

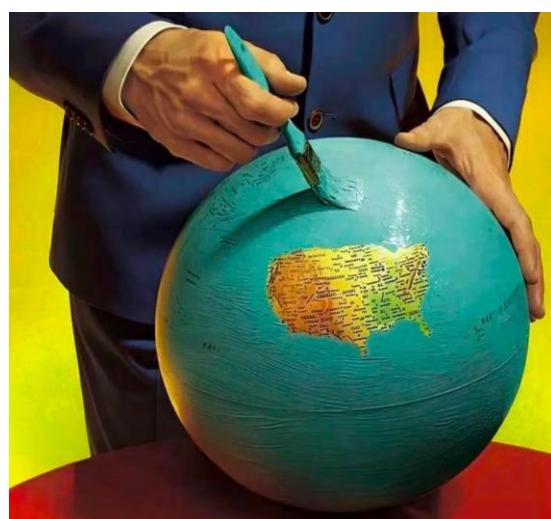


DISRUPTIVE IDEAS

**The U.S. “Donroe” Doctrine: Expansion,
Consolidation and Retrenchment**

By

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15 January 2026

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Table of Contents

	Page	Page 2
Executive Summary	3	
1. Introduction.....	5	
2. Cold War 2: US-China Competition.....	5	
2.1 Three Major Components of the Competition Between US And China.....	7	
2.2 Strategies To Maintain Supremacy and Optimizing Remaining Resources	12	
2.3 Effective Retrenchment.....	14	
2.4 Yalta 2.0: Formalizing Spheres of Influence.....	15	
3. Broader Economic and Political Repercussions.....	18	
3.1 Fiscal and Monetary Consequences.....	18	
3.2 De-Dollarization and Re-Dollarization.....	19	
3.3 Domestic Political Repercussions.....	20	
Appendix: The Religious-Authoritarian Nexus	22	

Open Fronts: Venezuela, Greenland and Iran

- In the last few weeks, the U.S. has opened three main geo-strategic fronts. It decided to take over Venezuela by installing a friendly leadership without a *de-jure* regime change, to seize control of its oil (and bitcoin) reserves. It turned its interest on Greenland, without excluding the military option. It's closely monitoring the developments in Iran, where protests against the Islamic Republic are spreading.

Cold War 2 and Yalta 2.0 Offer the Framework to Understand Recent Events

- The framework to understand recent developments is the U.S.–China rivalry, which is increasingly becoming a Cold War 2, a contest for long-term geo-strategic, economic and technological supremacy.
- The U.S. may also be aiming at a Yalta 2.0 agreement with Russia and China (which excludes Europe from the discussion table), to divide the world in spheres of influence.

The "Donroe" Doctrine: Expansion, Consolidation and Retrenchment

- The first step in this process foresees the U.S. re-establishing its supremacy in the Western Hemisphere (the Americas), in a re-proposition of the Monroe Doctrine of the 19th century.
- The recently-published National Security Strategy theorises a return to the Monroe doctrine, revisited and expanded by U.S. President Trump (the so-called "Donroe" Doctrine).
- After this phase of expansion, we foresee two additional phases, i.e. "consolidation", potentially with a Yalta 2.0 agreement, and "retrenchment" in North America.

The Ongoing Offensive Prepares the "Consolidation" and "Retrenchment" Phases

- The current offensive, with the *de-facto* takeover of Venezuela, and the threats to Greenland, prepares the following phases of consolidation and retrenchment.
- Eventually retrenchment will involve creating a defensible space that goes from Canada/Greenland to the Panama Canal (or Mexico's Isthmus corridor), while maintaining selective interests in Venezuela and migration-linked hotspots in Latin America.
- A prospective "Yalta 2.0" would cement U.S., Chinese, and Russian spheres of influence, with Europe marginalized and Ukraine as its symbolic frontier. Meanwhile, middle powers like India hedge between blocs, using BRICS to lead the Global South and the QUAD to deepen Western ties, reflecting broader strategies of autonomy in a multipolar order.

Motivations: China's Economic Advantage

- China holds structural advantages across labour, capital, and TFP: its vast workforce, investment-heavy growth, and state-led R&D coordination have made it the world's manufacturing hub and clean-energy leader, positioning Beijing to challenge U.S. dominance.
- Hence, facing China's structural advantages, the U.S. strategy must shift from global dominance to optimization: weakening rivals through tactical offensives, consolidating core assets, and retrenching to defensible positions
- In practice, this means scaling back ambitions in Asia-Pacific, where geography favours China, and focusing defense on North America and, secondarily on Western Europe, where U.S. power projection and NATO institutions remain viable, though future commitment depends as much on political will as on capability.

Economic Implications For The U.S. And Globally

- Geo-strategic developments are intertwined with economic conditions and technological advancements.

- ✖ Automation threatens the U.S. labor-based tax base, forcing a turn toward tariffs and property taxes as alternative, more durable revenue sources. This implies a re-anchoring of the dollar away from wage income and Treasuries toward scarce, immovable assets like land and property, supplemented by external revenues from tariffs on trade.
- ✖ Rising U.S. deficits (\$4.1 trillion added by the *Big Beautiful Bill* through 2034) raise doubts about Treasuries as the ultimate safe asset, making a credible fiscal base, anchored in property and tariffs, essential to maintain the dollar's international role.

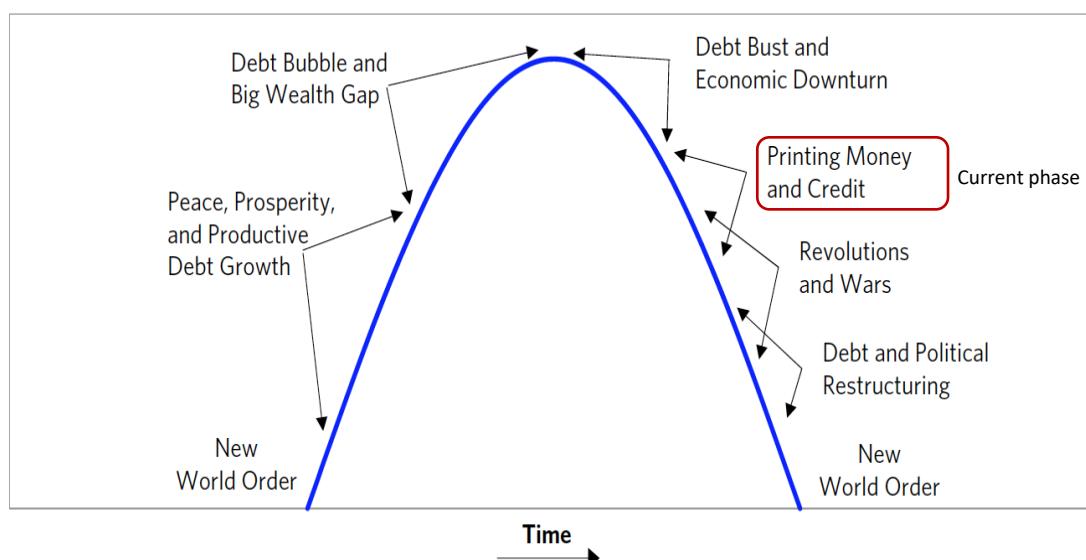
Fiscal, Monetary and Financial Implications

- ✖ While rivals such as China and Europe develop CBDCs to reduce U.S. dollar reliance, Washington has countered with stablecoin regulation (GENIUS Act), enabling USD-backed digital dollars to circulate globally. The issuance of USD-based stablecoins will produce new net demand for U.S. Treasuries.
- ✖ Yet for re-dollarization to succeed, stablecoins must remain tied to Treasuries backed by credible fiscal revenues, making taxation and monetary innovation inseparable in sustaining U.S. financial dominance.

Domestic Political Implications: Shift Towards Authoritarianism

- ✖ Radical fiscal and geopolitical restructuring, shifting taxation to property and tariffs, consolidating executive control, and re-anchoring the dollar, would face strong resistance from courts, Congress, and public opinion. To push these measures through, governance could slide toward authoritarianism.
- ✖ Expansion of ICE into a quasi-paramilitary force, federalization of the National Guard in politically adversarial cities, and efforts to delegitimize elections (either through emergencies invoking martial law or disputes over results) illustrate how U.S. institutions could be repurposed to entrench executive power and erode democratic legitimacy.
- ✖ The fusion of tech-elite visions of centralized leadership with ultra-conservative religious movements strengthens authoritarian politics in the U.S., framing the leader as both political authority and *saviour-like* figure.

Key Picture: Ray Dalio's Typical Big Cycle Behind Empires' Rises and Declines



Source: [The Big Cycles of the United States and the Dollar, Part 1](#)

1. Introduction

In the last few weeks, the U.S. has opened three main geo-strategic fronts. It decided to take over Venezuela by installing a friendly leadership without de-jure regime change, to seize control of its oil (and bitcoin) reserves. It turned its attention on Greenland, without excluding the military option, and it's closely monitoring the developments in Iran, where protests against the Islamic Republic are spreading and may lead to a regime change, with a potential return of the son of the past Shah Reza Pahlavi.

