural gas, 13 percent of untapped oil, and other valuable resources like diamonds, phosphate, bauxite, iron ore, nickel, and copper. Increased presence on the part of regional and global players will call for increased clarity in governance, security, and economic considerations.

The Arctic is developing into a new arena of global power competition for the U.S., free market nations, Russia, and China from both a military positioning and an economic perspective. Climate change has provided increased access to the Arctic region, although logistical issues are still significant. For context of shipping routes through the Arctic, please see this link from the Arctic Portal.org: <https://Arcticportal.org/shipping-portlet/shipping-routes/central-Arctic-shipping-route>.

The economic perspective of Arctic development is driven primarily by natural resources extraction and new shipping routes. Russia is one of the primary stakeholders economically. Today, Russia's non-warfare economy is driven by the energy sector, with oil and natural gas exports. Russia's global positioning as a world power is built on its military position and its energy resources. The Arctic represents a new source of energy resources, which makes it both an economic offensive opportunity and a defensive threat if those energy resources are accessed by other countries.

The natural resources of extensive oil and natural gas reserves, combined with the potential to have greater shipping access through the Northern Sea Route connecting Europe and Asia, provide a tremendous economic opportunity for Russia in the coming decades. The potential to ship more oil and gas directly to Asia through this shipping route also reduces the dependency of Europe as a future market for Russia. The Ukraine War sanctions have caused a significant drop in natural gas demand by Europe, which is unlikely to be recovered in the near term, given the geopolitical tension.

In the near term, Russia has partially offset the European demand drop with exports to China, India, and Turkey. The opportunity to have 12-month access to the Northern Sea Route to reduce logistical costs is a significant opportunity for Russia. Russia also attempts to charge fees to shippers transiting the North Sea Route – apparently, some pay the fees, but most, like the United States, do not, as the route does not cross the sovereign waters of Russia.

Today, the primary economic inputs from the Arctic for Russia’s economy are oil, natural gas, metals, stones, and fish harvests, which represent about 10 percent of its GDP and 20 percent of its exports. Russia launched a \$300 billion investment in 2020 to develop infrastructure for the Arctic based on supporting the energy sector and the extraction of oil and gas. The program, funded by the government’s ruling elites, is designed to attract foreign investments, including planned investments for towns, power plants, ports, and airports. This aggressive plan has significant risk given the logistical challenges in the Arctic and the cost of funding the Ukraine War, which subsequently escalated.

As mentioned earlier, while Russia is the primary antagonist in the Arctic, China aspires to be a “near” Arctic country for resource extraction and Global Power positioning. Its external position is based on science and global cooperation, but its real objectives are more threatening. In addition to its growing military influence in the region described in the previous section, China is expanding its Belt and Road Initiative, or BRI (for a broad review of BRI, please see [Bancroft GEOIntelligence Executive Summary on China's Belt and Road Initiative](#)), with a spiral to include the Arctic that China labels as the “Polar Silk Road.” China’s attempts to corner the market with rare-earth minerals are at the heart of President Trump’s efforts to increase U.S. presence and security in Greenland.

The Arctic is a new economic strategic frontier for Strategic Competition beyond the energy sector and shipping routes. World economies are being impacted by climate change and volatility, which is common ground across the globe. The warming temperatures and rising global sea levels due to Arctic ice melt have broad economic consequences related to global migration, coastal real estate, and financial services, including insurance and corporate strategy. Climate change impact and scientific research in the Arctic are areas where cooperation between world powers could have a positive impact. Additionally, there are humanitarian issues with the indigenous people who reside in the Arctic. Companies with sustainability and corporate social responsibility policies must consider how they view development in the Arctic and its impact on their corporate responsibility targets.

## Cyber Ecosystem:

All five domains are in constant play in the renewed Strategic Competition – land, sea, air, space, and cyberspace – where each is continuously advancing in capabilities to attempt to dominate or control in order to achieve desired objectives, offering both opportunities yet also risks. Cyberspace is the most recent of the domains and one that serves as an exemplar of both prospects and challenges. By definition, cyberspace comprises interconnected networks, infrastructure, software, and human capabilities that enable the creation, storage, transmission, and use of digital information. It functions both as a military battlespace and as the backbone of civilian commerce, communications, and governance. It is essential for people and economies to thrive globally, particularly through cyber and information security.

What is very interesting when circling back to the five previously mentioned domains, cyber functions as a critical enabling domain that supports and integrates operations across the other four domains, though at the same time, cyber remains dependent on their physical and logistical capabilities. The decisive subsets of this domain are data, Artificial Intelligence (AI), and quantum computing. Data fuels intelligence, decision-making, and innovation across all domains, while AI and quantum computing transform that data into actionable insight, accelerating decision cycles and enabling autonomous capabilities.

Security/Risk: Cybersecurity, of course, is the practice of protecting computer systems, networks, data, and connected devices used for access from digital attacks. Information security is the practice of protecting digitized information by safeguarding the confidentiality, integrity, and availability of data through multi-layer security controls. The magnitude and impact of cyber threats cannot be overstated. On one bookend, threats include the potential of widespread catastrophic cyberattacks to damage or disrupt national or regional infrastructure (for more on strategic attacks, see [Bancroft GEOIntelligence White Paper on Escalation Dynamics in Great Power Competition Risks, Redlines and Ramifications](#)). On the other hand, threats can involve cybercrime. The WEF asserts, “if cybercrime were a country, it would rank as the third-biggest economy globally, trailing only the US and China.” Global cybercrime costs are projected to reach \$10.5 trillion annually by the end of 2025. Facing these threats requires understanding both their nature and character to operate at the speed, if not ahead, of the cyber domain challenges, requiring strategic thought, vision, engagement, and action with increasingly public and private collaboration. Whether an enterprise is military or commercial, the threat of cyber continues to increase.

Cybercrime and Warfare Strategic Frameworks: Enterprises leverage cyber to run their businesses while protecting their workforce, market systems, and data. Most corporate strategies take a similar approach to the government. More than just investing in the latest anti-virus software, their strategies include threat and risk assessment investments to understand threats (intelligence), learn about emerging trends, and incorporate new capabilities (proprietary and third party) for protecting networks, as well as developing workforce and market resiliency against attacks. The biggest challenges to the private sector are the cost, speed, and scale of attacks. The World Economic Forum (WEF) reports that smaller companies are unable to afford the investments larger corporations or governments make to prevent and protect against cyberattacks. They must outsource needed capabilities and assume higher risks while trusting deterrence, detection, and resiliency capabilities, which they often cannot verify.

A challenge with cyber is the fine line between cyberwarfare and cybercrime. The methods are the same, but the difference is in the actors and the intent. The “attack surface” of the cyber ecosystem is porous, and expertise in cybersecurity is democratized without any governance or geographic boundaries. The nature of the ecosystem is that it does not have any traditional governance boundaries. It is therefore dependent on nodes in the system to self-organize and develop defense and resiliency tactics, techniques, and procedures.

In today's interconnected environment, cybercrime and cyberwarfare increasingly overlap, making individuals, organizations, and critical infrastructure potential targets even if they are not active participants in conflict. The economic landscape is a primary target for cybercrime and cyberwarfare effects, so anyone relying on anything dependent on critical infrastructure, from fuel, food, medicine, transportation, water, communications, finance, to government services, is being attacked. Fighting a network requires a network that is fluid, adaptable, aggressive, and resilient. Enterprise policies must include comprehensive cybersecurity strategies for defending the network and building resiliency. Collective and individual readiness of organizations through enterprise-wide efforts are essential steps and must include things like cyber intelligence gathering and sharing, minimizing and protecting attack surfaces, mitigating attack vectors that penetrate defenses, and developing Network policies resulting in individual fieldcraft readiness for identifying and defending against attack vectors.

