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American Power

An-My Lê, USS Nashville, Dakar, Senegal, 2009

Phenomenal World

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Introduction

The Editors

Are we at the end of the American Century? The question looms over the turbulent global politics of this millennium—and, over the past eighteen months, has yielded answers that take the form of a seeming paradox. On the one hand, the United States appears as a waning hegemon, accelerating the transition away from its own unipolar era. On the other, each unprecedented shock reaffirms Washington's unique privilege to directly reshape the world.

Open any newspaper and you will be confronted by these twinned narratives. The United States is "forfeiting its role as the leader of the free world," practicing an "inefficient, unstable, and self-destructive" imperialism all while "termites are slowly feasting away at the foundations of the dollar's dominance"—it is "officially an empire in decline." On the other side of the ledger, a parade of extraterritorial military and economic violence coincides with blissed out financial returns, a $1.5 trillion dollar defense budget proposal, the largest IPO in history, and related dreams of a new era of AI-induced primacy. The empire is in free fall, but also hanging steady; its claim to legitimacy has been shredded, but its extreme authority prevails.

Embarrassments of a sundowning autocrat, ruptured diplomatic alliances, and strategic defeat in Iran notwithstanding, who but Uncle Sam could incinerate girls' schools, assassinate cabinets, bankrupt aid organizations, kidnap sitting presidents, and wage world-bending economic war? Attempts to make sense of this procession of events produces something like cognitive dissonance: the very signs of America's relative decline are also the horror-inducing indices of its unparalleled strength.

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The first issue of *Phenomenal World* addresses these apparent contradictions, examining the contemporary contours of American power and its various expressions around the world.

In considering this issue's framing, we discussed the various terms currently circulating to describe the present disorder and its agents: retrenchment, overreach, isolationism, hegemonic transition, and so on. In transatlantic foreign-affairs journals, analysts produce new phrases and debate old concepts to attempt to capture the moment. But the consensus revelation of a shift in the world order can be so general as to obscure the present. Cascading events undermine and outpace our attempts to grasp the breadth, persistence, and variations of American empire, and the equally varied resistance, adaptation, and vassalization it continues to summon.

The essays in this issue remind us of the concrete political and economic processes that produce such questions—and clarify the distance between continuity and rupture. The authors assess American power as a quantity produced by design and path dependency, experienced as economic and military brutality, and through the distorted domestic political economies of semi-sovereign nations.

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The main constant in global affairs is erratic escalation. The Trump-Xi Summit in May might have signalled "fragile détente," and perhaps a fracturing of bipartisan support for export controls and trade warriors, but it ultimately raised more questions than answers. Following the activation of the "Hormuz weapon," an energy shock has kickstarted a potentially transformative race among states and consumers to secure green-energy supply. Corruption in the White House stretches from Trump's flagrant self-dealing to grotesque evidence of insider trading on war policy. At the time of writing, pretext for a US military attack on a besieged Cuba is rapidly being assembled as US aircraft carriers enter the Caribbean Sea. Further south, Standard Oil's former reserves in Venezuela promise to be restored to colonial ownership.

Two essays in this issue explore the latter two countries. Lourdes Regueiro and Claudia Marín, and Luis Bonilla-Molina, respectively, examine Cuba and Venezuela—connected by revolutionary histories, contests over oil and sovereignty, and by the slow (and then spectacular) brutality unleashed on them by the United States. To grasp the new and the old within Trump's so-called Donroe Doctrine, Jaime Preciado and PW editor Pablo Uc present five phases of hemispheric power projection, and the attendant episodes and counter visions of anti-imperialist resistance.

Lurking behind the new US violence in the Caribbean is the growing importance of China in Latin America. The sociologist Ching Kwan Lee outlines China's expanding global presence in production, multilateralism, and knowledge production, examining its growing coalitions in the formerly colonized world. In Brazil, the US is now second to China as chief trading partner, a reversal in position that PW editors Hugo Fanton and Maria Sikorski suggest has attenuated Brazil's dependency on the US, allowing for a tariff conflict in which "Trump made Lula great again." Expanding on this theme and summarizing Brazil's place in the world diplomatic game is an interview with Celso Amorim, former Minister of Foreign Affairs and present Chief Advisor to President Luiz Inácio Lula da Silva.

On the topic of US declinist narratives, Tim Barker identifies waves of threat inflation from US security planners that date back to the Cold War—and Samuel Huntington's famous 1988 argument that these were scenes of necessary crisis manufacturing. Is our moment of "imperial decline" any different?

One need look no farther than the war on Iran to begin to speculate. The history of oil and empire shows important continuities among the states currently in the crosshairs. Just as the history of Venezuela is defined by US giant Standard Oil's jealous guarding of its hydrocarbons in the twentieth century, the fate of modern Iran is difficult to grasp without reference to the legacy of British imperialism, the founding of British Petroleum to farm its oil, the Shah's US-backed regime, and the Islamic Revolution against it.

Eskandar Sadeghi-Boroujerdi traces US foreign policy since 1979, and the transformations of the Iranian state under pariah status, resulting in the present ruling business and military alliance—which has shown itself capable of resisting the designs of a United States bent on using war to resolve its internal political problems, and a genocidal Israel seeking lasting regional hegemony. On the other side of the Persian Gulf, writes Colin Powers, the old alignment between the Arab monarchies and the US government may be evolving into a new era of commercial diplomacy with client states, as Silicon Valley firms strike deals with the GCC to create new client-partners in the AI race with China.

China's capacity to develop—now perceived as an epochal challenge in Silicon Valley, Langley, and Washington—has not been unrelated to US strategy. Surveying the political conditions for China's world-historical economic transformation is an essay by Yueran Zhang. His essay studies the domestic impacts of the post-1989 reforms to suggest that the elimination of worker control during the explosion of China's productive power represents a neglected story of class-political transformations that attended Global China's rise.

What does US power consist of? Historian Catherine Schenk offers an account of the rise of the US dollar as the world's dominant currency and the reasons for its likely persistence, despite proliferating incentives to "derisk" from the hegemon. Meanwhile, as Anna Stavrianakis shows, instability has bred securitization, resulting in the largest ever global military expenditures—in a world weapons market overwhelmingly dominated by the United States, but increasingly involving new players and state-corporate strategies.

Finally, in a sweeping interview, Herman Mark Schwartz provides a rich tour of the component parts of imperial power, the particular forms and innovations of the US's historic dominance, and the endogenous sources of the present chaos, alleging the empire can be placed on "suicide watch."

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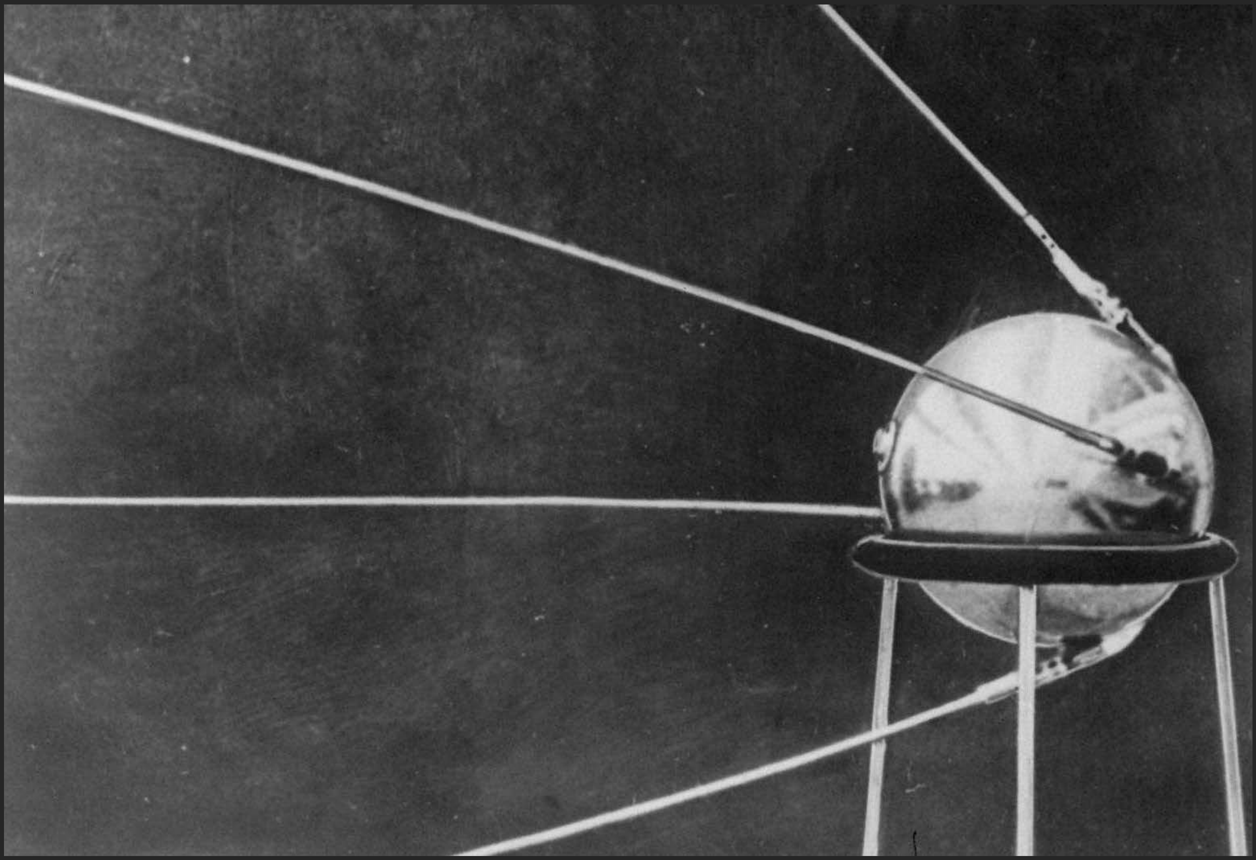
Empires defying their decline have often been more dangerous than those willing to accept it. The Austro-Hungarian struggle to maintain hegemony within Europe lasted a full century after written constitutions and citizen-subjects overtook the age of Kings. The final two decades of Hapsburg rule, grappling with the Ottomans and the Russians for territorial control, produced three Balkan Wars. The first carved out Albania from Turkish rule; the second liquidated Turkish government in Macedonia; and the third we remember metonymically by the assassination of Archduke Ferdinand. What followed was a scale of devastation and bloodshed never before produced by humanity. Could any acknowledgement of Austro-Hungarian weakness have prepared contemporary thinkers for the horrors to come?

It may be inarguable that the second Trump administration's dramatic, imperial use of force is self-undermining. The question is how much, on which axes, and whether the apparent crisis in American power can be reduced to this latest sequence of catastrophes.

The essays here aim to address these questions and more, and reflect a pessimism of the intellect. But there is also optimism and will among the authors. If American power is undergoing an epochal transformation, it is doing so in a world order that, as the late Mike Davis wrote in 2022, "we must diagnose [as] . . . a ruling class brain tumour"—the absence of strategy among a fractious sliver of elites wielding near-absolute power over the majority of humanity. Organization and sense-making will have to come from other corners.

— The Editors (in New York City, Hermosillo, São Paulo, Bogotá, San Cristóbal, Porto Alegre, and London)



Sputnik, Russian News Agency, 1957

Histories of Decline

Tim Barker

Politics and economics in American "declinism"

"There is a great deal of ruin in a nation," Adam Smith once reassured his compatriots at a moment of British defeat. But how much? American elites have wondered this periodically for most of the last sixty years. At irregular intervals, voices from the left and right of center raise the question of American decline. What can we learn from this march of failed predictions? Will the doomsayers always be wrong? Or just early?

In the Winter 1988–1989 issue of *Foreign Affairs*, political scientist Samuel Huntington attacked the question as the world stood on the precipice of the new unipolarity. Despite the impending Cold War victory, this was an anxious period for American capitalism. The malaise was summed up by Democratic presidential candidate Paul Tsongas: "The Cold War is over; Japan and Germany won." Huntington rejected this defeatism. He deflated contemporary fears by reminding readers that similar decline panics had recurred since the 1950s in a series of waves symbolized by Sputnik, Vietnam, the energy crisis, and now, in the late 1980s, Japan.

In each instance, the foretold decline failed to materialize. In hindsight, we see their fantasies and projections for what they were. Who now remembers bestsellers like *The Coming War with Japan*? But Huntington, while rejecting the decline thesis, refused to condescend to the declinists—even misguided fears were worth taking seriously, he maintained. True, the US had survived countless supposedly terminal diagnoses. But even a hypochondriac might benefit from regular visits to the doctor. Would the imperial republic have endured *without* the recurring panics? Could a hallucinatory discourse (Khrushchev will bury us) actually produce its own reality (continued American primacy)?

This is just what Huntington concluded. American structural power had endured not despite, but because of the doomsayers. In his words, "the declinists play an indispensable role in preventing what they are predicting." This pattern held across the waves of post-Sputnik discourse. It also gave rise to a slyly confident prediction: "The United States is unlikely to decline so long as its public is periodically convinced that it is about to decline."

This is what Plato might have referred to as a noble lie. In order to win their backing for policies to prompt renewal, American voters needed to be persuaded of the possibility of US decline. To whom would it fall to mislead the public for their own good? In the immediate sense, the declinists would do the persuading. But behind them there had to be someone capable of consciously inflating the crisis discourse. This sounds cynical, but it is appropriate when reading Huntington, who once wistfully reminded readers that Truman "had been able to govern the country with the cooperation of a relatively small number of Wall Street lawyers and bankers"—a rare admission of the sources of political power in the American Century. A radical who wrote the same sentence would be crucified for crudeness.

Call it cynical or reductionist, Huntington's point of view has long been common in Cambridge, Manhattan, and Washington. Similar quotes, from men more powerful than Huntington, could be reproduced endlessly. One worldbuilding investment banker, the National Security Council and Central Intelligence Agency (CIA) pioneer Ferdinand Eberstadt, said that "the country was always run by crises." He added: "if one was not evident, it had to be created to get things done." Such strategies became the stuff of banter among insiders. In March 1950, one New England congressman told Secretary of State Dean Acheson that Cold War rearmament could not be sold "without some domestic crisis." In the event that "Stalin did not come through with his assistance in precipitating crises," Acheson should "not hesitate to create the crises himself."

Swept to power with George W. Bush in 2000, Condoleezza Rice observed that the US "has found it exceedingly difficult to define its 'national interest' in the absence of Soviet power." She hung a portrait of Acheson in her office and waited. Islamic radicalism held little interest for a trained Sovietologist like Rice—until it suddenly provided "one of those great earthquakes that clarify and sharpen." The ruins in Manhattan became raw material for a new crisis and, she promised, another century in which the world's only superpower could "transform volatile status quos that no longer serve our interests."

Impressive as these instances of on-record cynicism are, their significance is limited if all we take from them is that elites of business and statecraft have exploited, or even manufactured, narratives of crisis and decline. The vital question today is whether this time is different.

Reading Huntington's history of decline, 1958–1988

It is not easy to track the complex interactions between the discourse of declinism and the reality of decline. The sorts of relationships involved are best observed in concrete case studies. Huntington's genealogy begins in the late 1950s, when many Western elites feared that the relatively rapid growth of Soviet national income might soon leave the US the weaker power. In retrospect, this faith in Soviet growth was unfounded. But US performance in this period *was* inadequate. Between mid-1953 and mid-1958, industrial output and private employment actually declined. For the Eisenhower era as a whole, real GDP per capita grew just over 1 percent per year.

On October 4, 1957, the Soviet Union launched the first man-made satellite in world history. The image of *Sputnik*, launched by a modified intercontinental ballistic missile (ICBM), made it possible to represent the Soviet techno-economic challenge as a direct threat to the physical safety of US citizens. At that same moment, the US economy slid into the worst recession since the 1930s. Seizing the moment, Washington Senator Henry "Scoop" Jackson, a friend of Boeing and leading liberal Democrat, demanded a "National Week of Shame and Danger."

The seemingly endless arenas of relative weakness indexed by the *Sputnik* launch—economic performance, research and development spending, education investment, engineering graduation rates, and so on—were all arguments for the nation to get serious about its position. The *Sputnik* scare provided the necessary trampoline for growth, military procurement, and quasi-military public investment. This policy synthesis had the added benefit of blocking more troublesome social democratic alternatives.

The launch of *Sputnik* was, of course, a real event, and US economic growth was indeed relatively slow. But key details were obscured, exaggerated, or warped to build the hysterical case. The element of outright deception achieved its clearest condensation in the so-called "missile gap," which helped the Democrats, led by JFK, ride to victory in 1960. Various Democrat-aligned experts claimed the Soviets had thousands of ICBMs—two orders of magnitude higher than the CIA's estimates. Today, we know that even the CIA's numbers were too high. The record shows that the number was even lower. Even at the time, Eisenhower knew the missile gap was a tall tale, which is why he responded to Republican defeat in 1960 with a speech targeting what he called the military-industrial complex. If Kennedy himself ever actually believed in the gap, he soon suspected (in his own words) that "what it looks like is we, some of us, distorted the facts and created a myth."

The combination of the Sputnik public relations coup and recession in the US, was the key to post-1958 politics. What was really at stake in this wilderness of mirrors? According to historian Julian Zelizer, the "purpose" of the missile-gap myth was "the revitalization of liberal internationalism." On the domestic front, victory was reckoned in output growth. The high-level stagnation which haunted the 1950s was replaced by the uninterrupted boom of the 1960s. From this case study, Huntington drew two important hypotheses. One was the value of exaggerated declinism in securing political support for the renewal of national power. The other was that military retrenchment was "self-limiting," since the economic effects of spending cuts might "give rise to political pressures and demands which can be met by an increase in military spending."

The basic formulas of Cold War capitalism held until 1968, when the Viet Cong and international currency markets made clear the limits to this arrangement of domestic and foreign affairs. Within weeks of the Tet Offensive, "widespread reports appeared of European hotels, airlines, and exchange offices refusing to accept dollar currency." Emergency measures—including a bombing pause and the abdication of Lyndon B. Johnson—

staunched the bleeding. But the crisis of confidence in American power and solvency continued, leading to the end of the gold-dollar standard after 1971.

The long downturn in the middle of the 1970s, which threw tens of millions out of work across the capitalist world, led to concerns about a new depression. Meanwhile, resource nationalists spearheaded by Organization of the Petroleum Exporting Countries (OPEC) raised basic challenges to the international economic order. Expropriations reached record levels, and business consultants used computer punch cards to predict where the next revolution might occur (leading contenders: Rhodesia, Nigeria, Turkey, Lebanon, El Salvador, Libya, Portugal, Italy, Argentina, and Zaire). "The dollar is finished as international money," declared Charles Kindleberger. As the 1980s began, best-selling nonfiction titles included *Crisis Investing* and *The Coming Currency Collapse.*

These were all headaches, and it was devilishly complicated to imagine how they could be overcome within American democratic politics, which was roiled by forces including right-wing "neo-isolationism" and liberal anti-militarism. Nixon and Kissinger attempted to deal with international complications by declaring that "the age of the superpowers is now drawing to an end." Jimmy Carter bragged that the US was now free from "that inordinate fear of communism which once led us" into disasters like Vietnam.

Faced with the flagging of globalist militarism, an influential coalition of elites mobilized to revive the idea of a clear and present Soviet threat. "It takes Pearl Harbor to wake us up," neo-Cold Warrior Gene Rostow wrote in 1977. Two years later, Rostow and his comrades in the Committee on the Present Danger would flood newspapers and congressional committees with the fanciful claim the Iranian Revolution was the signal gun of a new Soviet offensive. In the absence of a real Yamamoto, one takes Pearl Harbors where one finds them.

The Second Cold War scare was cultivated by a bipartisan group, including Democrats like Huntington. But the political benefit fell to Reagan, who came to power with vague ideas about strategy and strong commitments to domestic military-industrial constituencies. According to Reagan economist William Niskanen, the defense budget became "little more than a stapled package of the budget requests from each service." Even the official history published by the Office of the Secretary of Defense struggles to muster a case for the rearmament: "Was it a necessary and proper reaction to the Soviet threat? Or was it merely to satisfy the interests of the military-industrial complex? Or was it a little of both?"

Even less plausible than the rewarmed Cold War was the idea that Japan posed a threat to US national security. One prompt for Huntington's essay was historian Paul Kennedy's surprise best-seller, *The Rise and Fall of the Great Powers*, which argued that the US had fallen into a familiar pattern of fiscally ruinous imperial overstretch. The real winner would be Japan, whose freedom from defense burdens allowed the country to conquer one civilian market after another.

It is worth recalling the extent and irrationality of the Japan panic. It was ludicrous to suggest that Japan—a disarmed dependent—presented a security risk to anyone in the United States. (This didn't stop Silicon Valley captains like Intel's Robert Noyce from warning that, "They are out to slit our throats.") Strained attempts to redescribe Japan as a Soviet enclave only underlined their own incongruity. In the early 1980s, Toshiba sold eight numerical control tools to the USSR, knowingly evading US-led export controls. Apparently, the cutting-edge milling machines could be used to make screws for submarine propellers. Surely, the Pentagon charged, it was no accident that the Soviet navy just made an unexpected breakthrough in the "quietness" of their nuclear submarines. Soon, of course, the Soviet Union no longer existed.

Still, at the end of the 1980s, Huntington concluded that the declinist panic was necessary to get Americans to address the real but remediable challenges they did face. The problem was butter, not guns: "Consumerism not militarism is the threat to American strength." It was true that the consumption share of GDP skyrocketed in the 1980s (though Huntington failed to note that this overconsumption was highly concentrated in the affluent classes). Here, Japan did seem to have the advantage, with consumption representing just 67 percent of GDP, compared to 78 percent in the US. It was always hard to persuade people that they were living too well—which was why a little crisis might be just what the doctor ordered.

From "crisis" to crisis (1988–2016)

Huntington's anatomy of declinism was passed like an heirloom from one generation's best and brightest to the next. Until relatively recently, US elites turned to Huntington as a source of reassurance. In 2014, former Obama National Security Advisor Tom Donilon observed that recurring declinism was "in our DNA, and it helps drive our renewal." He quoted Huntington's *Foreign Affairs* article directly: "The United States is unlikely to decline so long as its public is periodically convinced that it is about to decline." Any real challenge—the weak recovery from 2008, the Tea Party, Piketty, China—could be handled by homeopathic doses of crisis rhetoric.

But just over two years later, Hillary Clinton lost the 2016 Presidential election to Donald Trump, and the limited purchase of this view of American resilience became a generational problem for elite politics. The shock was extreme. Coupled with the surprise primary challenge of Bernie Sanders, the Trump victory was understood as a legitimacy crisis for liberal capitalism and, in particular, its globalized variant. Jake Sullivan, the hawkish Clinton protege assigned to dive into the wreckage, concluded that Trump's victory "reflected the exhaustion of a post-Cold War economic model," as if there were no warning signs.

As we puzzle out the political meaning of declinist discourse, it is worth picking up from where Huntington left off, to remind ourselves of the dramatic transformations of the US economy that preceded this latest wave of declinism. What was happening in the 1980s, when Huntington could so easily dispatch with fears of economic feebleness? On the one side, Japanese dynamism evaporated, so there appeared to be no real threat to US economic dominance. Beyond the weakness of competitors, relatively strong growth in the US gave weight to claims of industrial revival. According to the historian Robert Brenner, after 1986 "the US manufacturing sector, and thereby the US private economy as a whole, achieved a striking recovery of profitability and ultimately, vitality." By the late 1990s, US fixed business investment exceeded the peaks of the pre-Reagan "golden age." Alongside all the decade's froth and fraud, old-school indicators like business investment provided a real basis for the boom.

Meanwhile, the American industrial base had been radically and relatively successfully renovated. No one denied that the deindustrialization of the 1980s had been disruptive. According to Brookings, sudden job losses in this period "far outstripp[ed] any other job losses in recent US history." But they had been highly concentrated, with the vast majority of the employment effects located in two industries (steel and auto) and a few dozen counties (out of 3,000 total in the US).

The smokestack industries never fully recovered, but impressionistic versions of the deindustrialization story can obscure the extent of restructuring which did occur after the Reagan-era nadir. Over the course of the 1990s, US auto employment increased by almost 300,000. These new jobs did not appear in the same places as before—nor did they offer the same security to workers, or become organized into powerful trade unions. But from the perspective of someone managing American capitalism, or someone who owned shares in the Big Three automakers, this was hardly a sign of failure. Similar stories of profit-driven rationalization and partial recovery can be told about steel and machinery sectors after 1982. The generational impacts of this dislocation—and its place in the history of declinist discourse—would not become legible in elite politics until 2016.

More decisive than the restructuring of heritage industries was the US dominance of high-tech manufacturing. In their indispensable book, *The Making of Global Capitalism,* Leo Panitch and Sam Gindin point out that in the late 1990s, “35 percent of global high-tech production took place within the US.” Japan and Germany, the supposed beneficiaries of enlightened industrial policy, claimed 21 percent and 6 percent respectively (the European Union as a whole commanded 24 percent). A decade after Reagan’s terminal Cold War binge, “the US accounted for 77 percent of the world’s aerospace sales, 75 percent of all sales of computers and office equipment, 91 percent of computer software sales, and 62 percent of pharmaceuticals.”

Between the flaws in the declinist case (as represented by Huntington), and the evident prosperity of the Clinton era, it was not difficult for anti-declinists to conquer the field. In 1998—unlike in 1988, 1978, 1968, 1958, or 1948—there was no apparent domestic politics of crisis. The winds of unipolarity were so strong that coherent arguments for primacy were barely needed at all. Stepping into the breach, some elite discourse shifted from complacent to hallucinatory, particularly among economists. “This expansion will run forever,” said MIT’s Rudi Dornbusch. Paul Krugman declared that good economists could disagree on questions like whether “the demand side matters.” Janet Yellen and Alan Blinder speculated about a future without public debt.

While elite rhetoric had become startlingly free of crisis-mongering, signs of real economic stress were gathering. Even before 2008, productivity statistics made clear that the 1990s had been an anomaly, rather than a new and fabulous normal. The productivity slowdown had delivered, according to the Bureau of Labor Statistics, “a swift rebuke of the popular idea . . . that we had entered a new era.” On the manufacturing front, stagnation was now evident not just in employment but in output as well. Between 1975 and 2000, the index of industrial production in manufacturing more than doubled. Between 2000 and 2025, it declined slightly. In the high-tech sectors, investment overhang led to weak investment and cost-cutting.

The first two-and-a-half decades of the twenty-first century have not been kind to the optimistic dreams of the 1990s. Neoliberal Democrats’ claims to have revived US industry have been proven hollow. By 2018, Jake Sullivan found it fitting to say that defense production "amounts to the United States' only national industrial base." Pathologies rooted in shareholder demands led to crises within the firms which had sustained US dominance. General Electric, a legal entity established in 1892, ceased to exist in 2024. By that year, Adam Tooze could refer uncontroversially to "the fact that Boeing can no longer make safe airplanes, or that Intel can no longer make high-end chips," and ask: "If you're in the business of high-end manufacturing, why would you be in the United States?"

From the Huntingtonian perspective, increasing evidence of American decline raises an important question. The foundations of the revivalist logic of declinism have fundamentally shifted. Huntington's self-renewing dynamic was conditional on "the openness of [US] politics and the competitiveness of its economy." Both these pillars are now in doubt. If the rhetoric of "crisis" is now giving way to true political and economic crisis, the relationship Huntington drew between the discourse of decline and the reality of American renewal may no longer be stable. With the sum of decades of economic dislocation piled up in clear view, and cascading crises foreign and domestic emanating from Washington, can the declinist noble lie achieve its stabilizing effect?

A century of shame and danger?

The answer to this question depends on how one defines success. Even unchecked deterioration of the US might be compatible with the persistence of the US as the strongest pole in a multipolar world.

China's accomplishments in the realm of production will not produce hegemony unless the Chinese Communist Party develops a globally appealing ideology and addresses the dramatic contradictions within Chinese society itself. In the 1920s, the US produced 85 percent of the world's automobiles, but it took the Great Depression, the New Deal, and another world war before the economic powerhouse could integrate its own working class and create a new world order. The same principles apply to the military dimension: humiliations in the Persian Gulf demonstrate that the US is not omnipotent, but as long as other countries remain militarily weaker than the US-NATO-Israel-OAS complex, there is no reason that the US cannot enjoy dominance without omnipotence.

Whether or not the US remains dominant in some sense, its hegemonic claims are growing suspect. The hackneyed application of crisis politics, whatever its effectiveness at the polls or within the bureaucracy, is simply not capable of restoring the pre-2016 or pre-2000 state of affairs. That sun set along with Joe Biden. But even more, the political tools of declinism will accelerate the erosion of those political and economic pillars that Huntington identified as key to American renewal. This is inarguable when it comes to the question of political openness: the post-2020 national security turn will forever be synonymous with the bipartisan repression of US residents, from Hamilton Hall to the Twin Cities to CECOT in El Salvador. And it is just as true in the economic realm, where the new and ferociously bipartisan argot of national security-centered economic policy has produced a decade of adventurist protectionism—right through to Liberation Day.

The present kaleidoscope of declinist discourse reflects the cumulative wreckage of US domestic class war, imperial destruction, and competition with China into a staggering array of diagnosis and prescription. With America First intellectuals in the New York Times now advocating for managed decline, bipartisan echoes of Scoop Jackson's "Week of Shame and Danger" abound. But today's declinists appear less likely than ever to be matched by a new dispensation of renewal. And in an age of tectonic global upheaval, triangulating the crisis won't work. The last few years in American politics are evidence that it only makes it worse.

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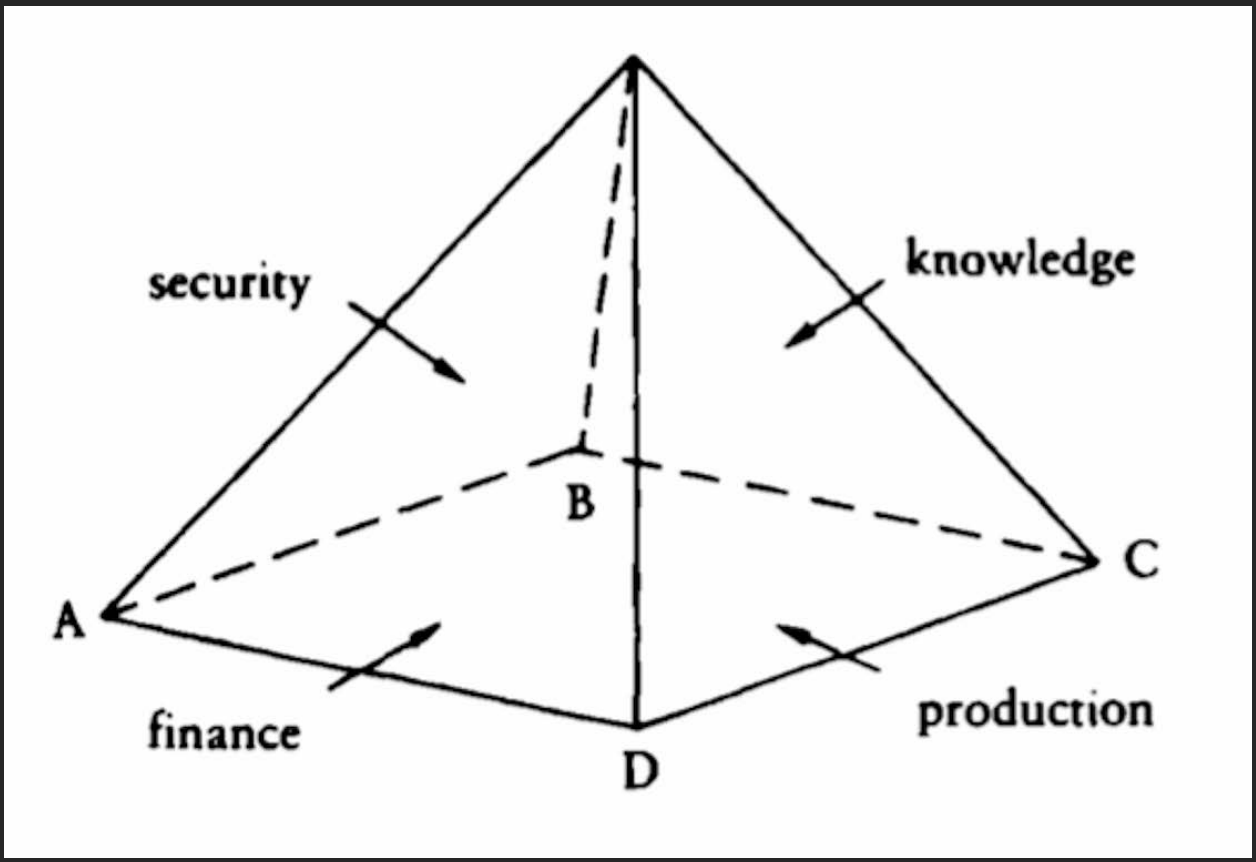

Diagram of structural power, from Susan Strange's States and Markets, 1988.