Page | 5

The framework to understand recent developments is the U.S.–China rivalry, which is increasingly becoming a Cold War 2, a contest for long-term geo-strategic, economic and technological supremacy. The U.S. may also be aiming at a Yalta 2.0 agreement with Russia and China (which excludes Europe from the discussion table), to divide the world in spheres of influence. In practice, this would mean scaling back ambitions in Asia-Pacific, where geography favours China, and focusing defense initially on the Western Hemisphere, which may or may not include Europe, and eventually only on North America, defined as the territory from Greenland/Canada to the Panama Canal. This is a re-proposition and expansion of the traditional Monroe Doctrine of the 19th century (“*Americas to the Americans*”), which some have labelled “Donroe” Doctrine.

In our view, the “Donroe” Doctrine, expressed through the [recently-published National Security Strategy](#), consists of three phases: initial expansion, consolidation of assets and retrenchment. The economic, fiscal and monetary implications are massive. Such a radical transformation of traditional external position will imply also a shift towards authoritarianism domestically.

2. Cold War 2: The US-China Competition

The global rivalry between the United States and China has increasingly been framed as a contest over long-term economic and technological supremacy. In an earlier article, [Towards a Tech-Driven Cold War](#), we described the emergence of this new conflict and labelled it as Cold War 2. In this paper we take a step forward and we contend that, in the long run, China is likely to win this competition. This does not mean that the US will not remain the dominant superpower for the years, and potentially decades, to come. It means that we are about to enter a period in which the US and China will intensify their competition and China will start having the upper hand in some strategic sectors. In our view, the realisation that “China will win Cold War 2” drives the “Donroe” doctrine: if you can’t win the war, you need to prepare the strategic retreat.

After all, this is what happened to the US, when it inherited what Hegel called the *Zeitgeist* from the UK. The US had already put all the conditions in place to replace the UK as the dominant superpower decades before formally taking over, in 1944. In fact, with the Bretton Woods conference that took place in the month of July of that year, the US made it clear that the new world order will be centred around the US and its currency, the dollar. The conflict with the falling but until-then incumbent power, the UK, was epitomised by the clash between John Maynard Keynes of the British Treasury and Harry Dexter White of the US Treasury, which was won by the latter. But the US was already ready to take over around the turn of the century, when its industrial production had overcome that of the UK, its population was fast growing and technological innovation – including on nuclear energy – was now an American affair.

So, taking the cue from that transition, we claim that something similar is likely to happen between US and China. Last time around, it took around 45 years, two world wars and a great depression for the baton to pass from the UK to the US. In this occasion, the transition is not going to be much faster, or easier, as the US will not give up without a fight. Also, for the first time in centuries, the *Zeitgeist*, after hovering around many countries of what we call “The West” is set to go back *East*, to a country with a completely different worldview, philosophy, religion, etc. So, the claim that China will eventually prevail is perfectly consistent with the view of those who believe that the US will remain the dominant superpower for yet many years to come.

Ray Dalio, in his recent “theoretical” work, reaches similar conclusions, as the US would be in the declining phase of its power parabola (**Key Picture**). Similarly the unchallenged domination of the US dollar over the global monetary system is somehow coming to an end, or at the very least is facing an inflection point (**Figure 1**).

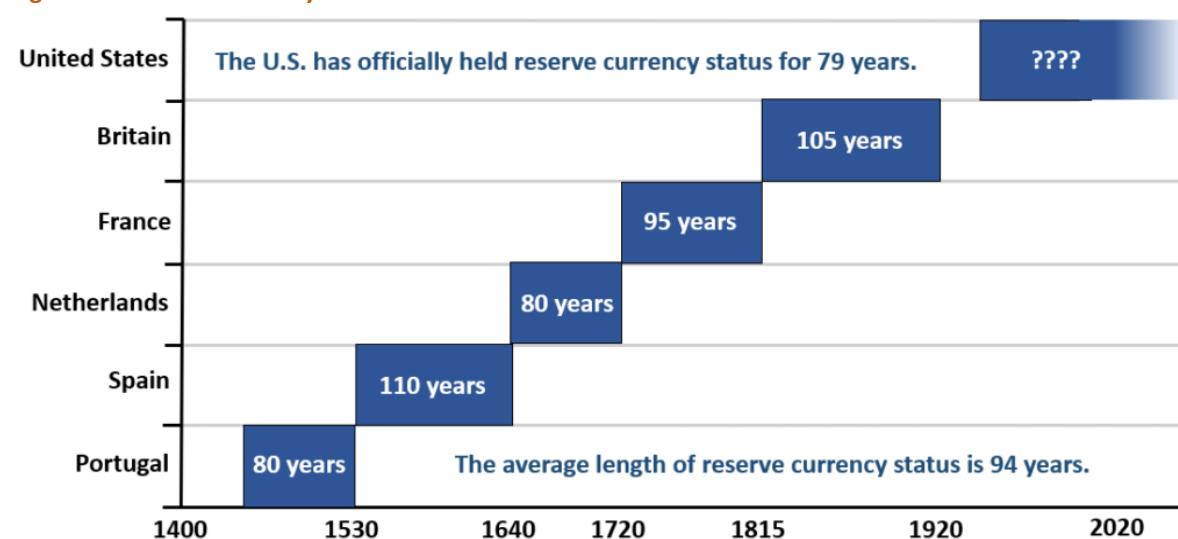
Figure 1: Dollar's Share of Global Reserves Is at a 25-Year Low



Source: [Bloomberg](#)

While it is clear that the USD domination is declining, it is yet unclear what is going to replace it, as the Chinese renminbi still does not have the characteristics to be an international reserve currency. While some crypto fanatics would like to see Bitcoin as the new global currency, the old-fashioned gold seems the asset of choice to re-anchor the global monetary system (**Figure 2**).

Figure 2: A 500 Year History of Global Reserve Currencies



Source: [Smedley Financial Services, Inc.](#)

A useful way to back the claim that China’s century is about to begin, thus taking to an end the so-called “century of humiliations”, is by examining this competition through the lenses of the classical production function, which breaks growth in economic activity into three key components: labour, capital, and total factor productivity (TFP). We believe that across these dimensions, China already leads on two fronts (labour and capital) and may be catching up on the third (TFP). This structural advantage underpins Beijing’s rise as a global economic power and shapes the strategic anxiety now evident in U.S. policy circles.

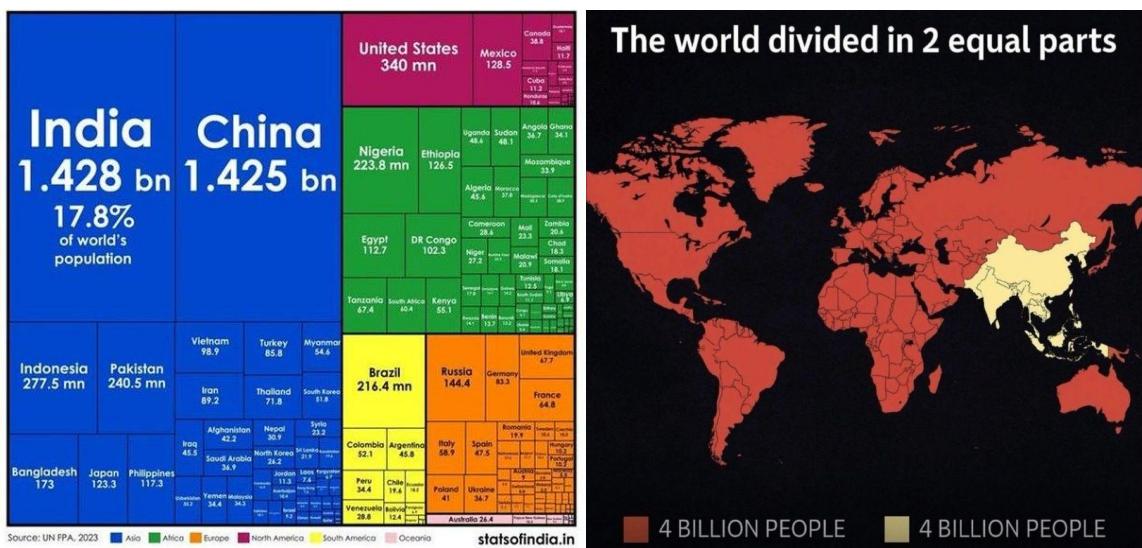
2.1 Three Major Components of the Competition Between US And China

a) Labour

China's first structural advantage lies in labour. With a current population exceeding 1.4 billion, China's population is over four times that of the United States' approximately 337 million inhabitants, providing a demographic foundation for a massive workforce and a correspondingly vast domestic market (Figure 3).