Cyber Economic Takeaways: The Cyber domain is a globally interconnected and interdependent ecosystem serving most of the global population to work, transact, communicate, entertain, and protect. Using e-commerce sales as an indicator, in 2024, U.S. sales reached around \$1.19 trillion, more than double what they were in the previous five years. COVID-19 certainly contributed to its growth, but indicators predict continued increases.

Consider the following:

- Understand domain composition, such as policies, strategic objectives, and operations
- Know and anticipate threat actor capabilities, intentions, and capacities
- Possess deterrence capacity and resilience capabilities to mitigate threat activities
- Understand the many attack vectors in the cyber domain (supply chain, malware, phishing, hardware/software, networks, denial of service, insider threat, and so on)
- Educate the entire team that touches your systems and networks – every member must be a cyber-defender, as it can take only one weak link to allow adversary entry into your corporation
- As appropriate, notify government agencies of suspected cyberattacks and crimes, such as the FBI's Internet Crime Complaint Center (IC3), the Cybersecurity and Infrastructure Security Agency (CISA), etc.

Finally, if you have not already, consider partnering with the Domestic Security Alliance Council <https://www.dsac.gov/> and National Defense Cyber Alliance <https://ndcapartners.org/>.

## Artificial Intelligence:

Artificial Intelligence (AI) is simultaneously a paramount opportunity and threat to Great Powers in their ability to lead the world across diplomatic, information, military, and economic elements of power. AI provides capabilities with advanced novel features, driving global transformation and disruption. Our world is already being influenced by the potential of AI to change human life in ways that both generate benefits as well as incur risks (known and unknown) due to a lack of agreed-upon national and global guardrails.

Though the current U.S. Administration does not yet have a published National Security Strategy, in August 2025, the White House published the Fiscal Year 2027 Research and Development priorities, addressing the geopolitical threat environment. In response to the Strategic Competition, specifically the People's Republic of China (PRC), protecting the values and economic stability of free-market nations by leading the world in developing advanced technologies is the top U.S. priority. Within that portfolio, the number one priority is critical emerging technologies. The first capability is led by AI dominance, followed by other investments in emerging science and technology (S&T), such as quantum.

The AI ecosystem is vast and complex, covering innovation, intellectual property (IP), industrial base, natural resources, including rare earth minerals, and infrastructure (See Bancroft Capital Cyber Paper), and the S&T workforce. Given AI and advanced technology's impacts on national and economic security, AI is driving the current Escalation Dynamic cycle across the globe (See Bancroft Capital Escalation Dynamic Paper). And Great Powers are strategically posturing to lead and control the AI ecosystem.

According to its most recent 5-year plan, the PRC is focused on AI leadership as it directly and indirectly attempts to control global AI development through restricting access to rare-earth minerals, semiconductor fabrication, and supply chains concentrated in Asia. In contrast to authoritarian control, AI transformation in free-market nations is being led by the private/ non-governmental business sector through investment and business model changes. Free-market nation governments are collaborating with the business sector on policy, economics, supply, and defense, impacting every warfare domain.

It bears noting that on November 24, 2025, President Trump signed an Executive Order launching the Genesis Mission to use AI to transform scientific research and accelerate discovery for national security and economic development.

Economic Implications: AI and advanced technologies are the leading global investments, principally in data center development, energy, telecommunications, and defense sectors. AI is influencing all sectors with the opportunity to transform their business operations and workforce.

The primary AI companies are Nvidia, Microsoft, Alphabet, Amazon, Meta, Apple, and Tesla. As of Q3 of 2025, they had a combined market capitalization of nearly \$21T, while the market capitalization of the S&P 500 was approximately \$57T. This means 7 companies represent 36.5% of the S&P 500 total. Other key players in the AI ecosystem, such as TSMC, Broadcom, Oracle, Palantir, and AMD, had an additional total market cap of \$5T. According to Morningstar, these valuations demonstrate the power and impact of AI technology.

Beyond financial market capitalization, capital investment for data center construction, energy sources, and AI-specific talent is rapidly growing. Construct Connect predicts large U.S. hyperscale data construction projects will exceed \$45B in 2025 (double the prior year). Data centers require tremendous amounts of power, which is driving investments in the energy sector to provide added capacity to the National Grid as well as specific individual data center locations through multiyear off-

grid power agreements. Nuclear power demand and related investment are resurging across the globe to power data centers.

When it comes to semiconductor development, its natural resource inputs and value chains are critical to AI scaling and execution. Supply chain disruption and investment to derisk from PRC influence and control are necessary. Developing diversification in rare-earth minerals is a focal point in trade negotiations and strategic positioning.

Across all sectors, demand for AI deployment is driving massive financial inflows and capital to use AI solutions to redesign work, increase efficiency, improve quality, and reduce operating costs. The reimagining of work is already impacting job losses. In October 2025, 150K job layoffs were primarily related to AI adoption. This is the largest number of job losses in one month over the past two decades. At the same time, the AI workforce is not robust enough to keep up with the tech-sector talent demand. The reskilling of people and redesigning of work will take time, transforming careers and consumer confidence in the near term. Currently, the AI investments and restructuring opportunities are driving financial returns for the AI ecosystem companies. Uncertainty of impact across the broader market remains. Strategic thinking about AI's impact (opportunities and threats) on the quality of human life and societal ecosystem guardrails is essential.

- AI is simultaneously the paramount opportunity and threat to Great Power nations.
- Great Powers are positioning themselves to lead and defend in an AI-centered world.
- AI is driving significant economic and national security investments, policy, and positioning across all domains.
- Returns for AI companies are high, with the broader market cautious on the impact on employment and consumer confidence.
- Societal guardrails to protect human quality of life, including the nature of work and human development, must be evaluated and integrated into strategic planning.

## Strategic Resources:

Strategic resources generally fall into major categories of energy, minerals, agriculture, and fishing. Energy is used to plant, harvest, and cook food, heat homes, produce and deliver goods and services, and power ideas. Minerals are the source materials that enable the production and distribution of goods and services. Agriculture and fishing are essential to feeding humankind. Strategic resources are fundamental to human existence and global trade, and are also major friction points in global power competition. Based on current national and global trends, and recent regional areas of conflict, the scale and impact of the competition for strategic resources influence the behaviors of Great Powers, the G7, and the Global South via the levers of national power (e.g., Diplomacy, Informational, Military, and Economic, known as “DIME”).

### Energy:

- The ability to control the global energy supply provides significant leverage to dominate in great power competition.
- Economic and national security are dependent on resilient energy production, capacity, transmission, and distribution.
- The global energy mix currently consists of oil, natural gas, coal, electricity, wind, solar, nuclear, and hydrogen.
- Although there have been gains in climate-friendly sources of energy, fossil fuels will remain the primary source of energy for the foreseeable future.
- A global and national portfolio approach to energy sources and the transition to higher levels of renewable sources over time is critical to global power positioning.
- The US and Russia are energy net exporting nations; China is a net importer, with potential to take a more aggressive strategic posture for access to the global energy supply.
- Despite heavy international sanctions and additional targeted tariffs imposed by the U.S. and EU, China and India continue to heavily import Russian oil, financing Russia’s war in Ukraine.

### Strategic Minerals and Rare Earth Elements (REEs):

- These are essential to national defense, commercial industry, and consumer products.
- Major Industries that rely on strategic minerals include aerospace, energy, defense, telecommunications, and transportation.
- According to the American Geosciences Institute, REEs consist of seventeen metallic elements found on the periodic table.
- What makes REE’s rare is the limited quantities in which they are found and the complexity of obtaining and processing them.
- Examples of their uses include fluorescent lighting, cell phones, flat panel screens, magnets, and lasers/fiber optics.
- Although free market nations such as the US and Australia are making strides to onshore REE extraction and processing, China currently produces 60% of the ore extracted for REEs, and it owns 90% of the global processing capability. Therefore, China can coerce and disrupt any advanced commercial, defense, space, and medical technology.
- A robust private sector ecosystem is necessary for exploration, extraction, and processing of REEs (in an environmentally friendly and economically sustainable way), to reduce China’s monopolistic leverage in great power competition.