Empire Suicide Watch

Herman Mark Schwartz

Examining the anatomy of US power

Over the past eighteen months, the US has laid bombs down on Iran, Venezuela, Syria, Yemen, Somalia, Nigeria, Iraq, and across the Caribbean Sea, while threatening to deploy US troops to a host of other countries including Mexico, Ecuador, and Cuba. This escalation in global warfare—alongside trade conflicts and energy crises that have upended crucial supply chains—has had many questioning the rationality of American imperialism. What kind of empire is the American empire? Does Trump's belligerent protectionism mark a break in American hegemony, or the reconstitution of a prior era of domination?

In the conversation that follows, Herman Mark Schwartz locates American empire in historical and comparative perspective. Drawing on debates within international political economy, Schwartz considers dollar centrality, the limits of US production and growth, and the endurance of American military power over the past century. Empires, Schwartz argues, have historically required forms of cooperation between the center and the periphery—it is this necessary collaboration that Trump's global aggression threatens to disrupt.

Herman Mark Schwartz is Professor Emeritus of Politics at the University of Virginia. An economic historian, Schwartz's work interrogates the relationship between state and market power. Among his many published works is the textbook *States Versus Markets*, now in its fifth edition, which examines the state-market relation through currents of globalization and economic crisis. *Phenomenal World* editors Maria Fernanda Sikorski and Jack Gross interviewed Schwartz in May 2026, over two months into the protracted US-Israeli war on Iran.

An interview with Herman Mark Schwartz

Maria Fernanda Sikorski: Let's begin with the basics: What is an empire?

Herman Mark Schwartz: We tend to think of empires as a set of power relations that can be physically described on a map, coloring in the territorial reach of the Roman or the British Empire. This assumes that the empire depicted has some sort of clear beginning and end—everything not colored in is therefore not part of the empire. I think that is a fundamentally wrong understanding of how empires work. There is a gradient of declining cooperation and rising coercion moving out from the center.

The history of human civilization is in large part a history of empires: large-scale societies mobilizing enormous volumes of resources and exerting control over other human beings, whether by directing labor or regulating behavior in accordance with imperial objectives. At the root of this is the connection between violence and trade—between states and markets. All empires arise through control of long-distance trade.

States seeking to tax their populations often found that the most efficient and profitable strategy was to control long-distance trade and the circulation of luxury goods. Their scarcity made such goods valuable sources of revenue and, critically, these resources were extracted from the elites. Universally consumed commodities—most notably salt—became extraordinarily profitable once brought under centralized control. (This is why we saw salt monopolies in large-scale durable empires like those in China.) But the principal threat to central authority in large empires came from internal elites, and one of the most effective ways to extract resources from them—as they often resisted taxation—was through luxury goods. That's what the tribute system was about: by controlling external trade, the state secured access to scarce goods and used their distribution to extract wealth via taxation, thereby maintaining leverage over potential internal rivals.

There's a close connection between long-distance trade and political power. Empires are not necessarily, or uniformly, ruled by despots. Despotism, as Michael Mann demonstrated, is incredibly inefficient. Durable empires are based on cooperation and trade between elites at the center and elites in subordinated societies. But different elites strike different deals—some better than others, but the center always determines the rules of exchange, distribution, and political engagement.

If you look at the British Empire in the nineteenth century, some areas were ruled despotically yet technically formed part of the core of the empire, like Ireland, and others were self-governing dominions like the white settler colonies which had a far better deal. These latter colonies received disproportionate amounts of capital investment and a degree of limited autonomy. Then there were the Crown colonies under direct administrative control. South Asia was governed far more violently, but there was still buy-in from domestic elites.

Further down the chain of sovereignty were protectorates, where local laws, currencies, and languages persisted, but interactions with the empire came via the center's language, law, and currency. The five largest non-white zones of the British Empire—the West Indies, the Straits Settlements, India, East Africa, West Africa—had their own silver-based currency that did not circulate beyond their respective zones, thereby suppressing investment and credit creation there. These currencies needed to be converted into British pounds through private British banks and local currency boards—colonial monetary authorities that issued local currency exclusively backed by reserves held in London. It was the center that decided the shift from private banks to colonial currency boards, and that the currency would be silver, not gold.

Of course, there have been differences within this general logic of empires across history, as social technologies and the capacity to mobilize labor and resources have significantly expanded, enabling a general shift from despotic regimes towards infrastructural power.

This shift explains the huge differences between the US empire and previous ones. First, it rests on an unprecedented scale of offshore endogenous credit creation, larger than what we saw under British hegemony. Second, the destructive capacity of modern warfare has expanded dramatically. Third, transnational corporations have become conduits for the diffusion of productive knowledge, accelerating economic catch-up. (One big challenge for the center is ensuring that the periphery is always kept behind.)

From the perspective of uneven and combined development, the central challenge for any imperial core is preserving the asymmetry between center and periphery—maintaining a decisive advantage in the capacity to mobilize resources and generate power. Yet under contemporary conditions, that gap tends to narrow far more rapidly than in previous eras.

Jack Gross: What is the difference between states and empires?

HMS: The belief that the Peace of Westphalia (1648) somehow set the world on a path away from ancient agrarian empires and toward a modern system of sovereign states is untrue for several reasons. As a historical matter, the end of formal empires—even within the Westphalian framework—is extremely recent. I was alive as some of the last countries were decolonized. And when you look at empires, heterogeneity is important—there are always zones of partial sovereignty and layered governance.

Many of the places we call states today are effectively in that same semi-sovereign position. Europe possesses greater local sovereignty and legal autonomy than many regions, but militarily it is very clearly semi-sovereign, and monetarily it sits a step below the Federal Reserve and the offshore dollar system. Europe also remains populated with American military bases, as do Japan and South Korea. And this is asymmetrical too: you won't find German military bases in the US. What we conventionally describe as sovereign states are in fact components of a broader imperial system, differentiated by varying degrees of autonomy.

JG: How does the production and reproduction of elites and managerial layers fit into this view, both historically and in the present?

HMS: I'll start by saying that no system of power is perfectly run. When a central power brings a peripheral one into the system of empire, it offers some sort of exchange, either by cutting semi-sovereign political entities into trade profits or by granting them more political power.

This would often happen through intermarriage. The Chinese dynasties managed rivals through dynastic marriages, integrating elites at the frontier into cooperative relationships with the imperial center. The Roman Empire operated as a gradient of economic integration centered on the Mediterranean, so as one moved toward the frontier, economic integration weakened and luxury goods became increasingly important relative to basic goods: the distribution of these luxury goods helped bind frontier elites to the center. In the British Empire, it was the ability to borrow money from London capital markets that enabled local landowners in Argentina or the US to accumulate wealth. In each case, local elites benefited from integration into imperial financial networks.

There are many similar mechanisms of political exchange at work today. The US has built a coalition around intellectual property rights (IPR) by mobilizing European firms in the pharmaceutical and tech sectors to lobby their governments to enforce those rights, which in turn enforces those firms' profitability. US military protection of Europe, Japan, and Korea has a similar function.

What destabilizes imperial systems is often not revolt, but tensions within these bargains. In the Middle Ages, the typical problem was aristocratic tax exemption. This is what made the Spanish state so weak at the height of its empire. The British Crown, too, was weakened when the aristocracy, acting through Parliament, asserted control over taxation. These elite efforts ultimately worked to undermine the broader imperial structure on which elite security itself depended, leaving the system vulnerable to rival powers.

Today, elites are avoiding paying taxes in the US and around the world. The drop in corporate tax rates is hollowing out state capacity, as is privatization. The primary threat to imperial survival today is not from peasants or workers but from the strata of elites whose cooperation is necessary for making the system run.

When states' own cadres lose sight of what it is they are meant to be doing, more issues arise. They might begin to prioritize their own private interests at the expense of their collective class interests. They might also simply get things wrong, or get locked into bureaucratic routines that don't suit the reality of the moment. US military losses in the Gulf today are just one example. The US military, organized around expensive high-tech weapons systems, hasn't realized that drones and AI have made protection of infrastructure and logistics more critical. Despite three years of drone war in Ukraine, they just keep running the same routines.

MFS: When would you say that the US became an empire? And is it in decline?

HMS: In the eighteenth and nineteenth centuries, the US was part of the imperial frontier. They were the local elites cooperating with the British imperial center, until, of course, they launched the American Revolution. The historian Mark Egnal argues that at the time of the Revolution, these local elites were already imagining the construction of an empire in North America, making plans to kick out the French, the Spanish, the Mexicans, and the native population, while striking deals with the British Empire.

The transformation of the US into the global hegemon is the result of two world wars, which knocked out several rivals, and the Cold War, which reduced its only potential challenger to a lower status. In historical terms, imperial dominance rested on the capacity to successfully wield violence. But if we want to understand how empire works, we need to disaggregate the sources of power and focus on concrete mechanisms.

Susan Strange is useful here. Her great contribution was in arguing that international relations, rather than being primarily about military force and geostrategic politics, were a subset of what we now call the international political economy. Resources precede and shape the exercise of violence. Strange also argued that the American empire operated through four sources of structural power: productive power, financial power, knowledge power, and military power. Her refusal to reduce power to a single dimension is helpful in considering imperial systems, because different forms of power are emphasized in different subordinated zones.

When it comes to productive power, we can see clearly that even as US firms remain far more profitable than Chinese ones, physical production is largely dominated by Chinese firms. But financial power pulls in the other direction: the dollar is the central unit of account for credit in global markets, and non-US banks create more dollar-denominated credit in offshore markets than banks in the US create in the domestic market. This is a huge source of infrastructural power that the US retains. In terms of knowledge, American universities used to be the best in the world, but they are now being systematically undermined by federal policy. As the only power with global reach, but with waning deterrence capabilities, the US is “semi-dominant” in military terms—there are now enormous limits to the sorts of wars it can wage.

The dollar and empire

JG: You have argued against the conventional sovereign-currency view of the international monetary system and instead proposed what you call the credit-creation view. Can you talk more about that distinction between these two perspectives and how it changes our understanding of dollar centrality?

HMS: Non-US banks create more dollar-denominated credit offshore as banks in the US create domestically. This is a fact. It is also a fact that the US runs a current account deficit. One’s interpretation of these facts is a function of one’s model of money and one’s theory of money and credit. The sovereign-currency view is the traditional one presented in mainstream economics textbooks. It presents money as a pure asset rather than as an instrument on a balance sheet with a corresponding liability. This is a view that emerges out of a narrative of the past in which gold, the chosen medium of exchange, was deposited in banks before it could then be lent out as credit. The same logic produced the loanable funds model. Savings come first, and then banks simply loan those savings out to borrowers. Scaling this up to the global financial system, the model means domestic savings are shifted from surplus to deficit countries. But the model points you to the wrong indicators of power—towards currency and foreign-exchange reserves rather than credit creation.

This traditional view thinks of savings as the basis of credit, but it ignores where those savings actually came from. The original income that became savings is created by credit! It is generated by businesses that have borrowed money, either long or short term, to buy inputs, including wages. The financial system is not composed of storage units full of cash, but rather a web of interconnected balance sheets in which credit has been created partly by central banks, partly by private banks, and, critically, created out of nothing.

This is called endogenous credit creation. So when banks make loans, they are not taking your savings and handing them out. They are making two balance sheet entries: recording the loan as an asset and the deposit in your account as a liability. Money is created through the act of lending itself. These balance sheets are interlocked, so an American bank might make a loan to a subsidiary in the Cayman Islands, which then makes a loan to Petrobras, which then loans to a local supplier.

What does this all mean for dollar centrality and American power? In the offshore dollar system, non-US banks create huge quantities of dollar-denominated credit, despite not being based in the US. This matters because when things go wrong—and as Hyman Minsky shows, they always do—the asset, or the loan, will be worth less than the deposits, or the liabilities, on the bank's balance sheet. The bank can either go bankrupt or receive a bailout, but the only place it can receive dollars is the Federal Reserve, via swap lines. (It can't create dollars itself as it did before because that means adding symmetrical assets and liabilities on the balance sheet, and the crisis means that the existing assets are now worth less than the liabilities.)

You can see why disaggregating the sources of power matters if we want to understand its mechanisms. Where a particular central bank sits in the global credit hierarchy determines its access to dollar liquidity in a crisis. As Steffen Murau has shown, certain countries get greater access to US dollars. At the inner core of the empire are the Bank of England, the ECB, the Swiss National Bank, the Bank of Japan, and the Bank of Canada, all of which have unconditional and unlimited swap lines with the Fed. If they get in trouble, they can borrow dollars easily against their own currencies. Below them in the pecking order are nine countries: Singapore, South Korea, Mexico, Brazil, Denmark, Norway, Sweden, Australia, and New Zealand. These are countries that are important to the US economy in one sense or another, granting them unconditional access to liquidity, though of limited quantity—either $30 billion or $60 billion.

For the rest, more extensive conditions apply. Dollars can be sought by way of the Foreign and International Monetary Authorities (FIMA) repo facility. Here, central banks can temporarily exchange US Treasury securities or American mortgage-backed securities for dollar liquidity. The limitation here is whether the country has treasuries. Without treasuries, they can't get anything, and to the extent that they have treasuries, they determine how much you can borrow.

The last layer is for those countries that have no treasuries at all. They have to go to the International Monetary Fund and other multilateral lending institutions and beg for charity. The asymmetry is present across all of these relations because it is always the Fed that gets to call the shots. The US Treasury can use access to bailouts to extract concessions from these semi-sovereign systems lower in the global hierarchy. For example, during the Asian Financial Crisis, the US government used access to bailout funds to pry open the Korean financial system, allowing American financial institutions to buy up equity positions in Korean firms and begin lending activities in Korean financial markets. The same thing happened to Mexico during the 1994 crisis.

This entire structure only makes sense once money is understood not as a fixed stock of preexisting savings, but as a system of endogenous credit creation.

MFS: How do you assess the dollar's position in the global economy today? Has anything about the second Trump administration changed your view of a potential shift in the dollar's role internationally? What would an inflection point look like?

HMS: There is a lot of talk about the decline of the US dollar at the moment. That originates from the fragmentation of the other three pillars of structural power that Strange highlights. But the dollar remains a relatively stable pillar of power, and in the medium term I don't see that changing very much.

Predictions of dollar decline often cite the view that the dollar is falling as a percentage of formal foreign-exchange reserves, or else the slightly falling foreign-exchange value of the dollar against other currencies. But these are all less important than the credit question. Over the last quarter century, about 60 percent of global trade has been invoiced in dollars, and 80 percent of trade settlements. So even if you are invoicing in yen, you often will still settle in dollars. This has been extremely consistent for at least twenty-five years.

Between 60 to 70 percent of offshore bank and bond lending is done in dollars, and almost half of foreign exchange trades involve the dollar—which is really almost all of them, because every foreign exchange trade has two sides. That has been constant throughout the Trump administration, although it is possible that the war with Iran could initiate some change to this. US GDP is about 25 percent of global GDP, but the dollar is nearly three times a higher share of transaction volumes. (The euro, by contrast, has a share roughly proportional to the European economy as a whole.) If we want to consider the possibility of dedollarization, we might want to think about how the dollar came to be so dominant as the global currency.

When the Second World War devastated Europe and Japan, those economic zones became dependent on the US for reconstruction, much of which had to be imported—food, oil, machinery. To manage that, Europe set up the European Payments Union (EPU) in 1950. The Americans had mandated the creation of the Union as a condition for receiving Marshall Plan aid. The EPU meant that European countries could avoid trade surpluses against each other, which would have been deflationary. Instead, they could build up credits in the EPU and settle them periodically through a common unit of account that, in practice, everyone understood to be the dollar. The dollar was established as the dominant currency in postwar reconstruction.

Foreign exchange and capital controls soon came to an end, as did the EPU, and European national banks went overseas in search of expansion—the single market was yet to exist—and denominating their loans in dollars. This was one major factor in the rise of the eurodollar market in the mid-1950s. Later, oil shocks reinforced this process, as oil was priced in dollars.

The result was a global system in which balance sheets across the world became heavily denominated in dollars. The flip side of this is that everyone outside the US wants to run trade surpluses because they are demand deficient at home and depend on export-led growth. But if surplus countries were to translate their dollars back into local currency, their exchange rates would appreciate against the dollar, thereby undermining their trade surpluses. To get around this, they instead recycle dollars into financial assets, producing ever larger dollar-denominated balance sheets again. If elites continue to profit from exporting to the American market and holding dollar assets, why would they disrupt this system?

JG: A year ago, the financial press was abuzz trying to discern a logic to the Trump administration's economic policies, taking particular interest in former Trump advisor, now member of the Fed Board of Governors, Stephen Miran's policy document published in the run-up to the 2024 election. Miran claims dollar centrality leads to US economic weakness, and that persistent US deficits and an overvalued dollar undermine domestic industry. You have argued, however, that these features are not weaknesses, but structural conditions of dollar dominance. How should we understand the administration's view?

HMS: There's an operational coherence to what Trump is doing, but there is no true strategy. Miran and Trump think that deindustrialization is a problem, and they want to combine tariffs with a weaker dollar to solve this. They would like to bring the trade deficit down, but the rest of the administration's policies are not in line with those aims.

The Johnson and Nixon administrations had a similar concern, and they developed a grand strategy to combat it. In the late 1960s and early 1970s, the US had an emerging trade and current account deficit, and this was perceived as being detrimental to US manufacturing employment. It was clear that the trade deficit was a function of Europe and Japan catching up in mechanical production. Those countries could make the same kinds of cars, but with a lower price point because they had lower wages. In the case of Japan, steel and automobile production actually exceeded American productivity in the 1970s. (This is that typical imperial pattern of peripheries catching up.)

In response, the Nixon shock combined a 10 percent tariff with a 10 percent dollar devaluation, temporarily restoring America's external balance. But the broader strategy went further—the government accepted that the US could no longer dominate lower-value industrial manufacturing, particularly in sectors like steel and automobiles where unions were most powerful. It opted to move away from competing with Japan and Europe in those sectors, eviscerating the domestic trade unions in the process. It was in the 1970s that the US reoriented the domestic and global economies to new technologies.

The strategy was tied to an effort to reorient the US around sectors in which it had technological leadership. This was the War on Cancer, which turned out to generate a huge investment in biotechnology, and the shift to a smart weapon strategy. They encouraged R&D investment in electronics, pharmaceuticals, and they changed international property rights at both the domestic and international levels. The Supreme Court validated the idea that novel biological entities created with the new biotechnologies could be patented. Congress passed a law making software copyrightable. They created new types of property rights, and generalized these intellectual property laws to the rest of the world in sectors that the US was or could be competitive in.

Stronger copyright protections were great for Hollywood and the software industry. Stronger biotech patents were great for pharmaceutical exports. Agricultural liberalization reinforced US agro-industrial dominance, increasingly tied to biotechnology. All this corresponded to a shift in the American military away from World War II style mechanical weapons to high-tech military strategy built around smart munitions, semiconductors, digital signal processing, and so on. Here, the goal was to maintain technological superiority while reducing dependence on large-scale troop deployments, relying instead on allies and proxies to supply manpower on the ground. This is a coherent strategy, and it is one we don’t see from Trump.

An integrated strategy similarly emerged in the Obama years in response to mounting structural pressures: a huge and growing trade deficit with China, and dependence on oil imports, which by 2008 accounted for almost half of the US trade deficit. The “pivot to Asia” was key to this, as was his move to reduce the ability of the World Trade Organization to adjudicate trade disputes, because the Chinese were now using WTO procedures both to gain access to foreign markets and to shield its own. Obama had a coherent strategy around the military, tech, and trade deficit sides. He ramped up fracking, expanding domestic oil and gas production and transforming the US into a major oil and gas exporter, thereby gaining the upper hand. Europe needs oil. Japan needs oil, China needs oil. Under Obama, the US gained its energy independence, freeing itself from Middle Eastern imports.

For this reason it is completely chaotic that Trump has taken the US back into the Middle East. The administration’s policy is incoherent at the level of building new technologies and new economic capabilities. It undermines the institutional foundation of US technological leadership by attacking universities, public research and scientific funding. Agencies like the National Science Foundation, National Institute for Health, and research arms connected to the CIA and departments of defense and agriculture played a central role in building this technological system.

Trump's policy is incoherent—one step forward on trade, ten steps back on everything else. If your strategy is simply looking at the exchange-rate value of the US dollar, or foreign exchange reserves as measures of US power, it is focusing on the wrong things. Ever since Nixon took the US out of Bretton Woods, exchange rates have fluctuated constantly. Yet throughout the ups and downs, the dollar has remained dominant. The exchange rate is largely irrelevant. The question is: what's the unit of account for credit creation?

Global growth waves

MFS: The last decade of political debate and policy shifts in the US can be characterized as reactions to the recognition of decline in productive power. But you've argued that the apex of US productive power has actually coincided with deindustrialization, as firms have organized their profit strategies around global productive chains ruled by strong international property rights—capturing a disproportionate share of profits in the US. Can you explain the relationship between globalization, IPR as a profit strategy, and Strange's "productive power"?

HMS: Recall that Strange argued that the US empire rested on four structural pillars: dominance of production, credit, knowledge, and military power. What happened on the production side was that Veblenian dynamics caused the hollowing out of US manufacturing. Thorstein Veblen argued that what he called industry, meaning actual productive capacity and advances, was in tension with what he called business—the drive for profitability.

Put broadly, the reason we end up with a situation in which US firms have profitability without production, and Chinese firms have production but with minimal profits, is that US firms have reacted to the great labor upheavals and macroeconomic shocks of the 1960s and 1970s by trying to expel as much physical capital and labor from their firms as possible. Meanwhile, those firms became owners of IP—patent, copyright, trademark, brand—and lobbied for greater protection of that IP. For example, Disney secured the extension of copyright to 105 years to protect profits generated by Mickey Mouse.

One result was much higher profits for some US firms: US firms capture a disproportionate share of global profit; within that, IPR firms capture a disproportionate share of that profit. The US is about 25 percent of global GDP, but its firms capture about 35 percent of global corporate profits. Apple and Nike control their whole production chain but in a de facto, not de jure sense. Nike mainly designs shoes and emotions, and lets other firms actually make the product; Apple does software and chip design, but again, other firms do the manufacturing: TSMC makes the main chip, Samsung and STM make memory and gyroscope, Hon Hai assembles everything. Firms at the bottom of the chain face enormous competitive pressure to lower prices and don't make large profit volumes.

As firms globalized production, what that meant was concentrated profits in the US and concentrated productive activity in China. These patterns are self-reinforcing. The more manufacturing happens in China, the more firms are attracted to its extraordinarily deep pool of supplier firms. And the more US IPR firms are profitable, the more money flows in from other countries to own a piece of the pie, pushing up share prices for those firms, which makes contracting-out the "obvious" model to follow.

This has had geopolitical consequences. We might naively think that if you make things, you have power; this is true in a military sense. But in a capitalist economy, what matters most is profitability. The US state has tacitly cooperated with the offshoring of production by making global legal protections for IP stronger, largely to protect those firms that contract out overseas. The WTO agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS) made it possible for American firms in those sectors to become extraordinarily profitable.

All social processes contain contradictions. The US state cleared the path for firms to globalize, and it did give US firms control over much of global production and a disproportionate share of global profits. But it also caused deindustrialization, which had very negative domestic political and increasingly geopolitical consequences.

JG: The neo-Schumpeterian Carlota Perez scholar argues that there have been five technological revolutions since the Industrial Revolution, including the present "Information Age" (beginning circa 1971), now perhaps reaching a point of exhaustion, but definitive of the IP growth strategy. Is a new Schumpetarian growth wave on the horizon, particularly in the rapid expansion of green energy technology? Artificial intelligence? What are the implications of this regime for the balance of global power and the globalized economy?

HMS: For Schumpeter, capitalism is characterized by successive, but not automatic, waves of growth and stagnation. Each growth wave has emerged in response to the exhaustion of the relatively cheap resources driving the prior wave, and has involved five new things: a new energy source, a new transportation mode, a new general purpose production technology, new mass consumer or industrial goods generated by that general purpose technology, and a new form of production organization, or as I would prefer to understand it, a new mode of labor control and exploitation. The neo-Schumpeterians like Perez added a sixth "new": a new mode of macroeconomic regulation to get supply and demand in balance.

The current or fifth information and communications technology growth wave was built on chips and software, digitalization, fossil fuels, consumer electronics, the internet, and massive vertical disintegration and globalization of production, plus what is often referred to as neoliberal macroeconomic policy. That wave is clearly exhausted. Critically, the cost of producing one transistor gate on a chip is now rising after having been falling for almost fifty years. We've depleted the carbon budget. Everyone has a smartphone, so new sales are largely replacement units. There are no more hours available for social-media consumption, and neoliberal governance has produced repeated financial crises and massive income inequality.

Any new wave would have to overcome all those barriers. Non-fossil fuel energy would clearly be a critical part of a new growth package. This might—and I stress might—look something like: renewables as a source of cheap electricity; the electrification of transport; AI and bio-engineering as new general purpose technologies, with AI applied to robotics and protein design; and a return to vertically integrated production. Here is where things become more uncertain: what will a macroeconomically and politically sustainable form of labor exploitation look like in the future? What will global trade and financial networks look like? What legal innovations will anchor profitability the way that protection for IPRs did for the information, communications, and technology wave? What might replace the current US empire of finance and globalized supply chains?

Those are the questions that are organizing today's global conflicts: between incumbent fossil-fuel producers and renewables producers; between the US and China narrowly and the global North and South more broadly; between owners and workers; and between refugees from what will become climate disaster zones and populations living in less exposed locations. Clearly, technological shifts open the possibility for a shift in the global power structure—battery and drone production are creating new forms of military power; bioengineered substitutes for fibers and plastics will eat into the petro-agricultural system; and so on—but if I had solid answers to these questions I would be talking to my broker, not you guys.

As far as I'm willing to speculate, I wouldn't be surprised to see a world of relatively disconnected regional economies using regional currencies rather than the dollar, facing some degree of deflationary pressure as the cost of manufactured goods falls dramatically, perhaps with occasional military frictions. Something combining elements of the so-called Great Depressions of 1873–96 and the 1930s, albeit less severe and—I hope—with less revanchist military activity.

Military power

JG: The Stockholm International Peace Research Institute estimates the highest ever levels of military spending around the world today. There is more growth than there has ever been historically in these competing military industrial complexes, though the US still comfortably sits at the top. What has and hasn't changed about military power and its role in global imperial competition?

HMS: Military spending and capacity never went away as a key pillar of imperial power. But there are some differences today, relative to the height of US hegemony. For one thing, we have overt military conflict at the edge of the inner core—the Russian invasion of Ukraine and the US-Israeli war on Iran.

Throughout the period of American hegemony, we have of course seen coups, election interference, bribes, police action, drones, and some wars, with greater or lesser degrees of visibility. But this is not the same as dropping parachutists on an airfield outside of Kyiv or rolling out tanks along disputed borders. Nor is it the same as blowing up every single bit of military equipment that the Iranians possess—ostensibly in an effort to get a deal the Obama administration already got in 2015. So while I would not say that military spending mattered *less* in the recent past, its importance has become more overt.

At the same time, the Trump administration has radically devalued American military power in three ways. First, it is burning through a decade of munitions; it'll probably take ten years to replace them. Second, it has degraded the reputation of its military by demonstrating that those on the receiving end of a US offensive can fight back with relatively simple and cheap systems. One of the phrases currently going around is that the Americans are using Ferraris to shoot down frisbees, meaning million-dollar missiles are deployed to shoot down thousand-dollar drones. Insurgency can now extract a price from empire in terms of weapons systems; the entire radar infrastructure in the Gulf has been destroyed.

Third, deterrence is practically gone. Military spending is going up because the Koreans are seeing that the Iranians were able to destroy the interceptors that they will rely on to shoot down a nuclear-tipped North Korean missile. Remaining American interceptors are vulnerable to cheap weapons systems, which the Chinese can produce en masse. So a massive production increase is being planned across the board. The Japanese are legalizing sales of offensive equipment to other countries in order to build their own armaments industry and integrate regional actors into their military system. Canada is gesturing towards a similar direction with its new EU-focused rearmament plan.

Countries are thinking harder about nuclear weapons. The Americans under Biden could have been much more forward in supplying Ukraine with long distance weapons, but didn't for fear, among other things, of Russian nuclear capabilities. Instead, the US is messing around with non-nuclear powers—Libya, Iran, Iraq. All incentives point towards those who can developing nuclear deterrence capabilities for self-insurance. To be a bit flip about it, most countries are perfectly capable of building nuclear weapons. The Israelis have them. The South Africans more or less built them and were then shut down. Brazil and Argentina were halfway. The technology is from the 1940s; the only barrier is whether they can get enough enriched uranium—frankly, one would be foolish not to. And that is a terrifying situation.

MFS: We've discussed moments in which the US has reshaped the global order. Today, many see the Trump administration as accelerating a change in the world order in ways that appear self-undermining—you've even joked that it is suicidal. Yet these same expressions of force seem to underline the US's unparalleled power. To what extent can one administration damage such rooted structures of empire?

HMS: Empires typically do not collapse because of external aggression. They collapse because of some form of suicide. Going back to the discussion of elites, Trump is an extreme example of a cadre beginning to think about its own personal wealth at the expense of the big picture. But to what extent is the effort to create an inflection point purely a product of Trump? These efforts clearly predate him, as do the contradictions that led to his electoral victory. Trump did not cause the inflection point, but his actions will direct its outcomes.

But in terms of empire, this could take a very long time to play out. The downstream effects of the US university system collapsing, for example, are measured in decades, not weeks. While military credibility has been destroyed, the US remains the only force with logistical as well as command and control capacity to run a global war. It is possible that the Mad Emperor dies, a saner president is elected, and there's some restoration.

As Edward Luttwak's book on the Byzantine Empire argues, the essence of Byzantine strategy was simple: don't get into a war you'll lose because it will destroy the empire. He wrote it largely as a warning to the American defense and foreign policy rulers in the context of the Iraq War. The war with Iran today is even more stupid. Part of the problem lies in Trump himself being an erratic and idiotic decision maker, but the present configuration reflects the pressures of the vast social forces around him: the oil industry, the defense industry, Iran hawks, and so on. So I do think there is justification for saying this is an empire on suicide watch: the leadership at the center is actively undermining the very foundations of American power.

Thuraya Al-Baqsami, The Last Shot, 1981.

Mosaic of Deterrence

Eskandar Sadeghi-Boroujerdi

Iranian resilience in the face of US-Israeli assault

The US-Israeli war on Iran has foregrounded a question that has become increasingly urgent since the onset of the genocide in Gaza: how should we understand the reconfiguration of imperial power in West Asia? While analogies with nineteenth-century gunboat diplomacy capture the theatricality of the aggression, they often obscure its real historical and institutional character. The relentless strikes on Iranian territory—targeting military facilities, fuel depots, oil refineries, steel plants, research universities, a freshwater desalination plant, and other civilian infrastructure—reveal a highly particular type of warfare, which takes aim not only at the armed forces but at the basic functioning of the state, from energy systems to water supplies to logistical networks. Today, the very foundations of economic and social life are in the crosshairs.

This should hardly come as a surprise. For decades, the US has steadily extended its vast military presence across the region: an archipelago of bases, radar installations, carrier strike groups, and surveillance networks stretching from the Persian Gulf to the eastern Mediterranean. Though it might seem like a sudden rupture, the war that Trump and Netanyahu launched on February 28 is the culmination of a long campaign against Iranian state and society. Sanctions, sabotage, cyber operations, covert action—these were never alternatives to direct military intervention, but preparation for it. Both Iraq and Libya were subjected to the same sequence, in which a period of sustained pressure was eventually followed by a large-scale armed assault. First strangulation, then destruction.