Page | 7

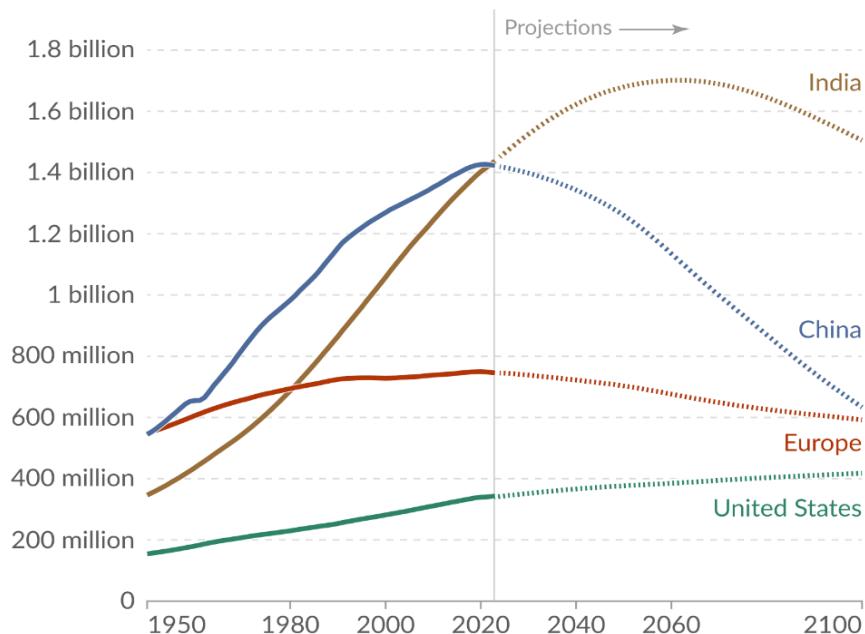
Figure 3: China's Population, Even if In Decline, Will Remain A Multiple Of That of the US



Source: United Nations, 2023

Admittedly, China faces a looming demographic challenge (Figure 4). Fertility decline, rapid ageing, and a shrinking working-age population have already sparked debate about whether China risks "growing old before growing rich." Projections suggest that [China's population could fall to about 633 million by 2100](#). Yet even with such a contraction, its demographic scale would remain about twice that of the U.S., ensuring a relative labour advantage in absolute terms.

Figure 4: Population Projections Until the End of the Century



Source: [UN, World Population Prospects \(2024\)](#)

b) Capital (Industrial Production as Proxy)

A second dimension of the competition is capital, for which industrial production offers a useful proxy. By this measure, China has emerged as the world's only true manufacturing superpower. Between 1995 and 2023, its share of global manufacturing output surged from just 5% to around 35%. Today, China produces more than the next nine largest manufacturing nations combined, and more than the US, India and Germany combined (**Figure 5**). In gross terms, its output is roughly three times that of the United States, six times Japan's, and nine times Germany's.

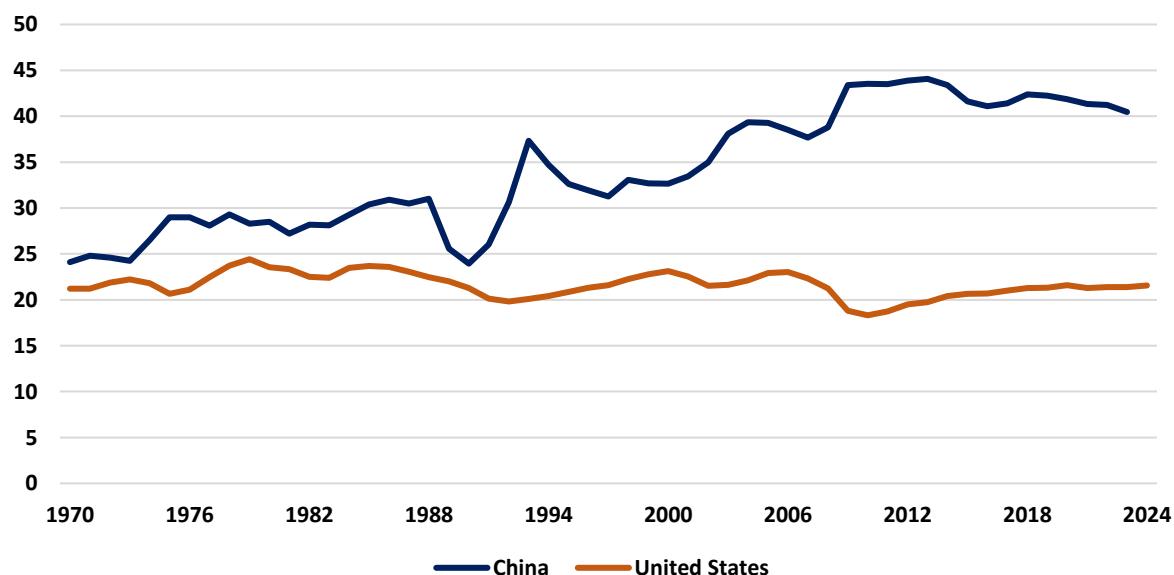
Figure 5: China's Industrial Production Is Larger Than That Of The US, Germany And India Combined



Source: [Mechanical Engineering World](#)

Another way to measure is to look at gross fixed capital formation (GFCF) as a share of GDP, which reflects how much of a nation's economic output is reinvested into productive capacity (**Figure 6**). China has consistently devoted close to 40% of its GDP to fixed investment, roughly double the U.S. ratio of about 20%. This persistent gap highlights a structural divergence in national strategies: whereas the U.S. model is oriented toward consumption and services, China has sustained an investment-heavy growth path.

Figure 6: GFCF as Percentage of GDP



Source: [World Bank](#)

This scale reflects not only the sheer size of China's capital stock but also its ability to deploy capital efficiently across sectors. Decades of state-led investment in infrastructure, industrial policy, and technological upgrading have created a manufacturing ecosystem of unprecedented depth and breadth. The consequences are twofold: global industries remain highly dependent on Chinese supply chains, and manufacturing strength directly translates into geopolitical influence, shaping trade patterns and power balances.

Crucially, China's industrial dominance provides the foundation for leadership in the industries of the future. A robust manufacturing base allows it to channel resources into next-generation sectors such as electric vehicles, renewable energy, semiconductors, batteries, and advanced robotics. These sectors require not just innovation but also mastery of supply chains, access to critical raw materials, and economies of scale, all areas where China already holds a decisive edge.

China's Clean Energy Sector

The clean energy sector exemplifies this dynamic. [China produces about 80% of the world's solar panels, 60% of wind turbines, 70% of electric vehicles, and 75% of global batteries](#), all at lower costs than Western rivals. Despite major U.S. policy initiatives like the Inflation Reduction Act, Washington has struggled to close this gap or meaningfully reduce dependence on Chinese supply. The EV industry in particular shows how China's integration of battery production, component manufacturing, and final assembly has enabled firms to outpace global competitors in both efficiency and market penetration. Similar dynamics extend to solar and wind technologies, where accumulated capabilities in "traditional" industries have spilled over into frontier sectors.

China's push into renewables is also strategic. By dominating clean energy industries, from patented technologies to critical minerals, [Beijing advances its goal of energy independence](#) while simultaneously building new levers of influence abroad. [Through the export and financing of solar, wind, and EV technologies](#) across Asia, Africa, and Latin America, China is forging long-term economic, cultural, and even security ties. These efforts are reshaping global alliances at a time of shifting geopolitical order.

For Washington and its allies, this reality highlights the asymmetry of the competition. The U.S. retains undeniable strengths in finance, services, and innovation, but its weakened industrial base limits its ability to translate these into global leverage. By contrast, China's vast and diversified manufacturing ecosystem serves both as a domestic growth engine and as a strategic tool in shaping trade, supply chains, and the technologies of the future.

Another key sector is that of the so-called rare earths, of which China has a de-facto monopoly. These critical minerals are used across the globe for the production of key manufacturing goods and even military equipment of the US (**Figure 6**). Clearly, the fact that the US depends on its own geo-strategic rival for the production of weapons that are supposed to keep it at bay does not look like a sustainable strategy, even in the short run.

The last bout of the trade war between US and China has occurred when Xi banned any future export of critical minerals to the US, to which Trump responded by imposed a new round of tariffs (100% additional to the existing 30%) on Chinese imports.

c) Total Factor Productivity

The third dimension of the U.S.-China competition lies in total factor productivity (TFP), [which is the key driver of long-run living standards and identified in addition to labour and capital as the major contributors to growth in the future](#). Labour and capital alone cannot sustain growth: workers are finite and capital faces diminishing returns. As Robert Solow demonstrated, only productivity gains can deliver lasting increases in income per person while conserving finite resources like the climate and biosphere. TFP also explains most of the income gap between rich and poor countries. Differences in labour or capital account for little; over two-thirds of cross-country disparities stem from productivity.

TFP can be broken down into two elements: system organization and technological development.