### Agriculture:

- The U.S. is the world’s largest exporter of agriculture.
- China has insufficient arable land to meet its agricultural needs and is food insecure. As such, it is the world’s largest importer of agricultural products and will continue to aggressively pursue global agricultural resources.
- Ukraine is one of the world’s major suppliers of agriculture. Russia’s war with Ukraine continues to adversely affect the global food supply and prices, especially in Africa.

- Food insecurity in the Global South is increasing. Additionally, Africa, as a net importer of agricultural products, is severely impacted by the rise of global agricultural prices, and the fact that it has 65% of the world's uncultivated land.
- Food insecurity will accelerate as the Earth's population continues to grow. It is expected to exceed 10 billion within the next 30 years. The global availability of arable land is on track to become insufficient to meet global agricultural demand.

Fishing:

- Fish is a major food source for over 40% of the global population; however, fishing is threatened by pollution, climate change, and IUU (illegal, unreported, and unregulated) fishing.
- The U.S. considers IUU the top global maritime security threat.
- China, followed closely by Russia, is the most aggressive IUU violator and preys on smaller nations that are unable to defend against China's Distant Water Fishing (DWF) fleet.
- Whole-of-world and multilateral collaboration and cooperation will be increasingly essential to successfully address the increasing threats to fisheries.

## Mass Migration:

Mass migration, the movement of large groups of people from one geographical area to another, is of increasing relevance to global economic, political, social, and diplomatic leaders and systems. In the past five decades, global migration has steadily increased to the point that today about 300 million people (roughly one in every 30 people), or 3.7% of the world's population, are not living in the country where they were born.

The United States is the world's top destination for migration, home to more immigrants than any nation in the world. From 1783 to 2019, more than 86 million people immigrated to the U.S.

The following are the most common source and destination nations for global migration:

- Source Nations: India, Mexico, Russia, China, Ukraine, and Syria have the highest number of emigrants.
- Destination Nations: Countries with the highest number of foreign-born residents are the United States, Germany, Saudi Arabia, Russia, and the United Kingdom.
- Two examples of ongoing migrations:
  - Ukraine-Russia War: As of late 2025, about 67 million Ukrainian refugees were recorded; over 90% reside in Europe, according to Statista.
  - Syrian Civil War: Though the war ended in 2024, there are still about 13 million people displaced, with roughly half in Syria and the other half externally displaced.
- Global instability continues to increase due to many factors including the hangover of the recent pandemic, major regional wars and conflicts, political instabilities, an aggressive Russia and coercive China, and an innovation revolution related to artificial intelligence and autonomy, ushering in a technologically intelligent age.
- The acceleration in the number and scale of global crises is driving mass migrations. Global leadership mechanisms are insufficient to adequately address these challenges.
- Though destination countries face resultant economic and political challenges, those that assimilate migrants effectively benefit greatly. According to Forbes: "Immigrants promote economic growth by moving to areas where businesses are forming or expanding and need more workers...Immigrants enable the U.S. economy to add more businesses and jobs and help it to grow continuously and change instead of stagnating."

## Global Population Decline – A Quietly Looming Threat:

As background, expert consensus advises that for a nation to sustain its population (to include its economy, defense, infrastructure, social obligations, etc.), it must achieve a fertility rate (FR) of 2.1 children for every child-bearing woman.

According to an International Monetary Fund 2024 study, over half of the world's economies, accounting for two-thirds of the global population, today have fertility rates below the replacement fertility level of 2.1 children per woman.

And it may not get better. Per an Institute for Health Metrics and Evaluation (IHME) global research effort, by mid-century, over three-quarters of countries will not have high enough fertility rates to sustain population size, and this will increase to 97% by the 22<sup>nd</sup> Century.

Most analysts agree that population declines are most dramatic (and are poised to have a greater impact) in higher-income/developed countries. While global population numbers are down in virtually all regions, the most dramatic drops are in developed countries/economies.

That said, the implications of declining fertility and aging societies may be more nuanced than often portrayed. While demographic shifts introduce economic and social challenges, they do not inherently threaten national survival or global stability. When viewed through the lens of technological advancement, economic adaptation, and international cooperation, depopulation becomes a transition that can be managed and, in some respects, leveraged rather than an unavoidable catastrophe.

Modern economies rely far more on productivity advances than on population size. Automation, Artificial Intelligence, and robotics are already enabling countries to maintain or increase output with fewer workers, as demonstrated by Japan's ability to remain competitive despite decades of population decline. Smaller populations can also generate environmental benefits. Lower demand for land, energy, water, and natural resources reduces pressure on ecosystems, eases urban congestion, and supports long-term sustainability. Immigration acts as an additional stabilizer. Historically, labor shortages have encouraged nations to open migration channels, and global labor mobility naturally redistributes workers from high-growth regions to those in demographic decline.

Economies adjust internally as well. Labor scarcity tends to raise wages, increase labor force participation, and accelerate technological investment, echoing earlier periods of rapid innovation triggered by workforce shortages. Meanwhile, aging populations create new markets in healthcare, biotechnology, medical technology, and longevity-related industries. Many countries also do not require perpetual population growth. Some struggle with congestion, housing shortages, and infrastructure strain, making stable or declining populations potentially beneficial. Demographic shifts occur gradually, giving governments and businesses time to adapt. Global population decline is uneven, with regions such as Sub-Saharan Africa and parts of South Asia continuing to grow and providing opportunities for migration and economic partnership. Human capital, skills, education, and innovation now drive growth more than sheer numbers.

Ultimately, nations that embrace global interdependence, flexible immigration, and technological innovation will navigate demographic change more effectively than those that attempt to address it alone. Depopulation presents challenges, but with globally minded strategies, it remains a manageable and potentially advantageous transformation.

### **Economic Implications:**

The challenge of declining and greying populations will affect every developed nation on the planet to some extent, and some suggest the effects could be paradigm-shattering if measures are not taken sustain economies and national defenses.

As with most challenges, there are ways to prepare or at least mitigate. Here are a few being posited by those who have been paying close attention to this looming issue.

Consider investing in technical solutions to offset the decline in workers. Many see investment in robotics and AI as a means to offset a lack of working-age manpower. We've seen similar transformations to enhance worker productivity in industrial systems in the late 19<sup>th</sup> and throughout the 20<sup>th</sup> centuries.

Maximize smart legal immigration and explore work visa expansion. While this may seem like a political lightning rod at the moment, creating a faster track to legal immigration and expanding/extending work visas with the possibility of offering a clear track to citizenship would assist in the short to mid-term.

Explore policies to implement targeted immigration. This would allow the U.S. to create a fast track to citizenship contingent on immigrants' agreement to serve in a specific job type and/or location where a need would be greatest.

Maximize autonomous defense systems. Similar to the technical solutions bullet above, the DoD should accelerate its development of standoff, smart, autonomous systems to relieve the anticipated dearth of recruits in the coming years.

Prepare for the increasingly grey population. In some cases, the U.S. has already adapted, driven by market need. Continued emphasis on goods and services needed by an increasingly aging population is a win-win for producers and recipients.

Adjust policies. Watch closely as other nations navigate their internal crises and adjust policies and responses to quickly mitigate effects. This includes, first and foremost, keeping a close eye on Putin's Russia, whose potential population implosion could have devastating implications for regime survivability and global stability. The potential ramifications of a Russian economic or societal collapse could be devastating.

Of course, implementing next steps/mitigations such as these will take a coordinated, deliberate approach by U.S. leadership. But the first step is agreeing that there is a problem here to be focused on and mitigated.

The same can be said for U.S. business leaders. What should they be doing now to internally mitigate a downturn in GDP, to compensate for a reduced workforce, and to serve an older population with needed goods and services? Addressing these questions now might be the difference between surviving and thriving in the mid-to-late century.