In his widely discussed essay "Decolonizing Decolonization," the historian Frederick Cooper warned that the discourse of decolonization creates the false impression that imperial power is in linear retreat, when what we are seeing across the globe right now is its persistence, reconstitution and adaptation. For Cooper, "re-imperialization" is a better rubric to capture this new reality. This thesis, which looks ever more plausible in light of developments in West Asia since October 2023, is reflected in the recent fortunes of Iran: a revealing case study in both the contours of American power today and the mechanisms that sustain it.

What follows is an account of the imperial apparatus that was built to undermine the Islamic Republic, how it produced the country's unique deterrence doctrine, and how it laid the groundwork for the current conflict. By looking closely at this trajectory, we can grasp the extent to which economic subversion and military might, far from being discontinuous, represent an integrated strategy to thwart aspirations for sovereignty and development in states outside the US-dominated capitalist core. As we shall see, the US has translated its privileged position within global financial and informational networks into raw coercive power, regulating Iran's access to the conditions of economic life itself: banking channels, payment systems, trade settlement, foreign exchange, technology, and investment. Yet Iran has also used the interdependencies in the contemporary world economy to fight back against its opponents and frustrate their ambition for regime change.

Modes of coercion

The Islamic Republic was forged in the crucible of revolution and prolonged war with neighboring Iraq. The Revolution of 1979 occurred at a moment when the formal processes of decolonization had largely run their course and newly independent states now had to contend with a number of rigid neocolonial strictures. For many revolutionary movements of the period, the Cold War was experienced not as an ideological struggle between two systems but as a geopolitical reorganization in which older patterns of imperial competition continued to play out. The language of bipolar confrontation failed to capture the extent to which global conflict was still shaped by rival projects of dominance that stifled and distorted the more radical ambitions of societies recently liberated from colonial rule. This was a period marked by increasing skepticism about the emancipatory promises of national liberation, as debate over the limits and contradictions of postcolonial development intensified across the global North and global South.

At the center of revolutionary Iran's governing ethos was the reclamation of political independence in this fraught geopolitical context. The slogan

"Neither East, Nor West" captured the aspiration for sovereign self-determination amid superpower rivalry and the enduring hierarchies of the postcolonial world. Yet in the decades that followed, the limits of this approach became clear. Autonomy was an elusive goal in an international system organized around financial hierarchy and technological-military asymmetry. The form of imperial power that emerged during this period was a combination of armed force and economic coercion, which together regulated the conditions of participation, exchange, and accumulation for countries like Iran.

The Carter Doctrine was decisive in establishing the approach to the Persian Gulf. It designated the region as a zone of vital strategic interest, which set the stage for the Reagan administration to embark on large-scale naval buildup, the reflagging operations of the "Tanker War," and the normalization of a permanent US military presence. These developments culminated in the creation of the United States Central Command, which transformed what had previously been contingent interventions into a standing bureaucratic and operational infrastructure for the projection of force across the region. The militarization was itself partially funded by the recycling of Arab petrodollars through American financial institutions—a process that, as Adam Hanieh has shown, helped underwrite the financial architecture through which the US would later exercise coercive power over states like Iran.

Other coercive instruments, including financial sanctions, extraterritorial legal authorities, intelligence operations, and technological restrictions, meanwhile formed a composite repertoire through which pressure could be exerted without reliance on direct military intervention alone. After the collapse of the USSR, these instruments assumed greater strategic centrality, as the US increasingly turned to economic and financial coercion as a means of projecting power short of war. Yet their overall effect was often to reconfigure state capacities rather than to simply degrade them. When a state is threatened from without, its security apparatuses often consolidate or expand, while its developmental, welfare, and regulatory functions erode. The campaign against Iran created precisely such an imbalance, reinforcing institutions oriented toward control and survival while constraining those associated with economic coordination and social provision. The country has not broken under imperial pressure, then, nor has it simply held firm; it has undergone a pattern of selective transformation.

In the conventional language of international relations, Iran is often described as a middle power, given its capacity to project influence across its immediate region. But this captures only one aspect of its complex geopolitical position. Iran in fact occupies a semi-peripheral space within global capitalism, combining relatively strong state capacity and regional reach with persistent dependence on financial infrastructures, trade circuits, and technological systems largely controlled by countries in the global North. In recent decades, the traditional core-periphery binary has been reconfigured, such that semi-peripheral states now find themselves in a situation of uneven and qualified autonomy, in which they can shape outcomes within their regional environment even though they remain acutely vulnerable to forms of external coercion, exercised through global networks beyond their control, particularly in the domain of global trade and finance.

The economic weapon

Though typically presented as an instrument of diplomacy, or a midpoint between negotiation and armed force, the historical origins of economic sanctions lie elsewhere. In the interwar period, they were thought to represent an intensification of warfare, extending its violence to economic life itself. "The economic weapon," writes historian Nicholas Mulder, "was the very essence of total war." The sanctions imposed on Iran show how this method of coercion causes conflict to metastasize and become an endemic condition, generating persistent instability across the country's monetary, productive, and political spheres.

Sanctions against the Islamic Republic emerged more or less in tandem with the revolutionary order itself, as the Carter administration froze approximately $12 billion in Iranian assets held in US financial institutions and imposed a trade embargo in the aftermath of the November 1979 hostage crisis. This was not merely a case of reactive crisis management, but part of a broader strategy pursued by successive US administrations to safeguard the interests of American financial and corporate actors. Over the following decades, these initial sanctions were ratcheted up, evolving from a set of relatively targeted measures into a more comprehensive strategy of economic constriction, culminating in the 1990s policy of “dual containment” directed at both Iran and Iraq.

The devastating fallout of this approach was most clearly visible in Iraq, where sweeping UN-backed sanctions were imposed after the expulsion of Iraqi forces from Kuwait in 1991, leading to widespread deprivation, infrastructural collapse, and mass civilian suffering. Though the Oil-for-Food Program introduced in 1995 allowed limited oil revenues to be channelled into humanitarian goods, it also subjected Iraqi society to new forms of intrusive oversight and top-down control. This in turn produced systemic dysfunction, with the growth of informal economies and opaque power structures, which gave rise to corruption, kickbacks, and smuggling networks. The Clinton administration later refined this approach in relation to Iran with a series of executive orders that prohibited trade and investment with the country, as well as the Iran and Libya Sanctions Act of 1996 which extended the scope of US sanctions extraterritorially by targeting foreign firms investing in Iran’s energy sector.

We can identify a key inflection point in US sanctions policy that helped to create the conditions for the current war. The Obama administration’s pursuit of “crippling sanctions” marked a qualitative shift in both the logic and scale of US economic pressure on Iran. The Comprehensive Iran Sanctions, Accountability, and Divestment Act (CISADA) of 2010 intensified restrictions and widened their reach. By threatening foreign financial institutions with exclusion from the US market, the legislation extended enforcement pressures far beyond bilateral relations. This shift became fully apparent between 2011 and 2012, when the US moved to designate Iran’s entire financial system as a site of illicit financial activity, threatening to impose punitive measures on any institution that engaged with it. Foreign banks faced severe penalties—a multi-billion dollar fine was imposed on BNP Paribas, for example—while US legislation targeted any financial institution transacting with Iran's Central Bank unless oil imports were reduced under US supervision. The European Union (EU) meanwhile imposed an oil embargo, banned insurance for Iranian shipments, and froze Central Bank assets. Iran's isolation was deepened by the exclusion of Iranian banks from the SWIFT financial messaging system in 2012, which triggered a sharp increase in the costs and complexity of international transactions.

But the tightening of financial restrictions did not eliminate Iran's capacity to conduct external trade so much as reconfigure the channels through which it was carried out. Rather than sealing off exchange, sanctions displaced it into alternative circuits that were more fragmented, indirect, and difficult to monitor. One illustrative example of this dynamic emerged in 2012, following Iran's exclusion from the SWIFT system. Denied access to conventional financial channels, Iranian actors turned to commodity-based settlement mechanisms. In its energy trade with Turkey, payments for natural gas were made in Turkish lira and deposited in local accounts, which were then used to purchase gold bullion. Turkish gold exports to Iran surged dramatically, reaching $1.8 billion in July 2012 alone. As scrutiny intensified, these transactions were rerouted through Dubai, a longstanding hub for sanctions circumvention. Turkish gold exports to the UAE rose from $7 million in July to $1.9 billion in August, with approximately 36 tonnes transferred in a single month. Much of this gold was transported through fragmented courier networks, exploiting legal loopholes in customs regulations, before being re-exported to Iran. Such episodes reveal both the adaptive capacity of sanctioned states and the crucial role third-party intermediaries, including formal allies of the sanctioning power, play in undercutting financial restrictions. Rather than halting exchange, sanctions displaced it into more opaque, intermediary-dependent, and informalized channels of accumulation.

Taken together, these measures did not merely restrict Iran's external trade; they restructured its position within the global financial system. As well as placing limits on specific transactions or sectors, the sanctions regime reshaped the entire infrastructure of cross-border payments, settlements, and financial exchanges. The design of the global financial architecture—networks centered on dollar clearing, correspondent banking, and regulatory compliance mechanisms, overwhelmingly governed by US institutions—allowed Washington to systematically exclude the country from routine financial channels, with cascading effects: liquidity constraints, exchange-rate instability, rising transaction costs, and the disruption of payment mechanisms essential for international commerce. By this means, the US was able to leverage its jurisdictional authority over the central nodes of global finance, in what Farrell and Newman describe as a strategy of "weaponized interdependence." The result was to generate currency instability, constrict payment channels, and amplify systemic uncertainty across a range of productive domains. Sanctions came to function less as a diplomatic tool and more as a technique of governance, or "network imperialism."

Such network power operates through visibility as well as exclusion. What Farrell and Newman call the "panopticon effect" captures how surveillance and monitoring infrastructures, embedded in global financial systems, give the US an exceptional ability to monitor transactions, institutional relationships, and monetary flows. Financial activity routed through globally integrated systems of messaging, clearing, and settlement is subject to strict regulatory oversight, enabling the identification of counterparties, intermediaries, and patterns of exchange. This establishes the informational conditions under which selective interruption becomes possible. Iranian transactions denominated in dollars, reliant upon correspondent banking chains or mediated through internationally governed financial platforms, remain dependent upon infrastructure under effective American control, which makes them vulnerable to policies like asset freezes or secondary sanctions.

For Iranian entities and their foreign counterparties, participation in global financial circuits thus becomes a matter of anticipatory compliance; they must adapt their behavior to avoid the risks associated with disconnection from central clearing and settlement mechanisms. Surveillance and exclusion therefore operate in tandem, exerting economic discipline without the need for direct intervention. "Even when exempted for humanitarian purposes," writes Vira Ameli, "public and private enterprises often choose 'overcompliance' with US's primary and secondary sanctions to avoid the risk of punishment for violating the rules of US's Office of Foreign Assets Control and maintain economic relations with American enterprises."

Richard Nephew, an architect of US sanctions policy who served on the Obama Administration's National Security Council as Director for Iranian Affairs before becoming Principal Deputy Coordinator for Sanctions Policy at the State Department, offers a revealing account of the strategic rationale underpinning the economic war against Iran. His reflections on the CISADA are worth quoting at length, since they illuminate the deliberate attempt to constrict Iran's access to financial and commercial networks:

> In this provision—which had been negotiated laboriously by executive branch and legislative branch representatives starting in 2009—the United States acquired the power to turn off foreign bank access to the United States if those foreign banks were found to be processing transactions either for *US-designated Iranian financial institutions or the IRGC. With the expansion of the US designation list of Iranian banks, the international financial system found that any transaction with Iran risked the possibility of losing access to the United States.* Even though some financial institutions without a US link might survive such a sanction with little difficulty, multinational banks feared this provision and joined the rush of entities abandoning business with Iran. *The plain truth was that Iran was a lucrative market, but the United States was more so. It simply made no economic sense to risk US access for the opportunities that existed in Iran.* (italics added)

The impact of such policies cannot be fully captured through aggregate indicators. Sanctions affect the temporal horizons of a target country:

investment decisions become fraught, technological acquisition uncertain, long-term planning structurally impaired. Currency volatility, inflationary pressures, and capital flight are intrinsic features of a sanctions regime in which economic activity becomes increasingly subordinated to crisis management, while productive strategies are replaced by survivalist and speculative behavior. Under these conditions, the entire environment within which economic actors and broader social forces must operate comes to be defined by instability.

These macroeconomic disruptions accelerated profound social transformations. As Ameli's analysis of World Bank and national data demonstrates, Iran entered the period of intensified sanctions having achieved substantial reductions in poverty rates, which declined from above 20 percent in 2000 to below 10 percent by 2010 according to the national threshold. In less than a decade, these gains were reversed, with close to 30 percent of the population estimated to be living below the nationally defined poverty line. The corrosion of developmental gains cannot be understood simply as cyclical downturn, but as the consequence of prolonged currency instability, price shocks, and declining real incomes. One widely cited episode recounted by Nephew explains how systemic pressures translated into politically charged disruptions. Although the US did not prohibit poultry imports, the monetary and inflationary effects of sanctions contributed to a tripling of chicken prices in 2012, a shock that coincided with major holiday periods:

> The United States did not have sanctions in place against Iran's ability to import chickens. However, chicken prices tripled in 2012 due to inflation created by sanctions—built on Iranian economic mismanagement. This price hike may have contributed to more popular frustration in one bank shot than potentially years of financial restrictions. This was particularly the case because the timing of sanctions interference with chicken supply happened to coincide with important Iranian holiday periods in which poultry is a major component.

The key point is that sanctions were never able to trigger a sudden, total collapse; their effects were always uneven, cumulative, and subject to sectoral and institutional mediation, with the state continuing to play an active role in crisis management. Even under comprehensive restrictions, parts of the Iranian economy demonstrated a high degree of resilience. Between 2011 and 2015, aided in part by non-oil exports and the residual effects of earlier oil revenues, Iran was able to sustain a positive balance of payments. The Ahmadinejad government's subsidy reform program, implemented in 2010 after years of internal debate, replaced extensive energy subsidies with near-universal cash transfers delivered directly to households. This system, writes Kevan Harris, functioned as an important buffer during the subsequent intensification of sanctions, helping to cushion lower-income groups and contributing to a measurable decline in inequality, with the Gini coefficient falling from around 0.45 in the 2000s to approximately 0.37 in the early 2010s.

Expansive credit policies and state-backed housing programs also injected substantial liquidity into the economy, complicating the assumption that sanctions inevitably produce austerity. Yet this buffer effect was partial and ephemeral. While redistributive interventions mitigated the immediate shock and alleviated inequality, they could not offset the sanctions' longer-term consequences, which, over time, began to put serious pressure on Iran's productive capacity and political system.

Rise and fall of the JCPOA

It was within this context of partial resilience, where systemic pressures coincided with limited adaptive capacity, that the Joint Comprehensive Plan of Action (JCPOA) came to dominate the agenda. The agreement emerged from negotiations pursued by the center-right administration of President Hassan Rouhani, which had been elected in 2013 on the promise of alleviating economic pressures and recalibrating relations with the US and Western Europe. Rouhani had pledged to secure sanctions relief through diplomacy, particularly by reopening channels of engagement with the US and repairing strained relations with the EU. The refrain of his 2013 election campaign, that "the centrifuges should spin, but the lives of the people and the economy must also spin," captured a broader convergence among influential factions within Iran's political system, who recognized that economic stabilization had become a political necessity.

The implementation of the agreement gave Iran a genuine though short-lived macroeconomic reprieve. Driven primarily by the rapid restoration of oil exports, GDP growth rose sharply in 2016, the year after the agreement was struck, while inflation fell into single-digit territory for the first time in years. Exchange rate pressures temporarily subsided, external revenues improved, and expectations of partial reintegration into global markets altered investment behavior and economic sentiment. Although this rebound was limited and heavily dependent on hydrocarbons, it nonetheless had significant stabilizing effects. The JCPOA briefly created conditions under which expanded foreign investment, technological exchange, and increased commercial and tourism flows appeared possible—and may well have followed, had the sanctions-relief framework endured.

Yet the survival of the JCPOA came down to the whims of the White House, which could always reverse it through executive action. Whereas relief was granted on a highly conditional basis, sanctions could be reimposed unilaterally, at negligible cost to the US. This continued to affect the Iranian investment landscape, making any long-term commitments from international firms deeply uncertain. As more skeptical commentators suspected, the coercive capacities that had never been truly relinquished under the JCPOA were reactivated when Trump entered the White House in 2017. His "maximum pressure" policy, beginning with the US exit from JCPOA in the summer of 2018, expanded the Obama-era sanctions to an unprecedented degree, targeting oil exports, financial transactions, and an ever-widening array of private entities. President Trump's first administration imposed seventy-seven rounds of sanctions in four years, nearly two per month.

The pressure was a difference of degree, not kind. The return of the Republican Party to the executive branch aggravated problems already created by past American administrations: oil-revenue contraction, exchange-rate depreciation, and rising prices, compounding the stresses on wages, savings, and household stability. After the JCPOA was torn up, Iranian oil exports collapsed from approximately 2.8 million barrels per day in May 2018, when the "maximum pressure" campaign began, to as low as 300,000 per day by 2019, causing a dramatic drop in foreign-currency earnings. The rial underwent a sharp depreciation, while inflation surged toward 40 percent, eroding purchasing power and intensifying distributional pressures across wage-dependent strata. The freezing of tens of billions of dollars in Iranian oil revenues held in overseas financial institutions further constrained access to external liquidity, magnifying currency instability and reinforcing crisis dynamics. The Iranian state repeatedly responded to these pressures with adaptive measures to stabilize the economy and sustain revenue flows. But as recent work has shown, resilience did not take the form of withdrawal or autarky, but of reconfiguration: Iranian economic actors reoriented trade through new partners and products, deepening rather than abandoning engagement with the global economy. In this sense, adaptation and attrition proceeded in tandem. Adaptive responses mitigated immediate breakdown, even as they entrenched forms of distortion across both state institutions and social life.

Asymmetric statehood

Sanctions did not weaken the state in any uniform or mechanistic sense. As Nephew implicitly acknowledges, economic disruption interacts with extant structures of privilege, power, and vulnerability. Iran's prolonged financial isolation expedited the growth of parastatal and security-adjacent economic networks, which were better positioned to navigate the restricted channels of commerce. Informalization, arbitrage opportunities, and rent-mediating practices began to proliferate, redistributing economic risk while establishing ever more convoluted modes of governance. The sanctions regime thus eroded broad-based productive capacity, and empowered actors who were capable of converting scarcity and volatility into profit.

The case of Ali Ansari and the Ayandeh Bank illustrates this dynamic. Ansari, a prominent Iranian businessman whose family founded the bank, was sanctioned by the United Kingdom in October 2025 amid allegations that financial networks associated with Ayandeh had facilitated transactions linked to the Revolutionary Guards. At the same time, investigative reporting suggested that Ansari owned an extensive property portfolio across Europe, reportedly valued at hundreds of millions of euros. The juxtaposition is revealing. As Ayandeh Bank's balance sheet deteriorated and thousands of Iranian depositors faced the prospect of losing their savings, wealth remained concentrated within politically connected financial networks, which continued to operate across borders and beyond the constraints of sanctions.

This helps to explain why, as Robert Pape has argued, sanctions rarely translate aggregate economic pressure into political capitulation, because state elites can shift the burden of economic disruption onto broader society, while insulating themselves and their allies. In the Iranian case, this dynamic could be called asymmetric statehood: actors embedded in parastatal and security-adjacent networks have differential access to foreign exchange, informal circuits of trade, and political protection. The result is a structurally uneven distribution of both risk and opportunity. Financial instability is socialized—absorbed through inflation, currency depreciation, and depositor losses—while those within opaque networks retain the capacity to preserve and even expand wealth.

As the Ayandeh incident shows, sanctions-induced volatility does not simply weaken the state, but reorganizes the political economy of crisis in ways that empower intermediaries operating at the intersection of finance and security. In doing so, it reinforces forms of governance that are less transparent and accountable—consolidating the elite structures that they are supposedly designed to weaken and constrain.

Recent empirical research by the economists Mohammad Reza Farzanegan and Nader Habibi demonstrates the scale of this restructuring in Iran. Sanctions, their analysis concludes, “led to an average annual reduction of 17 percentage points in the size of Iran’s middle class from 2012 to 2019.” Complementary evidence from Djavad Salehi-Isfahani indicates that, since 2011, roughly eight million people have descended from the middle class into lower-income strata, while the population living below the poverty line has grown by more than four million. This is supplemented by more recent analysis by the United Nations Development Program determining that Iran’s GDP per capita fell from $8,000 to $5,000 between 2012 and 2024. Sanctions-induced instability has in this sense become a means of social restratification, compressing segments of the middle strata while intensifying pressures upon wage-dependent households.

This is the crucial context for the popular protests that began to erupt from 2017–2018 onwards. Major nationwide demonstrations broke out across Iran in December 2017, November 2019, and again during the autumn and winter of 2022–2023, the latter widely known as the Women, Life, Freedom protests. They then recurred in January 2026 and were met with an exceptionally violent state crackdown in which thousands of protesters are believed to have been killed, marking one of the bloodiest episodes in the history of the Islamic Republic. This is not to suggest that these mobilizations can be reduced to economic grievances alone; yet the prolonged stagnation and precarious condition of Iran’s political economy, coupled with deepening inequality and declining real incomes, formed the backdrop to the cyclical recurrence of these uprisings and the expansion of their social base.

Again, sanctions architect Richard Nephew’s words show how this was not an accidental outcome but integral to the sanctions policy design. “Hard currency,” he recalls, “streamed out of the country while luxuries streamed in, and stories began to emerge from Iran of intensified income inequality and inflation. This was a choice, a decision made on the basis of helping to drive up the pressure on the Iranian government from internal sources.” The impact of sanctions thus amounts to a patterned redistribution of insecurity and adaptive advantage across society at large. The absence of overt military confrontation did not signal the suspension of conflict, but its reorganization through economic and financial mechanisms, whose violence is slower but no less consequential, and whose effects are more diffuse yet more enduring: the reconfiguration of class relations, the privileging of security institutions, the degradation of productive capacity, and the normalization of crisis conditions.

Despite rhetorical shifts and limited diplomatic overtures, the Biden administration kept the core of the sanctions regime intact, no longer framing it as a set of emergency measures, but as the standard instruments of American foreign policy, which Trump once again accelerated on his return to office in 2025. This maps onto a broader transformation in the exercise of imperial power, in which coercion had gradually become routinized, detached from discrete crises, and embedded in the everyday workings of global economic order. Each new US administration inherits not only the policies of its predecessors but a set of infrastructural capacities increasingly insulated from democratic influence, which inflict acute misery on peripheral and semi-peripheral nations.

Deterrence, militarization, survivalism

If sanctions were the primary economic component of the campaign against the Islamic Republic, they were never intended to operate in isolation. Financial pressure was consistently accompanied by the threat and periodic application of military force—with one increasingly evolving into the other. From the beginning of the War on Terror, Iran found itself encircled by the expanding infrastructure of American empire. The invasions and occupations of Afghanistan in 2001 and Iraq in 2003 placed US forces on both Iran's eastern and western borders, while the US established a dense military presence across the Persian Gulf through bases in Qatar, Bahrain, Kuwait, and the United Arab Emirates. Carrier strike groups rotated continuously through the Gulf and the Arabian Sea, and surveillance systems and missile defense installations multiplied, turning the region into one of the most heavily militarized zones on earth.

Israeli operations formed an integral component of this hybrid strategy. Over the past two decades, Iranian nuclear scientists and personnel have been repeatedly targeted in assassination campaigns. Economic restrictions were complemented by industrial sabotage, cyber operations such as the Stuxnet attack on nuclear facilities, and persistent intelligence penetration, ensuring that the Iranian state was subject to continuous strategic pressure. It was under these conditions that Iran's contemporary deterrence doctrine began to take shape.

The Iran–Iraq War in the 1980s exposed the vulnerability of the revolutionary state to a conventional assault by a materially superior adversary, revealing the limits of Iran's military capabilities and the constraints imposed by its relative isolation in the international system. Iranian planners did not only seek to compensate for these weaknesses by raising the costs of external intervention in a narrowly reactive sense. They also developed a doctrine of "forward defense," which involved displacing the conflict outside Iran's borders. This meant cultivating relationships with allied nonstate actors, extending influence across neighboring theaters, and embedding deterrence within transnational networks capable of operating below the threshold of conventional war.

This kind of asymmetric warfare was not just a second-best substitute for conventional force, but a strategic reconfiguration of how and where conflict would be waged—one that sought to externalize risk, fragment adversaries' operational environments, and render escalation diffuse, protracted, and difficult to contain. The American invasions of Afghanistan and Iraq decisively underwrote the rationale for this strategic pivot. While the collapse of Saddam Hussein's regime removed Iran's principal regional rival, it simultaneously transformed its security environment by placing US forces directly on its eastern and western flanks. This gave forward defense a renewed urgency, as a means of preemptively shaping the regional balance of power and ensuring that any confrontation would have to take place across multiple theaters.

Iran thus sought to fashion, in coordination with its allies, what would later be termed the "Axis of Resistance": a loose network of allied political movements and armed organizations extending across Iraq, Syria, Lebanon, Yemen, and Palestine. The aim was not military parity with the US or Israel, but the creation of a deterrent environment in which the costs of direct attack would become prohibitively high. The strategy reflected the predicament of a semi-peripheral state and aspiring middle power faced with fiscal constraints and a deeply unfavorable balance of military power. While deterrence could not promise victory, it was carefully calibrated to secure the survival of the Islamic system.

Alongside this regional architecture, Tehran invested heavily in missile development, drones, and layered deterrence strategies. The origins of Iran's missile program also lie in the experience of the Iran–Iraq War, when Iraqi missile strikes inflicted major damage on Iranian cities, prompting military planners to conclude that reliance on foreign suppliers for advanced weapons systems was untenable. Figures such as IRGC commander Hassan Tehrani Moghaddam began to lay the foundations of what would become Iran's main deterrent capability, overseeing the production of ballistic missiles—including the Shahab, Ghadr, and Sejjil systems—capable of striking targets across the wider region. The strategic rationale was straightforward: if Iran could not match the conventional military power of its enemies, it could still threaten critical infrastructure and military facilities across the Gulf and eastern Mediterranean.

For nearly two decades this strategy enjoyed limited success. Despite repeated crises, covert attacks, and the intensification of sanctions, the Islamic Republic avoided the fate of Iraq and Libya. Its deterrent network imposed real constraints on American and Israeli decision-making. Yet this was always a delicate equilibrium, contingent on a fluid and contested balance of forces in the region. That balance finally began to unravel after October

7, when Israel's escalating aggression and systematic assault on Iranian allies decisively weakened the "Axis" that had anchored Iran's position in West Asia. Hezbollah, long regarded as Iran's most formidable regional ally, suffered severe losses in leadership and infrastructure, while the fall of the Assad regime in Syria further weakened the logistical and political corridor linking Iran to Lebanon. What had once functioned as a distributed deterrent network was now in the process of fracturing.

In response to this darkening outlook, Iran adopted a deliberately ambiguous approach to its nuclear strategy, retaining enrichment capabilities and continuing to advance its nuclear program, but without embarking on weaponization. Its aim was to occupy the precarious position of a threshold state: maintaining a certain deterrent capacity and refusing to relinquish what it regarded as its sovereign right to peaceful nuclear enrichment, while also insisting on its willingness to negotiate a diplomatic settlement. It was prepared to accept terms comparable to, or perhaps even more stringent than, the JCPOA in order to avert full-scale war. For Israel and many of its allies in Washington, however, this carefully calibrated posture was unacceptable. The possibility that Iran might one day convert its latent capabilities into an operational deterrent was perceived as a constraint, however limited, on their claimed right to dominate a region they have long treated as their exclusive strategic preserve. The Iranian leadership appeared to underestimate the ferocious attack that its ambiguous strategy would provoke.

From rising lion to epic fury

The response began with Operation Rising Lion, a surprise Israeli strike in June 2025 that killed senior figures within the leadership of the IRGC and the Iranian military alongside a dozen nuclear scientists. The US followed with Operation Midnight Hammer, a coordinated assault aimed at destroying Iran's three principal nuclear facilities. But despite the damage it inflicted, amid the uneasy ceasefire that followed the Twelve Day War, the American-Israeli campaign seemed eerily incomplete.

The next phase came when the US deployed additional naval forces to the region, including the USS *Abraham Lincoln* and later the USS *Gerald R. Ford*. The military build-up occurred alongside an active diplomatic process: indirect negotiations between US and Iranian officials, mediated by Oman and supported by Qatar and European interlocutors, resumed in early 2026 after months of deadlock. By late February, the talks had produced what mediators and participants described as tangible progress, including discussions over limits on uranium enrichment, enhanced verification, and phased sanctions relief, with further technical negotiations scheduled to take place in Vienna.

Then, in February 2026, the Trump administration put an abrupt end to the diplomacy and plunged the US into another imperial war in West Asia. The launch of Operation Epic Fury saw senior American officials call openly for regime change and incite the Iranian public to rise up against the state. Israeli and American forces launched a coordinated wave of strikes targeting hundreds of military, industrial, and governmental sites. The scale of the bombardment was unprecedented: within the first twenty-four hours alone, more than a thousand targets were reportedly hit. Intelligence-guided attacks aimed to decapitate the Iranian leadership, killing the eight-six-year-old Supreme Leader Ayatollah Ali Khamenei in the hope that this would lead to the regime's rapid collapse or humiliating surrender.

The technological dimension of the campaign underscored the evolving character of contemporary warfare. Central to the targeting infrastructure was the US's expanding use of algorithmic intelligence systems, including Palantir's Maven Smart System, which integrates large-scale data processing with automated target identification and battlefield analysis. By combining surveillance data, intelligence feeds, and predictive analytics, such systems enabled the rapid identification and prioritization of targets across a vast battlespace: a capability with which a heavily sanctioned semi-peripheral power like Iran could hardly compete.

The intensity of the bombardment also revealed the campaign's expansion beyond purely military objectives. The war opened on February 28 with a strike on the Shajareh Tayyebeh primary school in Minab, killing at least 170 people, most of them girls aged between seven and twelve, in an attack that multiple independent investigations attributed to a US-manufactured Tomahawk missile. The country's leading steel manufacturers were extensively targeted, with Netanyahu boasting of having destroyed 70 percent of Iran's steel production capacity, while major pharmaceutical companies, including Tofigh Darou near Tehran, were struck. Iran's universities have not been spared: Sharif University of Technology—the country's pre-eminent science and engineering institution—was bombed, along with research centers at Shahid Beheshti University, the Iran University of Science and Technology, and at least thirty other institutions of higher education. The B1 suspension bridge near Tehran was struck while civilian families were gathered nearby to celebrate Sizdah Bedar (the traditional Persian festival marking the thirteenth day of the new year), killing at least eight people. In Tehran, Gandhi Hospital, Golestan Palace, the Grand Bazaar and numerous residential districts were also hit. Taken together, these strikes constitute not merely collateral damage but a systematic campaign against the material foundations of Iranian economic, scientific, and social life.

The confrontation has exposed both the limits of Iran's deterrence strategy and the limits of the imperial campaign directed against it. For many years Iran aimed to forestall precisely this kind of confrontation, and for a time it succeeded. Yet the degradation of the Axis of Resistance, the widening technological asymmetry between Iran and the US-Israeli power bloc, and the structural vulnerability of a threshold nuclear posture without an operational deterrent ultimately left the Islamic Republic exposed. It could not neutralize the immense military, financial, and technological capacities of an imperial system determined to impose its will. Yet, when faced with an assault whose stated objectives included regime change and the elimination of its senior command, Iran abandoned the studied restraint that had defined its posture for decades and turned to horizontal escalation: striking US bases across the Gulf, targeting regional energy infrastructure, and closing the Strait of Hormuz. What followed was not the rapid capitulation that Washington and Tel Aviv anticipated, but something more protracted, more costly, and considerably more difficult to resolve.