System Organization

China's edge lies in its system of governance, which resembles and extends the developmental state model described by scholars such as Robert Wade and Peter Evans. In developmental states, often authoritarian, bureaucratic power is highly centralized, with a few ministries dominating industrial policy, while the central bank and major financial institutions are closely aligned with political leadership. State-owned banks channel credit into strategically designated sectors, and capital controls preserve autonomy over financial flows.

Page | 10

China fits this pattern closely. The National Development and Reform Commission and the Ministry of Industry and Information Technology, backed by state-owned banks, mobilize vast resources into priority industries such as semiconductors, EVs, and renewables. The People's Bank of China is not independent in the Western sense, but serves broader state strategy. At the same time, China maintains "embedded autonomy": close ties between the state and private firms, combined with the Party's capacity to discipline capitalists when necessary, as seen in the regulatory crackdowns on Ant Group or Didi. This structure ensures both feedback from businesses and strict alignment with national objectives.

By contrast, the U.S. system is more fragmented. It is democratic and open, but this often slows policy implementation and reduces coordination. Industrial policy depends heavily on private initiative and congressional bargaining, which may be less efficient when rapid mobilization is required.

Technological Developments

The U.S.–China rivalry is equally defined by the technological frontier. The so-called "tech war" spans multiple strategic domains:

- Big Data
- Artificial intelligence (AI), including machine-to-machine communication and IoT
- Cyberwarfare
- Semiconductors and the chip war
- Quantum computing
- Space race
- Regulatory technology (RegTech)
- Central bank digital currencies (CBDCs) and digital currencies in general
- Nuclear fusion
- Pharmaceuticals

Across these domains, the U.S. retains clear leadership in some areas, but China is a close second and, in certain sectors, already ahead. In recent communication, the Chinese Communist Party said that China is already ahead in a number of sectors (Figure 7). Analysts suggest that even where Washington maintains its edge, Beijing is outperforming in roughly two and a half of the key components. This is particularly significant because technological leadership underpins both economic competitiveness and military strength.

R&D is the main driver of TFP and technological development: innovation raises efficiency, creates spillovers across sectors, and enhances the returns on new investment. [According to the OECD](#), China is rapidly closing the gap with the U.S.: it now reaches 95% of U.S. business R&D and 74% in higher education, while outspending the U.S. 1.6 times in government R&D. [From 2019–2023](#), China's R&D grew 8.9% annually versus 4.7% in the U.S. Adjusted for lower costs, China's effective 2023 R&D spending was \$1.8 trillion, more than double the U.S. total of \$823 billion. China produces a vast amount of STEM graduates per year, far larger than what the US does.

In this sense, China's model of system organization directly complements its drive in technological development. Centralized resource mobilization has allowed Beijing to pour vast investments into research and innovation while aligning industrial, financial, and geopolitical strategies.

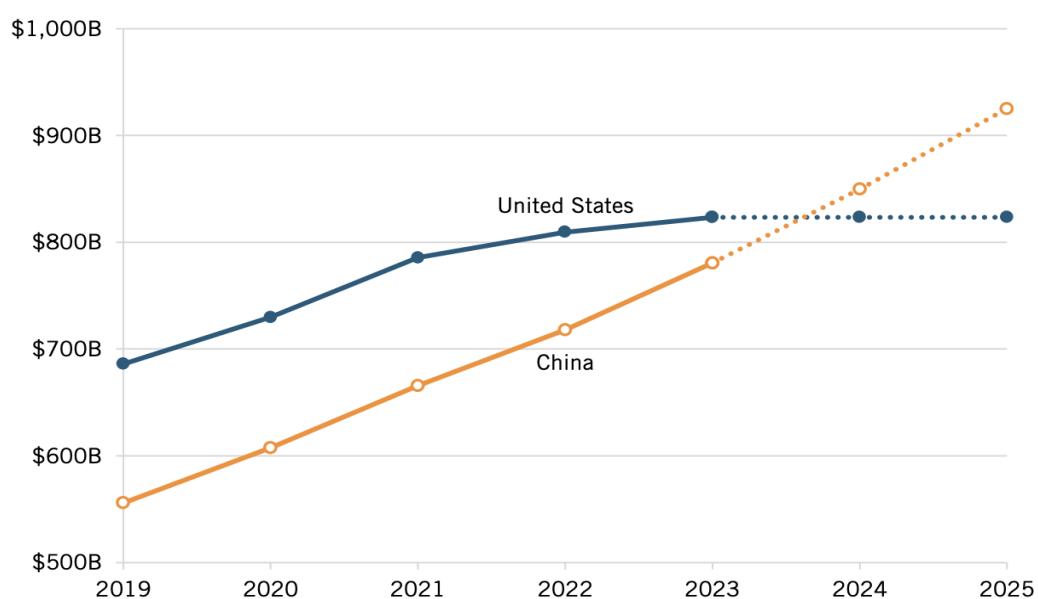
Figure 7: Sectors in Which China Claims To Be Ahead of The US

Technology	Top 5 countries					Technology monopoly risk
Advanced radiofrequency communications (incl. 5G and 6G)	 29.9%	 9.4%	 5.4%	 5.0%	 4.8%	8/10 3.17 high
Advanced undersea wireless communication	 44.6%	 11.1%	 7.1%	 6.5%	 3.9%	8/10 4.03 high
Advanced optical communications	 37.7%	 12.8%	 5.6%	 3.9%	 3.5%	8/10 2.95 medium
Distributed ledgers	 28.4%	 11.3%	 8.9%	 5.6%	 4.8%	6/10 2.51 medium
Mesh networks/infrastructure independent communication technologies	 29.0%	 14.4%	 8.6%	 4.3%	 3.4%	6/10 2.01 medium
High performance computing	 29.3%	 25.6%	 6.3%	 4.7%	 4.0%	3/10 1.15 low
Protective cybersecurity technologies	 22.3%	 16.8%	 7.7%	 5.7%	 5.3%	3/10 1.33 low

Source: CCP

The U.S., by contrast, relies more on private-sector dynamism and decentralized innovation ecosystems, which remain powerful but face challenges of coordination in a high-stakes geopolitical rivalry (Figure 8).

Figure 8: Gross Expenditure on R&D with Projections



Source: [Information & Technology Innovation Foundation](https://www.itif.org/research/2021/03/01/2025-global-r-and-d-expenditure-projections/)

2.2 Strategies To Maintain Supremacy and Optimizing Remaining Resources

Once U.S. policymakers recognize China's structural advantages, the strategic challenge becomes one of optimization: maximizing what can realistically be preserved rather than attempting to hold everywhere. The logic implies a shift from hold-everywhere thinking toward a withdraw-and-defend strategy. Yet, such a withdrawal cannot be abrupt or passive. An effective retreat requires first shaping the battlefield: a large-scale offensive designed to weaken the adversary, disrupt their momentum, and create the conditions for a controlled pullback. Without this initial phase, retreat risks turning into rout, leaving the U.S. vulnerable to catastrophic losses.

Page | 12

In this sense, "*the best defense is offense*," and so the strategy is in three phases: offensive, consolidation and eventually retreat and retrenchment. The sequence of operations suggested by this framework is threefold:

1. Tactical Offensives – targeted actions to delay, disrupt, and impose costs on rivals.
2. Consolidation of the Core – fortifying what remains strategically valuable, ensuring that U.S. power is preserved in critical domains and geographies for the long term.
3. Deliberate Retrenchment – withdrawing to defensible positions that concentrate on protecting territory, population, and production capabilities.

The aim of the first and the second phase is to make mincemeat of the spoils and burn the bridges behind to cover the retreat to deny the opponent the advantage of the retreat. This approach acknowledges that the U.S. can no longer maintain global dominance across all fronts but must carefully manage retrenchment to protect core strategic assets.

What Can the US Realistically Defend?

The practical question for Washington is not whether it can remain globally present everywhere, but rather what regions it can realistically defend and hold in the long run. Once this question is posed seriously, a number of options fall away quickly. Since the fall of the Soviet Union, the US has become the dominant superpower of a uni-polar world: the *Washington Consensus* was the forum for conflict resolution. With the rise of China, the world started being divided into spheres of influence. One can reasonably assume the US will remain the dominant power in "The West," while China will take the leadership of "The Rest," which somebody calls "Global South."

