Washington remains the world's foremost military and financial power. But Beijing's industrial dominance, Moscow's strategic resilience and a deepening partnership between the two are fundamentally changing the economics of great-power competition.

The historic meeting between U.S. President Donald Trump, Chinese President Xi Jinping and Russian President Vladimir Putin in Shenzhen on November 19 produced an extraordinary diplomatic photograph but little evidence of a breakthrough in great-power relations.

The three leaders issued a declaration committing themselves to strategic stability, nuclear risk reduction and stable global energy supplies. Yet no concrete framework for nuclear disarmament, binding security arrangement or substantive mechanism for resolving their geopolitical differences emerged.

The significance of Shenzhen lies less in what was achieved than in what the gathering revealed about the distribution of global power.

For decades, Washington operated on the assumption that its economic superiority, military reach and diplomatic influence would allow it to shape the strategic calculations of its principal adversaries. That assumption is increasingly being tested.

The United States remains exceptionally powerful. But power and leverage are not necessarily synonymous. The ability to possess resources is fundamentally different from the ability to deploy them to influence another country's behaviour.

China and Russia are constructing an economic and strategic relationship that is making the latter considerably more difficult for Washington.

A Changing Balance of Power

The United States, China and Russia collectively account for roughly 45% of global economic output and more than half of worldwide military expenditure. Their respective strengths, however, are distributed unevenly.

According to the International Monetary Fund's October 2026 World Economic Outlook, the American economy is projected to reach approximately $32.6 trillion in nominal GDP this year, followed by China at $21.5 trillion and Russia at $2.9 trillion.

Military expenditure presents a similarly uneven picture.

Data from the Stockholm International Peace Research Institute (SIPRI) show that global military spending reached a record $2.89 trillion in 2025.

The United States accounted for $954 billion, China for an estimated $336 billion and Russia for $190 billion. Together, the three countries represented approximately 51% of worldwide military expenditure.

Yet the direction of investment is equally important. American military spending declined by 7.5% in real terms in 2025, while Chinese expenditure increased by 7.4% and Russian expenditure rose by 5.9%.

China has increased its military expenditure for 31 consecutive years.

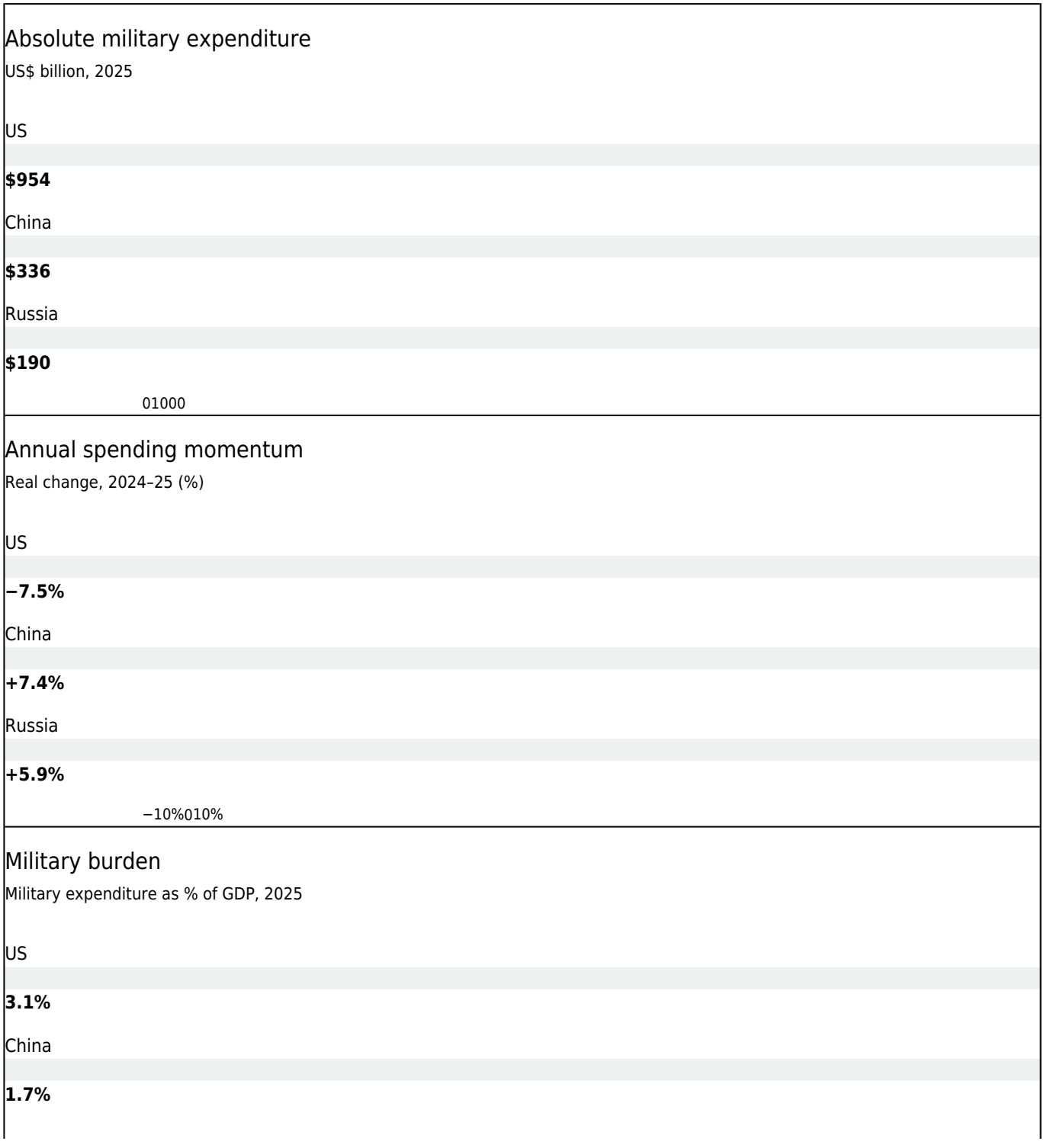
Russia, meanwhile, devoted approximately 7.5% of its GDP to military spending in 2025, compared with 3.1% in the United States and an estimated 1.7% in China.