## SECTION 4: Two Strategic Conflicts

The GEOIntelligence Group issued many reports in 2025 on the two ongoing strategic wars, that of Ukraine-Russia and Israel-Hamas, for good reasons. The former is a gross violation of international order that could spiral into a greater conflagration involving NATO and the U.S., and the latter could lead to a war with Iran. Below is our latest on the Ukraine-Russia War, then the Israel-Hamas War.

### Ukraine-Russia War:

As 2025 draws to a close, the Russia-Ukraine War shows no meaningful indications of a ceasefire, much less a negotiated settlement. Neither outcome appears imminent. Russia continues to hold to its maximalist demands while negotiations with the West remain stalled, doing little other than straining ties between the United States and its long-standing allies and partners. Putin has no incentive to compromise because he believes Russia is winning the long war, both on the battlefield and in the political endurance contest with the West.

This phase of the conflict is marked by a grinding tactical stalemate in which neither side can mount an effective offensive to meaningfully alter the course of the war. That stalemate is shaped by the rapid rise of drone warfare and electronic warfare that have transformed the character of combat. Both sides are locked in a fast-paced cycle of innovation and counter-innovation that yields only temporary advantages and drives high attrition, that define the battlefield front.

At the same time, profound geopolitical dynamics are eroding the diplomatic environment. Europe's influence in peace efforts has diminished as the United States dominates negotiations, yet offers ambiguous security guarantees. These developments have created fractures within the Western coalition and reinforced Russia's belief that time is on its side.

Both nations also face severe domestic pressures that will shape their ability to sustain the fight. While Ukraine struggles with the destruction of its energy infrastructure and political turbulence, Russia is straining under the weight of its wartime economy. Despite its outward resilience, Russia may face a critical economic inflection point in 2026, driven by falling energy revenues, mounting deficits, and the depletion of financial reserves.

Taken together, these factors, technological transformation, weakening Western cohesion, and mounting economic pressures, could make 2026 a decisive year. The war is unlikely to be won outright on the battlefield; instead, its end will be shaped by leverage to coerce both parties into less-than-desirable outcomes.

### The Diplomatic Situation – Peace Plans Without Results:

London Peace Conference (March 2025): The London Summit on Ukraine brought together NATO, the EU, and other states for the development of a coherent and workable peace agreement. The goal was to draft a peace and security framework, explore security guarantees, and potentially build a coalition willing to sustain Ukraine's defense and deter further Russian aggression.

The plan envisioned a peacekeeping force inside Ukraine from willing nations (primarily European), while the U.S. would possibly provide air support and logistics. The peacekeeping force idea broke down upon the realization that European armies have nowhere near the force structure levels needed to employ and sustain rotational forces inside Ukraine. Bottomline, the London Conference ultimately produced no meaningful progress toward an agreement, contributing to a broader sense that diplomatic efforts in 2025 were failing.

Trump-Putin Summit in Alaska (August 2025): The fact that the Alaska Summit happened at all was a victory for Putin. In a short six months, he went from being a pariah to being welcomed on U.S. soil like a partner or friend. President Trump's minimum expectation of a temporary cease-fire was not

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achieved, whereas Putin regained some degree of stature on the world stage and avoided the imposition of “harsh tariffs” and “crippling sanctions” as promised by President Trump.

Russia’s offer consisted of its standing list of demands and grievances, which were (and remain) intolerable to Ukraine and most European nations. Putin has a long-standing pattern of using negotiations as a strategic instrument, feigning interest (or progress) to delay Western punitive measures and buy time for his attritional strategy. This behavior was consistent in Alaska, where the appearance of diplomatic engagement contributed to hesitancy in Washington and European capitals to escalate sanctions.

The summit ended without an agreement being announced. President Trump later stated his focus was now on Ukraine to cede territory to Russia to end the war.

European Leaders Meeting with President Trump (August 2025): Three days after the Trump-Putin summit in August, eight European leaders flew to Washington, D.C. to meet with President Trump. Outside analysts saw this as a concerted effort to “buck up” Trump on Ukrainian defense and resistance to Russia. Robust security guarantees for Ukraine akin to Article 5 of the North Atlantic Treaty were the primary topic on the agenda.

Of note, President Trump met with Ukrainian President Zelenskyy immediately before the engagement with the European leaders. Afterward, President Trump said the United States would offer Ukraine strong security protection, but left open whether it would be NATO-led or take another form of U.S. involvement. Trump reiterated that he did not think a ceasefire was necessary for a peace treaty. This marked a notable shift from Trump's stance before his meeting with Putin the previous week.

Afterwards, sober analysis of the combined meetings took hold and led to a generally dim view of the prospects for peace. As for the “Coalition of the Willing” for peacekeeping and security guarantees in Ukraine, there was resignation to the fact that such a coalition is no substitute for U.S. power. One analyst concluded: "In Anchorage and in Washington, it was a triumph of empty vagueness and meaningless commitments ... In both cases, no firm decision has been taken. Nothing has changed."

The meeting also underscored Europe’s limited influence over U.S. policy and highlighted the deepening marginalization of European leaders in shaping the security framework for Ukraine, reinforcing Russia’s perception of Western division.

U.S. “28 Point Plan” (November 2025): A flurry of diplomatic activity in November was aimed at developing a new U.S. peace plan to end Russia's invasion of Ukraine. The plan, developed by U.S. Secretary of State Marco Rubio and Special Envoy Steve Witkoff, was allegedly based on input from both the Ukrainians and the Russians, but Ukrainian involvement was later questioned.

Kirill Dmitriev (Director of Russia’s Sovereign Wealth Fund) was very influential in the drafting of the 28-point plan. He is the author of the provisions offering lucrative incentives to the U.S. and promoting bilateral United States-Russian cooperation. Confusingly, the plan had no incentives for Ukraine and Europe. His (and Russia’s) intent was to use the 28-point plan to sow distrust between the United States, Ukraine, and Europe, weakening Western cohesion.

The 28-point proposal, which was not made public, is believed to include extensive Ukrainian concessions along with a series of significant economic and political incentives for Russia. This led to widespread alarm, especially among the Europeans, with many critics dismissing the proposal as a call for Ukraine's "capitulation." Two points were most controversial – granting land to Russia, and a proposal for multiple economic incentives for Russian-U.S. cooperation on multifaceted commercial ventures. Many found this proposition to be offensive, as it proposed robust economic incentives to Russia on top of the graves of dead Ukrainians.

Subsequent negotiations between the U.S. and Ukraine reduced the plan to 19 points and removed the most contentious points, which were decided among the principal leaders themselves. However, notable agreement between the Americans and Ukrainians was achieved in three specific areas in response to Russian demands. First, Russia must acknowledge (“confirm”) Ukrainian sovereignty. Second, Ukrainian military strength will no longer be capped at 600,000. And third, Ukraine will not be required to change its Constitution to prohibit joining NATO, and NATO will not have statutes that deny Ukraine membership.

Overall, the U.S. position shares Ukraine’s key objectives of ensuring Ukraine’s security, sovereignty, and a reliable peace, noting that Ukraine and the United States will continue consultations and work on a joint peace framework. Unfortunately, the U.S. took this opportunity to soften its security guarantees. Specifically, the United States’ role in “security guarantees,” which includes a “decisive coordinated response” by someone if Russia invades further into Ukraine. The Europeans, upon whose shoulders much of the consequences of any agreement will fall, remain on the outside looking in and have influence only on the margins of what the U.S. proposes, and the end agreement.

### **The Military Situation:**

The war continues to grind on without a meaningful prospect of either a tactical breakthrough or for a peace agreement, with both sides increasingly reliant upon drone warfare, missile strikes, and strategic targeting (such as energy, infrastructure, etc.) to achieve desired effects. None of these activities, however, will prove decisive. They must be combined with several other military and political endeavors to achieve operational advantages and strategic success. What has happened at the front equates to a tactical stalemate and culmination where neither side can mount an effective offensive to meaningfully change the course of the war.

Ground Situation: The front lines are a no-man’s land for forty kilometers in both directions, with drones hunting soldiers and civilians alike. Everything in that zone – people and equipment – have a high probability of being killed.