Despite all the bravado and bluster, the Islamic Republic has not collapsed. After decades of sanctions-induced hardship and sustained external pressure, no mass revolt materialized in response to the strikes. Instead, the Iranian state demonstrated a striking degree of institutional resilience, with the IRGC and its allies refusing to succumb to American demands, and evidently handing power to a younger, in some cases more militant, in others more creative generation of leaders in the wake of Khamenei's death. The "Venezuela model" of leadership decapitation followed by the installation of a compliant successor failed to materialize in Iran.

Tehran has continued to deploy its asymmetric deterrence strategy, even under these deeply unfavorable conditions. Missile and drone capabilities are still the primary means through which the country can impose costs on its attackers and calibrate the level of escalation across the wider region, threatening energy infrastructure, military installations, and logistical networks belonging to states in the Persian Gulf that serve as forward bases for American power. Iranian forces have targeted not only military sites but also embassies, energy facilities, and digital infrastructure, using economic disruption as a means of deterrence.

Most consequentially, Iran exerted its de facto control over the Strait of Hormuz, a critical transit artery for global energy supplies and a wide range of industrial commodities. While Gulf producers have curtailed output or sought alternative routes, Iranian exports have continued, in some instances even exceeding pre-war levels, while tanker traffic from states not aligned with Tehran has been obstructed through the credible threat of missile and drone attacks. The result is a highly selective form of disruption, in which flows are filtered along political lines. The effects extend well beyond oil and gas. As recent analyses have underscored, the Strait is a vital conduit for chemicals, metals, and fertilizers, with cascading consequences across sectors ranging from semiconductors and advanced manufacturing to agriculture and food production. Disruptions to helium exports from Qatar, for example, threaten semiconductor fabrication and medical imaging, while constraints on sulphur and its derivatives impact both chip production and the mining of critical minerals used in batteries. Even more significantly, interruptions to the flow of urea and ammonia—key inputs into nitrogen fertilizers—risk depressing crop yields and driving up global food prices. Against this backdrop, the shock to energy markets appears as only one dimension of a broader systemic disturbance. Fatih Birol, head of the International Energy Agency, has described the unfolding crisis as "the greatest global energy security threat in history," but its implications reach far beyond energy alone, encompassing the material foundations of contemporary industrial and agricultural systems.

This represents a striking reversal of the logic that has governed US policy over the past four decades. While the United States has leveraged its control over financial networks, legal jurisdictions, and infrastructural chokepoints to regulate Iran's access to global markets, Iran is now exploiting its position at a physical chokepoint in the world economy to impose costs on its adversaries. What had previously been an architecture of asymmetrical constraint—embedded in dollar clearing systems, payment infrastructures, and regulatory regimes—has, under conditions of open conflict, acquired a more reciprocal, if still uneven, character. The same interdependent networks that enabled the projection of American economic power are now exposed to disruption at their material nodes: shipping lanes, commodity flows, and logistical corridors. In this sense, weaponized interdependence is no longer confined to the domain of finance and information, but extends into the circulation of energy, raw materials, and industrial inputs. The tools of empire have not been neutralized, but they have been partially inverted, revealing that even highly asymmetrical systems of global integration can generate countervailing forms of coercive leverage. These dynamics also point to a longer-term structural tension within the architecture of weaponized interdependence itself. As Daniel Davies and Henry Farrell have argued, the overuse of dollar-based financial coercion has begun to generate precisely the counter-reactions it was designed to prevent—driving targeted states, and increasingly US allies, to seek alternative payment systems, currency arrangements, and logistical circuits. The erosion of dollar centrality is not yet at a critical threshold, but the feedback loop between escalating coercion and systematic evasion is already in motion, and Iran's exploitation of the Strait of Hormuz is its most dramatic physical expression to date.

Hybrid empire

Iran's fortunes under US pressure cannot be understood through the familiar binaries of resilience or collapse, victory or defeat. The Islamic Republic has neither been incorporated into an American-led regional order nor has it been overthrown. How, then, can we assess the results of the conflict at this stage? Now that Iran has been forced into the existential struggle that it spent decades trying to avoid, it appears that its prolonged process of fortifying itself against the US-Israeli campaign has given the state enough resilience to survive the decapitation of its political and military leadership. Whatever the outcome, the war has not lived up to its foundational promise that economic attrition followed by aerial assault would produce rapid regime collapse. Operation Epic Fury has fallen short of its objectives.

Yet Tehran's survival in the face of the US-Israeli onslaught by no means amounts to strategic success. While Iran can project considerable power and inflict real damage, it does not have the material and institutional strength to vie for any kind of regional hegemony: a limitation compounded by the absence of a nuclear deterrent and the intensity of imperial penetration. Iran's current condition is therefore one of embattled endurance. It can continue to resist the US-dominated order at both global and local levels, yet this resistance comes at an immense cost to its own people and the wider region.

The Iranian case clarifies the specific character of the American empire today. It does not need to rely on occupation or formal political tutelage. In lieu of a single uniform strategy, it can use a range of methods, from financial exclusion to full-scale assault, which are designed to mutually reinforce one another, degrading, fragmenting, and disciplining states that refuse subordination. If a country cannot be assimilated into the sphere of empire, it can be turned into a site of chronic instability and developmental regression. The destruction of Iran's national infrastructure, from major steel plants, petrochemicals complexes, several leading research universities, to domestic pharmaceutical industries, points to a wider logic of accumulation through destruction and de-development that is increasingly central to contemporary imperial power, sustained by a permanent war economy and, at times, articulated in explicitly colonial terms. Trump's threat to bomb Iran "back to the Stone Ages, where they belong" is a crude expression of this deeper logic. Hybrid in form, cumulative in effect, and total in reach, today's imperial warfare does not stop at the battlefield, but extends into the bank, the port, the refinery, the hospital, the household, and the payment system. The two-step process remains remarkably consistent: strangulate, then destroy.

The consequences of this strategy are neither contained nor linear. The US-Israeli campaign has inflicted immense damage on Iran's industrial base and imposed severe costs on its middle and popular classes, degrading long-term prospects for national development. But it has not produced the rapid political capitulation that such forms of pressure are often presumed to deliver. Instead, it has exposed the limits of coercive escalation in a context structured by interdependence. Even as imperial power continues to operate through destruction and domination, it has struggled to translate overwhelming force into decisive political outcomes, generating a more unstable and contested equilibrium than its architects anticipated. The broader architecture of dollar-based coercion faces a related if distinct set of limits. The very intensity of financial sanctions has incentivized targeted states to construct alternative circuits of exchange, gradually eroding the structural leverage on which weaponized interdependence depends. Iran's control of the Strait of Hormuz during Operation Epic Fury offers an unusually powerful illustration of this dynamic: the same interdependence that made financial isolation so effective has also created physical and economic vulnerabilities that a sufficiently determined adversary can exploit. Re-imperialization, it turns out, comes with its own contradictions.

Endnotes

1. The author would like to thank Oliver Eagleton, Toby Craig Jones, Mitra Yousefi, Golnar Nikpour, and Afshin Matin-Asgari for their feedback on earlier drafts of this article.

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Socialism Under Siege

Lourdes Regueiro, Claudia Marín

The US closes in on Cuba

In January 2026, the Trump administration imposed a total blockade of oil shipments to Cuba, plunging its oil-dependent electricity grid into chaos. The administration's economic war marks the latest in a long line of attempts to strangle the country and topple its revolutionary government. In addition to using tariffs to disrupt the island's energy system, Washington has tried to deepen Cuba's international isolation by placing it on the list of state sponsors of terrorism, designating it an extraordinary threat to US security, attacking its robust medical aid programs, and targeting its tourist industry. The island is now facing prolonged, nation-wide power outages and blackouts. Deteriorating public services and shortages in food and medical supplies have dramatically worsened living conditions, making even basic daily tasks a struggle for survival.

The blockade aims to undermine the example of anti-imperial resistance and internationalism that Cuba has cultivated for more than six decades. Though in some sense a continuation of US aggression toward Cuba since the early Cold War, it also reflects a new and more intense form of intervention. This in turn reflects a changing global context. Since the early 2000s, the gradual decline of the unipolar order has created a more favorable environment for Cuba's global integration, opening up opportunities for collaboration with countries attempting to carve out autonomy from the global hegemon. However, this same process has positioned Cuba at the heart of the strategic dispute between the US and its systemic rivals. Drastic as they are, the current set of sanctions may be just the beginning of a more radical effort by the US to reclaim its regional dominance.

Though new alliance partners have emerged, they have yet to consolidate into an organized bloc capable of effectively resisting US aggression. In contrast to the Cold War period, Cuba is considerably weakened in its capacity to withstand imperial pressure. The result is a complex and contradictory juncture: significant challenges to US power have appeared for the first time in decades, but their survival remains uncertain.

Age of internationalism

A defining feature of Cuba's revolutionary project has been its unique relationship to a changing world order. Over the course of six decades, the Cuban government has withstood the transition from Cold War bipolarity through the unipolarity of the 1990s to the contemporary period of multipolar contestation. US attempts to undermine the government have been consistent throughout. Since 1962, Washington has constructed a complex architecture of economic, financial, and commercial sanctions to suffocate the Cuban economy. The Helms-Burton Act of 1996 codified this system by prohibiting financial investment, limiting use of the dollar, restricting the import of goods containing more than 10 percent US content, and banning ships transporting goods to Cuba from calling at US ports for 180 days.

These and other measures have increased transaction costs and discouraged third parties from investing in, trading with, or lending to Cuba. Its most recent designation as a state sponsor of terrorism—first applied in 1982, temporarily lifted in 2015, and reimposed in 2021—has triggered even more severe financial restrictions, including transaction monitoring and expanded prohibitions on the receipt of economic assistance. Throughout this period, banks and private entities have had to avoid ties with Cuba for fear of sanctions, fines, or loss of access to the US financial system.

Cuba's capacity to resist these attacks has fluctuated with the changing international balance of power. During the Cold War, any attack on Cuba was perceived as a threat to the entire socialist camp, eliciting a response from allied governments led by the USSR. The collapse of the Soviet bloc put an end to this, sending Cuba into a deep economic crisis that became known as the Special Period. Having lost its primary supplier of fuel, and facing a 37 percent contraction in GDP, the Cuban government launched a deep and wide-ranging program of economic restructuring, placing tourism and scientific development at the center of its new growth model.

The result was a complete transformation of the country's social fabric. Most Cubans—with the exception of farmers, cooperative members, and a limited number of self-employed workers—had previously been employed by the state. The predominant form of income in the economy was therefore wages, and the ratio between the lowest and highest levels on the wage scale was 1:4. However, in 1990, the economy was partially opened to foreign investment and the possession of foreign currency was decriminalized. Income inequality grew as a consequence: some people received remittances from abroad, while others were employed by foreign companies. Those employed locally, without relatives abroad, had less access to freely convertible currencies, which soon gave rise to significant contrasts in wealth and consumption.

In the first two decades of the twenty-first century, a wave of left-leaning governments across Latin America came to power on the combined promise of domestic redistribution and greater autonomy from Washington. In place of the Soviet Union, Cuba thus found new stabilizing alliances with Pink Tide governments; regional networks like the Bolivarian Alliance for the Peoples of Our America (ALBA) and the Community of Latin American and Caribbean States (CELAC) welcomed Cuba into their midst. Energy cooperation was critical. Caribbean nations, Cuba among them, managed high energy costs with the assistance of PetroCaribe, a program that provided financial assistance for the purchase of oil from Venezuela. By ensuring a relatively stable supply of fuel on concessionary terms, the program freed up financing for energy infrastructure. Relations between Cuba and Venezuela were rooted in this solidaristic framework. The Comprehensive Cuba–Venezuela Cooperation Agreement, signed in 2000 during the first year of Hugo Chávez's presidential term, created a mechanism that allowed fuel to be exchanged for services, thus enabling more ambitious social policies in Venezuela while guaranteeing stable oil supplies for Cuba.

Such regional cooperation was not exclusively commercial. Hundreds of thousands of Cuban professionals provided health, education, and technical assistance services in Venezuela as part of social missions like Barrio Adentro, Sucre, Milagro, Robinson, Ribas, and Vuelvan Caras. As well as providing medical care to millions of Venezuelans, these programs enabled the government to establish thousands of diagnostic centers and rehabilitation facilities. Literacy campaigns based on the Cuban pedagogical method *Yo sí puedo* were developed, benefiting more than a million people, while Cuban training programs allowed thousands of Venezuelans to qualify as doctors and community health workers. By the end of 2024, in the field of health alone, more than 255,000 Cuban medical personnel had conducted over a billion medical consultations. Cuba played a crucial role in treating Ebola patients in Africa and Covid-19 patients across several countries. These mutually beneficial exchanges were part of a cooperative system that helped the Cuban government fend off US pressures throughout this period.

New order

It was in the mid-2010s that such ties of solidarity began to fray. In 2014, the oil prices sustaining the PetroCaribe project collapsed, with devastating implications for the concessionary financing regime. Venezuela's state oil company, Petróleos de Venezuela (PDVSA), had been undergoing a prolonged process of decapitalization. Coupled with devastating US sanctions against the Venezuelan economy, this led to declining regional fuel shipments. The PDVSA had served as the financial backbone of the Bolivarian social project, using its vast revenues to redress the country's historical inequalities while bearing the costs of the government's redistributive measures. In trying to sabotage oil production, the US was deliberately taking aim at the revenues that sustained Venezuela's social policies, as well as the energy cooperation between countries in the region. The Caribbean Energy Security Initiative (CESI), launched by the Obama administration and sustained under Trump, was an attempt to further undermine Venezuela's regional energy cooperation program by seeking to attract private investment into the energy sector. Political pressure was ratcheted up in 2019 with the US recognition of Juan Guaidó as president, as well as its promotion of other dissidents like María Corina Machado and Edmundo González.

The assault on the *Chavista* regional project came with coercive measures, including freezing or confiscating assets belonging to companies that trade with Cuba, and targeting funds and operations related to oil shipments. The aim was to limit foreign-exchange earnings, to diplomatically isolate Pink Tide countries on the regional and international stage, and to lay the groundwork for future military interventions. The impact of these measures was compounded by the regional context in which they took place. With the end of the commodities boom that had enabled the Pink Tide reforms, US sanctions deepened instability among the region's progressive governments, contributing to a growing sentiment against incumbency. As their bases of support began to fracture, a series of hard-right electoral movements gained ground, from Bolsonarismo in Brazil to Uribismo in Colombia. Their rise eroded most of the regional forums that had acted as counterweights to US influence and shifted the continent toward greater alignment with Washington. The long tradition of unanimous Latin American and Caribbean support for lifting the blockade on Cuba was finally broken, with Argentina and Paraguay now backing US policy at the United Nations, and Ecuador and Costa Rica abstaining.

Both the Trump and Biden administrations intensely pressured countries to end their collaborative programs with Cuba, threatening those who participated in them with visa restrictions. Across Central America and the Caribbean, shared education, health, and disaster-management programs came to an end as governments weighed the value of these programs against US threats to security, migration, and financing. Some countries have chosen not to renew their medical cooperation agreements with Cuba, potentially jeopardizing their domestic health systems in order to avoid confrontation with the White House.

The fracturing of regional solidarity has coincided with the wider crisis of the liberal unipolar order. The US retreat from multilateral institutions might have, in principle, expanded the space for Cuba to collaborate with other developing countries and with China. But this same behavior is what has prompted Washington to violently reassert its control over the Western

Hemisphere by way of its updated Monroe Doctrine. The breakdown of the regional project that characterized the Chávez period—and the dismantling of Venezuela–Cuba cooperation—means that Havana cannot fall back on a robust set of alliances to resist this assault. Because the decline of the US-led order has not been offset by the rise of an alternative one, Cuba has few defenses against unchecked American might.

Progressivism has not been eradicated from the region, however. It persists in countries with significant economic and political weight—Mexico, Brazil, Colombia—which have made admirable efforts to oppose the blockade. Claudia Sheinbaum is committed to pursuing diplomatic channels for delivering oil to Cuba, and providing humanitarian aid in the form of foodstuffs and essential supplies. Lula has denounced the embargo as an act of criminal coercion. Beyond Cuba's neighbors, Chile, Russia, Vietnam, Spain, and Canada have all expressed willingness to send, or have begun sending, humanitarian aid. But sympathetic governments grapple with a set of overlapping problems—from domestic electoral complexities to US pressure—which make it difficult for them to single-handedly revive the internationalism of the Pink Tide era. Their actions have so far been limited to political declarations and attempts to alleviate some of the worst effects of the crisis. They have not addressed the underlying issue of Latin America's constrained sovereignty and continued vulnerability to aggression from its northern neighbor.

Regime change?

Looming beyond domestic and regional interests are wider geopolitical tensions. Over the past decade, China has become the cornerstone of Latin America's renewable-energy sector. As Cuba's domestic crisis has intensified since 2024, Chinese solar panels have become essential to the functioning of the country's public institutions. The prospect of yuan-denominated oil sales from Venezuela to China and the long-anticipated plan to relaunch PetroCaribe were particularly alarming to Washington. In kidnapping

President Nicolás Maduro on January 3, the Trump administration dealt a forceful blow to Chinese regional influence, warning against further challenges to its regional power.

It came at a critical time when fuel shortages were already causing continual power outages. Venezuela's share of fuel supplies to Cuba had been in slow decline over the course of the preceding six years, with a significant drop in the last three. Although there was a modest uptick in Venezuelan oil production starting in 2023—primarily because of Chevron's extraction activities facilitated by a partial easing of US sanctions—these increases did not translate into a recovery of previous export levels to Cuba, which continued to hover between 30 and 35 percent of the island's crude oil demand. Imports from Russia also decreased following the conflict in Ukraine, making Mexico the island's main supplier. The raid on Caracas was, then, useful for Washington in two respects. It both asserted US dominance over China in a region where Beijing had been gaining a serious foothold, and it constituted a major step toward regime change in Cuba, insofar as Maduro could no longer be relied upon as an ally for Havana. Just as the Soviet Union served as a guarantor of Cuban sovereignty during the Cold War, Venezuela had enabled the country to resist US pressure in the twenty-first century.

The disruption to fuel supplies has been disastrous. Electricity generation, transportation, and logistics chains are all suffering, and the effects are seen throughout daily life. The aviation fuel shortages, which have driven up prices and in some cases caused airlines to suspend services to Cuba, have been disastrous for tourism. Some countries have warned their citizens against traveling to Cuba, and third-country nationals who have traveled there now face stricter immigration restrictions for entry to the US.

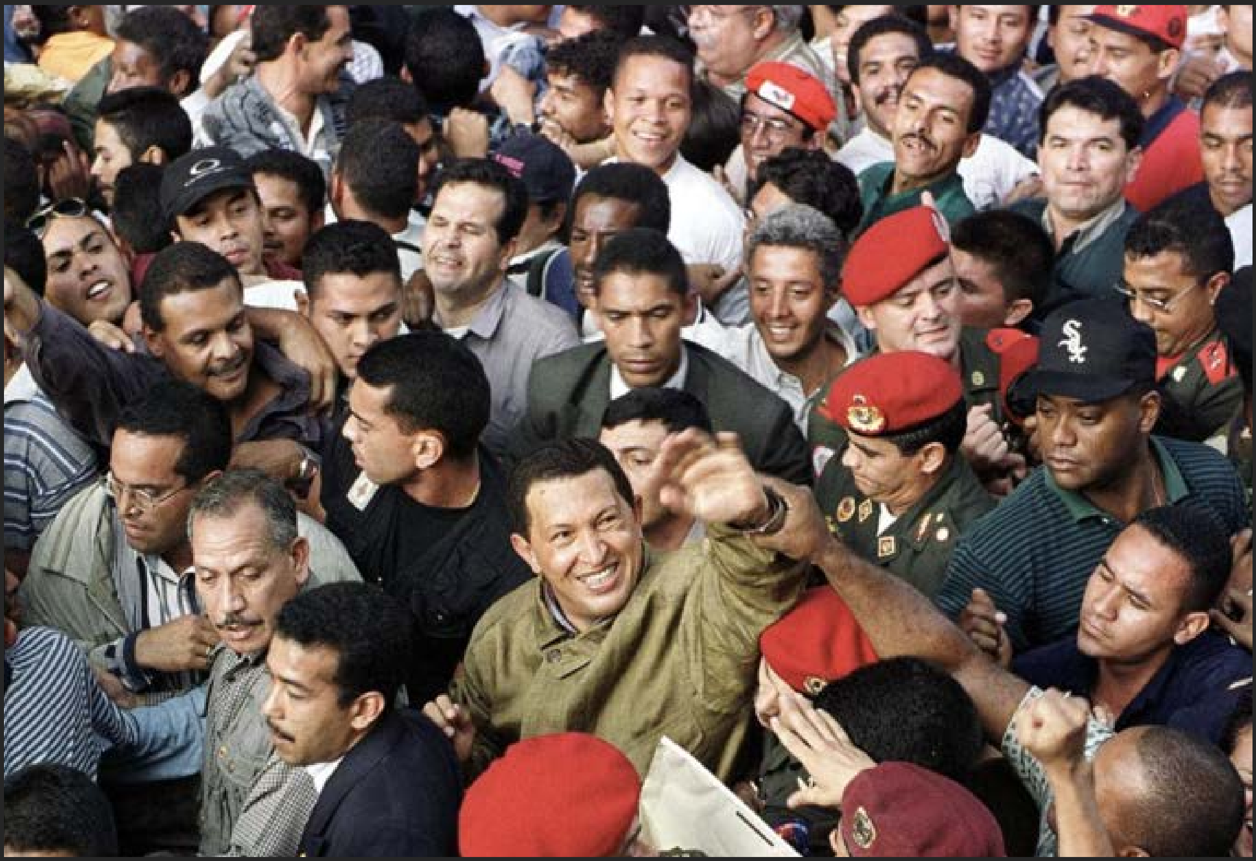
Since energy is a necessary input for production and service provision, the fuel shortage has sparked significant inflation; the fiscal deficit has risen, the supply of basic goods has dropped, and the black-market exchange rate has further depreciated. Under these conditions, the provision of healthcare, education, and cultural activities has come under enormous strain. The government has responded by trying to ramp up renewable-energy supplies—accelerating the construction of photovoltaic parks and other such projects—aided by its economic relations with China and Vietnam. Generation from renewable sources, primarily solar, has now reached record heights, though it still falls significantly short of national demand.

Project and process

Though mired in crisis, Cuban society, and the gains of its revolution, so far endure. Over the course of the last sixty-seven years, Cuba's revolutionary leadership has stayed the course while menaced by economic sabotage and military threats. In fact, these have often prompted creative adaptations, such as the Special Period's pivot to tourism as well as the emergence of computing, biotechnology, and medicine as areas of specialization. When the country is threatened, new development models tend to emerge.

Compared to the 1990s, Cuba is a far more heterogeneous society today—economically, socially, and politically. The notion of a free-market transition remains unpopular among most Cubans, but there are increasing numbers of pro-American voices to contend with domestically—increasingly so as the economy falters. Notwithstanding criticisms of the government's management, there is still mass support for the Revolution. Even among those more hostile to the regime's ideology, foreign interference is strongly opposed. Contemporary political discourse in Cuba is focused on the question of the private sector's role in the economy, social tolerance, legitimate forms of dissent, and the feasibility of implementing reforms under conditions of maximum pressure—preserving the social gains of the Revolution while modernizing the socioeconomic model. Much of the debate centers on the need to reconcile the defense of national sovereignty with transformation and renewal, acknowledging that these two imperatives are not mutually exclusive. Many would favor a constructive, mutually respectful relationship with the US, though there is deep skepticism about whether that is possible, and whether any hypothetical agreement with Washington could hold.

Reflecting on conditions in her country, the Cuban public intellectual Esther Pérez drew a distinction between the project of socialism—a commitment to universal emancipation and wellbeing—and the process of achieving it. If the first is a set of fixed principles, or a "straight path clearly running toward the horizon," the second is a long and winding road on which we will inevitably experience setbacks and diversions. This spring, as Cuba suffered under sanctions, the Nuestra América convoy—made up of around 600 travelers from the US, Europe, Latin America, and the Caribbean—arrived on its shores carrying food, medicine, and solar panels. The goods were funded by donations from people around the world who continue to support the cause of the Revolution. For them, the Cuban project remains a beacon of hope, even if it is increasingly in peril.



Bolivarian Twilight

Luis Bonilla-Molina

The recolonization of Venezuela

As US planes, helicopters, and special forces stormed Caracas in the early hours of January 3, Vice President Delcy Rodríguez was nowhere to be seen. Rumor had it she was in Russia, though the Kremlin denied the claim. It was only after the withdrawal of US forces that she reappeared, demanding proof that President Nicolás Maduro was alive. The humiliation brought by Maduro's capture quickly raised concerns about an eruption of internal conflict, along with speculation that the Revolution had been betrayed.

Hours later, when Donald Trump announced that the United States would henceforth "run Venezuela," he was already in talks with cooperative authorities in Caracas. In contrast to the mass uprisings against the April 2002 coup orchestrated by the employers' association Fedecamaras and opposition parties, the streets of the capital remained eerily calm. The silence was broken only briefly by a small, timid mobilization called by the ruling *Partido Socialista Unido de Venezuela* (United Socialist Party of Venezuela, PSUV) on January 4. The next day, Rodríguez was sworn in as acting president by extra-constitutional fiat. She wasted no time in describing Trump as a friend and partner; her call for sanctions to be lifted was justified in terms of accelerating bilateral cooperation. The Venezuelan government's prior anti-imperialist rhetoric had vanished overnight. The priority, it seemed, was to rectify twenty-five years of estrangement between Washington and Caracas.

The US now appears to control all the major power blocs in Venezuela: the post-Maduro faction represented by Rodríguez, the right-wing grouping of former assembly member and steel-industry heiress María Corina Machado, and the centrist coalition behind former National Assembly Vice President Enrique Márquez. Venezuela's new acting President has become the local enforcer of the US National Security Strategy and the Trump Corollary.

How can we explain this seismic reversal in Venezuelan politics, overseen by Maduro's former right hand? Answers must be sought beyond the phenomenon of the capture and imprisonment of Venezuela's sitting president. The conditions for today's turn to Washington were set in place with the transition from Chavismo to Madurismo, in which the recomposition of the country's ruling elite under Maduro exacerbated the structural crises of Venezuela's rentier development model. The most recent reforms and realignments after January have served to strengthen an elite orientation to the US. Much remains uncertain about Venezuela's future but for now the revolutionary left and its anti-imperialism has failed to find resonance. We can now say definitively that by now, after twelve years of Madurismo, the US invasion, and the Venezuelan government's capitulation, the Bolivarian Revolution has come to an end.

Cycles of crisis

The present Venezuelan crisis originates in the country's oil-based model of capital accumulation. The importance of oil for every sphere of economic activity has generated what the Brazilian economist Celso Furtado in 1974 has called "underdevelopment with an abundance of foreign exchange": a peculiarity of "the Venezuelan case." This model reflects a persistent struggle for oil revenues, with dollars entering the country from crude oil sales and thereby stifling the productive apparatus. Profits are accrued not through the sale of goods and services, but through access to dollars—the exchange rate differential between the real value of foreign currency and the preferential price obtained by the bureaucratic and business elite.

Venezuela's rentier state prioritizes imports over domestic production, generating massive revenues derived from external rents (oil royalties) and creating distorted economic patterns: exacerbated dependence on oil exploitation, weak incentives for productive diversification, clientelistic redistribution, and a culture typical of what the Venezuelan anthropologist and historian Fernando Coronil has termed the "Magical State." The economist Asdrúbal Baptista has enumerated the main features of the Venezuelan model: deindustrialization, widespread corruption, rapid concentration of wealth, and cyclical crises of severe mass impoverishment.

The origins of this form of rentier capitalism lie in Venezuela's bourgeois-democratic revolution of 1958. Between 1942 and 1998, oil nationalism and anti-imperialism were constrained by a push for higher profit margins derived from oil rents. Oil exploitation during the Fourth Republic shaped what can now be termed the "old bourgeoisie," whose emblematic figures were the so-called "twelve apostles"—the group of businessmen closest to the regime—coordinated through Fedecamaras and its satellites.

Rentierism proved successful during periods of rising oil prices, but it was devastating during cycles of falling oil prices. During the oil price boom of 1973 to 1978, Venezuelans experienced an illusion of upward mobility. From 1979 to 1984, however, the dynamics of decline became undeniable, with a contraction of real GDP per capita, inflation exceeding 7 percent, growing external debt, and an emerging fiscal deficit—with the total effect of dragging down the population's living standards. The model finally collapsed in February 1983. What became known as "Black Friday" marked the onset of a structural crisis that had been building for more than forty years, and which then triggered a series of subsequent conjunctural crises, each with its own distinct character, which set the scene for Venezuela's present situation.

Chavismo and the Bolivarian Revolution

Up to the arrival of the Bolivarian Revolution, the country's politics were dominated by *puntofijismo*: the agreement on governance and presidential succession signed in 1958 by the Acción Democrática (Social Democratic), COPEI (Christian Democratic), and Unión Republicana Democrática (Liberal) parties. Chávez confronted the crisis of the rentier state by championing the national-popular cause. Stemming from two defeated coup attempts in 1992, Chavismo built a movement capable of mobilizing broad segments of the population against this settlement, rallying diverse political, economic, and social sectors behind a regional project with a domestic program that sought to establish a new model of social governance. This model would operate through negotiation and conciliation between dominant and subordinate social classes, aided by mediating civil-society bodies like trade unions, peasant organizations, and business associations. Government institutions were positioned as arbiters, guided by the *caudillo* at the top.

Chávez's "polyclassism" was a variant of the Fordist models that have often sprung up in Latin America and the Caribbean, including that of Juan Perón in Argentina, Omar Torrijos in Panama, or Juan Velasco Alvarado in Peru. Chavez's polyclassism went beyond tactical alliances between oppressed classes and aimed to integrate the national bourgeoisie into its governing framework—avoiding the kind of direct confrontation for which many in the socialist tradition had advocated. Following the 2002 military coup against him, Chávez sought to stabilize his power. On the one hand, he promoted participatory democracy through the 2005 call for "twenty-first-century socialism," the "Communal State," and a "new International." On the other, he promoted the rise of a new Bolivarian bourgeoisie that would be aligned with his project, signaling a radical break with the traditional rentier governing class.

Unlike the Fedecamaras, which for decades had constructed a narrative around its class lineage, the post-2002 bourgeoisies was comprised of political figures aligned with the revolution, as well as individuals from its intimate circle. These were "down-to-earth" types who—seemingly overnight—had become wealthy owners of land, mansions, and banks. This new bourgeoisie camouflaged itself with the political and social codes of the Bolivarian Revolution, yet it increasingly felt the need to assert its position in the class hierarchy. This caste included figures like Arné Chacón (a former military officer linked to Banco Real and Baninvest during the 2009 banking crisis), Ricardo Fernández Barrueco (a former state supplier accused of being involved in the purchase of banks), Alejandro Andrade (the country's former treasurer, who was detained in the US), Raúl Gorrín (a key business man involved in overcoming the 2002 oil strike), and Alex Saab (a prisoner in the US, repatriated to Venezuela in a negotiation between Maduro and the Biden administration).

The emerging national bourgeoisie was distinct from its predecessor. It had greater access to institutional mechanisms for capturing oil revenues, and was closely linked to the military. The Chávez government aimed to ensure that the two new political projects—the development of the Bolivarian bourgeoisie and the path to twenty-first-century socialism—could continue to coexist, even if the balance was inevitably precarious. The task became much more difficult in 2009, when a banking crisis revealed the extent of bank ownership among important figures from the Chavista camp and clarified why elements of the bureaucracy had a vested interest in opposing the expansion of popular power through the communes.

On the international stage, Chávez advocated the emergence of a new multipolar and decentralized world order. His continental leadership succeeded in building a coalition of regional forces that defeated the Free Trade Agreement of the Americas (FTAA) in 2005. In this, the Caribbean Community (CARICOM) played a pivotal role, especially thanks to Cuba's subregional influence. Venezuela began supplying the oil necessary for Cuban survival in exchange for cooperation in education and health, as well as in the military and intelligence spheres, creating a strong regional partnership that Washington soon became determined to undermine.