Figure 9: An Approximation of What The West Looks Like, From A Technological Perspective



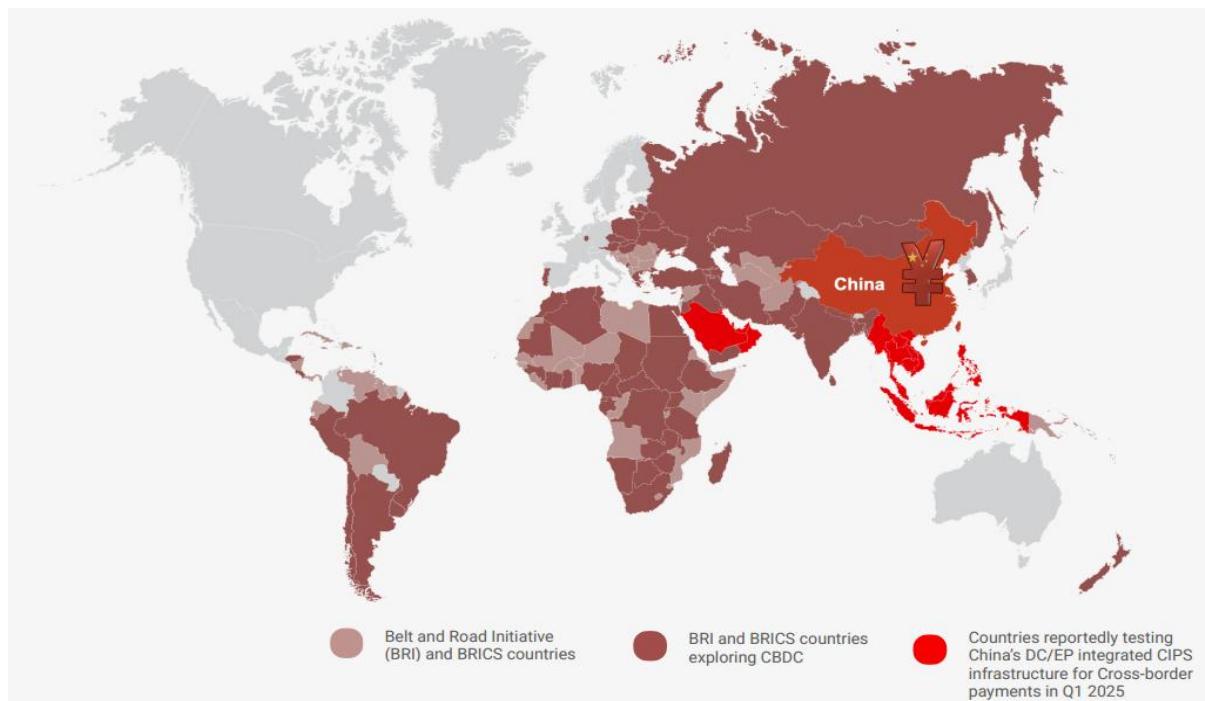
Source: US Department of Commerce via Bloomberg

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The map in **Figure 9** shows what the West and The Rest look like: the countries in blue are those where US AI technologies can be used without restrictions. This is North America, Western Europe, Australia, New Zealand, Japan and South Korea. “The Rest” can be seen also by looking at the map in **Figure 10**, which shows the countries of the Belt and Road Initiative, BRICS and those where China’s CBDC is utilised. With very limited exceptions (e.g. New Zealand), these two maps have no overlap.

Figure 10: This is What “The Rest” (i.e. What China Dominates) Looks Like

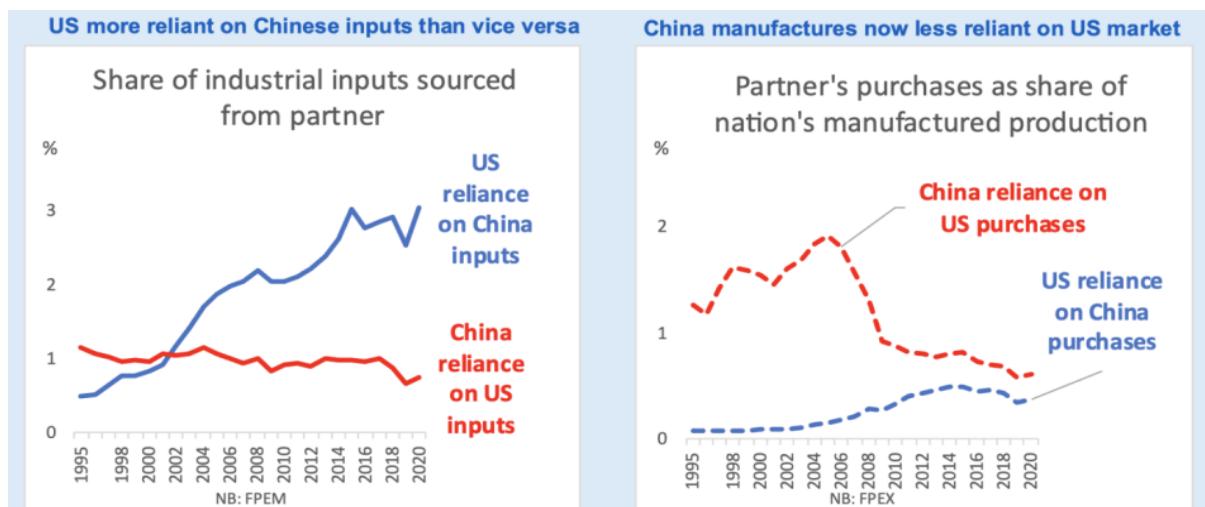
Page | 13



Source: DFMI - NEURAL FINANCE & THE FUTURE OF MONEY: Building a Sovereign Digital Asset Economy for the UK

Note that China, in the last three decades, has made efforts to reduce its dependency on the US (**Figure 11**).

Figure 11: Reciprocal Reliance Of US And Chinese Productions



Source: [IMD](#)

And this derives from the massive effort of substituting its target countries as destination for its exports: as of 2023, China exports more to the countries of the Belt and Road Initiative (BRI), i.e. the clientele that it has “built” over the last two decades, than the traditional “clients”, i.e. US, Europe and Japan combined (**Figure 12**).

Figure 12: China Exports More to the Countries of Its Belt and Road Initiative Than To Traditional “Clients”



Source: Wind, Dongwu Securities via the Financial Times

So, will the US remain the *dominus* of at least The West? Not necessarily. Given its precarious fiscal position, The West in its entirety is simply too vast for the U.S. to sustain across-the-board commitments. Australia and New Zealand, while longstanding allies, are geographically distant and difficult to integrate into a coherent defensive perimeter. Taiwan, despite its strategic importance, cannot be defended in practical terms given China's overwhelming military proximity and its capacity to escalate.

Even Japan, which is often considered the anchor of U.S. alliances in Asia, is geographically so close to China that it increasingly falls within Beijing's regional envelope. Japan will remain an important partner, but the expectation is that Tokyo will be required to manage more of its own security challenges rather than rely on direct American guarantees. Similarly for South Korea.

This process of elimination leaves Western Europe as the most credible and durable place where the United States can still project power and sustain meaningful defense commitments. Europe, unlike Asia-Pacific flashpoints, lies within a geography where U.S. power projection remains effective and where institutional structures such as NATO provide ready-made mechanisms for coordination.

Yet the central problem is not capability but political will: does the United States actually want to continue investing the resources needed to defend Western Europe effectively? With U.S. attention pulled increasingly toward the North America and with domestic priorities pressing, the transatlantic commitment risks becoming less automatic. The answer to this question will shape not only Europe's security architecture but also the global balance of power in the decades to come.

2.3 Effective Retrenchment

The emerging U.S. strategy can be described as retrenchment to North America, stretching from the Panama Canal in the south to Canada and Greenland in the north. This geographic consolidation explains Washington's renewed obsession with key chokepoints and strategic assets in its near abroad (Figure 13).

The Panama Canal has long been viewed as vital for U.S. defence and trade. Recently, [BlackRock reacquired control from the Chinese](#), underscoring its strategic significance. At the same time, attention has turned to [Mexico's Inter-oceanic Corridor of the Isthmus of Tehuantepec](#), a new alternative to the Panama Canal, which is considered more defensible because it is located farther north. Together, these moves highlight a shift: the U.S.