Russia’s spring offensive was mainly a failure and resulted in staggering losses of people and equipment. It has since employed infiltration tactics or a “1,000 bites” strategy, using small teams and combining them with fires from glide bombs and drones to seek and exploit gaps in Ukrainian positions. Once gaps are found and salients are created, Russia has a hard time retaining control of the captured territory due to the lack of sustainment and meaningful combat power to reinforce successes.

Ukraine has thinned its lines and essentially formed a picket defense across the front to preserve its limited manpower, equipment, and resources. Artillery and drones are called in to pick off advancing forces, with drones causing 80% of the casualties at the front. While this tactic has preserved manpower, it cedes incremental bits of land to the Russians, who are steadily advancing by meters daily.

Air Situation: Russia’s air force continues to operate with general impunity inside of Russia and areas they control inside of Ukraine. The air force’s main role is to deliver ordnance in support of ground operations and has been very effective at delivering standoff gliding bombs from safety into the combat areas. Glide bombs can have up to 6,000 pounds of explosive weight and are capable of eliminating entire apartment blocks.

The Russian air force also delivers high-precision standoff strike weapons with its heavy bombers. However, Ukraine conducted a highly successful raid on the main bomber bases inside Russia using concealed drones and inflicted substantial damage to Russia’s heavy bomber fleet. As a result, Russia moved long-range heavy bombers farther east, which means crews have to refuel multiple times in transit to and from the launch areas. This phenomenon has vastly increased the wear on

aircraft engines and wings, and on crew endurance.

In the absence of an offensive air force, Ukraine has resorted to deep strikes inside Russia with drones and long-range precision strike weapons. These strikes have targeted key production facilities for drones, missiles, and armaments plants, along with major airfields and the aircraft on station at the time. Successful drone operations and strikes against airfields have pushed strategic air support to bases in the far east and doubled transit time for daily strike sorties, thus creating additional wear on the engines and crews.

Precision strikes with long-range drones and cruise missiles have depleted the Russian capacity to sustain and wage. Strikes against refining capacity have taken nearly 40% of Russian refining capacity offline, and therefore not available for either domestic use, the war effort, or export. The strikes continue unabated to reduce the funds derived from exports. It is difficult to assess the Russian energy sector's resilience in the face of these strikes, however.

Maritime Situation: Russia's formerly mighty Black Sea Fleet has been displaced from Sevastopol in Crimea to much safer harbors to the southeast, with Novorossiia as the main operating base. After losing over one-third of its fleet to drones and precision forces, Russia is husbanding the remaining ships and using them sparingly and mainly for cruise missile launches. Even so, Ukrainian drones have struck the safe havens for the fleet, further denying the fleet a safe haven.

Ukraine has both manned and unmanned capabilities that have been employed by the Ukrainians to attack targets from the sea and into Crimea, the Kerch Strait, and the southwestern coastline of Russia. Using long-range and highly versatile sea drones, Ukraine has attacked an array of vessels and fixed-site targets with good effect. Manned missions have taken place to raid sea-based platforms used by Russia for surveillance and land-based high-value targets in Crimea.

### **The Maturation of Drones and Electronic Warfare:**

Drone technology in this war has rapidly advanced and is continually changing and adapting to emerging countermeasures. It is a war of opposing innovation spirals – a double helix – perhaps to out-compete each other for a technology that provides them a brief tactical edge. The side that innovates the fastest gains an advantage for a period of single-digit weeks, then is effectively countered by the opponent. In modern war, as in business, failure to constantly innovate is a recipe for disaster.

Russian drones have been narrowed to a small number of airframes and variants within those airframes to perform specific missions. Therefore, they can mass-produce proven aircraft and focus innovation efforts on the avionics and sensor packages. Currently, the Russians are fond of using tactical drones that use fiber-optic cables spooled out behind them to attack Ukrainian assets. They can fly long distances (about 40 kilometers) and cannot be jammed.

The Russians organized a special hunter-killer brigade in 2025 to find and kill Ukrainian drone operators and assets and interdict key targets. The "Rubicon" forces are multifunctional teams with technicians, engineers, software specialists, pilots, electronic warfare, and targeteers. They are the "best technological unit" in Russia's combat forces and are extremely effective.

In contrast, Ukrainian drone development and production are highly decentralized and extremely inefficient. This is by design in that Ukraine leadership does not want to present vulnerable targets to Russian strikes. However, it limits the ability to scale up production to wartime needs. It has over 100 drone companies that are turning out weapons at a significant rate, but each one is independently engineered, and there is no commonality across the spectrum of airframes. Makers zealously protect their "secret sauce" rather than sharing it broadly across the industry on behalf of the nation. As a result, Ukraine is at a significant disadvantage in terms of the industrial capacity of a key weapon system.

Both sides employ an array of electronic warfare systems to deny the usable spectrum to the other side. Employing drones through these protective layers is a game of cat-and-mouse in that drones with sensors determine the best and most accessible route on any given day. Pilots “hide behind” and are protected by electronic warfare systems, which greatly helps mask their electronic signature from Rubicon attacks.

There is a staggering density of electronic warfare (EW) systems across the 1,100-kilometer front. Systems are arrayed in depth, reaching back to respective national capitals and at key infrastructure to deny attacks. NATO forces have not encountered or planned for the degree of electronic attack and therefore protect systems used by both sides. Previously, NATO fielded EW as a discrete and rarely seen system, whereas EW is ubiquitous in the Russia-Ukraine war. NATO is at least one generation behind in EW technology, fielding, and tactical employment in depth.

### **The Russian Domestic Situation:**

The domestic situation in Russia is stable but brittle. The Putin regime has done a good job (perhaps even a great job) in controlling the information environment and building a large national guard to quell uprisings and protests.

Two issues prevail in Russia: the war and the energy sector. The wartime economy is running full bore and has the elements of trouble underlying its otherwise rosy picture. Some analysts believe the economy will collapse at some point, but time is the distinguishing factor.

Wartime Economy: Much ink has been spilled extolling the resilience of the Russian economy in the face of brutal sanctions and alternatively predicting its imminent implosion. Russia’s war economy, now approaching its fourth year, is facing mounting challenges, including growing economic imbalances, rising inflation, and labor shortages. None of these problems has been severe enough to force Vladimir Putin to halt the war. It bears noting that the impact of the poorly performing economy on the people does not concern Putin. Rather, it is the economic impact on the business elites that gives him pause. The economy will not cause the regime to fall. It is simply one of the main factors that make stability brittle.

Reporting indicates the war in Ukraine costs Russia somewhere between \$500 million and \$1 billion every day, so a look at Russia’s economic indicators will give some hints into how the course of the war may progress and for how long. Defense spending has been significantly increased to a third of the state budget, and the budget shortfall was almost five times as wide as in the same period of 2024. Russia’s economy contracted in the second quarter and will continue into the third and fourth quarters. Some believe stagflation has already begun.

The government planned to tap its fiscal reserves for 447 billion rubles (\$5.51 billion), or about one-tenth of its liquid assets, to balance the budget in 2025. Against the backdrop of rapidly depleting domestic reserves, Russia has already sold off more than half of the gold reserves of its National Wealth Fund. No one knows what will happen when its liquid assets run out.

The “official” inflation rate is high (above 10%). Some analysts believe the unofficial inflation rate is above 20%, with some evidence supporting this assertion. Normally, the Central Bank would be forced to raise interest rates, but the opposite has happened. The prime rate was 21% until June 6, 2025, then landed at 16% after successive cuts throughout the fall.

Multiple reports indicated that manufacturers of military goods were forced to sell their products to the Kremlin at prices below what it cost to produce the items, forcing industries to burn through reserve capital, thus giving indirect loans to the Kremlin. Interest rate relief will be helpful, but lengthen the timeline for the economy to fail. Finally, the economy is experiencing severe labor shortages, particularly for skilled workers.