Maduro comes to power

Madurismo was the outcome of a sudden and destabilizing event: the death of Chávez in 2013. Unlike his predecessor, Nicolás Maduro was no hero. He had not been part of the military leadership, had never led a significant workers' struggle, and had never been recognized as a leader by the main centers of power. It was precisely because of his somewhat apolitical profile that Maduro was thought to be the ideal inheritor of the polyclassist system. Lacking any preexisting networks, he was forced to construct new alliances at a rapid pace, relying on figures like Cilia Flores, the Rodríguez siblings, Diosdado Cabello, and Padrino López to strengthen his authority. At the same time, he removed from government all figures in the PSUV who were seen as attached to Chávez's multi-class national-popular project. The result was a regime that brought together powerful figures from the political, media, and economic spheres who were committed to a reconstitution of the Venezuelan elite.

Maduro lacked the political strength or ideological will to maintain the balance between the two power blocs that emerged out of the uneven and combined development of the Bolivarian Revolution. Instead, he dismantled the agenda of twenty-first century socialism based on community councils, worker-owned factories, cooperatives, and participatory democracy, and focused his energy on consolidating elite support through a revival of the rentier model. The construction of this new governing bloc represented a final break with Chavismo. It guaranteed elite access to oil revenues and thereby opened up possibilities of collaboration with the traditional bourgeoisie. In 2014, when a drop in oil prices made it impossible to sustain the existing exchange-rate scheme, the price of the dollar surged and unleashed runaway inflation that caused a significant decline in the population's purchasing power. Declining resources exacerbated the problem, shifting the economic burden onto the population. Then, the following year, Obama declared Venezuela a threat to US national security, which allowed Trump to impose unilateral coercive measures during his first term. This increased the pressure on Maduro to rebuild the economic relationship between the old and new bourgeoisie. Delcy Rodríguez became the unifying figure among these various elite factions, helping to broker a compromise between them.

The inter-bourgeois agreement was articulated in the 2022 public reconciliation between the new Bolivarian bourgeoisie and the Fedecamaras employers' association. Yet this was not a simple process of reconciliation. The government's aim was, rather, to co-opt a significant section of political representatives of the *ancien régime* and the opposition leadership, while crushing the more implacable ones. Amid the devastating impact of US sanctions—collapsing oil production, the sale of oil at near production cost levels, financial and commercial isolation—Maduro passed legislation limiting political freedoms and took legal action against right-wing and centrist opposition parties. He also used the civic-military-police alliance to suppress the street uprisings known as "La Salida," led by Leopoldo López, Antonio Ledezma, and María Corina Machado in 2014. These were followed by subsequent waves of protest: against shortages in 2015, against the suspension of the recall referendum in 2016, and against the launch of the new constituent assembly in 2017. The unrest resulted in more than 160 deaths, mostly among young people.

US sanctions were also used to justify Maduro's IMF-inspired structural adjustment program in 2018. Trade union organization was restricted, wages were standardized downward, and all left-wing parties were taken over by *ad hoc* leaders loyal to the government. With this scheme, Maduro tried to demonstrate to the old bourgeoisie and the ruling elite in the US that, unlike Chávez, he was willing to use a firm hand not only against his right-wing opponents, but also against workers and the left, using the institutional means at his disposal to limit their capacity for political action.

The downfall

In the 2024 presidential elections, Maduro disqualified Machado, along with all other opponents who might have removed him from Miraflores. Crackdowns on the media intensified, and repressive legal instruments like the "Law Against Hatred" were introduced. Candidates' freedom of movement within the country was restricted, with the most violent parts of the repressive apparatus kicking into gear. Only in a scenario of high abstention could Maduro have had a real chance of winning, yet the official results indicated that 12,386,669 citizens had voted. The government had resorted to outright fraud.

The election represented a forced agreement among the various factions of the Venezuelan bourgeoisie. Machado was seen as a loose cannon who threatened oil profits and therefore could not be allowed to win. This period represented the decline of electoral democracy and the escalation of authoritarianism, with more than two thousand political activists jailed in just a few months. Madurismo gradually evolved into a *sui generis* breed of Bonapartism, guaranteeing the various elite factions the continuity of the rentier profit model. Yet, crucially, it failed to correctly assess either the character of the second Trump administration or the role of energy in the reconfiguration of the world order: two lapses which set the stage for its downfall.

During the Biden administration, the Maduro government moved toward a stabilization agreement with the US—only for Trump's second administration to tear it up again. Driven by a deep ideological investment in anti-communist regime change and a desire to demonize Venezuelan migrants as part of its domestic immigration crackdown, in September 2025 the US imposed a naval blockade in the southern Caribbean. This prompted Maduro to accelerate his efforts to reach a conciliatory agreement with the Trump administration. Yet he overplayed his hand, failing to realize the extent to which he could be felled by the US President's lust for media spectacle—what Adam Tooze aptly describes as "cosplay resource imperialism," carried out more for the news cameras than for the resources themselves.

In trying to appease the Chavista base and obscure his rupture with the foundational promises of the Revolution, Maduro began to engage in rhetorical escalation with Washington: mocking Trump, insisting on the defense of national sovereignty, and invoking the legacy of Chavismo. This pushed the notoriously volatile Trump toward the decision to authorize the January 3 assault. The ease with which it was carried out has led to reasonable speculation that an agreement between Venezuela and the US had already been reached—with high-ranking Venezuelan officials collaborating with counterparts in the Southern Command, the State Department, and the CIA. Certainly, the immediate détente between the two countries in the wake of the kidnapping suggests that a number of conditions had been put in place beforehand. But this agreement between the US and the Madurista government was made without the figure of Maduro himself.

A Trumpist recolonization

The US assault has a regional logic. Washington has been increasingly concerned about the volume of Chinese investment in Latin America, estimated by the UN Economic Commission for Latin America and the Caribbean (ECLAC) at approximately $650 billion. Trump's National Security Strategy identified Venezuela not only as a geostrategic priority but as a clear opportunity to advance regional recolonization. The country that championed the Bolivarian Revolution also boasts the world's largest proven oil reserves, gold and rare-earth deposits, and one of the planet's most significant reservoirs of biodiversity and water. The onset of the US blockade in the Southern Caribbean beginning in August 2025 eroded regional alliances within organizations such as the Community of Latin American and Caribbean States (CELAC) and the Bolivarian Alliance for the Peoples of Our America agreement (ALBA).

On January 7, US Secretary of State Marco Rubio announced a three-phase strategy for the Venezuelan transition. First, stabilization: guaranteeing that oil supplies are not disrupted by the turbulence of a potential social conflict. To that end, Trump and his team have demanded the release of political prisoners, the creation of political and legal conditions for the return of exiles, and the enactment of legal reforms guaranteeing legal security for foreign investors. The second phase is economic recovery and reconciliation. It seeks to revive the economy by opening the energy market to transnational oil companies and other foreign capital interested in exploring new opportunities for extractivism: gold, rare earths, and the biodiversity market. The third phase is political transition. It aims to consolidate structural reforms—the legalization of political parties, transparency, and freedom of the press, and the construction of a new National Electoral Council. The position of the Venezuelan ruling elites in this new political constellation is yet to be determined.

There is, however, a fundamental tension between the national rentier model represented by Madurismo and the transnational economic model that the US intends to implement. Rodriguismo appears to want to bridge the two.

Among Bolivarian revolutionaries, Delcy Rodríguez was long known as a radical. Her career as a bureaucrat began in 2003, when she became director of international affairs at the Ministry of Energy and Mines. Despite having served as head of Hugo Chávez's office, she never earned the leader's confidence. It was only after Chávez's death and with Maduro's presidency that her star began to rise, with a post at the head of the Ministry of Communication and Information (2013–14) followed by a post at the Ministry for Foreign Affairs (2014–17). Her anti-diplomatic and confrontational style on the international stage masks what has been described as a more pragmatic, dealmaking approach behind the scenes.

Now, Rodríguez's outlook on the rearrangement of domestic political power is gradually coming into focus. The removal of Padrino López from the Ministry of Defense—a position he held since 2014—and the appointment of General Gustavo González López, who was tasked with receiving the CIA director, signal an intention to weed out any elements in Venezuela's governing caste that might be reluctant to accept full-scale capitulation to the US. In the last two months, the faces of uniformed military officers—emblematic of the post-2002 realignment—have practically disappeared from official addresses. The head of the US Southern Command has effectively replaced Padrino López, the Bolivarian military high command, and the strategic operational command. The resignations of Attorney General Tarek William Saab and Ombudsman Alfredo Ruiz are also indicative of the dismantling of old loyalties. At the beginning of the year, the Minister for Health was replaced, and figures like Maduro's former Deputy Minister of Sports, Alexander "Mimou" Vargas, were arrested.

Yet Rodriguismo's attempt to build a purely patronage-based system of power, propped up externally by Washington, may not be enough to ensure its survival, given the new rulers' relatively weak network of elites. The

Rodríguez siblings' capacity to lead a transition will likely require them to govern in a more pluralistic fashion, rather than further narrowing the inner circle of the governing caste. One figure who is well-placed to exploit this contradiction is Enrique Márquez of the Centrados party, who is promising national reconstruction and political consensus to a population that has grown weary of polarization.

And yet this fragmentation poses problems for any challenge to the government. State control of political parties has largely severed their territorial ties and undermined their legitimacy. The traditional Venezuelan right has long been experiencing a crisis of credibility thanks to the functional co-optation of its leaders and its collaboration with the Maduro regime. Repression of mid-level and grassroots cadre has weakened Machado's more intransigent Vente Venezuela party. Meanwhile, the PSUV has eradicated the possibility of an independent left.

Horizons

The violent undoing of Chavismo since January 3 has not unraveled the rentierism at the heart of Venezuela's economy. Yet it has created a new set of perils. The government's recent Hydrocarbons Law strips Venezuela of control over extraction and commercialization, allowing the US to become the principal seller of its oil, and giving Washington the right to determine both the percentage and allocation of revenues entering the country. The launch of the so-called Workers' Constituent Assembly, meanwhile, seeks to advance the flexibilization and precariousness of waged work. Political prisoners have begun to be released with the passage of an Amnesty Law, while trade reforms have been announced to facilitate foreign investment and overhaul the legal framework that governs it.

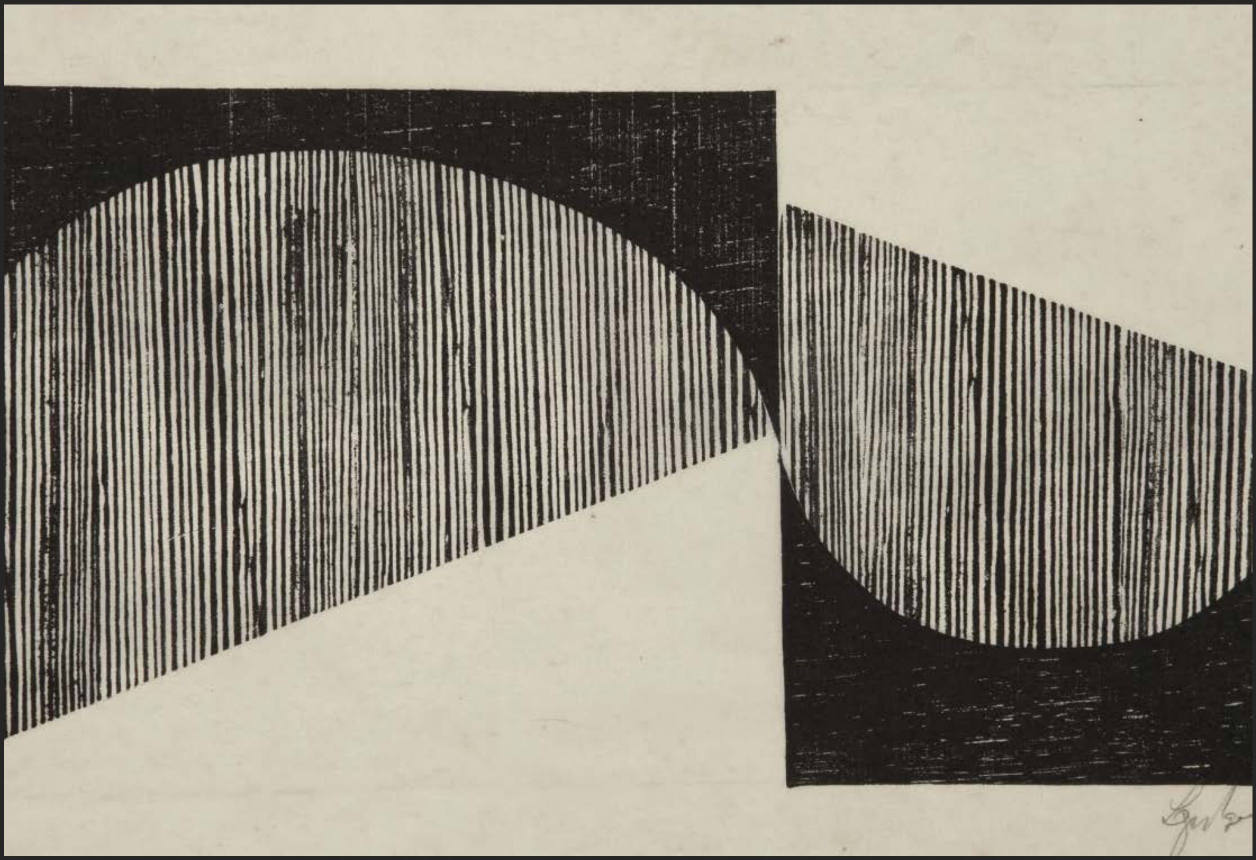
This is an unprecedented set of counter-reforms that make the 1999 constitutional process seem timid by comparison. The red berets of the Bolivarian military are no longer seen in the Miraflores Palace. Instead, honors are bestowed on visiting officials like CIA Director John Ratcliffe, Southern Command Chief General Francis Denovan, and Energy Secretary Chris Wright, who stride through the halls like the country's new sovereigns.

What will be decisive for the fate of US imperial strategy is its understanding of the vulnerabilities of rentierism. Changing the figures at the helm of the government—and even its ideological orientation—does not guarantee Venezuela's governability, much less the United States' project to gain control over its energy and mineral reserves. Chávez's polyclassist project, combining rentierism with popular participation, had formed the basis of Venezuelan governance for decades. Now, in this emerging conjuncture, rentier profits will likely be disrupted by the introduction of global capital. This risks putting the new Venezuelan bourgeoisie under severe pressure, while further impoverishing the popular classes who desperately need higher wages. (The labor movement has already reached a unified agreement to push for better pay and greater freedoms this year.) We may therefore see renewed unrest at both the elite and mass levels.

The Bolivarian Revolution is dead, but the yearning for structural change is not. The abrupt shift to colonial power relations that began on January 3 represents a culmination of longstanding shifts in Venezuela's ruling class. As such, forging a political response that overcomes this model of accumulation and reconstructs a viable model of sovereignty represents the great collective challenge. But will this be possible with the loss of the Republic and the onset of the colonial establishment?

Endnotes

1. Celso Furtado, *Essays on Venezuela: Underdevelopment Amid Abundant Foreign Exchange* (Brazil: Editorial Lumen, 2008).
2. Hossein Mahdavy, “The Patterns and Problems of Economic Development in Rentier States: The Case of Iran,” in *Studies in the Economic History of the Middle East*, ed. M. A. Cook (London: Routledge, 2004).
3. Fernando Coronil, *The Magical State: Nature, Money, and Modernity in Venezuela* (Venezuela: Ediciones Alfa, 1997).
4. Asdrúbal Baptista, *El relevo del capitalismo rentístico. Hacia un nuevo balance de poder* (Venezuela: Ediciones Polar, 1997).
5. The twelve apostles were denounced by the leftist intellectual and politician Domingo Alberto Rangel and include Gustavo Cisneros, Lorenzo Mendoza Fleury, Eugenio Mendoza, Diego Cisneros, Ricardo Zuloaga, and Miguel Ángel Capriles, among others.
6. Luis Bonilla-Molina, *La historia de la Revolución Bolivariana* (Venezuela: Ediciones MinCi, 2005).
7. This initiative bore fruit beginning in 2021, when Rodríguez was invited as a special guest to inaugurate the 77th Annual Assembly of the Fedecamaras. Fedecamaras led the 2002 coup d’état and placed its then-president, Carmona Estanga, at the head of the brief “national salvation” government, whose decree of establishment was signed by María Corina Machado.
8. According to figures from the Venezuelan Penal Forum, there are currently some 644 political prisoners in jail. However, at the grassroots level, there is talk of three categories of detainees imprisoned for expressing opinions or participating in anti-government demonstrations, whose numbers could reach several thousand: imprisoned politicians, citizens jailed for political views, and imprisoned military dissidents.
9. The government of Trinidad and Tobago made its territory available for military operations prior to the January 3 attack, which terminated its agreement for the supply of Venezuelan gas.
10. That is why it was surprising that Rodríguez was the driving force behind the $500,000 donation—from Citgo—made by the Venezuelan government in 2017 to help cover the costs of Donald Trump’s first presidential inauguration. Some critics believe that the good relationship between Delcy Rodríguez and Donald Trump began to take shape at that time. During the Biden administration, she served as the representative for the Boston Group, a network of US politicians and political figures, in this effort, while her brother and president of the National Assembly, Jorge Rodríguez, coordinated negotiations with the opposition facilitated by Norway, Mexico, the Vatican, and other members of the international community.
11. Donald Trump invited Márquez to his State of the Union address in 2026. Márquez is a recently released political prisoner in Caracas and was a presidential candidate in the 2024 elections, in which his party received less than 1 percent of the vote.



Lygia Pape, Tecelar (Weavings), 1958.

Trading Sovereignty

Maria Fernanda Sikorski, Hugo Fanton

Brazil claims its role in a multilateral order

In July of 2025, the Trump administration unilaterally imposed a 50 percent tax hike on US imports of Brazilian products. The measure was politically motivated: alongside targeted sanctions and the revocation of visas for Brazilian officials, it was aimed at pressuring the Brazilian judiciary to change course in its prosecution of ex-president Jair Bolsonaro. Tariffs therefore represented an explicit attempt at political interference in Brazilian democracy.

This performance of economic strength in fact came to reveal underlying fragility. Not only was Bolsonaro arrested and prosecuted, but Brazil's economy exhibited rapid economic adjustment, with exports to China and Argentina more than offsetting declining exports to the US. In a period marked by the ominous threat of the Donroe Doctrine, Brazil's record-breaking economic performance represents a defiance of US aggression.

It also indicates Brazil's changing position in the global political economy. Since its return to democracy in 1985, Brazilian trade relations have increasingly emphasized multilateralism, regional integration, and South–South cooperation. Economic diversification has been core to this strategy. China supplanted the US as Brazil's largest trading partner as early as 2009, and Mercosur countries have gradually gained prominence as its chosen commercial partners. The Trump administration's tariffs thus merely served to accelerate a transition that was already underway, pushing the Brazilian economy away from Washington and drawing it to more stable partners, both old and new.

Three decades of foreign trade

Prior to democratization, Brazil's military dictatorship financed industrialization with external debt, combining a mix of protectionism and working-class repression to generate highly unequal economic growth. The electoral victories of Fernando Collor in 1989, and of Fernando Henrique Cardoso in 1994 and 1998, changed this arrangement, ushering in a new, neoliberal approach: open trade, widespread privatizations, incentives for foreign capital, and a monetary stabilization plan designed to address the inflationary aftermath of profit-led growth.

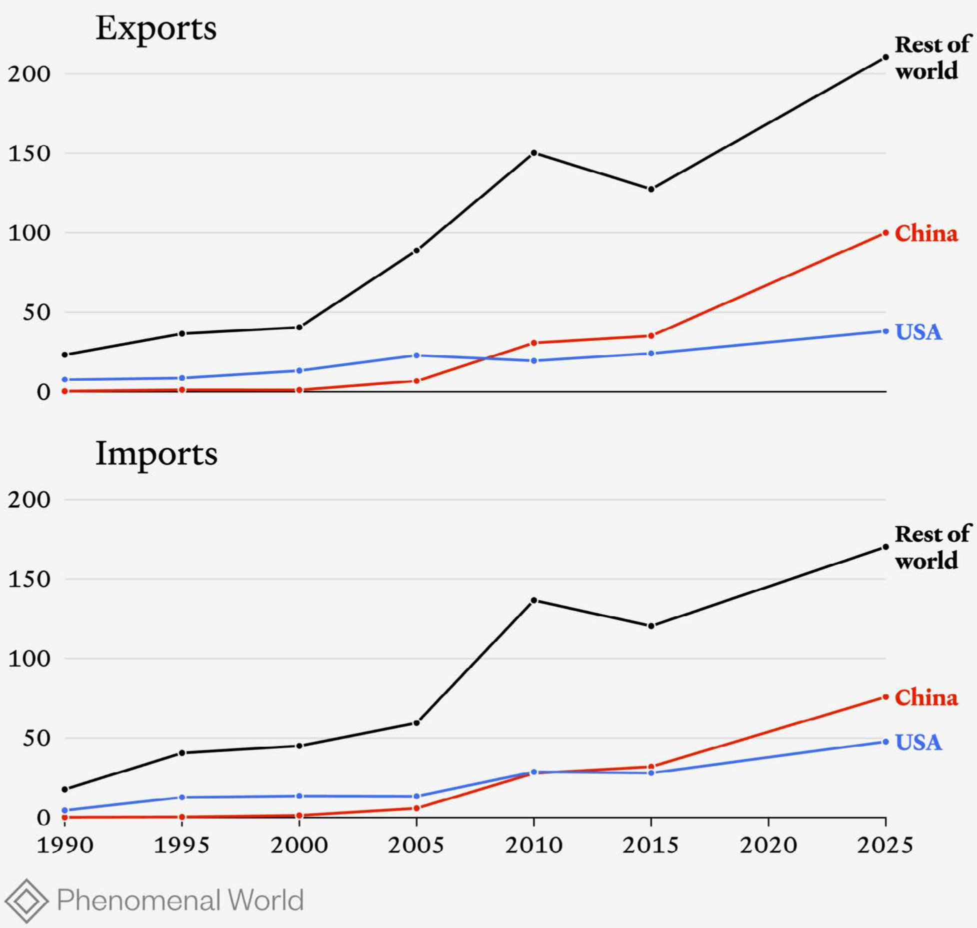
Collectively, these developments exposed domestic industry to new vulnerabilities. Currency appreciation made imports cheaper, while trade liberalization intensified internal competition. As a result, Brazil's industrial dynamism was gradually replaced by rising trade deficits. The United States consistently proved the most important purchaser of Brazilian exports throughout this period, with the value of US sales comprising more than 24 percent of all Brazilian exports between 1990 and 2000.

But it was the adoption of the Washington Consensus in the 1990s that helped pave the way for Brazil's partnership with China. Increasingly reliant on the export of its abundant raw materials, Brazil's economy benefitted from the demand shock brought by China's entry into the global trading system. In the 2000s, surging commodity prices boosted Brazil's foreign trade. The country's wealth in natural resources and arable land—combined with the need to restore equilibrium to its trade balance—solidified its position as a key supplier to world markets.

Beginning in 2001, Brazil once more began recording trade surpluses. Between 2000 and 2010, the Chinese share of Brazilian exports had grown from 2 to 15.3 percent, while that of the US declined to 9.7 percent. Subsequent years only reinforced this trend: by 2015, China had already reached an 18.8 percent share of exports, and by 2025, it had become the primary destination for Brazilian products globally, accounting for nearly 29 percent of the total. The share of exports destined for the US, meanwhile, stood at 12.9 percent in 2015 and 12 percent in 2024. Following the tariff imposition in 2025, this number fell to just 10.8 percent.

Brazil's foreign trade with the world, China and the US

Exports and imports of goods, US$ billions, 1990–2025

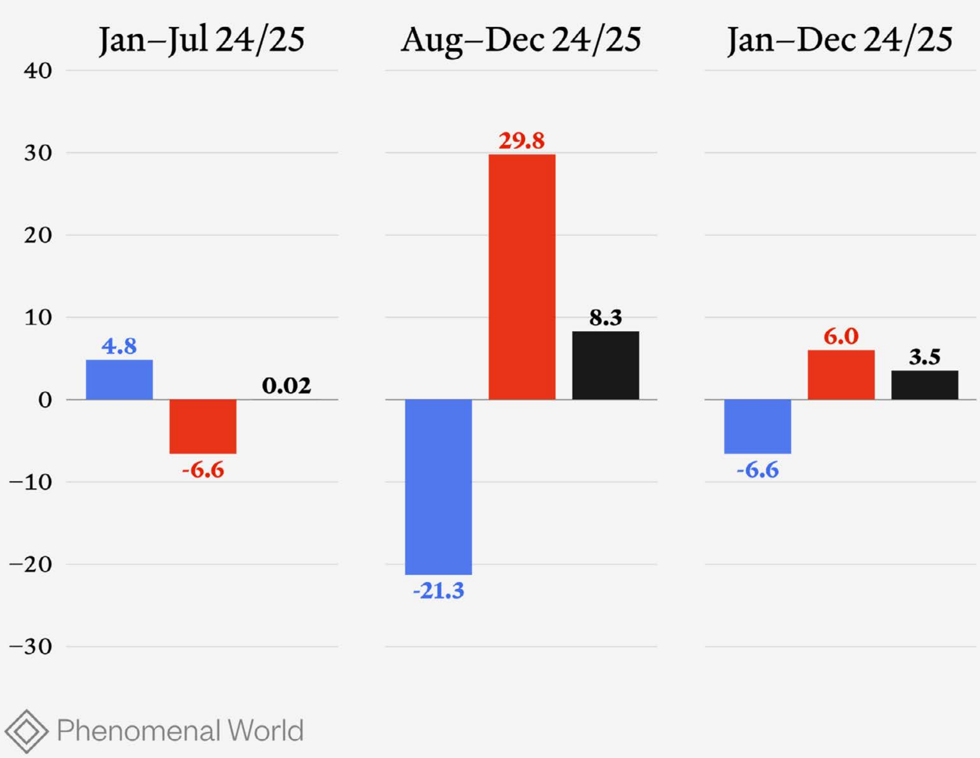


Source: UN Comtrade.
Graphic: Yusuf Imaad Khan

Brazil's tightening links to China are just part of the story. Data from UN Comtrade reveals a persistent expansion of trade relations with other partners throughout this period. Under the "active and assertive" (*ativa e altiva*) strategy of the Workers' Party, Brazil's trade relations shifted away from G7 countries and toward other parts of the world. Between 1990 and 2025, the country's foreign trade underwent a veritable reorientation. By 2010, not only had China replaced the US as Brazil's largest export partner by value, but Brazil's sources of foreign exchange earnings had diversified considerably. As a result of the commodities boom, Brazilian exports reached 161 destinations in 1990; 201 countries in 2000; and 215 countries in 2025. Today, Brazil trades with nearly all internationally recognized economic partners.

Change in value of Brazilian exports to the US, China and the world

% change, 2025 vs. 2024 across three periods



Source: FGV IBRE, Base ICOMEX; Secretariat of Foreign Trade (SECEX/MDIC), Brazil.
Graphic: Yusuf Imaad Khan

Brazil's relative share of global trade would temporarily decline in the mid-2010s when a domestic crisis, combined with China's economic slowdown and falling international prices, reduced the value of exports and compressed imports. But this shock was eventually overcome thanks to an active diplomatic and trade strategy, with new trade partnerships solidified in the Middle East, Southeast Asia, Africa, and within Latin America itself.

These new partnerships have proven useful in light of the repoliticization of global supply chains. Since the onset of the pandemic and the outbreak of the war in Ukraine, Brazil's neutral geopolitical profile has positioned it as a reliable supplier, thereby reviving demand for Brazilian products. Its posture of "active non-alignment," as well as its advocacy for multilateral trade bodies and systems, have similarly enabled it to successfully navigate a more fragmented global market.

"An insidious attack on free elections"

Since his campaign for a second term, tariffs have occupied a central place in Donald Trump's foreign-policy agenda. If the promise itself was already ambiguous—the administration's first wave of tariffs had been entirely passed on to American importers and consumers—its execution proved chaotic. In February 2025, the President announced 25 percent tariffs against Mexico and Canada, the US's closest trading partners and signatories to the US-Mexico-Canada Agreement (USMCA), which Trump himself had negotiated in 2018.

"Liberation Day" proved to be the great disruptor. It was "as if *The Price Is Right* had arrived in Washington," *The Guardian* reported. Based on spurious claims about the US trade deficit, Trump slapped a 34 percent tariff on China, a 20 percent tariff on the EU, and a 46 percent tariff on Vietnam. The measure was set to take effect one week from the announcement, sending US bond markets into panic. But just a week after the announcement, Trump announced a ninety-day suspension of the tariffs—a period during which all US imports, regardless of origin, would be subject to a flat 10 percent tax rate.

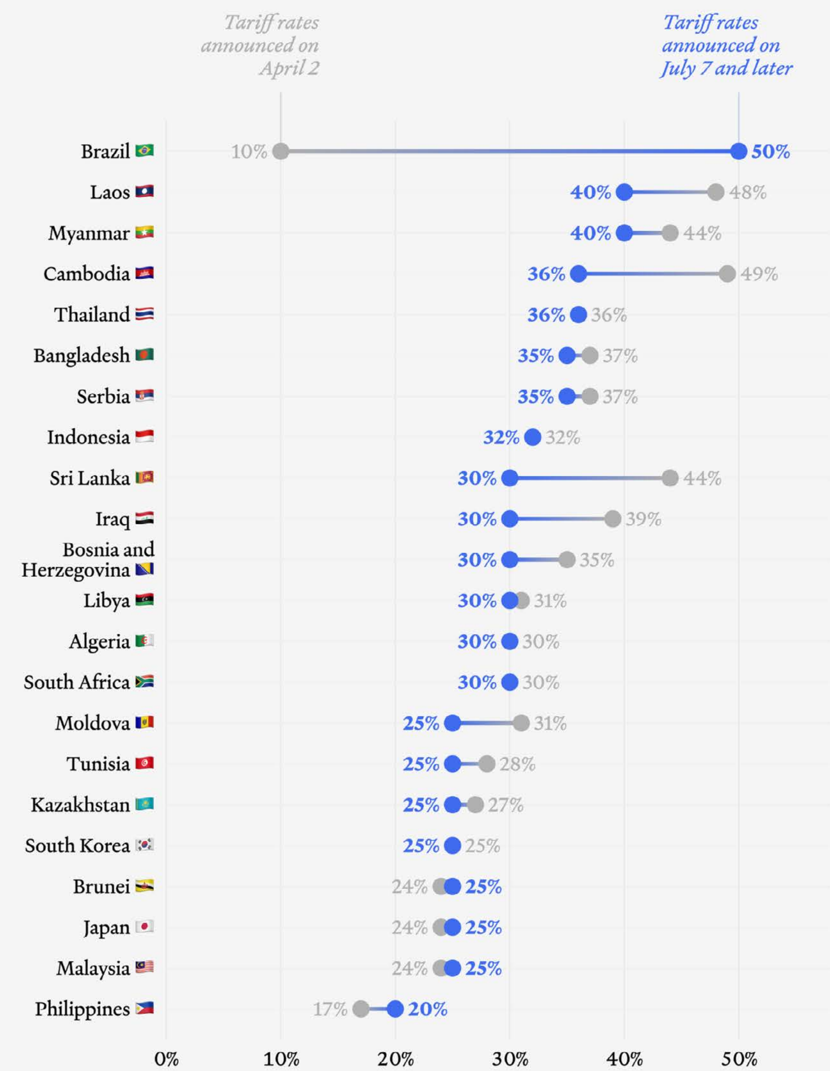
The "Ninety Deals in Ninety Days" initiative was thus born; a capitulation to financial interests remodeled as a pressure tactic for bilateral agreements more favorable to US interests.

Brazil emerged from Liberation Day practically unscathed, subject only to the universal 10 percent tariff rate. Newly competitive against higher-taxed trading partners, Brazil's exports to the US increased. Between January and June 2025, coffee exports grew by 40 percent, while meat exports doubled. Coffee and meat ranked, respectively, third and fourth on the list of top-selling Brazilian products exported to the US, behind crude oil and aircrafts.