GEOPOLITICAL INTELLIGENCE / EXHIBIT 01

America still outspends its rivals, but their military budgets are growing faster

Military expenditure, 2025 | Current US dollars for spending; inflation-adjusted growth rates

$1.48tn	Combined military spending of the three powers
51%	Share of global military spending
1.81×	US spending relative to China and Russia combined


Absolute military expenditure
US$ billion, 2025
US
$954
China
$336
Russia
$190
0
1000
Annual spending momentum
Real change, 2024–25 (%)
US
−7.5%
China
+7.4%
Russia
+5.9%
−10%
0
10%
Military burden
Military expenditure as % of GDP, 2025
US
3.1%
China
1.7%

Russia

7.5%

08

Long-run buildup

Real change, 2016–25 (%)

US

+11%

China

+62%

Russia

+96%

0100

> **Strategic implication.** US spending remains greater than the combined Chinese and Russian total. Russia allocates a substantially larger share of its economy to defence, and both rivals posted stronger real spending growth over the past decade.

View underlying data

Country	Spending ($bn)	2024–25 (%)	GDP share (%)	2016–25 (%)
United States	954	−7.5	3.1	11
China	336	7.4	1.7	62
Russia	190	5.9	7.5	96

Source: SIPRI, Trends in World Military Expenditure, 2025, Table 1 (April 2026).
China and Russia figures are SIPRI estimates. Growth is in constant 2024 US dollars; levels use current prices and exchange rates. Spending is not a direct measure of military capability.

Moscow's extraordinary military burden illustrates the extent to which a comparatively smaller economy can remain strategically consequential by prioritising defence expenditure at the expense of other domestic needs.

America's challenge, therefore, isn't an immediate loss of military superiority. It is the growing cost of maintaining that superiority across multiple theatres simultaneously.

Why the Cold War Playbook No Longer Works

In February 1972, President Richard Nixon travelled to China in one of the most consequential diplomatic initiatives of the twentieth century.

Relations between Beijing and Moscow had deteriorated substantially, culminating in armed border confrontations in 1969. China regarded the Soviet Union as a serious security threat, while Moscow had reasons to fear closer American-Chinese relations.

Washington exploited that division.

Three months after Nixon's visit to China, the United States and the Soviet Union signed the Anti-Ballistic Missile Treaty and the first Strategic Arms Limitation agreement in Moscow.

The contemporary geopolitical environment presents almost the opposite conditions.

China no longer needs Washington to counterbalance Russian military power. Russia, increasingly constrained by Western sanctions, depends on China for industrial goods, energy revenues and alternative commercial networks.