Energy Sector: Russia's main source of income is the energy sector, which has been hard-hit by depressed global prices and Ukrainian drone strikes. Revenues from oil and gas, the lifeblood of the economy, have been severely reduced due to sanctions and infrastructural shortcomings. Prices for Urals crude, for example, have decreased by 51% since the start of the war in February 2022 (\$91.85 down to \$54.56).

Lower oil prices will reduce Russian budget revenues and slow economic growth. If the average export price of Russian crude oil is \$55 a barrel in 2025 and \$54 in 2026, rather than the respective \$70 and \$60 assumptions of Russia's budget framework, some analysts' forecasting models indicate that Russian GDP growth would remain about one percentage point lower in both 2025 and 2026. Lower economic growth will reduce other government revenue streams than those from oil & gas earnings (for example, sales taxes and profit taxes paid by corporations).

In any case, Russia will sustain war spending despite higher deficits. Russia has multiple ways in which it could cover these upcoming deficits, such as tightening taxation and reducing spending in other budget categories. The government could also increase its indebtedness. It could also resort to central bank financing. Such a move would increase already high inflationary pressures and could drive the Russian economy into crisis over the longer term.

Several indicators point to a downward trend in the economy and the ability to sustain the fight. Some forecasters see the breaking point for the militarized economy occurring as early as mid-2026 when Russia may run out of currency reserves. Others estimate the collapse in the mid-term, or two-to-three years. Putin's strategic gamble is that he can sustain his fight longer than the collective West will support Ukraine, or longer than Ukraine can man the fight.

Other Issues: The previous data appropriately focused foremost on the economy writ large and the energy sector. But other factors are also in play, including casualties and conscription. These are two portions of the same concern. In this case, however, it is not the elite that concerns Putin; it is the masses. Putin is so concerned that he still has not initiated total mobilization, and Russia is recruiting from North Korea, Cuba, and Africa (just about anywhere). Unfortunately, he is running out of options. These factors will not cause the regime to fall. But like the economy, they make stability brittle in Russia.

Putin's autocracy allows Russia to make rapid, centralized decisions and mobilize resources efficiently, but it also carries significant risks. Leaders often fear punishment for delivering bad news, leading to the concealment of critical information. As a result, fielded forces frequently bear the consequences of these hidden problems. Limited internal feedback and suppression of dissent prevent the identification of strategic errors. For example, readiness levels, troop strength, and logistical stockpiles are often misrepresented.

### **The Ukrainian Domestic Situation:**

Economic Situation: Nightly long-range aerial attacks on Ukrainian infrastructure continue to take a heavy toll on industrial capacity and civilian sites. For civilians, energy scarcity is becoming more dangerous for daily life, especially as winter approaches. Attacks on civilians have been met with resilience, international financial support, and growth in the defense sector.

Repeated attacks have repeatedly struck Ukraine's thermal power plants and gas transport facilities, resulting in power outages, affecting nearly every consumer in every region. Also, the energy distribution and substation networks have been targeted, which are difficult and costly to replace. Notably, Spain and Germany have allocated funds for reconstruction and energy infrastructure repair to modernize the Soviet-era electrical grid.

The war has created massive financing requirements for the state. Ukraine's international reserves hit

a record-high of \$54.7 billion in November, driven by significant inflows from international partners. External financing, mostly from the EU, for 2026, is projected to be over \$40 billion. The cost of reconstruction after the war is currently at \$411 billion and rising.

There are, however, areas of economic and domestic resilience, especially for the agricultural sector. All major trading companies exporting grain and oilseed crops have returned to Ukraine, attracting up to \$15 billion annually for exports.

Second, Ukraine has experienced substantial growth in its defense industries, which have grown more than tenfold since February 2022. Some forecasts indicate this sector has the potential to become highly competitive in Europe and take global market share from Russia. Ukraine has successfully attracted foreign financing to expand its long-range missile and drone production. There are multiple government-to-government and private sector agreements for co-development and co-production for major military equipment.

Corruption: The corruption crisis centered on the state-owned nuclear power agency, Energoatom, shows that Ukraine's internal politics remain fragile. The scandal has been described as the "worst crisis" President Volodymyr Zelenskyy has faced since the invasion, and the biggest corruption scandal of his presidency. It has resulted in the removal of two ministers, one of whom was arrested. The President's Chief of Staff was implicated, which led to his resignation.

This situation is confirmatory for many opponents of aid to Ukraine in the U.S. and elsewhere. In their view, Ukrainian corruption was rampant and well-known before the war, and then Western supporters piled billions of dollars onto the corrupt structure. Overall, Western supporters have been infuriated by the news. Western officials and anti-corruption groups have warned that the issue could disrupt arms supplies and undermine the confidence of international partners.

Putin has seized the moment and piled on with his recurring accusations that President Zelenskyy is illegitimate plus corrupt. Russian propaganda amplified the hostile message and described Zelenskyy's government as unworthy and untrustworthy in negotiations.

Despite the negative news, observers note that the development contains good news. The independent anti-corruption agencies have demonstrably been able to do their job, which may strengthen both the agency and the government as a whole. This episode also highlights the value of public mobilization and Western pressure, which can still shape outcomes.

Other Issues: In addition to energy and infrastructure challenges, Ukraine faces a growing humanitarian crisis, with millions of internally displaced civilians placing immense strain on housing, healthcare, and social services, further testing the government's capacity to maintain domestic stability.

Finally, while Putin's autocracy allows Russia to make rapid, centralized decisions and mobilize resources efficiently, Zelensky governs through a democracy (yet with significant corruption as highlighted above). Democratic leadership provides greater accountability, transparency, and public support, fostering societal cohesion and adaptive responses, but decision-making can be slower due to debate and consensus-building. Additionally, as expected in a democracy, internal disagreements create friction that can reduce the stability of the Kyiv government.

### **Big Picture Economic Implications:**

Most companies distanced themselves from Russia economically beginning in early 2022 after the initial invasion. The departure and downsizing trends continued into 2025.

Russia's deliberate restriction of gas and oil flows to European nations in retaliation for Ukraine's

support forced a dramatic restructuring of European energy policy. Countries scrambled to reduce dependence on Russian energy, investing heavily in LNG infrastructure, renewables, and energy storage. While this has accelerated Europe's long-term energy transition goals, the short-term effect starting in 2022 was increased energy prices, inflation, and economic disruption. These pressures decreased in 2025 with the continued drop in energy prices, which are expected to continue their southward trend in 2026.

That said, and as reported and frequently cited by President Trump, several European nations continue to buy Russian energy, which powers their military economy. Time will tell if European nations decide to go without Russian oil and gas by ending their indirect approach of buying refined products from China and India. Hungary and Slovakia are uniquely forced to buy Russian energy directly due to proximity and the cost of retooling.

Russian economics are dependent primarily on China and India via oil purchases. Yet primary sanctions on Russia are almost irrelevant. The key will be secondary sanctions or political moves to influence India, European nations, and possibly China with an economic deterrence strategy.

President Trump imposed additional tariffs on India to entice India to stop this practice. President Trump said in early December that India's President Modi assured him that India will wean itself from Russian oil, but many are skeptical that this will happen because it is so lucrative for India. Similar U.S. threats have been made to China, but there are no tariffs targeting China's purchase of Russian energy. Russian energy exports are critical for the sustainment of its economy, given the reallocation of resources to defense expenditures. Without robust exports of oil and gas, the Russian economy would be in crisis.

The EU implemented its 18th set of sanctions against Russia last July. More recently, it implemented its 19th package, targeting Russia's critical infrastructure (energy, finance, defense industry, etc.). Similarly, the U.S. Congress laid out a strong list of sanctions against Russia. President Trump followed by imposing sanctions on Russia's oil infrastructure, then threatened to impose harsher sanctions in the future. Russia has found ways to get around or mitigate many of the sanctions to date.