This amity was short-lived. Ninety days later, on July 9, 2025, Trump announced that all Brazilian exports would be subject to an additional 40 percent surcharge, bringing the total levy to 50 percent. At the time, this constituted the highest tariff imposed anywhere in the world. Any competitive advantages created in April were effectively suspended. In just three months, Brazil went from being a potential winner in the tariff war to becoming its biggest loser.

US tariff rates, 2025: announced on April 2 vs. July 7 and later

Country-by-country change between the two rounds of announcements



Phenomenal World

Sources: The White House; Reuters reporting; SCMP.
Graphic: Yusuf Imaad Khan

The justification for these trade restrictions was political. The prosecution of former President Jair Bolsonaro for attempting to organize a military coup after the 2022 elections was, in Trump's view, an "insidious attack on Free Elections." In addition to the 40 percent tariff increase, the Magnitsky Act—created to link human rights violations and commerce—sanctioned Alexandre de Moraes, a Justice of the Supreme Federal Court and the rapporteur for the case that would lead to Bolsonaro's imprisonment shortly thereafter. In a letter issued with the decision, Trump explained that the alleged "witch hunt" against Bolsonaro and recent regulation of social media, including Elon Musk's X, represented "censorship orders" threatening the "freedom of speech" of the American people.

In response, Lula issued a statement asserting that "Brazil is a sovereign nation with independent institutions." As such, the Brazilian Judiciary held exclusive jurisdiction over the legal proceedings against those involved in the attempted *coup d'état* of January 2023. Lula also refuted Trump's claim that the US ran a trade deficit with Brazil. According to the White House's own data, Lula noted, the trade balance between the two nations had favored the United States since 2008.

Initially, public attention highlighted the tariffs' unprecedented political motives. "Does Trump really imagine he can use tariffs to bully a massive nation . . . into abandoning democracy?," asked the liberal Paul Krugman, noting that sales to the US comprised less than 2 percent of Brazilian GDP. For corporate America, however, the business case against the steep tariff hike quickly overtook the conversation. Recognizing that consumers would ultimately bear the cost, representatives of US industry advocated for a suspension of the tariffs. The US Chamber of Commerce pleaded that "more than 6,500 small businesses in the United States depend on products imported from Brazil, while 3,900 American companies invest in the country. Brazil is one of the top ten markets for US exports and the destination for approximately $60 billion in American goods and services every year."

Within Brazil, hopes for the revision or postponement of the tariffs would soon be replaced with realistic adaptation. Lula's team authorized a temporary credit fund for affected sectors. The Ministry of Finance announced a contingency plan, and the government declared that it would work to further diversify its trading partners and strengthen multilateralism. This was done while maintaining an openness to dialogue. Lula affirmed that, "If Trump wishes, our relationship will be the best it can possibly be."

"Trump fez Lula great again"

For the American public, Trump's decision to raise the price of Brazilian imports was ill-timed. Even before the 50 percent tariff went into effect, the US domestic market was feeling the inflationary impact on two common household food products heavily imported from Brazil: coffee and orange juice. In 2024, Brazil supplied more than half of all orange juice sold in the US and 30 percent of its imported coffee beans. Trump's July announcement caused the prices of both commodities to skyrocket: in the week following the dispatch of the letter to Brazil, prices for frozen orange juice futures had already risen by 10 percent, and those for coffee by 6 percent.

For Lula, the moment was one of triumph. Not since the commodities boom had the country's export performance done so much to boost a president's image. "Trump fez Lula great again," proclaimed a columnist for *Veja*, a notoriously conservative magazine. Opinion polls confirmed these gains. As *The Washington Post* put it, "Santa Claus came early for Lula, and the gift was sent by Trump." While the Brazilian left rallied around Lula, his political opposition could not have had it worse. Headlines like "Reaction to Trump widens rift among Bolsonaro's allies" and "Trump exposes Bolsonaro's cost to the Right" were blazoned across the country's major media outlets. Opinion polls highlighted the negative impact of the tariff on the Brazilian right's approval of Trump.

Lula's decision to stand ground and seek dialogue proved successful. On July 30, a new executive order listed 694 exceptions, including 43.3 percent of Brazilian exports, to the tariff hike. Among these exceptions were fuels, raw minerals, civil aircraft, and fertilizers.

On September 11, Bolsonaro was sentenced to twenty-seven years and three months in prison. Trump's stated objective for the tariffs had been disregarded. But rather than attacking Brazil in response, the US continued to soften its stance. On September 23, during the UN General Assembly, Trump commented on the "excellent chemistry" he felt during his "thirty-nine seconds" with Lula backstage. On October 6, the two spoke by phone and initiated formal negotiations for tariff relief. Six weeks later, following a meeting between Mauro Vieira and Marco Rubio in Washington, the list of exemptions was expanded: an additional 269 products reverted to the baseline rate of 10 percent, including coffee, orange juice, and meat. "Brazil Defied Trump—and Won," declared *The New York Times*.

After the US Supreme Court declared the use of the International Emergency Economic Powers Act (IEEPA) to impose tariffs unconstitutional in February 2026, the US–Brazil economic relationship returned to its April 2025 state. This time, however, conditions for Brazil were even more favorable. In response to the ruling, which struck down the massive tariff hike of July, Trump instituted a new global tariff of 10 percent. Products previously subject to the 40 percent surcharge would now be subject only to the global 10 percent rate. Brazil's list of exemptions, however, remained in place. While allies like Japan and the European Union succumbed to Trump's intimidation and signed unfavorable bilateral agreements, Brazil regained its comparative advantage without acceding to Trump's demands.

Brazil's navigation Trump's tariff onslaught reveals central economic and political elements of contemporary international relations. The diminishing importance of the US in Brazil's export portfolio explains the limited impact of Trump's tariff policy on the trade balance of Latin America's largest economy. Far from forcibly drawing Brazil back into its orbit, Trump accelerated its reorientation. An analysis of Brazil's foreign-trade data not only corroborates this hypothesis, but also suggests a broader repositioning of the country—one that extends beyond its relationship to China and points toward its role within the broader global economy.

The world as an alternative

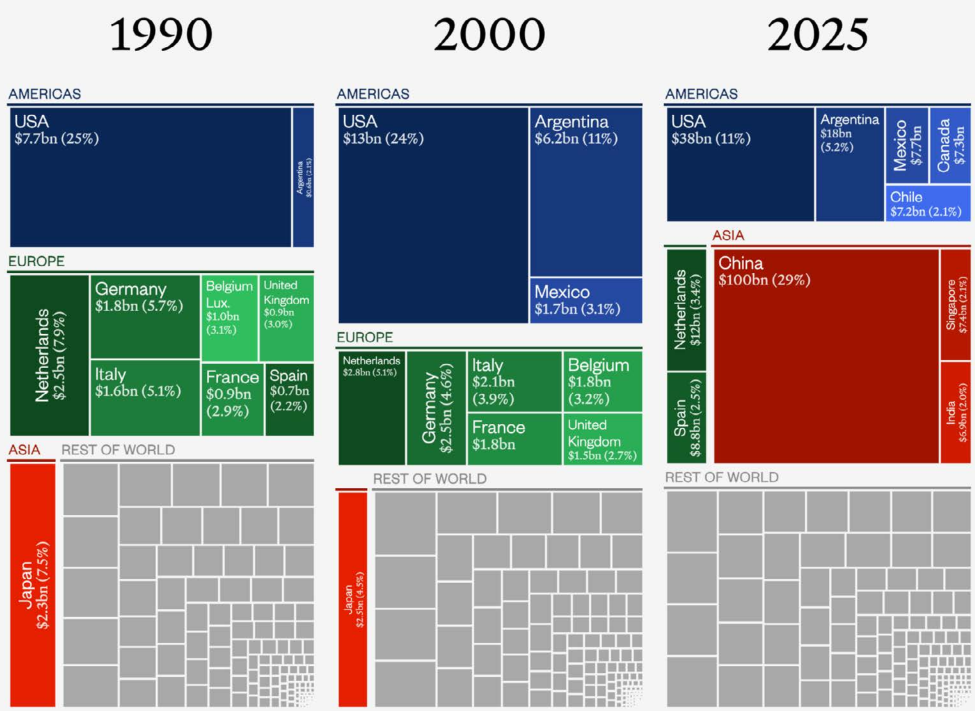
Brazil's performance during Trump's second term is partly due to its relatively closed economy. While the value of total exports measured in dollars reached an all-time high of $348.7 billion in 2025, a 3.5 percent increase over the prior year, this accounts for only about 17 percent of the country's GDP—a low level by international standards. According to the World Bank, exports accounted for 30 percent of global GDP in 2024, 25 percent of Latin America's GDP, and 50 percent of the OECD's GDP.

But equally responsible for the innocuous effect of Washington's tantrum was the growth of Brazilian trade in the world. Though Brazilian exports to the US contracted by by 6.6 percent in 2025, its exports to China grew by 6 percent, to the European Union by 3.2 percent, and to Mercosur by 26.6 percent. By the end of the first quarter of 2026, the US share of Brazilian sales was its lowest in recorded history; in value terms, the total fell by 18.7 percent compared to the same period in 2025. In 2024 and 2025, Brazil's exports to the US accounted for no more than 2 percent of the country's total output. Brazil's exposure to the US market is therefore increasingly limited.

The record growth in exports during the year of the tariff hike demonstrates how the primary impact of Trump's aggressive measures was to accelerate Brazil's diversification strategy. A comparison of Brazil's trade performance in the first half of 2025 (prior to the tariffs) versus the second half (following the tariffs) illustrates this trend. In the first seven months of 2025, before Trump's July letter, sales to the US grew by 4.8 percent compared to the same period one year earlier. In the final five months, they contracted by 21.3 percent compared to August–December 2024. The Brazilian trading relationship with China moved in the opposite direction. Brazilian exports to China in 2025 declined by 6.6 percent in the first seven months and increased by 29.8 percent in the last five, compared to the same period one year earlier. Exports to other destinations—particularly to countries in Asia, Africa, and the Middle East—also grew after July 2025. Sales to Morocco rose by 62 percent, and to India by 52.9 percent, for example.

Brazil's exports pivot from the US to China

Top 10 destinations for Brazilian exports, by year (US$ billions; share of total)



Phenomenal World

Source: UN Comtrade.
Graphic: Yusuf Imaad Khan

US tariffs, then, did not constrain Brazil's exports. On the contrary, the country averted potential losses by turning to other markets. Between August and December, China alone absorbed 37 percent of the trade impacted by the US surcharge. A large portion of this volume was linked to China substituting commodities previously imported from the US. On the domestic front, the Brazilian government achieved an unusual degree of cohesion among political and economic forces, to the point of isolating the right-wing opposition on this issue. Inadvertently, Bolsonaro's US allies secured for Luiz Inácio Lula da Silva his highest approval ratings of the year. On the international front, the country reaffirmed national sovereignty as the guiding principle of its global engagement—something that not even European powers had managed to sustain with such consistency. If one of the driving forces behind the "Donroe Doctrine" was to diminish China's relevance in the Americas, the tariff hike achieved precisely the opposite.

Although Brazil largely mitigated the macroeconomic effects of US trade policy, it was not able to offset declining exports to the US through market diversification in all sectors. According to Icomex:

> Among the twenty-eight sectors analyzed, twenty-four recorded a decline in exports between the first quarter of 2026 and that of 2025. Of these, fifteen recorded positive growth in exports to the rest of the world while seeing sales to the United States decline, whereas nine recorded a drop in sales to both the United States and the rest of the world. Four sectors increased their sales to the United States.

Brazil made concerted efforts to alleviate these sectoral impacts. One of the primary mechanisms employed was the creation of the *Brasil Soberano* (Sovereign Brazil) program, administered by the *Banco Nacional de Desenvolvimento Econômico e Social* (National Bank for Economic and Social Development, BNDES). This initiative consists of a dedicated credit line designed to assist affected exporters. In 2025, BNDES's total disbursements reached R$ 169.7 billion—a 27 percent increase over the previous year. Of this total, the *Brasil Soberano* program accounted for R$19.5 billion, more than half the increase, allocated to 676 companies. In 2026, BNDES established a new credit line to support sectors affected by global crises.

The substance of sovereignty

The uncertain end of the "post-Cold War era" and the increasingly fragile remnants of its Washington Consensus have brought the problem of sovereignty to the center of national politics across the globe. In Brazil, sovereignty has been reasserted, but its future remains to be seen. Despite the political boost that Trump's attack gave to Lula, high interest rates, severe levels of household debt, and rising costs of living continue to inform Brazil's political landscape. Although Washington's attempt to intervene in Jair Bolsonaro's trial failed, *Bolsonarismo* will remain the primary adversary in Brazil's forthcoming general elections. The choice between an active and assertive stance on the one hand, and a subordinate alignment with the US on the other, is bound to reemerge.

Leading the electoral race are the far right—represented by Flávio Bolsonaro, the former president's eldest son and an equally ardent admirer of Trump—and Lula—seeking yet another presidential term on a platform of defending democracy and multilateralism. Flávio Bolsonaro is currently tied with Lula in the polls.

Much will unfold between now and the elections in October. But Brazil's recent experiences with Trump's tariff regime hold some insights for understanding future developments. First, the US trade offensive illustrated the decline of imperial power over Brazil. Second, while the growing importance of China in Brazil's trade balance is significant, it alone does not explain the country's capacity to absorb US attacks. This success extends beyond bilateral relations and points to an ability to operate outside a single axis of dependency.

The Brazilian case suggests that the construction of a multipolar order depends not exclusively on the emergence of new powers, but also on the room for maneuver available to important regional actors. Washington's miscalculation was not merely economic; it was also geopolitical. Given the possibility of non-alignment among middle powers, coercive policies have diminishing impact. Brazil's defense of multilateralism is not merely rhetorical, but material.

In Brazil's October elections, the choice is thus not just between two governing platforms, but also between two approaches to international engagement, one rooted in subordination and the other in multilateralism. The lesson to be drawn is that sovereignty is neither an abstract concept nor an electoral promise. It is, rather, the effective capacity to resist, decide, and negotiate under pressure. And this, too, will be contested at the voting booth.

Endnotes

1. In addition to sovereign states, this includes independent territories and separate customs zones.
2. The legal battle is ongoing, and once again the tariffs have been overturned by the Supreme Court.

Hong Hao, The World Map, 2000.

Three Frontiers of Global China

Ching Kwan Lee

Prospects for South–South development without dependency

As the US appears to be rescinding from its position of global hegemon—stepping back from the multilateral institutions it helped to establish, waging ill-conceived military wars against its foes, and mutually destructive economic wars against its allies—the question of China's role on the world stage has come sharply into view. Domestically, China's economy continues to grow, and it is on the cusp of being promoted to the World Bank's class of high-income status countries. Having consolidated its position as the world's manufacturing superpower, it now boasts a trade surplus of $1 trillion. Its GDP comprises 20 percent of the world's total, and last year it accounted for almost 30 percent of global manufacturing value added. Internationally, it has emerged as a significant competitor to American power, and invocations of "the specter of China" have become the ubiquitous counterpart to increasingly vigorous handwringing about American decline.

Much of this Chinese prowess is thanks to Beijing's global infrastructure and economic development strategy, which also continues to grow. Officially launched in 2013, the Belt and Road Initiative has to date spent a cumulative US$1.4 trillion in 150 countries, dispensing loans and investment for physical infrastructure predominantly in Asia, Africa, and Latin America. Since 2022, Beijing has pursued a new phase of the initiative, targeting the export of green technology and ramping up renewable-energy development. In 2024, Chinese domestic investment in green manufacturing reached $340 billion. Over the last three years, Chinese foreign direct investment in clean technologies has also been rapidly climbing. The scale of these investments is colossal. Mathias Larsen notes that in inflation-adjusted dollars, they are significantly greater than the $200 billion Marshall Plan. Summarizing these investment flows, Tim Sahay writes that "Chinese firms have committed over $227 billion across 461 green manufacturing projects in fifty-four countries since 2011—with 88 percent of investment occurring just since 2022." This has been referred to by some as the Belt and Road Initiative, 2.0.

How are we to assess the phenomenon of China's rise on the world stage? For many analysts, the main index remains the reach and scale of Beijing's foreign investments. But China's global project is not simply a political-economic one, and its leadership in the green transition is only one strand of a multipronged development agenda that includes normative and epistemic shifts as well. Any account of Global China will need to take in the sweep of these shifts. In addition to this, it will need to assess the kinds of relationship that Beijing has developed with those countries where it is making its investments. Many in the Western press and in the North Atlantic's halls of government have prefered to cast China as a self-made monolith, exerting its will on the world stage, subjugating and subverting those countries receiving Chinese goods and capital. The role of the global South in China's rise, however, is far more complex.

Instead of leaping to easy judgment that either glorifies or demonizes China's relationship with the global South, this essay spotlights three major sites of contestation in need of sustained investigation: political-economic, normative, and epistemic. Only by looking closely at these dynamics can we begin to determine the nature of China's relationship with the South. Is Global China's rise a case of "decolonial development," with the aim of bringing about more just and equitable outcomes than those achieved under European influence? Alternatively, does Global China herald a new variety of colonialism, albeit one stemming from the South, and based on renewable energy rather than fossil fuels? Should we anticipate new chains of dependency for the global South or something more liberatory? The answers to these questions can only be gleaned from a closer look at the realities of the Global China–global South development nexus.

Geopolitics of the green transition

China has emerged as the biggest player and indisputable global leader in the renewable energy transition. Its own economy is increasingly driven by clean energy, making it the world's first significant "electrostate." It is also the dominant clean-tech producer and exporter to Africa, Asia, and Latin America, where elites are reimagining national development predicated on Chinese-made power grids, solar panels, electric batteries, and vehicles.

Most accounts of this trend emphasize China's own imperatives and ignore the strong developmental needs and wants of governments in the developing world. The latter are crafting their own vision statements about reindustrialization, green mobility, and securitizing national contents in renewable supply chains. Some Southern countries, such as Kenya and Bangladesh, which are already using Chinese clean tech imports, are light years ahead of the West in terms of the green energy transition. Collectively, the global South is ambitious in this regard, eager to not just play catch-up with the West, but to leapfrog to another energy regime. If they succeed, the existing global political-economic order, based on petrochemicals and fossil fuels, will likely be upended—a further boon to China.

What is now being described as the green transition is a historic opportunity for Southern countries to meet their own climate and environmental goals. It is, further, a foundation for them to provide affordable energy for industries long hampered by power deficits, whilst enabling mobility and consumption for citizens longing for a modern lifestyle. Reindustrialization, or downstreaming, is high on national development agendas. Decades of neoliberalism, the privatization of mines and land, and the atrophy of state capacity and functions have led to "primarization" in many countries, dashing hopes for value addition. Now, many governments are working to leverage their natural endowments in critical minerals, not so much to integrate their economies into the global value chains spun by Western multinational corporations, but to construct their own national supply chains. This entails development beyond the extraction and processing of minerals to include the manufacturing of parts, all the way up to completing "green" final goods. If the dynamic growth of the global commodity chains in the roaring 1990s was propelled by transnational capitalist firms and the reigning ideology of neoliberalism, today's supply-chain developmentalism has evolved out of this pattern into a distinctively state-led project, driven by geopolitics and resource nationalism. And instead of accommodating globally dispersed supply chains providing raw materials and semi-finished products to the

North Atlantic, many governments are increasingly aiming to locate higher value-added processes within their national borders.

This has meant more vertically integrated production as a corporate strategy in the US as well as in China, even before Covid-19. As the struggle for value unfolds, foreign capital is still much sought after, but some Southern states are reasserting their development mandate. This is the case in Indonesia, where President Joko Widodo banned the export of unprocessed nickel products in 2020. Similarly in Brazil, the Workers Party introduced the Nova Indústria Brasil in 2024, which includes a policy for the domestic industrialization of lithium. Elsewhere, Zambia's President Hakainde Hichilema, buoyed by the global dash for critical minerals, is anticipating a far stronger hand for African governments negotiating with investors. How Southern governments will continue to play this new advantage going forward will be decisive. If states are simply competing to offer concessionary policies such as tax holidays, free land, and permissive labor law, without getting foreign commitment to localize production and transfer technology, development outcomes of the green transition will amount to little.

In this, China occupies a contradictory position. In the past decade, I have met many officials in Zambia, Brazil, and Indonesia who greatly admire China's record—its extraordinary breakthroughs in economic growth, wealth creation, poverty reduction, governance capacity, and technological advancement. Adding to the allure, China is offering these countries turnkey solutions, from conception to funding to actual construction of infrastructure projects. This is the tantalizing ideology of "South–South" development partnership, as opposed to the condescending "donors-recipient" relationship built into Western development aid. But it shouldn't be forgotten that China has its own goal of vertical integration in renewable production, both within and outside its borders. As was the case in the first Belt and Road Initiative, exporting excess capacity and securing access to critical minerals, as well as local and regional markets, are key drivers. In this sense, there is a threat that China could turn out to be a predatory competitor for Southern countries aiming to secure their own national green supply chains. Will Southern countries be willing and able to enforce national content policies to compel Chinese investors to localize their operations? Or will the global South be more likely to follow the fate of the North Atlantic manufacturing economies in limiting their growth to assembling Chinese-made parts?

China's record for gaining technology in exchange for market access, especially in the auto industry, may provide an adaptable template. Researchers have found Chinese foreign investment with state backing to be quite responsive to local demands. My own research in Zambia also shows that Chinese state capital's encompassing definition of "profits"—which entails not just financial returns but also access to local minerals as well as political influence—makes its firms less footloose than foreign capital, and therefore more willing to negotiate with the host state. Will developing countries with large domestic markets and control over critical minerals be able to leverage this moment of supply chain geopolitics to rebalance their relation with China? This is not just a question of the bureaucratic capacity of countries receiving Chinese investment. The power and interest realignment of entrenched domestic classes will have a decisive impact on Southern states' engagements with China. In Indonesia, for instance, researchers report that "oligarchic interests, which are being enriched and empowered by the Chinese-dominated nickel boom and consequently have little interest in tightening ESG safeguards, have found allies in the wider state apparatus." The ways in which political-economic elites in other countries strategize their country's role in the green transition is still poorly understood.

In all of this, there is a need for greater understanding of labor's role, too. Should workers anticipate greater or less bargaining power in this new political economy of decarbonized reindustrialization? Reports from Indonesia's Morowali Industrial Park, a major hub of the country's nickel downstreaming project, with heavy Chinese investment, suggest an all too familiar story of labor degradation, fatal accidents, and unrest in both mining and processing. In Bahia, northeastern Brazil, the country's Ministry for Labor and Employment reported "conditions analogous to slavery" at the construction site of BYD's new EV plant, where the company was also asking manufacturing workers to sign letters of opposition against the Brazilian autoworkers' union. How this compares to workers' power at Ford, which has left Brazil altogether, remains to be seen—as does the possibility of labor struggle at BYD's plant in Indonesia, where construction is expected to be completed later this year.

In any case, politics at the point of production is shaped by the political apparatus of production. One thing is clear: in the wake of the global precarization of labor, Southern labor movements will likely need the backing of their own governments in order to achieve a more equitable balance of class power in the green transition. Many studies have pointed to the lack of labor-law enforcement by host countries as the main source of labor degradation. We should keep an eye on whether Southern states will be compelled by electoral pressure, in the form of resource nationalism, to stand with their own working-class citizens or not. Chinese talk of South–South solidarity and win-win development may well be proven to run only skin deep, if workers' leverage does not improve.

Rules, norms, standards

There is a less material but no less foundational area of development that is key for the growing bonds between China and the global South: the changing standards and norms of global governance. China first assumed its leadership role in North–South diplomacy at the 1955 Bandung Asian–African Conference, articulating an anti-imperialist and anti-hegemonic vision for a more just and egalitarian world order. The ascendance of China as a formidable economic powerhouse in the past three decades has finally lent it the weight in international institutions necessary to begin to change the rules of the game. From international monetary regulation and development finance, to the definition of human rights and standards of cybersecurity, China has acted in alliance with "like-minded" Southern countries to shift global norms, albeit unevenly and incompletely. In this, a paradox is hard to miss: for all its autocratic and repressive tendencies at home, China has been a team player abroad, championing what many would consider progressive changes in key areas of global governance. Let's look briefly at a few examples and their uncertain implications.

Since the 1980s, the PRC has led the push by middle-income and developing countries within the World Bank and the International Monetary Fund (IMF) for a more balanced international financial system. China has evolved from a "rule-taker" in the Bretton Woods institutions it participates in, to become a "rule-shaker" and, more recently, a new "rule-maker"—going so far as to create alternative institutions outside those led by the West. China's efforts to champion the long-standing demand of global South countries for more representation in the IMF have, according to Kevan Gallagher and Gregory Chin, been largely successful. Policy has changed in a number of ways: Southern members' voting rights have been expanded; the basket of currencies that can convert into Special Drawing Rights (SDRs) has been diversified; and repayment of loans can now be made in commodities, natural resources, or energy supplies from the borrower-country instead of cash.

Competition from China's own financial institutions has compelled the World Bank to shorten the duration of its project approvals and move more of its investment back into infrastructure. Outside of the Bretton Woods institutions, China has created, or co-created, parallel multilateral development banks. The Asian Infrastructure Investment Bank and the New Development Bank are two institutions where environmental, social, and governance standards are country-specific, rather than externally imposed. Departing from the hierarchical model of Bretton Woods, BRICS nations have agreed to grant each founding member equal voting power in the New Development Bank. Importantly, they sideline the US dollar as accounting currency. In terms of lending strategy, China-led multinational development banks are promoting a shift away from a poverty-reduction agenda and toward a "growth-based" model of international development.

In cyber governance, China has also begun to set international norms. Proactively seeking to push back at a governance model heavily dominated by

Western interests, in this domain, too, it has largely been met with enthusiasm among global South governments, wary of data-colonialism as a new form of extractivism. A cluster of norms define China's position. First, "cyber sovereignty," as an extension of territorial sovereignty, argues for the right of all sovereign states to decide their own paths of cyber development, as well as their own models for cyber regulation and public policies for an internet without foreign interference. Second, China prefers a state-led, UN-focused multilateral approach to governing cyberspace. This comes in contrast to the cross-border, industry- and civil society-led, multi-stakeholder approach that is promoted by many Western states, which Beijing views as a threat to cyber sovereignty. A third normative position is to emphasize the balance between national security and the development of a competitive digital economy and data market. This is a push back against US-led securitization and the politicization of China's cyber governance in the Western context. In practice, China has increased strategic staffing at established international standard bodies such as the International Telecommunications Union, the International Standardization Organization, and the International Electrotechnical Commission. At the same time, since 2014, it has been hosting its own multilateral platform called the World Internet Conference in Wuzhen, in a bid to articulate and diffuse its preferred norms among BRICS and other developing countries. Government funding has allowed Chinese companies to draft strong standards proposals to many standards-developing organizations, such as the UN International Telecommunication Union. The Chinese-led Digital Silk Road project, which now involves eighty countries, allows Beijing to promote its cyber norms and preferred technical standards (for example, the IPv6 next generation protocol for internet services).

Within the United Nations, China is attempting to reform the logic, substance, and power dynamics of multilateralism. In contrast to most Western states, China approaches the UN as an intergovernmental rather than quasi-federalist platform for world governance, preferring reduced autonomy for the UN bureaucracy and marginalization of nongovernmental organizations. China and its like-minded allies have increasingly led the criticism against the UN conception of a liberal global order based on the pillars of security, human rights, and development. Instead, China has pushed for the protection of state primacy—nation states taking the primary responsibility to protect their citizens—rather than relying on the UN to fulfil that role, as with the 2005 World Summit's "Responsibility to Protect" (R2P) norm that China perceives as a justification for Western interventionism. In 2023, China signed a letter with the "Group of Friends in Defense of the Charter of the United Nations" that described R2P as "controversial and divisive." In the realm of human rights, China has successfully engineered, again with the support of a "Like-Minded Group" of about fifty, mostly global South countries, the passage of a resolution endorsing the position that human-rights standards should be pluralistic and relative. Specifically, the new definition now includes the collective right to economic development, not just an individual's political, social, and civil rights, as emphasized by the West.

In the overall power dynamic of the UN, global South member states actively seek to participate in China-sponsored UN schemes and generally support China's expanding engagement (or are unwilling to voice their criticism). Key among these China-sponsored schemes at the UN is the Global Development Initiative, the first of Xi Jinping's "Three Major Initiatives" announced in 2021. Under it, eighty UN member states have joined the "Group of Friends of the GDI," which seeks to use UN funds for development projects in the global South.

As Washington's disengagement from the multilateralist system sets in, and as developing country engagement grows, a revamped UN with Beijing as leader would mean a major change. Outside of the UN, the other two of Xi's three initiatives indicate the possible direction of this change. Announced in 2022, the Global Security Initiative entails expanding the global outreach of China's internal security agencies to Southern partners and establishing a bilateral and multilateral architecture for police and law enforcement training and cooperation. It is a concerted diplomatic push in nonmilitary security, propagating China's preferences for "an alternative to the Western-led security order," in part by avoiding competing with it. The third and newest initiative, the Global Civilization Initiative, was announced in 2023 and so far entails such soft-power programs as youth-exchange and increased visas.

In short, China is on its way to becoming a revisionist power in the world order. It is promoting sovereignty (as opposed to US hegemony), state primacy (rather than stakeholder-multilateralism), growth-led development (rather than poverty reduction and empowerment), Southern alternatives (as opposed to Western norms), and pluralism (as distinct from universalism). Amid all this, there is a question as to whether the "alternatives" offered by China will actually produce better outcomes for those involved. As the Global Security Initiative shows, this is not a matter of simple yes or no answers. Many would doubt that this Chinese security model is an improvement on the US-led status quo.

Epistemic struggle

In addition to these political-economic and normative agendas, we can glean an emerging regime of knowledge production, sponsored by China but with active input by scholars in the global South. The large number of area studies institutions, research centers, international networks, and conferences—both within and outside of China—are producing new narratives of global development, purportedly from a decolonial perspective rooted in a South–South alliance. Together, these represent an implicit challenge to the West's coloniality and the existing epistemic hierarchy privileging Western knowledge.

China's "world writing" project has, since its founding in 2011, prompted the establishment of 450 area and regional studies programs in nearly 200 universities, deploying 20,000 faculties with the aim of developing and teaching the Chinese understanding of the world. Coinciding with major diplomatic events, such as the Forum for China–Africa Cooperation and the UN Sustainable Development Goals Summit, Beijing launched research institutes devoted to international studies. Specific disciplines, including geography, international relations, and development studies, are at the forefront of centering Chinese knowledge production on the world stage. Historically, development studies had been a feature of Western institutions during the period of Cold War decolonization. The West invented the subject, the technique, and the practices of "development" and the "developing world." Now, Chinese scholars are seeing the Belt and Road Initiative as China's moment to create its own knowledge and narrative of development. Flagship institutions in this new era include: the Institute of South–South Cooperation and Development at Peking University's National School of Development (founded by Justin Yifu Lin, a former World Bank chief economist) and the Center for International Knowledge on Development based at the Development Research Center of the China State Council. Below these national-level institutions are those of the second and third tiers, affiliated with ministries, universities, and policy specialization. Most of these top-down, policy-driven institutions were established in the past decade or so. One researcher has described their goal as "translating Chinese experience into concrete knowledge products and contributing Chinese wisdom and Chinese solutions to global development challenges."

Knowledge transmission to the developing world takes several forms. First, much like the World Bank and the North Atlantic great powers, which use seminars and workshops to disseminate their vision, China provides its own training programs to encourage adaptation to Chinese practices. Between 1981 and 2009, according to one investigative report, Beijing hosted 120,000 trainees from the global South, with 4,000 programs across twenty areas. Between 2013 and 2018, this dramatically expanded to more than 200,000 trainees in around 7,000 programs. Lasting as long as sixty days, and often including all expenses paid trips to China, the programs have covered a wide spectrum of Chinese governance practices: waste and drinking water systems, port management, international application of BeiDou (the Chinese global navigation satellite system), blockchain and information security technologies, the role of think tanks for implementing the Belt and Road Initiative, national policy on ethnic minorities, new-media affairs, population management, university management, welfare, and smart cities. Whatever the topic, the CCP's ideology and authoritarian governance are emphasized as contributing to its effectiveness.