Their relationship is reinforced not by ideological uniformity but by overlapping strategic interests.

In May 2026, Beijing and Moscow signed a joint statement expanding strategic coordination, accompanied by 20 cooperation documents covering areas including

trade, education, science and technology.

The relationship is neither frictionless nor necessarily permanent. But the economic incentives sustaining it are considerably stronger than the political disagreements Washington might seek to exploit.

Recreating Nixon-era diplomacy would require more than presidential engagement. It would require changing the underlying economic and security calculations of both countries.

A $228 Billion Strategic Partnership

The transformation of China-Russia relations is perhaps most visible in their bilateral trade.

According to Chinese customs data, trade between the two countries increased from $146.9 billion in 2021 to $228.1 billion in 2025, a significant expansion.

GEOPOLITICAL INTELLIGENCE / EXHIBIT 02

China–Russia trade has more than doubled since 2020, with Moscow increasingly reliant on Beijing

Merchandise trade, 2020–25 | Nominal US$ billion; trade-dependency shares in percent

$228.1bn Two-way goods trade in 2025

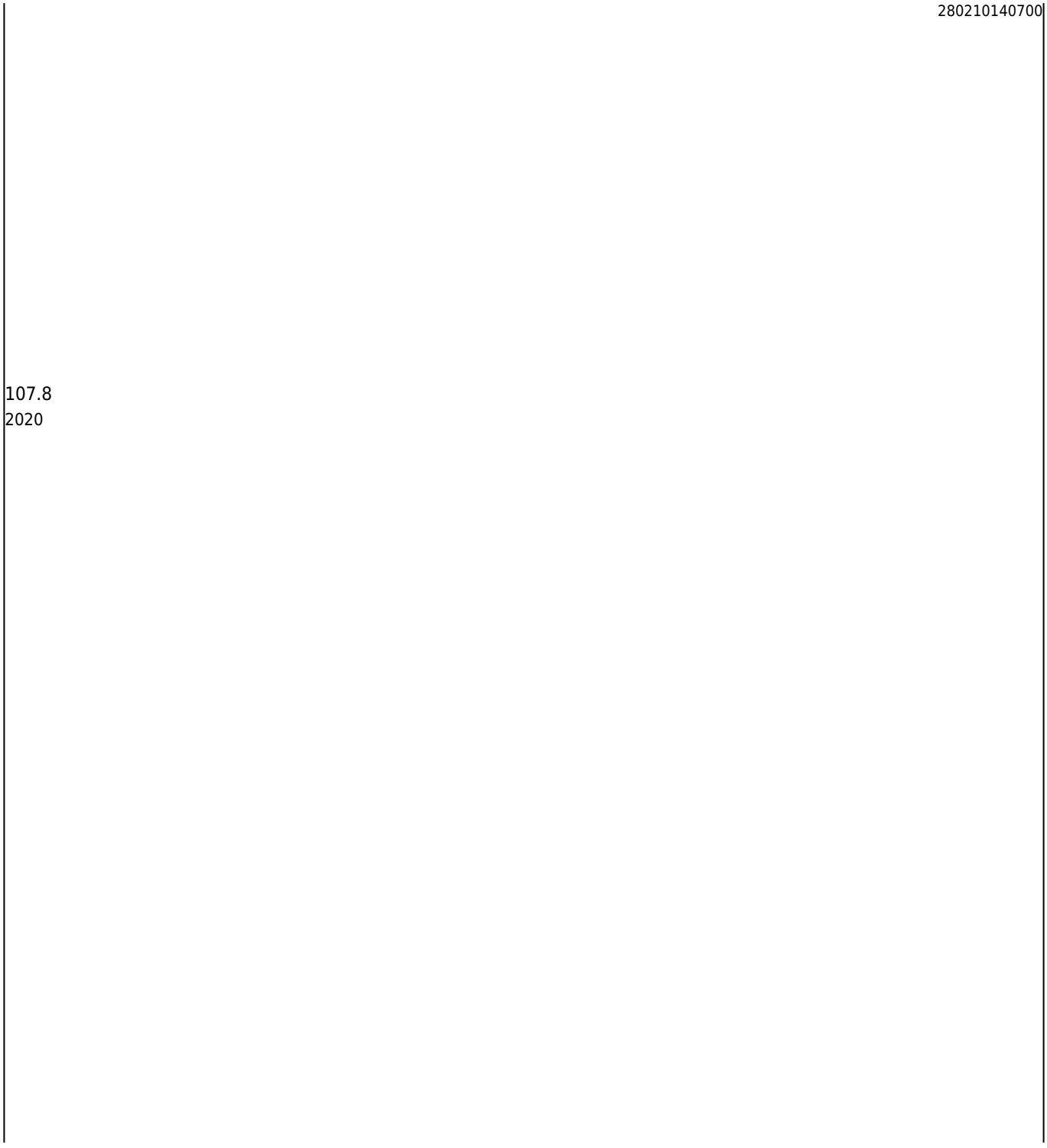
+112% Growth in bilateral trade since 2020