Russia's war against Ukraine has stimulated increased global defense spending, specifically by NATO members. Key observations from the use of drones and other advanced technologies created additional innovation investments within Alliance defense sectors for both proactive measures and countermeasures outside of the major defense suppliers. Military capabilities with increased agility via rapid innovation are fueling interest and investments across the globe in defense technology companies.

Ukraine is resilient to a point. The key points of agricultural and defense tech are driving outside funds, which are benefiting them. However, leadership trust, given the corruption overhang, is a concern.

A key open question is whether the U.S. and its allies are better off with a Russian economic collapse driving chaos, or a less-than-optimal negotiated peace, at least to stop the fighting and buy time for a better Eastern European strategy?

## Israel-Hamas War:

The horrific attacks by Hamas Palestinian Islamic Jihad (PIJ) terrorists beginning on October 7, 2023, killed about 1,200 Israelis, as well as taking 251 hostages (of many nationalities, but mostly Israeli). Hamas is the Palestinian terrorist organization that has controlled the Gaza Strip since 2007, following elections and the ousting of the Palestinian Authority. Of note, the U.S. declared Hamas a foreign terrorist organization in 1997. Hamas has been in constant friction (and war) with Israel ever since.

Shortly after the attacks, Prime Minister Netanyahu outlined Israel's strategic objectives for the war against Hamas. First, eliminating Hamas includes destroying its military and governing capabilities within Gaza and the infrastructure external to Gaza that supports Hamas and PIJ. Second, freeing of all hostages – Netanyahu stated freeing the hostages as a core objective of the war. And third, ensuring Gaza does not pose a future threat to Israel: preventing the resurgence of hostile groups, including external support, namely Iran, and ensuring long-term security along the Gaza border are crucial elements of this aim.

With the strategic objectives of eliminating Hamas, returning the Israeli and international hostages taken by Hamas, and securing Israel's sovereign borders, Israel began its military campaign, "Swords of Iron," in Gaza on the evening of October 7, 2023, with a full-on ground and maritime invasion of Gaza beginning on October 27.

The Israel-Hamas War, which lasted two years, resulted in great carnage. All told, perhaps 70,000 Palestinians (Hamas terrorists and civilians) were killed, with many more injured. Almost all the Gaza Strip's 2.3M Palestinians are displaced, along with a deep humanitarian crisis and devastation of the Gaza infrastructure. At the height of the conflict, over 100,000 Israelis were displaced. Israel also lost over 900 IDF terrorists (soldiers?) killed in combat. As for the hostages, of the 251 taken, 84 were killed.

### International Community:

Immediately following the atrocities committed by Hamas on October 7, 2023, there was resounding international support for Israel to defend itself. This support, led by the U.S. and Europe, was also reinforced by many Arab States in the region. This phenomenon was unique because in previous conflicts between Israel and Hamas, many nations would condemn Israel's military approach as being disproportionate, given the fact that Palestinians in Gaza and the West Bank have been living under occupation for decades. Case-in-point, the Arab States largely did not condemn Israel's immediate response, almost certainly due to the extreme nature of the Hamas attack on October 7, 2023. More broadly, the previous success of the 2020 Abraham Accords softened Israel-Arab relations (see [Bancroft GEOIntel ExSum on the Abraham Accords](#)), with the increasing normalization of Israeli-Arab relations and the isolation of Iran (more on this below).

However, beginning with the Israeli government's decision to lay siege to Gaza early in its campaign that included the cutting off all basic services and the lifeline logistics supply to the Gaza Strip, to the present day where numerous subsequent Israeli government decisions have resulted in an unprecedented humanitarian crisis, international support for Israel's approach in achieving its strategic objectives is now under extreme condemnation.

Contrary to the U.S. best policy and military advice, it was clear from the outset of the air campaign that Israel was not interested in "winning hearts and minds." Its security policy guidance to the IDF and the Intelligence services has focused on widespread targeting of Hamas-related infrastructure in Gaza, with critics raising concerns about the broad and inconsistently applied criteria used to determine "legitimate military targets."

Throughout its military campaign, Israel's international legitimacy has eroded because of its targeting methodology, causing civilian casualties and a humanitarian crisis for the Gazans caught in the conflict. War is extremely violent, and innocent loss of life is inevitable, particularly in urban combat. But the IDF's approach to urban warfare inflicted significant civilian casualties and destruction of infrastructure. But Israel is certainly not alone with its heavy-handed approach. It bears noting that Hamas' decisions and actions before and especially after October 7 brought pain, suffering, and death to the people living in Gaza – the use of civilians as human shields is one of many examples of Hamas' disregard for the population.

While Netanyahu and many Israeli security professionals and civilians may disagree, many analysts believe the destruction of Gaza's infrastructure and inflicting thousands of civilian casualties in pursuit of terrorists has compounded the complexity of attaining any cooperation regarding reconciliation with Palestinians post-conflict. Furthermore, despite Israel's success in decapitating Hamas and PIJ leadership within Gaza and abroad, and the successful targeting of thousands of terrorists inside of Gaza, the IDF's method of operations and interpretation of proportionality and targeting have contributed to the emergence of a new generation of militants opposed to the IDF.

### **Iran:**

Strategically, Iran remains the most significant and existential threat to the state of Israel since the Iranian Revolution in 1979. Iran has been a source of conflict within the region with Arab Sunni and Western governments, particularly the United States and Israel.

The Islamic Revolution and the supreme leader, Ali Khamenei, still drive Iran's interests and actions throughout the region and world today. Iran's stated objective is to be the regional Islamic Hegemon throughout the Middle East and the Levant. Interestingly, it will enable both Sunni and Shia proxies in pursuit of this objective. As a state sponsor of terrorism, Iran's approaches to foreign policy and operations are often indirect, plausibly deniable, pernicious, and deadly. The nation's goals are directed at tipping the balance of power and influence in its favor and wresting control away from Western alignments and values toward the elimination of Israel and totalitarian rule in the region.

The strategic enabler of attacks on Israel is Iran. The actions by Iranian proxies in the region, even prior to Oct. 7, have highlighted the inability of Israel to check Iran's malicious behavior and its support for its proxies that threaten Israeli national security.

As the war dragged on, Israel steadily increased pressure on Iran. Examples of this were the attacks that killed seven Islamic Revolutionary Guards Corps senior leaders, including Quds Force commander Gen Mohammad Reza Zahedi and his deputy Gen Mohammad Hadi Hajriahim.

In April 2024, Iran retaliated against Israel with more than 300 drones, cruise missiles, and ballistic missiles in the first full-scale military attack on Israel by Tehran. Around 99 percent of the projectiles were intercepted – the impacts of the attack were negligible. And Israel kept the pressure on, with a bold strike in July 2024, where it eliminated Hamas' political leader, Ismail Haniyeh, in Iran's capital city.

Then, in early October 2024, Iran launched a second round of direct attacks against Israel. Though much of the attack was shot down by Israeli and U.S. air defenses, some of the attacks were successful. So, Israel retaliated once again later in the month, this time with devastating strikes into Iran. U.S. officials stated that the strikes heavily damaged Iran's missile production capability and destroyed much of Iran's advanced air defenses to enable future, even more damaging strikes.

To keep Iran off balance and to delay the Iranian nuclear weapons program, in June 2025, Israel once again conducted a surprise attack against Iran. This time, Israel targeted Iran's nuclear program, killing several military leaders and nuclear scientists, and hit other military capabilities such as Iran's

air defenses. Iran retaliated against Israel, but it was indecisive. The U.S. then decided to take this opportunity to further set back Iran's nuclear weapons program with a large strike package that included 7 B-2 stealth bombers loaded with powerful precision munitions optimized to destroy Iran's hardened and deeply buried underground nuclear facilities. Most sources believe that the damage to Iran's nuclear program was severe. A ceasefire was established a couple of days later.