Knowledge production has other means as well. China co-sponsors large-scale annual or biannual international scholarly conferences, alongside academic institutions from Central Asia, India, or Latin America. There are now several book series, published in English academic-trade presses, that explicitly emphasize perspectives of China, South-South cooperation, the Belt and Road Initiative, and even "Xi Jinping Thought." For instance, the Academic Network of Latin America and the Caribbean on China (Red ALC-China) and Remin University are jointly offering a 10-hour online course on the "Global Implications of Socialism with Chinese Characteristics in the New Era," with the explicit goal of deepening understanding of Xi Jinping's thought.

Few are in a position to assess the theoretical novelty and validity of this new body of knowledge. This hasn't stopped some from prematurely celebrating the Chinese contribution. Closely aligned with official ideology, but published in respectable academic outlets in English, some researchers maintain that the Belt and Road Initiative is an instance of "inclusive globalization." China's "harmony diplomacy" is described as the crux of a Chinese theory of international relations in which the traditional Chinese political concept of *tianxia* (all under heavens) points toward "the decolonized, post-racial world envisioned by decolonial thinkers of the global South." The questions we should ask of these propositions are the same we should ask of all scientific research: are the claims based on valid conceptualization, empirical evidence, and rigorous methodologies?

Decolonial hegemony: reality or ideology?

These three key elements of China's power project—material, normative, and epistemic—map nicely onto Gramsci's concept of hegemony: domination based on the concession of material interests, as well as moral and intellectual leadership. That China is developing these three elements of its project, not over the heads of, but with the participation of, global South countries, may well speak to the strength of this hegemony. Nonetheless, there is much work to be done in order to assess the character of Global China today. As a representative of the global South, Beijing would like to characterize its project as a decolonial one, but whether or not that is so remains an open question. Hailing from the South is, of course, no guarantee against new forms of coloniality, as the examples of India in Kashmir, Russia in Ukraine, and China in Xinjiang and Hong Kong make clear. Adopting the language of decoloniality, appealing to one's former victimhood at the hands of Western imperialism, or making claims of indigeneity and alternative epistemology does not preclude new forms of dependency. Indeed, the identity of Southernness might even act as a convenient cover for a new model of coloniality.

When assessing the character of Global China today, it is essential to look not just at the flow of investments, nor the claims of politicians, pundits, and elites. Since its inception two decades ago, the field of Global China Studies, where I have since the beginning been a participant-observer, has shown a conspicuous lack of scholarly attention directed toward documenting and assessing the development outcomes for those peoples and communities around the world affected by China's rise, even since the launch of the Belt and Road Initiative in 2013. This absence perhaps speaks to Beijing's discursive power, which manages to impart a "state primacy" perspective, which is the same principle it champions in its developmental cooperation practices and global institutions of governance.

Development outcomes need to be measured not just in terms of GDP or the agendas of state elites, but in terms of how those living through the changes assess their benefits and constraints. Only then can we start deciphering what kind of hegemon the new Global China has become—that is, whether it is capable of mitigating the various inequalities that persist, both within global South countries and between the global South and North, or whether China's emerging renewable-energy hegemony will reinscribe the all-too familiar dynamics of dependency.

Endnotes

1. The US government also emphasized “reindustrialization,” “reshoring,” and “resecuring” access to critical minerals in its 2025 National Security Strategy, but without transitioning to a decarbonized economy

The State and Its Workers

Yueran Zhang

China's class politics after 1989

In April 1989, a series of explosive pro-democracy movements erupted across China. These movements and their political fate remain poorly understood today. While conventional accounts tend to depict liberal intellectuals and elite college students as the main protagonists, millions of workers and working-class urban residents also participated in the movement, especially in its final weeks. Although many joined initially out of sympathy for students on hunger strike, they soon began to articulate their own distinct visions of democracy, demanding the replacement of the bureaucratic system of enterprise management with workers' participation and self-representation. They established independent and democratically run workplace organizations which began to publish pamphlets denouncing the "Stalinist dictatorial bureaucracy" for causing inflation to spiral. The only remedy was to place control over consumer goods in the hands of their producers. Their rhetoric blended the discourse of the Cultural Revolution with invocations of various other historical uprisings. One handbill called on the masses to "storm the Bastilles of the twentieth century."

Between mid-May and early June, these working-class actors were on the frontlines of the unrest. As martial law was declared and military regiments marched towards Beijing, masses of ordinary people flocked to the outskirts of the city and tried to obstruct them. They erected barricades and formed human chains, they brought water and food to soldiers, imploring them to lay down their arms. They formed armed quasi-militias to monitor the whereabouts of the military and maintain critical public services. Factory workers organized shopfloor committees, strikes, and slowdowns, while rumors of a general strike abounded. Beijing almost became a self-governing territory, not all that dissimilar to Petrograd's self-organized and self-armed soviets in the months between the February and October Revolutions of 1917. When the Chinese Communist Party (CCP) launched a final crackdown on the night of June 3, 1989 to liquidate these committees, workers fought back with stones. They lit tires, Molotov cocktails, and their own bodies. Hundreds sacrificed their lives.

Reclaiming the working-class character of the 1989 movements casts recent Chinese history in a new light and reshapes our understanding of the country's current conjuncture. The moment marked a fundamental rupture between two modes of industrial class politics in post-Mao China, particularly in terms of the relationship between the Party-state and the industrial working class. Previously, the Party-state's nominal political commitment to upholding workers' "masterly" social status, along with the institutional framework of socialist public property, made the working class a political-economic force to be reckoned with, capable of contesting the meaning of "socialism" in ways big and small. After 1989, however, the Party-state changed course, dismantling both these pillars of the old order. This gave rise to a new iteration of the industrial working class which evoked the classic image of the proletariat, toiling in capital's satanic mills under the whip of the labor market and the despotism of private interests. How did this transition take place? And how might the process of class recomposition in contemporary China affect the long-term outlook of this great power?

Before 1989

After the death of Mao Zedong in 1976, China's high politics entered a period of leadership struggle eventually resulting in Deng Xiaoping's ascent. In their quest to consolidate popular support, the post-Mao Party leadership recognized the importance of securing mass consent from industrial workers, who were said to constitute the "ruling class" in socialist society. Two significant wage increases were implemented between 1977 and 1979. The planning apparatus deemphasized industrial capital accumulation, encouraging factories to budget more spending for workers' consumption and livelihood needs. For a moment, the Party leadership appeared as open-minded reformers endorsing a critical rethinking of Chinese socialism, which in turn inspired everyday workers to broaden their horizons. These workers criticized the Party-state in ways previously unthinkable and imagined alternative socialist futures.

Interest in the Yugoslavian model of heterodox socialism began to trickle down from intellectual and policymaking circles to rank-and-file workers. While the first group looked to Yugoslavia for lessons on how to build market socialism, the second was more enthused by what they saw as a radical experiment in workplace democracy. In early 1981, workers at the Wuhan Boiler Factory argued that a worker-elected management committee should be the firm's highest decision-making body rather than the Party branch. Such forces were emboldened by the strike wave and independent union activity then sweeping across Poland in 1980. Within weeks, grassroots Chinese workers were heard citing the "Polish incident" and contemplating the possibility of staging their own equivalent. Between late 1980 and mid-1981, strikes centering the demand for independent unions broke out in major industrial cities including Shanghai, Wuhan, Shenyang, Anshan, Harbin, Beijing, Chengdu, and Taiyuan.

The Party leadership scrambled to come up with a response. Unwilling to tolerate workers' attempts to carve out political independence, yet unable to break the socialist link between the state and the working class, leadership eventually devised a concessionary strategy. They gave public enterprises expanded autonomy to manage their own financial affairs and strengthened shopfloor institutions of workplace democracy, though they were still restricted by the parameters set by Party branches. The next few years thus became known as the "golden era" of the Staff and Workers' Congress (SWC), when many workers leveraged these shopfloor institutions within their enterprises to collectively manage the issues that mattered the most to their material livelihoods: distribution of housing, allocation of job opportunities for workers' children, wages and bonuses, and improvement of welfare amenities such as canteens, nurseries, and clinics.

Practices of workplace democracy under the political opening afforded by the early post-Mao era had a profound material impact. During a quarterly SWC meeting at the Shanghai 12th Cotton Mill, for example, worker representatives raised an issue that was not on the pre-approved meeting agenda: the overcrowded and badly ventilated bathhouse for women workers.

The bathhouse had been so cramped that five or six workers had to squeeze themselves under one shower during peak hours. Some workers passed out in the space. The factory leadership had known about the inadequate bathhouse for years, but they avoided improvements, prioritizing productivity over working conditions. This time, however, the SWC passed a resolution to expand and repair the women's bathhouse, calling the managerial staff onto the stage to clarify their positions. Sure enough, the Shanghai 12th Cotton Mill eventually renovated the building.

Yet the golden era did not last long. Such practices increasingly irritated policymakers, who believed that they distracted public enterprises from addressing the more pressing issue of boosting productivity and thus contributed to the state's persistent fiscal crisis. The worsening economic chaos in Yugoslavia made Chinese politicians mindful of the "dark side" of workers' democracy. This culminated in a policy reversal in mid-1984 sidelining democratic institutions within factories and concentrating managerial powers in the hands of factory directors. The Party leadership still walked a tightrope. Even as they reneged on workplace democratization, they could not allow themselves to be seen to be betraying the principle that workers were the ultimate rulers of the socialist society. While the urge to discipline workers was evident in the content of the policy turn, it had to be concealed in its form, giving workers further opportunities to engage in diverse, subtle, and often surprising forms of shopfloor activism.

This led to a contradictory situation. In some places, state authorities encouraged factories to hold workers' elections for enterprise directors before imposing reforms to concentrate managerial power. The ballots, highly symbolic but largely controlled from above, were meant to demonstrate that the impending concentration of authority enjoyed popular support. Yet in many cases workers derailed the electoral processes or used them to advance their demands. Some workers who nominated themselves to stand in the elections had been disqualified by the state, yet they continued with "illicit" campaigns, making public speeches and leafleting their colleagues, often forcing the authorities to address their grievances. Other workers disobeyed the top-down instruction to vote for the state's favored candidates, or agitated to recall their factory directors a few months after the elections. They insisted that because workers had elected them, they should also have the power to recall them.

These moments of contention during the second half of the 1980s failed to reverse a general trend of increasing managerial despotism and power concentration across China's urban public enterprises. Factory directors were more inclined to impose unilateral decisions without seeking workers' input. Some nullified resolutions passed by the SWC while others adopted punitive managerial styles, imposing fines on workers for falling short of production targets or even for taking bathroom breaks. Union cadre complained that many factory directors had developed "a habit of autocracy."

Naturally, the experience of exercising relatively robust workplace democracy for a few years and then suddenly losing this power was painful for many workers. This intensified shopfloor tensions. In addition to sporadic strikes, discontent with management produced various forms of creative everyday resistance. Workers shirked their obligations, wasted time, gossiped, piled up furniture at the factory director's door, or even staged dirty protests on the workshop floor. In the late 1980s it became more common for workers to physically beat their factory directors, many of whom found it necessary to hire bodyguards. It was difficult to tame this unruly behavior, both because firing workers was still very difficult under the socialist property regime and as a result of the deep ideological investment in workers' "masterly" status.

By 1989, then, China's industrial politics had become immensely problematic. Shopfloor tensions were at boiling point, as workers expectations, conditioned by decades of socialist struggle, failed to align with the new balance of power in the factories, which had tipped in favor of the directors. This configuration created particularly fertile conditions for large-scale political activism among parts of the working class. Over those fateful weeks in May and June, workers' discontent with their everyday conditions escalated into a fundamental critique of the Party-state bureaucracy that had centralized managerial control within enterprises—a critique culminating in a vision that could arguably be called "socialist democracy." In the face of this, the post-Mao Party leadership's ability to maintain popular consent broke down once and for all.

The end of the socialist worker

After 1989, the political elite entered a period of soul-searching to figure out how to reform China's political economy in the wake of the crisis that had fundamentally shaken the Party-state. This necessarily raised the question of how to restructure China's industrial class politics. Some politicians—retrospectively labeled "conservatives"—proposed the rollback of grassroots economic autonomy. In its place, they sought to extend bureaucratic chains of command in economic management at all levels and deploy the Party-state's repressive apparatus to punish "petty economic crimes," a term so broad and vague that it could be applied to virtually anything. Such measures would have built a regime of terror not dissimilar to the militarized system of political and industrial management erected in 1969–71 to rein in the volcanic rebel mobilizations of the early Cultural Revolution. Fortunately for China's ruling elite, a solution far less laborious and politically costly was made possible by the changing tides of the global economy: the dismantling of the socialist property regime and the turn to full-blown capitalism.

The rise of capitalistic property relations accelerated after 1992, when Deng Xiaoping made a highly symbolic and well-publicized tour of Southeast China's special economic zones in support of foreign and private capital. The Party-state repealed the policies hitherto restricting the scale of foreign investment and the size of privately owned companies. Attracted by low-cost labor and natural resources, foreign capital flocked to China to set up manufacturing operations, while large-scale domestic firms grew rapidly. As a result, new industrial hubs mushroomed across coastal China, attracting millions of migrant workers seeking employment from the country's rural hinterlands. Unlike many urban workers in the 1980s who enjoyed relatively robust job security and could plausibly see themselves as claims-making stakeholders in their workplace communities, migrant laborers were hired hands, employed on the basis of a wage-labor relationship, subject to a labor market made despotic through unilateral managerial control, most often without any guarantee of decent working and living conditions or even timely payments.

Those employed in public enterprises also experienced dramatic changes in the 1990s and 2000s. The Party-state launched one of the most momentous privatization drives in history, with most enterprises sold to their previous managers or to outside investors, often through opaque financing and valuation practices underwritten by North Atlantic investment banks. Firms that remained partially government owned were typically restructured into publicly listed firms subject to shareholder-value expectations imposed by the capital market. These reforms created massive waves of lay-offs. Millions of workers lost their jobs, welfare entitlements, and sense of communal belonging. Those that remained in employment were often much more precarious because of new dispatching and sub-contracting arrangements. Some laid-off workers joined migrant workers in coastal China's new industrial sweatshops; others struggled to get by in the collapsing economies of their hometowns, becoming domestic day laborers, street vendors, sex workers, scavengers, and beggars. Though the Party-state managed to push through this program in large part without relying on physical force after the events of summer 1989, these shifts nevertheless produced immense social suffering which the repressive apparatuses would now have to contain.

According to the official statistics, the proportion of the urban workforce employed in public enterprises dropped from 82 percent in 1991 to 27 percent in 2005. While it is hard to tell precisely locate these figures, there is no denying the thorough transformation of China's industrial working class, in terms of both social composition and political character. Even though Chinese workers never actually achieved "masterly" status in the 1980s, the Party-state's official commitment to this status enabled workers to imagine new political possibilities and fight for their realization. By contrast, since the 1990s, official discourse and public policy have treated workers as little more than those who sell their labor for a wage, a framework codified by the 1995 Labor Law. Under this arrangement, capital was able to keep the cost of labor low, solidifying China's status as the "sweatshop of the world" for more than two decades (although the flight of manufacturing capital from China has accelerated since the late 2010s). The human cost of this labor regime has been seen in such tragedies as the fire at the Zhili Toy Factory in 1993, which claimed eighty-seven lives, and string of suicides committed by workers at the Foxconn plant in Shenzhen over the course of four months in 2010.

Workers have continued to resist this capitalistic configuration of industrial class politics. Existing research has meticulously documented the dynamics of labor strikes and protests among both workers facing lay-offs in public enterprises undergoing privatization and those demanding pay and benefits in coastal China's private sweatshops. Yet the political horizon that informs the visions and strategies of labor resistance has been radically altered. It has become much more difficult for workers to translate their concrete grievances into a systematic critique of their workplaces and wider society. Without an institutional framework that grants workers security and defines workers and managers as more or less nominally equal members of workplace communities, labor resistance has become sporadic, fragmented, and illegal. Shopfloor contests testing the everyday balance of power between workers and managers is more muted. The working class no longer poses the kind of political-economic threat to the ruling elite that it did in the 1980s.

China's "market reform" reconsidered

In existing scholarship and popular accounts, both inside China and further afield, the concept of "market reform" has been deployed to characterize China's trajectory in the post-Mao era. The story of China's economic transition was narrated as a move from a system in which economic activities were conducted under state planning and top-down command, to one in which economic actors gained increasing latitude to compete through market mechanisms. This was a move from a "planned economy" to a "market economy." In this paradigm, the salient trend is the creation of more spheres of market activity outside state control, and hence the typical objects of analysis are grassroots merchants and entrepreneurs, foreign capitalists and experts, economic technocrats, and so on.

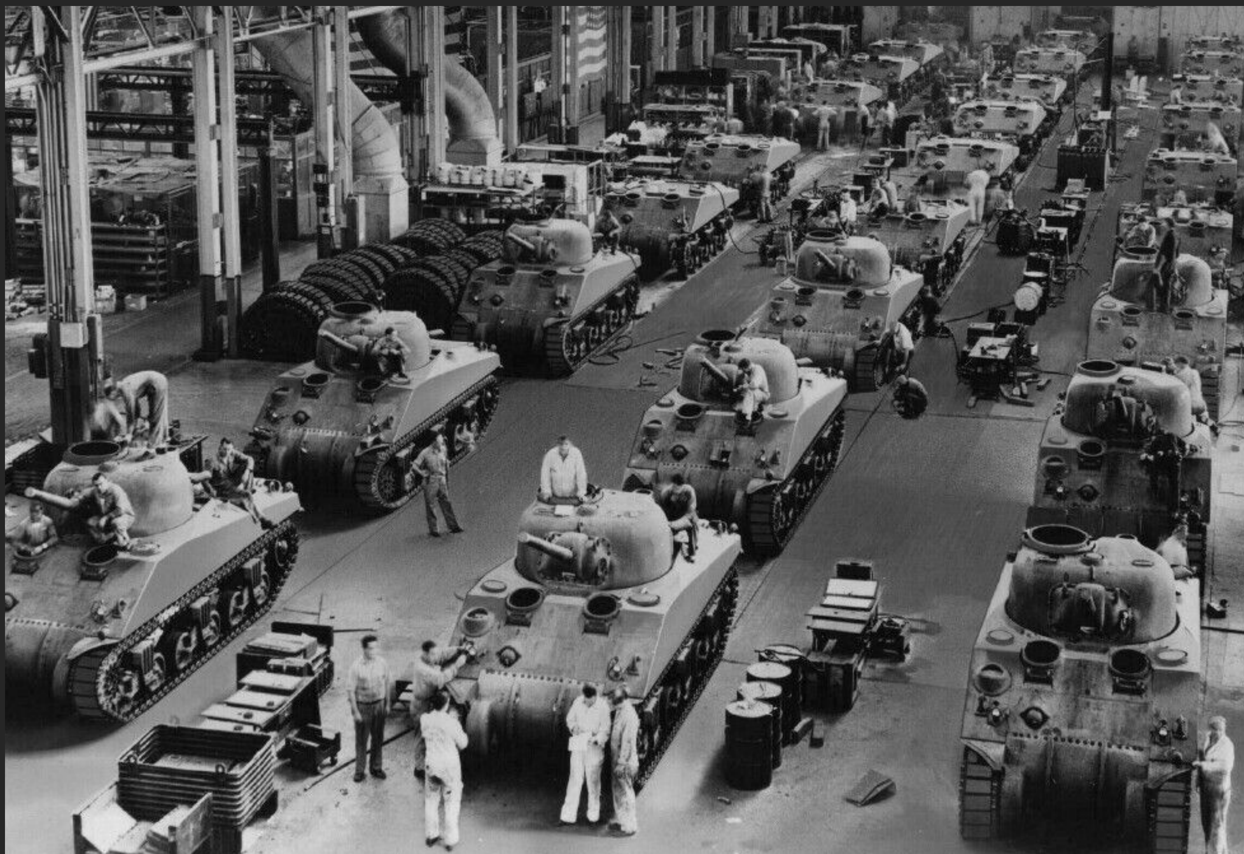
Yet this elevation of "market reform" as the master concept flattens out two very different kinds of industrial class politics that emerged after Mao's rule: the unruly politics of the pre-1989 period, and the more restrictive settlement that emerged in its wake. While various policy measures since Mao's death could all be described as market reforms, they have operated under vastly different parameters of class politics and property relations. As far as property is concerned, the decisive transformation was not simply the expansion of the market sphere, but rather the severing of ties between industrial producers and the means of production to which they had hitherto been able to lay some political claim. Recognizing the discontinuous transition between these two modes of industrial class politics demonstrates that the story of China's post-Mao reform and economic ascent was disorderly and tumultuous, not linear or teleological.

The implications of this are far-reaching. Over the past decade, the Chinese economy has entered a slowdown, as its export-led growth engine has lost momentum due to trade wars and competition from the increased productive capacity of other countries in the global South where labor is even cheaper. Many analysts in both Chinese and anglophone discussions have argued that China's growth strategy should now focus on increasing domestic consumption. The Chinese government's commitment to boosting domestic consumption, however, is largely discursive, consisting of cosmetic policy measures such as handing out discount coupons and gift cards. But China's domestic demand remains weak. The historical process outlined above helps us make sense of this predicament. The radical decline of Chinese workers' power since the 1990s explains the absence of a political force that could have counteracted the interests of the state-capitalist elite and pushed the government to enact robust and enduring mechanisms of economic redistribution. Instead, we have a highly repressive labor regime that reinforces a dynamic of weak consumption.

The slowdown has led numerous companies to ratchet up labor intensity and squeeze costs even further to maintain profit margins. Increasingly unbearable levels of exploitation, precarity, and downward mobility have become pervasive in blue-collar and white-collar sectors alike. This has led to a notable surge of anti-capitalist sentiment in recent years, along with nostalgia for China's socialist past, especially among students and young workers who never experienced it themselves. Yet Chinese workers still lack institutional channels to act on their grievances collectively, as the space for labor organizing continues to shrink under Xi Jinping's reign. This contradiction between the buildup of class antagonisms and the absence of a means to express them could prove difficult to contain. These are the legacies of the transformation of China's industrial class politics at the turn of the 1990s.

Endnotes

1. A series of dock-worker strikes following the establishment of Solidarity in August 1980, culminating in a four-hour national "warning" strike in March 1981 following the forcible removal of Solidarity delegates from the Polish national council.



The Chrysler tank plant in Michigan, 1942.

Arms Markets

Anna Stavrianakis

A look at the world's largest military industries

In 1934, a US Senate Committee chaired by the Republican Gerald Nye began eighteen months of hearings on the domestic arms industry, investigating the enormous profits it had generated from World War I, amid speculation that the "merchants of death" might soon drag America into another major conflict. The inquiry channelled a popular contemporary discourse which claimed that wealthy industrialists—executives at firms like DuPont, J. P. Morgan, and Pratt & Whitney—were wilfully stoking inter-state antagonism to drive up their margins. "The arms maker has risen and grown powerful," noted a prominent study at the time, "until today he is one of the most dangerous factors in world affairs—a hindrance to peace, a promoter of war." Even the *Wall Street Journal*, in its defense of the Nye committee, felt able to denounce the "vicious system which both admits and tempts men to the commercial development of bad blood among neighboring peoples."

The notion that private interests are creating global volatility has never left circulation, but has newfound relevance as worldwide military spending reached a historic high of $2.9 trillion last year, to the benefit of weaponsmakers from Israel's Elbit and the American "Big Five" (Boeing, Northrop, Lockheed, Northrop, and RTX), to Germany's Rheinmetall and the UK's BAE Systems.

Peace activists are correct to point out that the death merchants have been thriving in the 2020s, and that their interests lie in prolonging the destruction in Gaza, Iran, Ukraine, Sudan, and elsewhere—with teams of lobbyists striving to keep policymakers on a constant war-footing. But while the phrase "military industrial complex" was coined to warn that these profiteers could effectively capture the state, and that the primary problem is therefore the privatization of the defense sector, this framework risks neglecting the imbrication of public and private power in the global arms industry today. It is not private actors qua private actors who are responsible for the growth of the armaments industry. Ultimately, military markets are shaped by states: as clients and as owners. Mapping the world's largest military-industrial complexes, their relationships to one another, and their overlapping structures of corporate ownership suggests that their expansion is, in the final estimation, subtended by the violent functions of statecraft itself.

This exercise also sheds light on how hard power is distributed on a global scale. The US is far and away the world's largest military spender, military producer, and arms exporter, accounting for more than a third of global military expenditure and 42 percent of all exports, surpassing $1 trillion in 2024. Yet the global military economy is also populated by other actors who can influence the number and variety of weapons that are produced, bought, sold, and used on the battlefield. China is the world's second largest military spender. Though it trails far behind the US ($335 billion), China's military spending has increased every year for three decades, such that it now makes up approximately 12 percent of the world's total. Third is Russia, which, since its invasion of Ukraine, has transformed into a war economy, more than doubling its military expenditure from $69 billion in 2016 to $190 billion in 2025, or 6.3 percent of GDP in 2025—a new high since the end of the Cold War.

Regional powers are also militarizing, with Iran proving itself a formidable armed opponent to Israel and the US, while India and Saudi Arabia are staking out their positions as the world's largest arms importers. These states form part of a wider cohort, including the United Arab Emirates (UAE) and Turkey, which is now seeking military self-sufficiency through industrial and technological development geared towards domestic arms production. Each of them uses their military apparatuses against subordinated populations—the Kashmiris, the Yemenis, the Kurds—while others have developed arms-import networks beyond the reach of American empire.

Tracing the production and transfer of arms across the globe illuminates structural linkages between the wars ravaging disparate places. Israel and the US are collaborating on the campaign against the people of Gaza, Iran, and Lebanon, who are themselves using arms supplied by other Western states; Iran is trying to defend itself by drawing support from the Houthis, Hezbollah, and Hamas; Russia is attacking Ukraine and sending weapons to Iran in exchange for drone technology; Ukraine has developed fast and cheap counter measures against Russia and is dispatching them to Gulf states; the UAE, a key participant in the war in Yemen, is also supporting the Rapid Support Forces in Sudan, and so on. These connections make it difficult to isolate a single actor to hold accountable. For a more complete picture of these interlocking conflicts, we can assess each of the biggest arms titans in turn.

The United States and the North Atlantic

Just as the American state spends by far the most globally on its military, so do its companies dominate the industrial landscape. Thirty-nine of the top one hundred arms companies are headquartered in the US, and they account for 49 percent of the revenue of that group. The world's largest arms companies are publicly traded corporations. They market securities to public and institutional investors through an initial public offering (IPO), usually traded on a stock exchange, and have public disclosure obligations. Most of their stocks or shares are owned by institutional investors. Asset-management firms own 74 percent of Lockheed Martin, and its biggest investor—owning 34.5 million shares—is the US-based multinational financial services company State Street Corp. The biggest individual shareholders were company insiders such as the CEO James Taiclet, former Chief Financial Officer Jesus Malave, and business segment president Stephanie C. Hill. As of May 2025, Taiclet on his own held 68,070 shares.

The ostensible separation between the private arms industry and the public sector benefits both parties. When arms companies are questioned about why and how their weapons are used in human rights violations, they cite government laws around arms exports. When governments are asked for details about company products and operations, they cast it off as commercially confidential information they are not at liberty to disclose. Privatization enables private and public actors to deflect scrutiny and accountability.

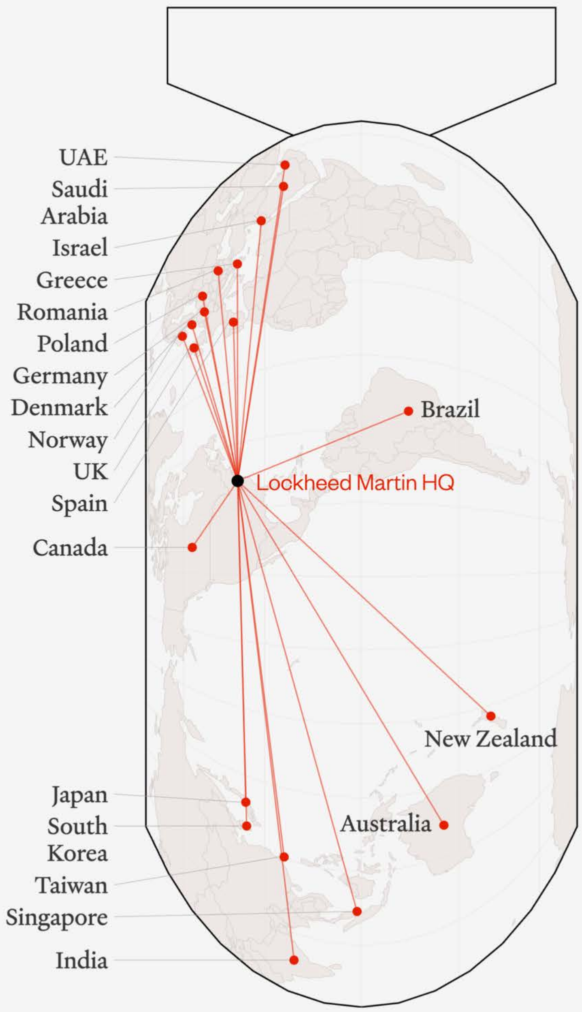
The non-state ownership of the arms industry, however, belies its dependence on the state. Most sales from American companies are to the US government—nearly three quarters of Lockheed Martin's $75 billion 2025 sales were domestic—with the remaining quarter primarily sold to Saudi Arabia and Ukraine. The company ended 2025 with a record backlog of orders of nearly $194 billion. Arms firms have a tap on state resources through government defense budgets. In the US, almost half of the federal discretionary budget is allocated to the Department of Defense—now War—and over half of that department's spending is channelled to military contractors. For the 2021 financial year, 30 percent of Department of Defense contract dollars was distributed across the top five contractors: Lockheed Martin, Boeing, Raytheon, General Dynamics, and Northrop Grumman.

Arms companies are, to varying extents, internationalized, with companies headquartered in one country while holding foreign entities abroad that manufacture weapons (or parts of weapons) and provide services. US firms have a presence in Israel, Japan, South Korea, and Taiwan, and beyond. UK-headquartered BAE Systems's subsidiary, BAE Systems, Inc., is American, and the conglomerate as a whole sells as much, if not more, to the US Department of Defense than to the UK Ministry of Defense. This internationalization is a product of the post-Cold War period, when mergers and acquisitions, joint ventures, sub-contracting and technology-transfer agreements facilitated the consolidation of a transatlantic industry amid the (temporary) decrease in government military budgets after the fall of the USSR.

European countries have close relationships to US arms companies, though this takes a variety of forms. The UK has encouraged the privatization and internationalization of its military industry while state ownership is more common in continental Europe: Thales (the fifteenth largest arms firm globally in 2024, with $11.8 billion in revenues) is one-quarter owned by the French state. Leonardo (thirteenth, with $13.8 billion) is 30 percent owned by the Italian state, and Navantia (in lowly eighty-eighth place, with $1.3 billion in revenues) is fully owned by the Spanish state.

Lockheed Martin's global impact

The world's largest arms company has partnerships across 20 countries — from NATO allies to Gulf clients to India, a primarily Russian-armed power.



- **Lockheed Martin is the largest arms company in the world.** One third of its overseas entities are in the Middle East, in both Israel and Saudi Arabia.
- Lockheed's CEO said in February 2026 that Israel's F-35 combat data from Gaza, Iran, Lebanon and Yemen is **"worth many billions to my company."**
- **74%** of Lockheed Martin is owned by institutional investors. State Street Corp is the largest shareholder (34.5m shares).
- **30%** of all US Department of Defense contract dollars (FY2021) went to the Big Five: Lockheed Martin, Boeing, Raytheon, General Dynamics and Northrop Grumman.

Phenomenal World

Source: Lockheed Martin
Graphic: Yusuf Imaad Khan

While defense procurement, military spending, and arms-export policy remain national issues, the supra-national European Union (EU), too, plays a role. It has helped drive militarization by way of the European Defense Fund, which was established in 2021, as well as the European Defense Industrial Strategy and European Defense Industry Programme, adopted in 2024. The EU has also used the European Peace Facility to finance weapons to Ukraine by reimbursing EU member states for deliveries of arms.