−6.9% Change from the 2024 peak

Six years of bilateral trade

China-reported goods trade, US$ billion

China exports to RussiaChina imports from Russia


280210140700
107.8
2020

146.9
2021

190.3
2022

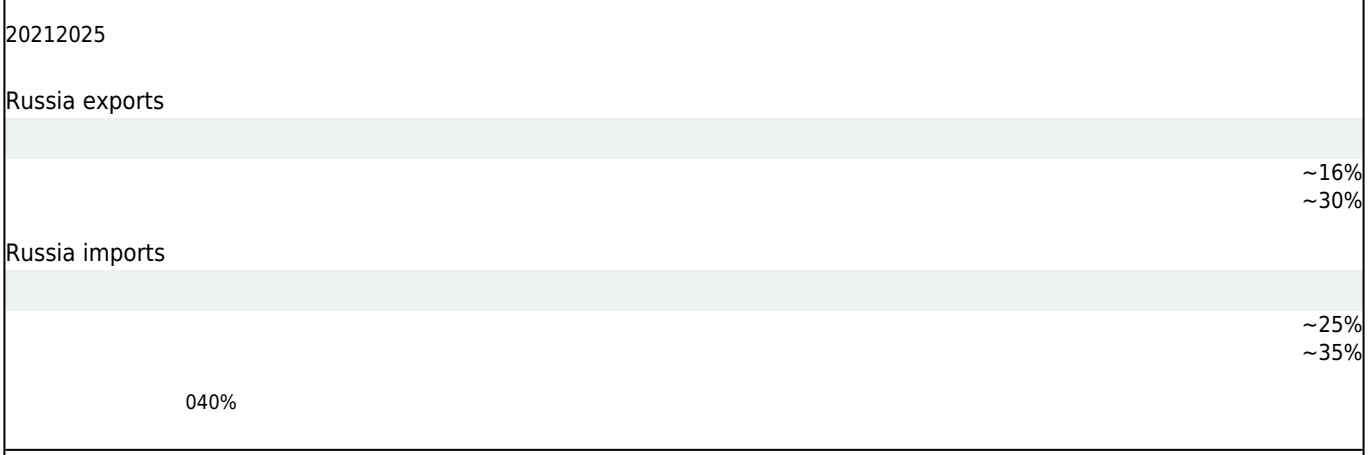
240.1
2023

244.8
2024

228.1
2025

Dependence is asymmetric

Partner share of each country’s total goods trade (%)



Reverse exposure, 2025: Russia accounted for only 3.6% of China’s overall goods trade. This is a combined import/export measure, not directly comparable with the separate export and import shares above.

2026 update: January–September bilateral trade rebounded by around 31% year on year (MERICS); not a full-year figure.

> **Strategic implication.** The bilateral relationship is substantial, but the partners are not equally exposed. Russia relies on China for a much larger share of its foreign commerce.

View underlying data

Year	China exports ($bn)	China imports ($bn)	Total ($bn)
2020	50.6	57.2	107.8
2021	67.6	79.3	146.9
2022	76.1	114.1	190.3
2023	111.0	129.1	240.1
2024	115.5	129.3	244.8
2025	103.3	124.8	228.1

Sources: General Administration of Customs of China (GACC), as compiled by Steppe & Silk Research; Reuters (2025 total); OSW (dependency estimates); MERICS (2026 update).
Chinese customs-reported values; totals may differ from the sum of components because of rounding. Full bilateral dependence estimates are approximate. 2026 partial-year data are not plotted against annual totals.

Although bilateral trade declined by 6.9% in 2025 to $228.1 billion, it remained more than 55% above its pre-invasion level.

By comparison, total merchandise trade between the United States and Russia stood at just $4.4 billion in 2025, according to the Office of the United States Trade Representative.