### **Negotiations in 2025:**

After two months of ceasefire negotiations that ultimately failed, in March 2025, Israel resumed combat operations. After many attempts toward a resolution, the United States, Qatar, Turkey, and Egypt successfully brokered a Peace Plan in October 2025 that has effectively held, though somewhat precarious at times. The Trump Administration led an effort with the 20-point ceasefire agreement that resulted in the return of all remaining living hostages and all but two of the deceased hostages as of this reporting. Thus, Israel achieved significant progress in achieving the first of its Gaza War aims against Hamas, the Palestinian Islamic Jihad (PIJ), and other militant factions operating inside the Gaza Strip, that is, the resolution of the hostage situation. But other war aims are far from secured.

Further, on 17 November 2025, the United States achieved an unprecedented result at the United Nations by obtaining near-unanimous approval of the same 20-point peace plan via United Nations Security Council Resolution (UNSCR) 2803. The UNSCR 2028 includes multiple important provisions including the requirement that Hamas must agree to the release of all remains of hostages still in Gaza, Hamas and PIJ relinquishing arms, agreeing to security arrangements, including an international security force, and the continuing deployment of the IDF inside of Gaza until security conditions permit further withdrawal to Gaza's borders, the establishment of the Board of Peace and a Palestinian technocratic government as the first interim governance of Gaza.

If we compare Israel's war aims with the elements of UNSCR 2028, all the war aims are included in the resolution. First, the freeing of all hostages – Netanyahu has stated freeing the hostages as a core objective of the war. Second, eliminating Hamas – this includes destroying its military and governing capabilities within Gaza and the infrastructure external to Gaza that supports Hamas and PIJ. And third, ensuring Gaza does not pose a future threat to Israel – preventing the resurgence of hostile groups, including external support, namely Iran, and ensuring long-term security along the Gaza border, are crucial elements of this aim.

### **Israel's Position on the Trump Peace Plan and UNSCR 2028:**

While the release of all living hostages and the remains of all but two deceased hostages are a strategic milestone in Israel's military campaign, Netanyahu and his constituency remain highly skeptical that Hamas and the other terrorist factions will comply with UNSCR 2028. The release of the living hostages fundamentally provides Israel and the IDF greater freedom of action to continue to conduct lethal strikes inside of Gaza against militants that refuse to disarm, and more broadly, those that refuse to adhere to the elements of the UNSCR 2028. Since the renewed cease-fire in mid-October, Israeli Security Forces have conducted dozens of strikes inside Gaza against Hamas leadership and militants that violated the IDF-enforced security perimeter.

Regarding the future governance of Gaza, Netanyahu was compelled by President Trump and the Envoy of Mr. Witkoff and Mr. Kushner to agree for the Palestinian Authority (PA) to be involved in the vetting and selection of the Palestinian technocratic committee responsible for reestablishing legitimate governance in Gaza. Furthermore, the Arab community, led by the Kingdom of Saudi Arabia, insisted that UNSCR 2028 include language acknowledging a path toward a Palestinian state. This is not embraced by Netanyahu and his supporters, but is a necessary clause to build and retain Arab support writ large.

Netanyahu's hard-right constituency, led by Minister of National Security Itamar Ben-Gvir and Finance

Minister Bezalel Smotrich, continues to attempt to undermine the current agreement and has emboldened both Israeli security and Israeli settlers in the West Bank to commit acts of unprovoked violence against Palestinians in the West Bank. Despite condemnation of these acts of violence by the U.S. Ambassador to Israel and the Trump administration, Netanyahu has done nothing substantive to stop the violence and enforce the rule of law with settlers in the West Bank. This will remain a problem.

Where the Israeli government seems to be in complete alignment with the Trump Administration in having the Arab and wider international community assume the financial responsibility for humanitarian assistance and the future reconstruction of Gaza.

Shortly after the October 2025 ceasefire was announced, the United States Central Command deployed dozens of senior military and civilian leaders along with servicemembers to establish a Civil Military Coordination Center (CMCC) in Southern Israel. The CMCC is serving as the coordination body for the delivery of emergency humanitarian assistance, developing the long-term plan and implementation for sustaining HA inside of Gaza. The CMCC is facilitating the formulation and introduction of the International Stabilization Force (ISF) into Gaza and enabling the formation of the civil administration for Gaza, and the planning for reconstruction and civil infrastructure in Gaza. Given the complete devastation to Gaza from two years of War, Israel gladly is passing on the most challenging responsibilities to U.S. leadership and the international community.

### **Israel's Current Path:**

Israel will continue to reluctantly cooperate with the U.S. and international community as it concurrently maintains freedom of action to target noncompliant Hamas and other militants operating inside of Gaza as well as in the West Bank. The Israeli Ministry of Interior, the Ministry of Defense, and the security forces have a major undertaking ahead to develop sustainable plans and implement security along all of Israel's borders beyond those of Gaza and Egypt. The threats inside the West Bank, Southern Lebanon, and Syria will require an enduring deployment of ISF in the near to medium-term. Israel has never experienced two years of persistent armed conflict. The impact of these sustained operations is visible on the discipline and morale of its security forces, the Israeli economy, and the psyche of the Israeli population.

### **Latest U.S. Reactions:**

The Trump Administration has been very consistent in its strategic objectives of achieving long-term peace and stability in the Middle East. The success of the current UNSCR is vital to achieving long-term stability. We can expect the U.S. and President Trump to work tirelessly in seeing the full implementation of UNSCR 2028 and the foundational principles of the Trump 20-point peace plan. The U.S. will continue to play a leading role in encouraging Middle East and broader international investment in the future of Gaza and possibly the West Bank. Without U.S. Presidential and diplomatic leadership, the peace deal and the forthcoming roadmap for achieving all the elements of UNSCR 2028 are likely to fail.

A concern is that the U.S. will become distracted with the Ukraine/Russia peace negotiations and the increasing military operations against Venezuela, resulting in losing focus and interest in Gaza. Expect Netanyahu and his political allies to bet on this distraction, hoping for the possibility of undermining some of the UNSCR 2028 and international efforts, especially the Two State Solution.

### **International Reactions:**

The International community has fully embraced UNSCR 2028 and its tenets. The international community, led by Saudi Arabia, Turkey, and the other Gulf Arab states, effectively worked with the United States to deliver a deal that was acceptable to all rational constituencies.

The pressure applied to address the famine in Gaza earlier in the summer of 2025, followed by the intensive behind-the-scenes discussions to deliver a deal that was acceptable to Qatar, Turkey, and

Egypt, proved that Arab and European leadership remains key and influential to the U.S. and the region.

Follow-through by the Arab states and Europe will be the true test. The deployment of the International Stabilization Force and the contributing nations' reactions to militant intimidation and attacks will be a sobering test.

The U.S. is not expected to put boots on the ground inside of Gaza. Ideally, the Arab countries that have signed on to provide forces will not lose their resolve when they incur casualties. As important as the ISF recognition that Israel must continue to have freedom of action inside of Gaza against militants that refuse to abide by the ceasefire agreements, to disarm and demobilize, these additional declarations will not amount to much.

### **Economic Implications:**

The cessation of extensive combat operations in Gaza and throughout the Middle East will positively impact Global markets.

The United Nations has estimated the cost to rebuild Gaza at \$70B. Despite the extensive expense, the potential for Gaza, Arab states, and the region is immense. Providing the Palestinians within Gaza and by extension the West Bank and the Palestinian diaspora with substantive progress toward a dignified future is the most significant catalyst for long-term peace and stability.

The United States' encouragement for the Arab states to lead in building the economic future for the Palestinians, concurrent with leading in providing for the Palestinians' security, will remain important in achieving UNSCR 2028 objectives.

For Israel, the fact that the U.S. has brokered an economic development concept for Gaza that is not reliant on significant Israeli government investment is ideal. The cost of the wars against Hamas, Lebanon, Yemen, and Iran is estimated between \$55-\$65B. Also, a labor deficit with IDF reservists called duty, declined external investment due to the war, reduced tourism, etc, further damaged the economy. Analysts expect the economy to improve in 2026.

# Notes

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