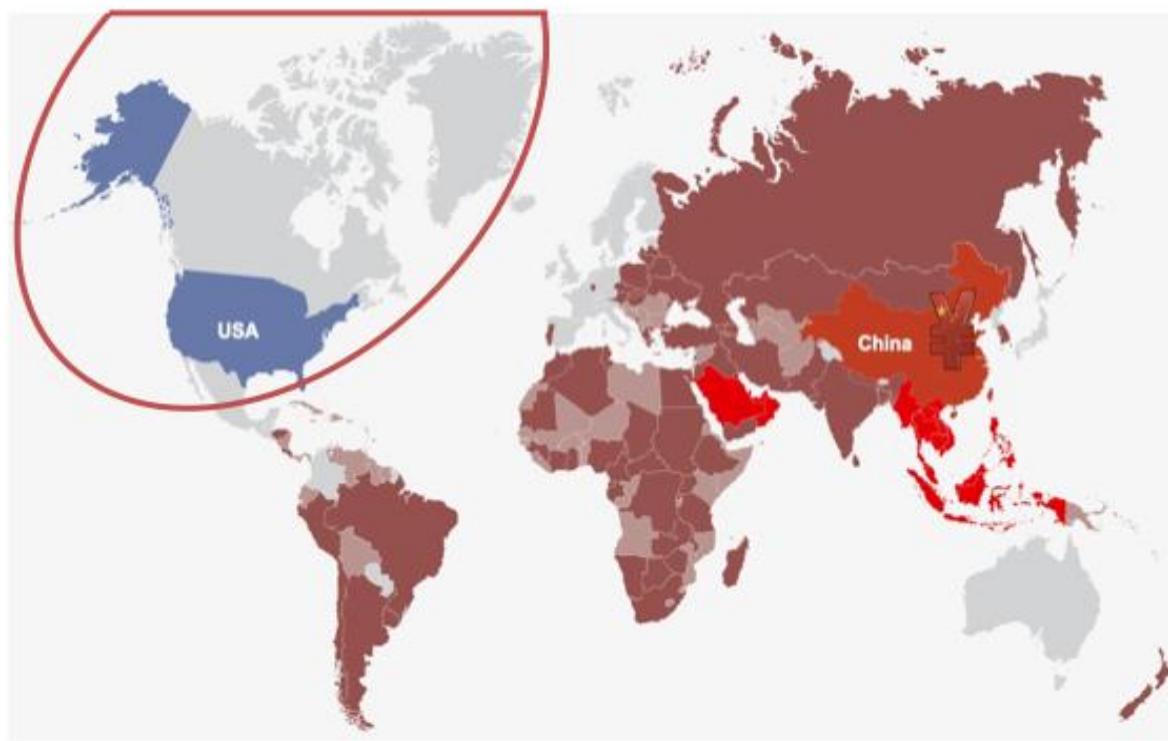
no longer seeks to defend distant global positions, but instead focuses on securing strategic infrastructure closer to home. Beyond Central America, effective defense becomes increasingly difficult.

In Latin America, Venezuela stands out as the only country of sustained U.S. interest. Its importance derives from two factors: possessing the largest oil reserves in the world and its demographic connection to U.S. migration flows. Put bluntly, [Washington seeks](#) to access Venezuelan oil while preventing Venezuelan people from moving north. El Salvador has also been noted in the context of mega-prison, also known as [CECOT](#), where reports suggest the U.S. has at times sent unwanted political opponents, while also serving as a focal point in the politics of migration.

In the north, Greenland has become another point of contention. Denmark recently summoned the U.S. ambassador over [American activities aimed at infiltrating local groups](#) to promote pro-American positions—highlighting Washington's view of Greenland as an indispensable strategic outpost in the Arctic. Canada, meanwhile, has proven more resistant to U.S. influence than other neighbors. Figures such as Mark Carney have symbolized a Canadian stance that is more independent, occasionally standing up to Washington in ways that few others in the region attempt.

This geopolitical angle points to a broader reality: the U.S. fallback strategy is no longer global dominance but rather the consolidation of North America with selective interests in nearby Latin America. The current wave of U.S. assertiveness abroad can thus be read not as a sign of expanding power, but as a form of “burning bridges” tactics, striking offensively to shape the environment before pulling back to defend what remains.

Figure 13: This Is What the US Defensible Territory May Look Like



Source: Author's representations

2.4 Yalta 2.0: Formalizing Spheres of Influence

If the United States is to retrench without appearing to retreat chaotically and dishonourably, it would need to do so under the cover of a broader international agreement with other major powers. This logic points to the possibility of a [“Yalta 2.0”](#), an arrangement that would formalize new spheres of influence in a multipolar order.

In such a settlement, Washington would retain uncontested dominance over North America, effectively consolidating its retreat into a defensive sphere. China would gain recognition of its influence across Southeast Asia and Central Asia, while Russia, reasserting itself after the symbolic return of Putin at the Alaska summit, would claim control over parts of Central Asia and Eastern Europe.

The striking feature of this imagined agreement is [the absence of Europe as an independent actor](#). Despite its desire to remain relevant, Europe appears sidelined, reduced to a peripheral status in the negotiations among great powers. Its survival as a distinct pole of power would depend on whether it can forge cohesion and sustain U.S. engagement on its borders—an increasingly uncertain prospect under this retrenchment logic.

Europe's Struggle to Keep the U.S. Engaged

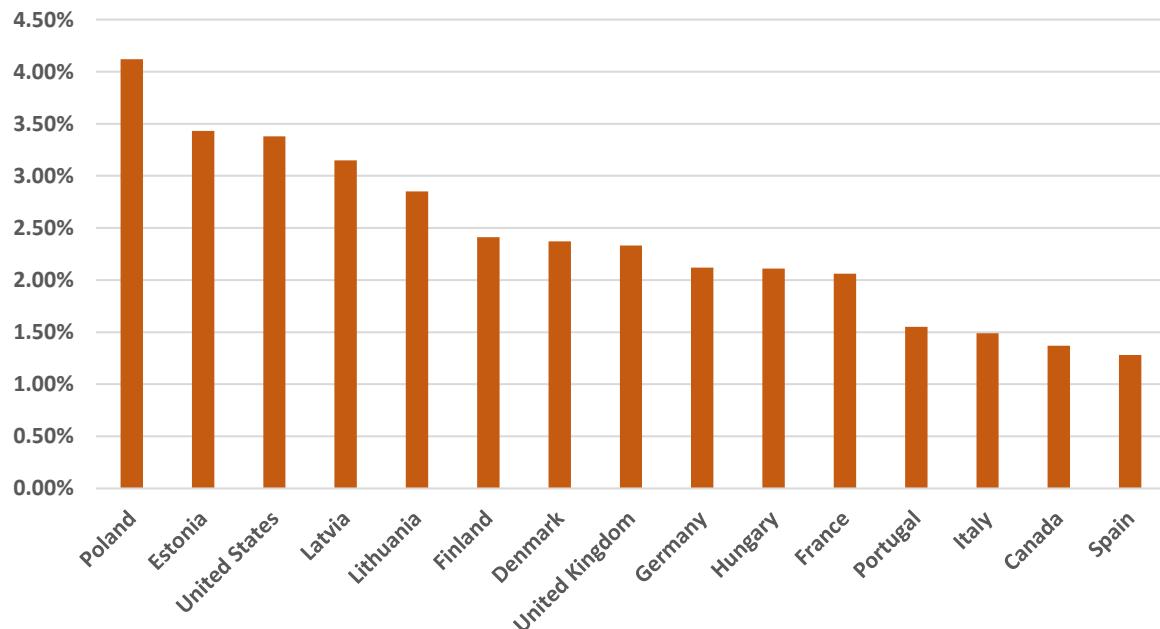
Europe's strategic imperative is to prevent the transatlantic border from shifting westward into the Atlantic Ocean. If that were to happen, it would signify a U.S. disengagement from Western Europe and leave Europeans to defend themselves without the security guarantee that has underpinned their order since 1945. This explains why European leaders have become so determined to keep the United States engaged, including militarily, in the West.

This concern is a key reason behind Europe's commitment to Ukraine. For Europe, *Ukraine represents not only a security crisis but the symbolic new frontier of the West*. By holding the line there, Europeans seek to preserve the idea of a unified West that still includes the U.S. as a core actor. From their perspective, if Ukraine becomes the border, the transatlantic community endures.

From Washington's vantage point, however, Europe does not carry the same weight. *If the U.S. increasingly defines the Atlantic itself as the real frontier*, then Europe is effectively left to defend its borders with its own means (**Figure 14**). In this context, Ukraine's borders could come to define Europe's position within a broader settlement of spheres of influence, shaping the continent's role in any future "Yalta 2.0" arrangement.

Paradoxically, the recent executive order by Trump that extends to Qatar the same security guarantees of European countries under Article 5 show that America is more willing to spend its resources for a region considered geo-strategically relevant. The Middle East has vast natural resources and wealth, while Europe is considered fast becoming an open-air museum.

Figure 14: Defence Expenditure as a Share of GDP (Selected NATO Countries)



Source: [NATO](#)

The United Kingdom: Divergences Within Europe and the “British Variant”

A notable exception within Europe is the United Kingdom. While geographically part of the continent, the UK has historically aligned more closely with the United States in strategic, cultural, and security terms. This raises the question of whether the true dividing line in a future geopolitical order lies not on the European continent but at the English Channel. In this framing, the UK is seen less as a European power and more as part of the Anglosphere. If so, the real dividing line between U.S.-aligned and continental Europe would not lie on the continent itself but at the English Channel (in French, *La Manche*).

Page | 17

Ireland represents a somewhat different case. It has long attracted substantial U.S. foreign direct investment, particularly through American technology and pharmaceutical companies establishing European headquarters in Dublin. Cultural ties reinforce this connection: a significant share of the American population claims Irish heritage, including President Biden, which ensures Ireland retains a special place in U.S. considerations.

By contrast, the rest of continental Europe is perceived in Washington—especially under Trump—as less strategically vital. This perspective helps explain why EU leaders have been so eager to form a “coalition of the willing.” Drawing on the legacy of the Weimar format, such a coalition would aim to defend Europe’s borders more proactively, particularly if U.S. commitments become uncertain. With the UK included, this initiative reflects Europe’s search for new security arrangements in an era where U.S. engagement is increasingly conditional. So, in what we can call the “*British Variant*” the US may consider putting the border in the English Channel rather than in the Atlantic Ocean.