China's merchandise trade with Russia was consequently more than 50 times larger than America's.

The relationship has become particularly asymmetric.

Research published in March 2026 by Poland's Centre for Eastern Studies estimates that China accounted for approximately 30% of Russian exports and 35% of its imports in 2025.

Before the full-scale invasion of Ukraine, those proportions stood at roughly 16% and 25%, respectively.

Chinese companies have filled commercial gaps left by departing Western businesses, supplying automobiles, electronics, machinery and industrial components.

Chinese brands accounted for 51% of new passenger-car sales in Russia in 2025, compared with just 2% in 2019.

For Beijing, however, Russia remains a relatively small component of its global commercial portfolio.

That imbalance gives China substantial bargaining power over Moscow. Russia needs Chinese markets considerably more than China needs Russian customers.

Beijing has acquired something arguably more valuable than an equal alliance: a resource-rich strategic partner whose economic alternatives have narrowed considerably.

Energy Is Rewriting the Geopolitical Map

Few sectors illustrate the changing balance of power more clearly than energy.

Before the Ukraine war, Europe was the principal destination for Russian energy exports. Western sanctions and Europe's subsequent diversification efforts accelerated a historic redirection of commodity flows towards Asia.

According to the U.S. Energy Information Administration, Europe received 51% of Russian crude oil and condensate exports in 2020. By 2024, that proportion had fallen to 12%.

Asia and Oceania, meanwhile, increased their share from 41% to 81% over the same period.

China imported approximately 2.2 million barrels of Russian crude and condensate daily in 2024. India received another 1.7 million barrels a day, compared with approximately 50,000 barrels a day in 2020.

GEOPOLITICAL INTELLIGENCE / EXHIBIT 03

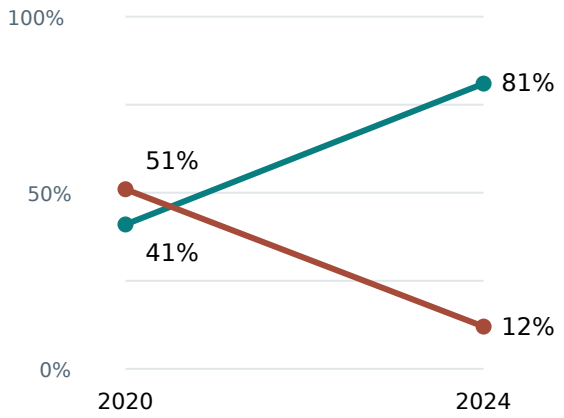
Russia’s oil trade has shifted decisively from Europe to Asia

Crude oil and condensate exports, 2020–24 | Regional share of export volume and selected destinations

81%	Asia and Oceania share of Russian exports, 2024
−39 pp	Europe’s export-share change, 2020–24
1.7m b/d	Russian exports to India in 2024

Export destinations have reversed

Share of total Russian crude and condensate export volume (%)



Asia & Oceania (+40 pp)Europe (−39 pp)

Other destinations / rounding residual: 8% in 2020; 7% in 2024.

India drove much of the growth

Russian crude and condensate exports, million barrels/day

20202024H1 2025 (preliminary)