India’s Strategic Hedging

India has long pursued a strategy of balance in global affairs, and its foreign policy is best understood through the legacy of the Non-Aligned Movement (NAM). Rooted in Jawaharlal Nehru’s Cold War-era vision, NAM allowed India to avoid entanglement in great power rivalries while safeguarding strategic autonomy, the conviction that no single power should dominate its choices. This stance gave India the flexibility to balance between blocs while projecting itself as a defender of sovereignty, non-interference, and international law.

Although India pursued neutrality, it maintained particularly close diplomatic ties with Moscow, attracted by socialist ideals and by the Soviet Union’s readiness to provide security and economic support, making it one of India’s key partners. The Soviet Union’s collapse and the emergence of a multipolar order opened space for India to broaden and diversify its international partnerships. This tradition of hedging continues today, as Delhi avoids aligning fully with any single bloc and seeks to maximize its room for maneuver.

This dual positioning is evident in India’s current membership in both BRICS and the QUAD. For India, BRICS is a platform to assert leadership in the Global South while balancing China’s influence, but Delhi treats it chiefly as an economic forum—remaining cautious on de-dollarization and wary that expansion could weaken its voice. Yet its role within the grouping is complicated by persistent territorial disputes and geopolitical rivalries with China. Despite that and other divergences from other Global South positions, India’s engagement with BRICS underlines its ambition to be seen as a leading voice of the Global South.

At the same time, India has sought to deepen ties with the West, joining the G7 summit and strengthening its role in the Quad alongside Australia, Japan, and the US—particularly after border clashes with China in 2020. Through the QUAD—often described as a “NATO of the Pacific”—India collaborates with the member countries on maritime security and strategic coordination. Also, in the new space race, India is part of the American-led project “Artemis” as opposed to China-led ILRSCO.

This careful balancing underscores India’s attempt to gain credibility in multipolar institutions like BRICS while leveraging QUAD ties to strengthen cooperation with Western allies. For years, Washington has sought to draw India into its orbit as a counterweight to China, using alliances like the Quad to weaken Beijing and divide BRICS. Similarly, under Biden, Washington emphasized pulling India further away from Russia and China, offering closer defense and technology partnerships. Under Trump, however, relations were strained. [Recently Trump imposed 50% tariffs on India’s oil trade with Russia](#), damaging Delhi’s economic interests, and even appeared to be ready

to humiliate India by siding with Pakistan in the diplomatic exchange following the recent India-Pakistan military confrontation.

Against this backdrop, India has also cultivated ties with “the Rest.” At the recent Shanghai Cooperation Organisation (SCO) summit, Prime Minister Modi was photographed alongside Vladimir Putin and Xi Jinping, projecting solidarity with Eurasian powers. These images sent a symbolic message that India’s strategic trajectory is not firmly Western-oriented but continues to hedge between camps. Prime Minister Narendra Modi signaled a thaw with Beijing, telling President Xi Jinping at the SCO summit in Tianjin that relations should be built on “[mutual respect, trust and sensitivities](#).” Xi echoed the sentiment, urging that border disputes not define ties and pledging deeper cooperation in trade and development. Both leaders stressed focusing on economic growth and resuming suspended initiatives, including direct flights and border management agreements.

Page | 18

India’s maneuvering reflects a broader structural trend: as the U.S. retrenches and focuses on defending core interests, middle powers like India are asserting greater autonomy, exploiting the fluidity of global alignments to advance their own strategic and economic goals.

3. Broader Economic and Political Repercussions

3.1 Fiscal and Monetary Consequences

A key implication of the current global shifts is the transformation of the U.S. fiscal and monetary system. One reason Washington appears increasingly fixated on territorial acquisition, from Canada’s Arctic frontiers to Greenland, lies in an impending structural change in its tax base.

The rise of automation and robotics has profound fiscal consequences. As machines replace human labor, the traditional tax base tied to wages and salaries will erode. With fewer taxable incomes from workers, the state must identify alternative, sustainable sources of revenue to finance its obligations, from defense spending to social transfers.

Two main candidates are emerging: tariffs and property taxes. Historically, the United States has relied on a mix of labor income taxation, supplemented by modest taxation on capital gains and corporate profits. In fiscal year (FY) 2024, individual income taxes accounted for 49.3% of federal revenue, and in FY 2025 their share has risen slightly to 50.3%, making them the single largest source of government funding. But as labor income dwindles, the fiscal structure may evolve toward tariffs on trade and more aggressive taxation of land and property.

This prospective fiscal transition has important implications for the monetary foundations of the U.S. dollar. With the demise of the gold standard, the dollar’s credibility has relied on U.S. Treasuries, themselves underpinned by the expectation of stable future tax revenues. If labour-based revenues erode as automation expands, the perceived security of Treasuries as the world’s premier safe asset may be undermined.

This raises a broader question about the future anchor of the dollar. One emerging view is that immovable, scarce and strictly physical assets such as property could provide a new fiscal base, ensuring a predictable stream of taxation less vulnerable to technological disruption. Under this interpretation, the historical progression of anchors — from gold to fiat money to government debt — could extend further toward property. Complementary reliance on tariffs as a form of “external revenue” would reinforce fiscal capacity, suggesting a structural reconfiguration of how the United States underwrites both its debt sustainability and the international role of the dollar.

The urgency of this shift is magnified by fiscal policy. The *Big Beautiful Bill* Act (OBBBA) legislation, which expanded U.S. borrowing by an estimated \$4.1 trillion through 2034, has heightened concerns about the sustainability of U.S. debt. As deficits climb, the need to restore confidence in the dollar’s fiscal anchor becomes pressing. If future tax receipts from labor cannot be guaranteed, Washington may seek to tie the dollar more explicitly to property values and territorial control.

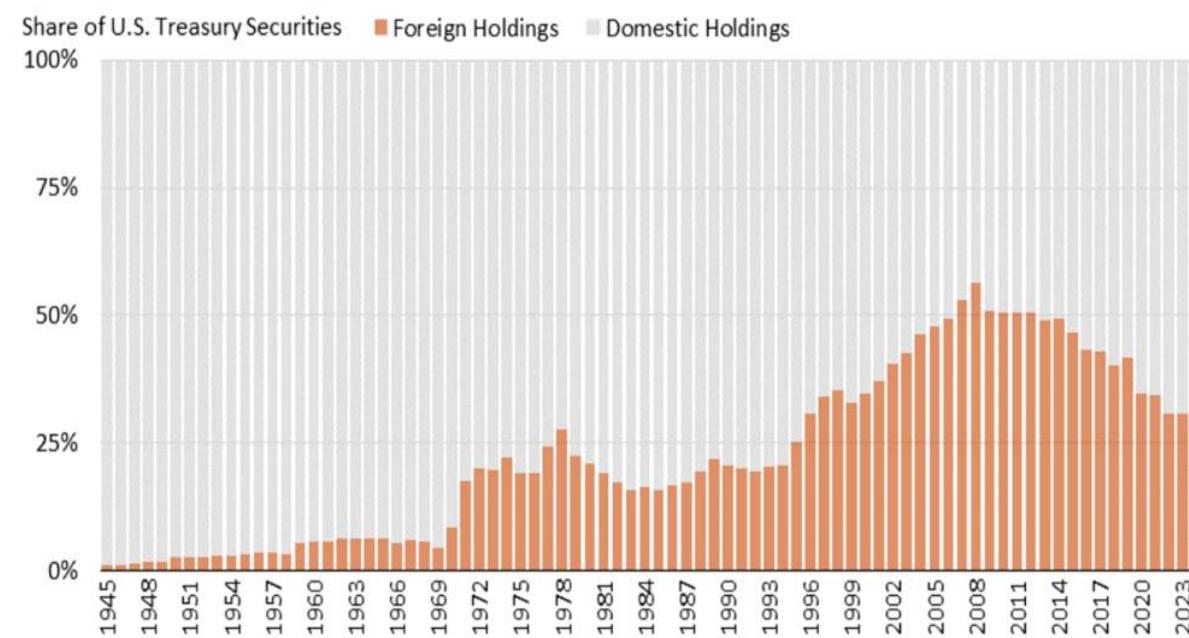
This explains why land — both geopolitically and fiscally — has reemerged as a strategic priority and in this logic, land and property — scarce, immovable, and taxable — emerge as the most plausible candidates. Expanding territorial influence, whether through direct acquisition or geopolitical leverage, would give the U.S. a broader property base to underpin its fiscal system. It is in this context that Donald Trump's quipped that "[External Revenue Service is coming](#)", a metaphorical extension of the IRS (Internal Revenue Service) and signaling tariffs as a future form of taxation.

Page | 19

3.2 De-Dollarization and Re-Dollarization

A final theme concerns the competing dynamics of de-dollarization and re-dollarization in the global monetary system. Over the past decade, a broad coalition of states — from China and Russia to parts of the Global South — have sought to reduce reliance on the U.S. dollar, both for reasons of financial sovereignty and to mitigate exposure to US sanctions (**Figure 15**). A central element of this effort has been the development of Central Bank Digital Currencies (CBDCs), such as China's e-CNY, which promise to provide an alternative infrastructure for cross-border payments. This trend has often been described as irreversible, reflecting strong political and strategic momentum.

Figure 15: Foreign and Domestic Holdings of Treasury Securities (1945-2023)



Source: Data from Board of Governors of the Federal Reserve System

Yet the United States has responded with a counter-strategy. The passage of the GENIUS Act, which legalized and regulated stablecoins, represents more than a domestic financial reform: it is a deliberate attempt to rewrite the architecture of the global monetary order. U.S.-backed stablecoins can now be deployed in jurisdictions where dollar circulation was previously limited, extending their reach across Europe, Switzerland, and Latin America.

This development highlights how digital finance can reinforce rather than erode the dollar's dominance. A telling example is the relationship between SWIFT and Tether: while SWIFT underpins the traditional payments system, Tether is present even in jurisdictions where SWIFT is not (**Figure 16**). Where SWIFT operates, Tether also tends to operate, and together they provide the United States with a dual channel of influence. What initially appeared as a structural shift away from the dollar may thus evolve into a new phase of re-dollarization, mediated through digital assets.

Figure 16: Tether Is Utilised In Countries Where Swift Is Not Present

SWIFT Countries in Blue



Tether Countries In Green



Source: [Swift Institute](#) and [Tether](#)

For the United States to succeed in re-dollarizing the global economy, the sustainability of U.S. debt is essential. This sustainability hinges on two interlinked pillars. First, stablecoin issuers must continue to purchase U.S. Treasuries, thereby anchoring digital dollars in American debt instruments and reinforcing their role as global safe assets. Second, these Treasuries must rest on a credible fiscal base.

Here the fiscal challenge becomes clear. With automation and demographic change eroding the tax base derived from labour income, Washington must identify alternative and durable revenue streams. The policy debate increasingly revolves around two anchors: tariffs, as external revenue, and property taxes, grounded in immovable and finite assets. Together, they offer more predictable sources of fiscal capacity.

In practice, re-dollarization requires both mechanisms to function in tandem. Stablecoins extend the reach of the dollar globally by embedding U.S. Treasuries into the digital monetary system. But without complementary fiscal credibility — secured through tariffs and property taxation — Treasuries risk losing their safe-haven status. Thus, the future of the dollar's global role depends not only on financial innovation but also on the reconfiguration of America's fiscal architecture.

3.3 Domestic Political Repercussions

The fiscal and geopolitical reconfiguration outlined above would not only reshape America's external posture but also have far-reaching implications for its domestic order. Implementing such profound shifts in the foundations of taxation, monetary anchoring, and territorial strategy could amount to revolutionary change. This raises the central dilemma: can such transformations be reconciled with the constraints of a democratic system? Let's consider this under a scenario analysis in which the US decided to move towards a more autocratic form of governance.

In a functioning democracy, the judiciary, Congress, and public opinion serve as powerful veto players. They would likely block, delay, or dilute measures that re-anchor the fiscal system around property taxation, expand reliance on tariffs, or reorganize domestic institutions in ways that consolidate executive control.

For this reason, analysts argue that such a trajectory would push the U.S. toward forms of authoritarian governance. In this scenario, executive power would need to bypass or neutralize traditional checks and balances in order to push through a radical restructuring of fiscal and monetary foundations.

Pathways to Authoritarian Consolidation

If the United States were to attempt a radical fiscal and geopolitical transformation, the challenge would not only lie in the external realm but also in the domestic arena, where entrenched democratic institutions and norms could obstruct implementation. This raises the possibility that governance would increasingly drift toward authoritarian practices in order to overcome institutional veto points.

Page | 21

Several mechanisms already in place suggest how such a trajectory could unfold:

Expansion of ICE (Immigration and Customs Enforcement)

Initially deployed as a tool against undocumented migration, ICE has functioned as a quasi-paramilitary body under executive authority. Mass deportations have already occurred without full adherence to due process. Normalizing such practices creates a precedent for extending ICE's role beyond immigration, potentially toward policing political dissent. Proposals by figures such as Stephen Miller to suspend habeas corpus underscore how far this logic could be pushed in moments of crisis.

Federalization of the National Guard

The National Guard has historically been under state control, but instances of federal deployment — including to Los Angeles — highlight its potential as an executive instrument. Continued use of the Guard in politically adversarial cities such as New York or Chicago would represent a significant shift, strengthening federal authority at the expense of state autonomy. This move would deepen executive control over security forces, a hallmark of authoritarian consolidation.

Elections and Democratic Legitimacy

With persistently low approval ratings (around 30%), Trump faces structural challenges to maintaining democratic legitimacy. This raises the question of whether electoral competition will be respected, or whether preemptive measures will be taken to entrench power ahead of elections. Attempts to discredit electoral processes, delay contests, or suppress opposition would further shift the U.S. political system toward authoritarianism.

Electoral Scenarios and Authoritarian Drift

The question of how elections are managed under Trump's leadership is central to understanding the potential trajectory of U.S. democratic stability. Two broad scenarios illustrate possible pathways. *In an overt scenario*, Trump could deliberately create or exploit a national emergency to invoke the Insurrection Act of 1807. Such a move would grant him authority to deploy the military domestically, declare a state of emergency, and potentially suspend or postpone elections under the guise of restoring order. This scenario would amount to a de facto imposition of martial law. Trump has already tested the boundaries of public opinion on authoritarian leadership, repeatedly suggesting that many Americans might welcome a "dictator for a day." These statements serve both as probes of political tolerance and as attempts to normalize authoritarian rhetoric.

A subtler, *more covert*, pathway would involve allowing elections to proceed formally, but contesting their results in order to delegitimize the process. This strategy mirrors tactics observed in 2020: alleging fraud, mobilizing legal challenges, and creating procedural gridlock. By amplifying uncertainty — whether through voter suppression, disputed ballots, or claims of systemic misconduct — Trump could undermine electoral legitimacy. Prolonged disputes might paralyze the transition process, enabling the executive to retain authority while the system remains in limbo.

Appendix: The Religious-Authoritarian Nexus

Beyond the fiscal and geopolitical drivers of authoritarian tendencies, an additional, though more speculative, dimension concerns the cultural and religious underpinnings of support for a strongman leader in the United States. Two intellectual and social streams appear to provide the foundations for these ambitions.

The first is the so-called “new tech right”, associated with thinkers such as Curtis Yarvin, which is in turn linked to figures like J.D. Vance and Peter Thiel. This current of thought promotes the idea of a [dictator-CEO model](#): political authority should be concentrated in the hands of a single leader, just as corporate leadership rests in the hands of a chief executive. In this framework, democracy is viewed as inefficient and unwieldy, unable to respond quickly to systemic crises. [Elon Musk](#) was, at times, connected with this ideological stream, though his stance has fluctuated, highlighting the contested and fluid nature of tech elite engagement with authoritarian politics.

Page | 22

The second stream is religious. Networks of ultra-conservative Christians, evangelical churches, and quasi-cultic religious movements across the United States have become key constituencies in shaping authoritarian discourse. This religious foundation feeds into the cult of personality dynamic, where political loyalty is transformed into near-religious devotion. Here, the leader is not merely a political figure but a savior-like figure, embodying both spiritual and political authority.

Religion, Populism, and the Prospect of Schism

If we follow a more speculative, rather than strictly analytical, approach, we could say that the intersection of religion and politics in the United States may introduce another layer to authoritarian dynamics. Ultra-conservative religious networks have not only mobilized domestically but also attempted to extend their influence transnationally. Steve Bannon, for example, openly claimed that efforts were made to shape the outcome of the papal conclave, an extraordinary assertion that highlights the ambition of these groups to exert influence beyond U.S. borders.

The subsequent election of the first American pope, Leo XIV, can be interpreted as a symbolic response to these pressures. It represented an institutional signal back to nationalist religious movements in the United States, complicating Trump’s potential use of anti-Vatican rhetoric. Previously, framing the papacy as “anti-American” could resonate with nationalist audiences; with an American pope, that line of attack is blunted.

This dynamic raises a speculative but significant possibility: a schism within Catholicism, producing what might be termed a “Church of America.” Historical precedent exists in the Church of England, where Henry VIII’s break with Rome created a national church under monarchical authority. By analogy, one could imagine a scenario in which the U.S. head of state assumes not only political but also religious authority, blending nationalism with spiritual legitimacy.

In such a vision, Trump would not merely embody the figure of an authoritarian leader but also potentially be recast as a religious figurehead. While highly speculative, this scenario underscores the depth of cultural and ideological currents that could converge to sustain authoritarianism, combining political populism, religious nationalism, and historical precedents of church-state fusion.