China

2020

1.70

2024

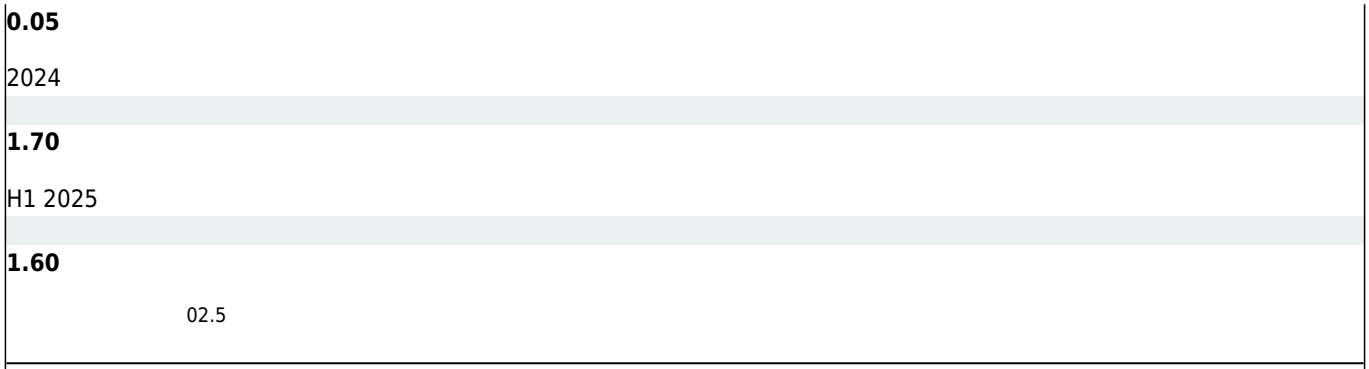
2.20

H1 2025

2.00

India

2020



Scale of exports: total Russian crude and condensate exports averaged 4.8m b/d in 2024 and 4.3m b/d in H1 2025.

> **Strategic implication.** Russia maintained substantial export volumes while redirecting its sales towards Asian customers, reducing its exposure to European demand but concentrating its dependence on major buyers.

View underlying data

Region / buyer	2020	2024	H1 2025
Europe (% share)	51	12	11
Asia & Oceania (% share)	41	81	—
China (m b/d)	1.7	2.2	2.0
India (m b/d)	0.05	1.7	1.6

Source: US Energy Information Administration, August 7, 2025 (analysis of Global Trade Tracker, Argus and Vortexa).
Crude oil and condensate, not all petroleum products. China 2020 volume derived from the reported 0.5m b/d increase to 2.2m b/d in 2024. H1 2025 data are preliminary. Regional shares are rounded; pp = percentage points.

Natural gas infrastructure is reinforcing these commercial relationships.

The Power of Siberia pipeline provides China with substantial overland supplies of Russian natural gas. The proposed Power of Siberia 2 project could eventually increase annual delivery capacity by another 50 billion cubic metres.

For Russia, such projects offer alternatives to lost European markets. For China, they offer supply diversification and reduced dependence on maritime energy routes.

However, the consequences are not uniformly favourable for Moscow.

Pipelines require substantial capital expenditure, long construction timelines and long-term purchasing commitments. Unlike seaborne oil, pipeline gas cannot easily be redirected to competing buyers.

Russia's growing dependence on eastward infrastructure could give Beijing considerable influence over future pricing and contractual negotiations.

Western sanctions have imposed genuine costs on Russia. But they have also accelerated the creation of an alternative Eurasian energy architecture that is increasingly difficult to reverse.

The Industrial Dimension of Chinese Power

China's geopolitical strength extends beyond the size of its economy or defence budget.

Its greatest structural advantage may be its position within global manufacturing and industrial supply chains.

The International Energy Agency's Global Critical Minerals Outlook 2026 identifies China as the dominant refining power across several strategically important minerals, accounting for more than 90% of global refined supply in categories including gallium, graphite, manganese and rare earth elements.

These materials underpin industries ranging from semiconductors and electric vehicles to telecommunications, aerospace and advanced defence manufacturing.

Beijing's influence consequently extends into the industrial capacity of its competitors.

Washington can restrict Chinese access to advanced semiconductor technologies. China, in turn, possesses significant influence over the supply of materials required to manufacture sophisticated technologies elsewhere.

This reciprocal vulnerability complicates the traditional application of economic coercion.

Even after substantial tariff increases and supply-chain diversification, merchandise trade between the United States and China amounted to approximately $415 billion in 2025.

Including services, bilateral commerce reached $494.6 billion.

That represented a 25.1% decline from 2024, but the remaining volume demonstrates how difficult economic separation remains.

The United States and China are simultaneously strategic adversaries, commercial competitors and deeply interconnected economies.

Neither can impose substantial economic costs on the other without risking considerable disruption at home.

The Dollar Remains America's Strategic Fortress

Despite these developments, predictions of imminent American decline remain premature.

The United States retains an extraordinary advantage through the international financial system.

IMF data for the second quarter of 2026 show that the U.S. dollar accounted for 56.7% of global foreign-exchange reserves. The Chinese renminbi accounted for just 2.11%.

The Bank for International Settlements' 2025 survey provides an even clearer picture of America's financial centrality.

Global foreign-exchange trading reached $9.6 trillion per day in April 2025. The dollar appeared on one side of 89.2% of transactions, compared with 8.5% for the renminbi.

For all the discussion surrounding de-dollarisation, no alternative currency currently offers the same combination of liquidity, market depth, convertibility and institutional infrastructure.

China and Russia can increasingly settle bilateral transactions outside the dollar system. Replacing the dollar's broader international role is an entirely different proposition.

The danger for Washington is not necessarily the sudden disappearance of dollar supremacy. It is the gradual expansion of financial arrangements that allow strategic competitors to operate with less exposure to American sanctions.

The dollar may remain dominant even as the effectiveness of financial coercion diminishes.

A More Dangerous Nuclear Triangle

The strategic competition is unfolding against a deteriorating global nuclear-security architecture.

SIPRI estimates that the world's nuclear arsenal contained 12,187 warheads in January 2026.

Russia possessed approximately 5,420, the United States 5,042 and China 620, including retired warheads awaiting dismantlement where applicable.

Collectively, the three countries accounted for approximately 91% of the global nuclear inventory.

China's arsenal remains considerably smaller than those of Russia and America, but it is expanding faster than that of any other nuclear-armed country.

SIPRI suggests China's inventory could exceed 1,000 warheads by 2030, depending on the future trajectory of its nuclear programme.

The expiration of the New START treaty in February 2026 removed the last remaining bilateral treaty-based restrictions on American and Russian strategic nuclear forces.

Negotiating a successor is complicated by the emergence of China as a more substantial nuclear power.

Washington wants Beijing included in future arms-control arrangements. China has little incentive to accept restrictions that could institutionalise its numerical inferiority, while Russia has reasons to preserve its nuclear status as compensation for its comparatively limited economic strength.

Shenzhen's declaration acknowledged the dangers of nuclear conflict. It did not resolve those competing incentives.

The result is a more complicated deterrence environment in which bilateral arms-control mechanisms are increasingly inadequate, but effective trilateral arrangements remain elusive.

America's Underutilised Strategic Advantage

Washington nevertheless possesses an asset that neither Beijing nor Moscow can readily replicate: an extensive network of technologically advanced allies and security partners.

According to NATO, defence expenditure by European members and Canada increased by nearly 20% in real terms in 2025.

The alliance has also committed to increasing defence and security-related investment to 5% of GDP by 2035, including 3.5% for core defence expenditure.

Greater allied contributions could significantly strengthen America's ability to manage simultaneous security challenges in Europe and Asia.

But extracting higher financial contributions is only one component of effective alliance management.

Access to military infrastructure, intelligence sharing, technological collaboration, coordinated sanctions and integrated industrial capacity are equally consequential.

These advantages depend on predictable commitments and mutual confidence.

A more transactional approach to diplomacy may produce short-term concessions from individual partners. It also risks weakening the institutional relationships that multiply American power.

For Washington, the central challenge is to combine legitimate demands for greater allied burden-sharing with the strategic continuity necessary to preserve collective influence.

The Rise of Strategic Optionality

The emerging international order is not simply dividing into American and Chinese spheres.

Countries such as India, Saudi Arabia, Indonesia, Brazil and Türkiye increasingly pursue relationships across geopolitical boundaries, seeking investment, energy security, technology and defence cooperation from competing powers.

India's simultaneous participation in the Quad, BRICS and the Shanghai Cooperation Organisation illustrates this approach.

These countries are expanding their diplomatic options rather than committing themselves exclusively to a single great-power bloc.

Their behaviour complicates efforts by Washington, Beijing or Moscow to impose rigid geopolitical alignments.

For multinational corporations, this means geopolitical risk will increasingly influence investment decisions, manufacturing locations, financing arrangements

and commodity procurement.

Economic efficiency is no longer the sole determinant of corporate strategy. Political exposure, supply-chain resilience and regulatory fragmentation are becoming equally important considerations.

The Limits of American Primacy

The United States is not facing an inevitable collapse of its global influence. Its financial markets, technological capabilities, military institutions and international partnerships remain formidable.

China faces its own demographic, financial and structural economic challenges. Russia's dependence on commodity exports and wartime expenditure imposes substantial long-term constraints.

Their strategic partnership also contains an inherent imbalance that could eventually generate political friction.

But Washington cannot build an effective foreign policy around the expectation that its competitors' internal vulnerabilities will automatically restore American leverage.

The international system is becoming more distributed, more economically fragmented and more resistant to unilateral influence.

America's greatest strategic challenge is no longer merely accumulating power. It is converting its considerable existing power into sustainable geopolitical outcomes.

Shenzhen demonstrated that Washington can still secure a seat at the most consequential diplomatic tables.

Whether it can determine what happens around those tables is becoming an altogether different question.