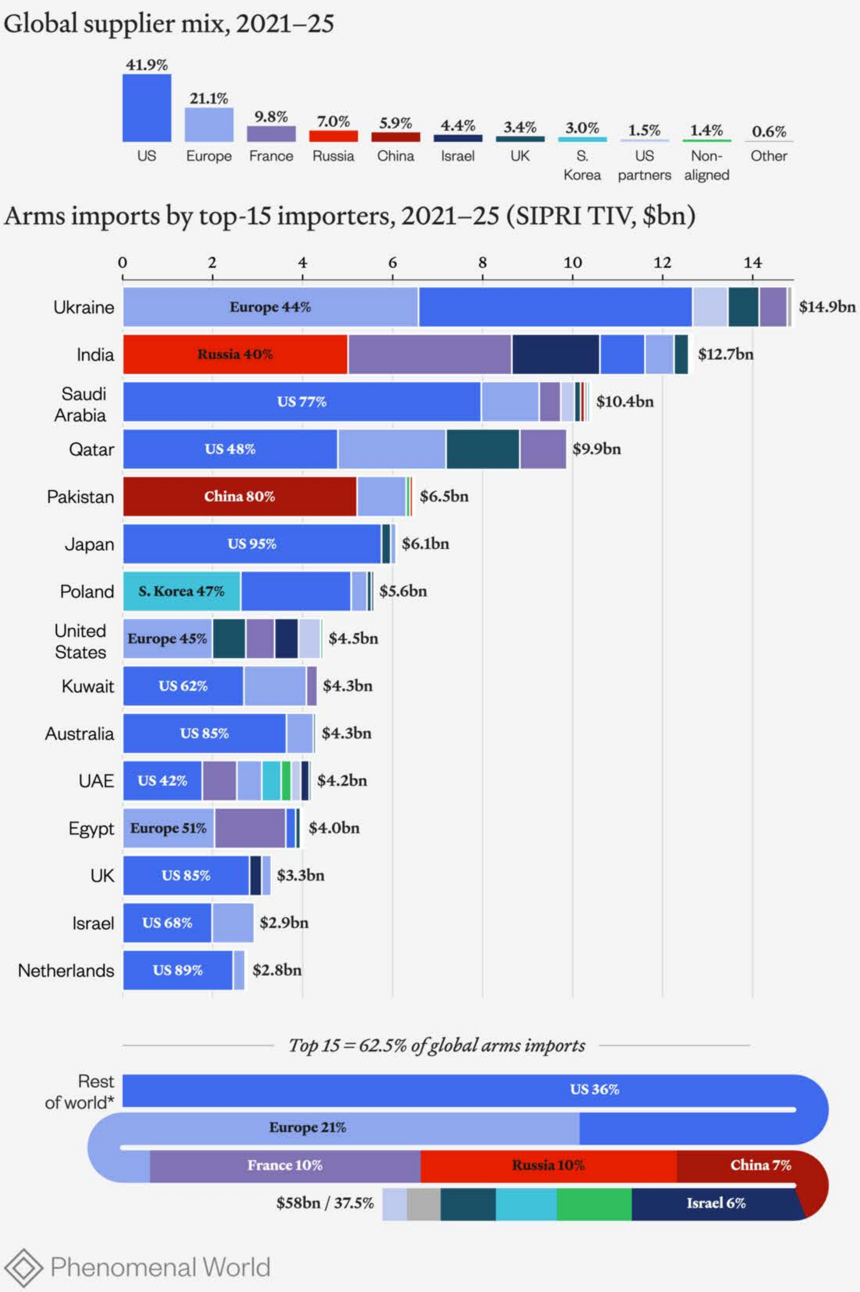
In part driven by Ukraine, in part by floundering US-NATO commitments, the EU has sought to dramatically ramp up its military industries. Arms exports across member states increased by 36 percent between the period 2016–20 and 2021–25, forming 28 percent of global arms exports in the latter period. As of 2025, Europe's largest arms suppliers—France, Germany, Italy, and Spain—were responsible for exporting nearly two-thirds the volume of US arms exports, with 84 percent of EU exports going to non-member states. The EU's export volume remains four times that of Russia and five times that of China, making it a highly influential global supplier.

China

Internationalization of the arms trade is much less pronounced in China, whose military industry is national in orientation and organized through state-owned enterprises. Defense is one of the seven strategic industries in China over which the government aims to have total control. The Made in China 2025 initiative ramped up funding for high-tech manufacturing, listing shipbuilding and aerospace as two of its top ten industry priorities. Since 2025, military-industrial officials have gained increasing relevance within the CCP. Beijing's most recent Five Year Plan, announced in March of 2026, includes new sections on modernizing military strategy and governance. Since the period 2016–20, China has increased its arms exports by 11 percent: 77 percent are sent to Asia and Oceania; 13 percent to Africa. In Sub-Saharan Africa, China supplies 17 percent of imports—rivaling the US which supplies 19 percent.

Companies like North Industries Corporation (NORINCO) and Aviation Industry Corporation of China (AVIC) have significant international reach,

Who supplies the world's arms importers?



*__Rest of world__ covers 155 importers. The bar bends back at the same scale as the top 15 above.
Blocs: **US**; **France**, **UK**; **Europe** (rest of NATO Europe — Germany, Italy, Spain, Sweden, etc. — plus Ukraine, Turkey, Ireland; excludes France and UK shown separately); **South Korea** / **US bilateral partners** (Pacific allies, Canada, Gulf clients incl. Saudi Arabia); **Israel** (separated given its own MIC); **Russia** (+ CSTO, Syria); **China** (+ Pakistan, SE Asia); **Non-aligned regional** (UAE, India, Brazil, Iran, Egypt, Indonesia, Mexico, etc.); **Other** (residual).
Source: SIPRI Arms Transfers Database
Graphic: Yusuf Imaad Khan

having by now developed longstanding military pacts with Cambodia and Pakistan, whilst cultivating new relationships elsewhere in Asia and in Europe.. China's key export customer is Pakistan, to whom it has transferred a wide inventory of weaponry, from fighter aircraft, frigates and tanks, to missiles and armed drones. As with India's imports from Russia, some of Pakistan's weapons are assembled from kits or produced domestically under license from China. Chinese-owned foreign entities in Western states are mainly oriented to civilian technology with some military application, most likely an attempt to gain access to dual-use technologies from abroad.

Some have criticized the risk-averse and bureaucratic nature of China's state-owned enterprises, which, they argue, hinder competition. Under Xi Jinping, SOEs have been partly privatized in a search for new sources of capital. Shares of subsidiary firms are increasingly sold on the Shanghai, Shenzhen, and Hong Kong stock markets. This partial privatization has also had the effect of producing a more hybrid supply base, made up of non-state military-industrial firms as well as high-tech firms like Huawei and Lenovo.

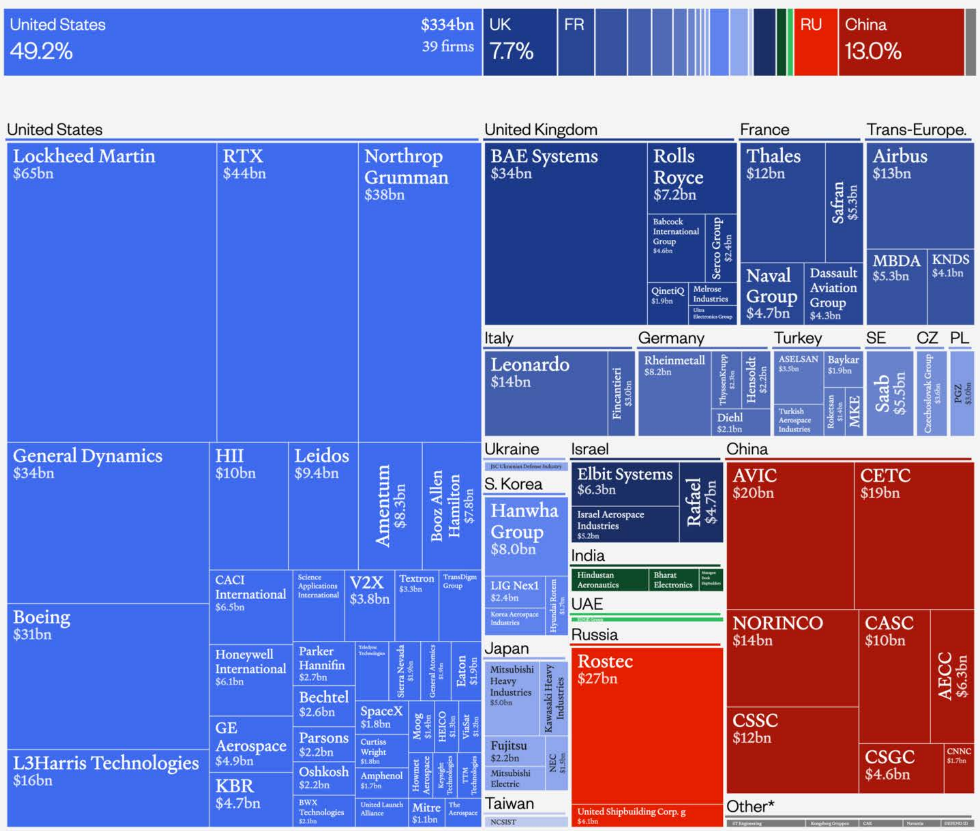
Russia

Like China, Russia's arms-industrial bases are national in orientation and located within the country's borders. Russia has almost no military-technical cooperation with North Atlantic companies. Its arms industry is almost entirely state-owned and the government puts a strong focus on the domestic development of weaponry. This is partly a product of Western states' restrictions on direct foreign investment, as well as sanctions against Russian companies since the annexation of Crimea in 2014.

Russia reportedly also owns military manufacturing entities in India, Kazakhstan, and Vietnam, which are the largest importers of Russian weapons. India's Hindustan Aeronautics Ltd (HAL) and Russian firms have also engaged in joint ventures. But out of the world's largest arms suppliers, it is the only one whose share of total exports are in decline—falling from 21

The world's 100 largest arms-producing companies, 2024

Each rectangle is one company, grouped by HQ country and sized by 2024 arms revenue.



Phenomenal World

Blocs: **US**; **Europe** (NATO Europe, UK, Ukraine, Turkey); **US bilateral partners** (Pacific allies, Canada, Gulf clients incl. Saudi Arabia); **Israel**; **Russia** (+ CSTO, Syria); **China** (+ Pakistan, SE Asia); **Non-aligned regional** (UAE, India, Brazil, Iran, Egypt, Indonesia, Mexico, etc.). Israel separated given its own MIC. ***Other** pools five countries with one firm each under $3bn: Singapore (ST Engineering), Norway (Kongsberg), Canada (CAE), Spain (Navantia), Indonesia (DEFEND ID).
Source: SIPRI Top 100 Arms-Producing and Military Services Companies
Graphic: Yusuf Imaad Khan

percent in the period 2016–20 to just 6.8 percent in 2021–25. India remains a significant importer of Russian weapons because it acquired most of its major military platforms from the USSR, useful for confrontation with China and Pakistan. But beginning in the early 2000s, India turned increasingly to American and European suppliers. Some of its weapons are systems assembled from imported kits, or produced under licence in India, like MiG and Sukhoi fighter jets. Russia's declining exports have equally been driven by shifting import patterns from Algeria, China, and Egypt.

Russia has three forms of state-owned military companies: joint-stock companies, which allow private investment; unitary enterprises whose assets are owned by the state; and state corporations. Since 2010, Putin's tightening grip on the state has meant increased power over the military. He centralized and increased government ownership of the defense industry (by way of the Military Industrial Commission), defused the infighting between companies and state bureaucracy, and made himself the chief mediator and arbiter in major defense-industrial decisions.

Russia's war against Ukraine has only increased state control over its military industry, with some enterprises—thought to have been "illegally privatized"—forcefully brought back under public ownership. Like private companies, Russia's state companies are organized around profit incentives, with the state as the largest shareholder receiving dividends. Despite this structure, most Russian companies are not profitable: even major state corporations report significant losses and complain about lack of revenue.

Rostec—a state corporation made up of hundreds of military, engineering, and pharmaceutical companies, including the legendary Kalashnikov—receives an estimated US$21–25 billion annually from a variety of sources: government procurement contracts, arms exports, the sale of raw materials, and state subsidies. Rostec controls about 75 percent of all Russian military-industrial production, giving it a de facto monopoly. On that basis, it was listed by SIPRI (the Stockholm-based institute that tracks global military expenditure and trade) as the world's seventh largest arms company in 2024.

The Director General of Rostec, Sergei Chemezov, is known as one of the three most powerful men in Russia and is part of Putin's inner circle. The two met in East Germany in the 1980s while working for the KGB. Chemezov moved to Rostec from the state arms-export agency Rosoboroneksport in 2007. In the words of Nicole Krome, Rosoboroneksport "functions as Rostec's 'cash-cow'," providing a source of steady revenue to the state-owned producer. Chemezov himself holds no stake in Rostec, which is 100 percent government-owned, but the Pandora Papers revealed the extent of his wealth: he and his family accrued over $400 million worth of listed assets through a network of offshore companies in real estate, banking, and oil, mostly listed in the name of his stepdaughter. Though hit with sanctions in 2014, he and his family retain control over critical elements of the Russian military economy, often through flexible forms of ownership and disguised as civilian projects.

Though radically different on the surface, a closer inspection of the military industries of the US, EU, China, and Russia exposes in all cases a web of deeply intertwined and mutually beneficial state and private interests.

Regional powers

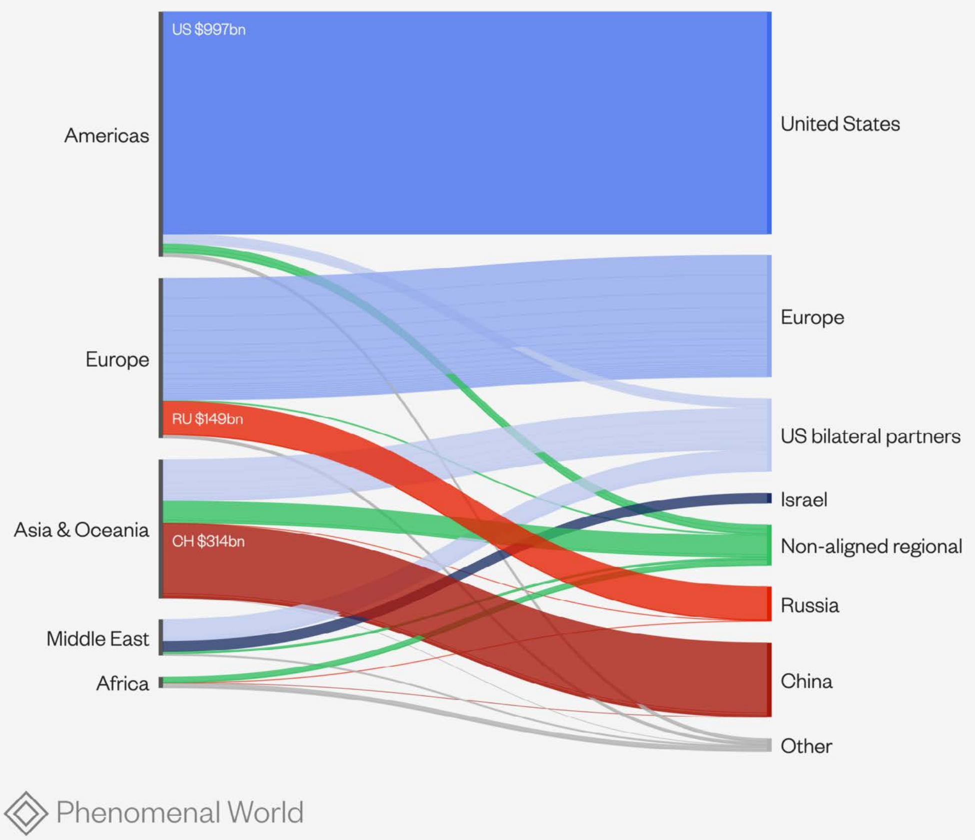
Today, a number of smaller, regional powers are also looking to grow their influence through the arms trade. SIPRI reports that in 2024, nine of the Top 100 companies were headquartered in the Middle East—the highest ever number from the region. But SIPRI's regional categories can obsecure underlying geopolitical alliances: of the Middle Eastern companies, for example, three were based in Israel, five in Turkey, and one in the UAE.

Turkish drone systems have helped propel the country's arms exports, but Turkish companies produce a range of military equipment, from armored vehicles and corvettes to precision munitions and military-grade batteries. Ramping up defense production in Turkey has greatly benefitted domestic political elites by drumming up nationalist sentiment.

Gulf states have similarly been seeking strategic autonomy by way of domestic military strategies. The Abu Dhabi headquartered EDGE Group, as well as Saudi Arabian Military Industries (SAMI) are both state-backed national

Reclassifying the world's military spenders

149 countries, grouped two ways: geographically on the left; by political alignment on the right — to see patterns of global order. Flow width proportional to military spending ($bn, 2024).



Blocs: **US**; **Europe** (NATO Europe, UK, Ukraine, Turkey, Ireland); **US bilateral partners** (Pacific allies incl. Malaysia, Canada, Gulf clients incl. Saudi Arabia); **Israel**; **Russia** (+ CSTO, Syria, Sahel); **China** (+ Pakistan, Bangladesh, SE Asia); **Non-aligned regional** (UAE, India, Brazil, Iran, Egypt, Indonesia, Mexico, etc.); **Other** (small unaligned spenders).
Source: SIPRI Military Expenditure Database
Graphic: Yusuf Imaad Khan

champions reliant on joint ventures with foreign firms. EDGE has recently been ranked thirty-seventh in the SIPRI Top 100 arms companies. For both countries, commitments to economic diversification has meant significant build-up of military-tech production.

Despite these efforts, the Gulf remains dependent on the West. BAE Systems, L3Harris Technologies, Lockheed Martin, and Raytheon have manufacturing entities in Saudi Arabia, while others use the region for maintenance and repair. Indeed, a third of Lockheed Martin's overseas entities are in the Middle East. So close are the links with Israel, for example, that Lockheed's CEO reportedly told Tel Aviv's ambassador to the US that information from Israel's use of the F-35 in Gaza, Iran, Lebanon, and Yemen is "worth many billions to my company." In Saudi Arabia, Lockheed Martin now has a joint venture with SAMI to build helicopters locally, which hitherto Riyadh had been buying from the US since the 1980s.

India is another example of a growing military industry, mostly composed of state-owned corporations. In 2026, forty-one government-run ordnance factories were centralized into just seven state-owned Defense Public Sector Undertakings, managed by the Ministry of Defense. Military self-reliance has been a stated goal of Indian development, at least since the 2014 "Make in India" initiative. The Adani Group, led by personal friend of Narendra Modi, Gautam Adani, is central to this defense industrialization drive. Adani collaborates with Israel's Elbit Systems, Israel Weapons Industries (IWI), and the French-headquartered (and partially state-owned) Thales, among others.

India's growing military ties with Israel have recently come in for scrutiny. India normalized and established diplomatic relations with Israel in the 1990s but it was in 2017 that the two countries established their "strategic partnership," which involves the joint development of weaponry and technology transfer to India. If Israel was once the supplier and India the recipient, by now the relationship is best understood as one of co-development and co-production. The export of Hyderabad produced drones to Israel (made by Adani-Elbit Advanced Systems India) no doubt had much to do with the Modi government's abstention on a 2024 UNHRC resolution calling for an immediate ceasefire in Gaza and an arms embargo on Israel.

Awash in weapons

What conclusions can be drawn from this brief snapshot of the global arms industry? For all the ways in which the American empire may appear to be in decline, be it in terms of its political, strategic, or ideological metrics, its military remains dominant—the most extensive, well-funded, and sophisticated in the world. The US is by far the world's largest military spender, military producer, and arms exporter. The effects of its industry can be felt globally, not only because weapons manufactured by American companies are being used to rain down on cities, towns, and villages from Gaza to Minab to Kismayo, but because US-headquartered companies themselves have various subsidiaries and entities around the world, and source their parts from manufacturers everywhere.

But the US is not the only catalyst of the world's current militarization drive, nor the only belligerent power. Though Chinese military spending is still dwarfed by that of the US, Beijing is rapidly expanding its own air, land, and naval armory, while increasing its exports, most significantly to Pakistan. Its investment in the UAE's Khalifa port includes military access, even as the UAE serves as a foreign partner for American firms. The invasion of Ukraine has further driven Russian militarization, and India—one of the world's top two arms importers—remains Moscow's largest market for weapons. Saudi Arabia, the UAE, India, and Turkey are ramping up domestic arms production, in a bid to secure more autonomy in a world of shifting alliances. Though it is American imperial adventures that undoubtedly wreak the most damage globally, Israel, Russia, China, India, Saudi Arabia and Turkey are aiming their own growing arms against subordinate populations in their own spheres of interest.

In a deeply interconnected global arms industry, where divisions between the private and public sector are structurally obscured, alliances and responsibilities become blurred. Who makes the profits and owns the intellectual property in joint ventures between Saudi or Emirati and US-based companies? Which state's export controls apply to the transfer of weapons for such joint ventures? Any serious attempt at arms regulation must closely grapple with these seemingly technical questions.

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The Dollar’s Dominance

Catherine Schenk

Currency primacy in historical perspective

One of the mainstays of the global order for the past seventy years has been American economic leadership and the use of the US dollar as the core means of exchange, store of value, and unit of account. This global function has never been without difficulties—in the aftermath of Bretton Woods and the Nixon Shock, scholars like Robert Triffin and Susan Strange identified the domestic and international costs of dollar dominance. The debate reignited after the global financial crisis of 2008, with some scholars warning that increased politicization of the dollar may prompt a gradual transition into a multipolar global currency system, and others continually championing the dollar's institutional strength and the absence of credible alternatives.

Recent geopolitical conflicts around the world have only exacerbated doubts about the future of American hegemony, including the future of its currency. Unpredictable political leadership, trade wars, and the eruption of armed conflict in Europe and the Middle East have heralded a new era for the global system and generated proliferating predictions of de-dollarization. All this has accelerated in Trump's second term, which seems to be actively laboring to throw the status of the dollar into disarray. The retreat from open markets, unpredictable fiscal policy, blustering confrontation with the Federal Reserve, and threats to reduce service on foreign holdings of US treasuries have all registered a significant departure from business as usual in Washington. An as yet speculative "Mar-a-Lago Accord," devised by recent appointee to the Fed Board of Governors, Stephen Miran, sets forth an agenda to actively weaken the dollar in a bid to boost domestic manufacturing and reduce trade deficits. Though unlikely to come to fruition, its very articulation by those closest to the President stands as another threat to the credibility and reliability of the dollar. And with US military interventions causing more havoc in the global economy, the latest of which has prompted Tehran to all but close the Strait of Hormuz, questions of a new petro yuan or the introduction of a BRICS currency are gaining steam.

The historical record suggests, however, that a transition away from the dollar will be no simple task. Over the course of the last two centuries, there has been only a single transition from one leading international currency to another.

This occurred in the aftermath of the Second World War, when the US dollar overtook the pound sterling as the main currency for international trade and as the leading reserve asset for national central banks.

It was in the nineteenth century that sterling established its predominance as a unit of account, a store of value, and a means of exchange. It was able to do so because of the pound's credible commitment to gold parity, the global reach of British trade and investment, the prowess of the financial services in the City of London, and, in a pinch, the saving graces of the French and Russian banking elite.

After the Second World War, the dominant position of the American economy and the relative fall of Britain as a global power in the context of decolonization sparked predictions of decline similar to those made on the dollar today. But on its own, British hegemonic decline was not sufficient to facilitate the global currency shift we observed in the mid-twentieth century. It took a concerted effort among the central banks of the leading industrialized countries to manage the retreat of sterling. An array of cross-border central-bank cooperation in the form of credits and swaps, combined with British guarantees of the dollar value of national central banks' sterling reserves, allowed a more graceful and predictable drop in sterling's share of global reserves during the 1960s.

As the dollar grew dominant as a means of exchange, its attractions as a store of value had to be supported by coordinated market intervention to sustain its gold price throughout most of the 1960s. A damaging tipping point between sterling and the dollar was only avoided by carefully orchestrated multilateral support in the context of a shared Cold War commitment to stabilizing the international monetary system.

Our current geopolitical juncture certainly exhibits signals of hegemonic decline resembling those of Britain in the mid-twentieth century. But these signals alone may not be enough to overturn a complex, layered, and truly global currency system that was carefully constructed over the course of decades. Where the leading central banks have cooperated since 2008, it has been to sustain access to the dollar in the form of swap lines with the US Federal Reserve. At the present moment, it is difficult to imagine the US actively supporting a currency transition in the way Britain did in the postwar period. Though cracks in the dollar system may be deepening, we ought to be conscious of the complexity and depth of the existing monetary order. Ultimately, we may find that the US's currency proves more resilient than its claim to political hegemony.

A coordinated rise

While the rise of the dollar might seem inevitable in hindsight, it required nothing less than the reorganization of the world's economy. In the 1940s, the international monetary system was designed at Bretton Woods with the dollar as the anchor for the pegged exchange-rate regime. This encouraged countries to hold dollar-denominated foreign exchange reserves at their central banks to protect the dollar value of their currencies.

British policy also promoted the shift. In 1957, the British Treasury introduced fresh exchange controls on the use of sterling for third-party trade finance to discourage the international commercial use of the pound. Along with controls on domestic interest rates payable on deposits in both the US and the UK, these new restrictions on the use of sterling encouraged banks in London to turn to the dollar as the main currency for international commercial and financial services.

The other main contenders, Germany and Japan, resisted foreign demands to use their national currencies while they focused on their domestic industrial strategies. New York's capital markets grew quickly, but the international banking and foreign-exchange market in the City of London continued to lead the world, due in no small part to the influx of American and European financial institutions. By the 1960s, the Eurodollar market in London promoted the dollar as a cross-border means of exchange and unit of account, while the structure of the international monetary system established the dollar as the premier store of value for global reserves.

The global payments system, too, was transformed to accommodate the dollar's international role. The growth of the offshore dollar market in London in the late 1960s had dramatically increased the volume of cross-border dollar payments, causing a bottleneck among the correspondent banks managing these payments in New York. In 1970, the New York Clearing House introduced a market-leading computerized clearing system for cross-border dollar payments. This was the Clearing House Interbank Payments System (CHIPS), which made dollar clearing and settlement much more efficient for banks around the world through their correspondent partner banks in New York. No other center had a similar system, and access was restricted to members of the New York Clearing House, privileging large American banks.

British banks considered setting up a similar dollar clearing facility in London in 1969, but they concluded that the benefits would mainly flow back to the big New York banks given the dominance of CHIPS, so the project was abandoned. The sterling equivalent of CHIPS, Clearing House Automated Payment System (CHAPS), was only introduced in 1984. Originally controlled by banks themselves, it was taken over by the Bank of England in 2017.

But creating a system for cross-border and cross-currency clearing and settlement proved much more challenging than global dollar clearing in New York. Legal and operational differences, as well as heightened settlement risk across markets and time zones, made it difficult to construct a unified system. The collapse of the mid-sized Herstatt Bank in 1974 demonstrated how the tangled skein of global payments could be interrupted. Herstatt Bank was closed by the German authorities while New York's correspondent banks were still open, leaving many banks without the funds they had expected to reimburse them for payments they had already made on Herstatt's instructions. This "Herstatt Risk" (settlement risk compounded by time zone) took over twenty years to resolve, while the volume of payments (and therefore the amount of funds at risk) increased dramatically.

The private banks step in

In 1977, a group of internationally active banks launched the SWIFT messaging system, providing computer-based messages between banks for payments. SWIFT gradually replaced the telex system, which was time-consuming and prone to error. Still, delays in settlement meant that banks were exposed to high levels of risk if a counterparty bank failed during the day of a transaction, or if the operating system malfunctioned. Trust in counterparties remained an important element in the free flow of funds around the world. The real challenge was to create a system that netted payments in and out continuously throughout the day on a global basis so that only the smaller net amount had to be settled. SWIFT helped streamline communications, but didn't offer a solution to settlement risk.

Both CHIPS and SWIFT were designed and implemented by large international banks and served their interests as gatekeepers. For example, SWIFT services were extended to South America before Africa or the Middle East to suit the location of servers in the US. New members had to pay large fees to join and guarantee a minimum volume of message traffic, so banks and countries with a smaller amount of payment traffic were disadvantaged. South Africa was the only African country to be connected to SWIFT in the 1980s, despite anti-apartheid sanctions, which applied to trade but not payments. The fact that larger institutions in wealthier countries continue to benefit most from the payments architecture was wired into the way the systems were designed by banks themselves in the 1970s.

The design of the multilateral payments netting and settlement system was similarly left to the private sector. From the mid-1980s, competing groups of banks in Europe, the US, and Canada tried to develop schemes that would be robust across jurisdictions and resilient in the event of failure of one or more large members. In 1990, the central banks of the world's wealthy industrialized countries set minimum standards for these schemes to try to ensure systemic resilience, but their efforts to urge banks to take seriously the risk of their cross-border foreign exchange exposures fell on deaf ears. It wasn't until 1997 that the banks came together in a single scheme to form the Continuous Linked Settlement (CLS) System. It would take another five years to launch.

Importantly, CLS only processes payments in a limited number of currencies. This means that most of the world's currencies are excluded from its risk mitigation features: for most, transactions still need to go through the US dollar or carry the settlement risk outside the system. Although the number of currencies used in CLS has more than doubled (eighteen currencies are now included) many are still excluded, including the renminbi (RMB). Access to CLS is also carefully controlled so that there are only seventy-six direct members out of the many thousands of internationally active banks around the world.

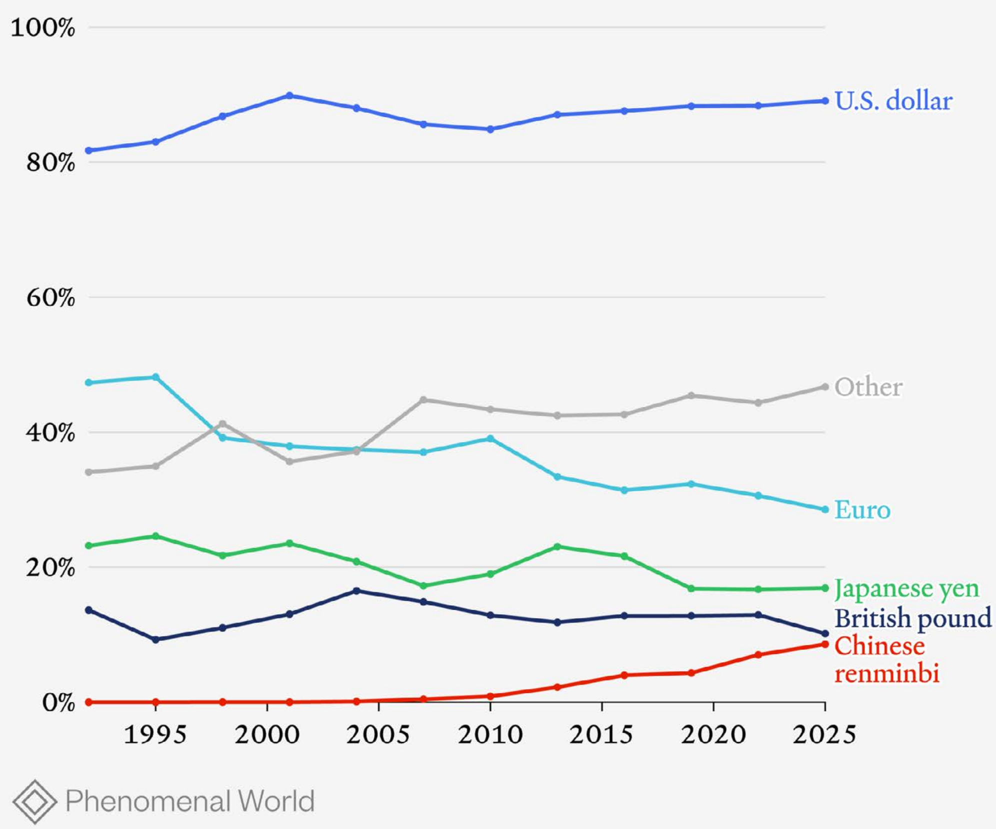
A currency at the crossroads

Has the world begun to drift away from the dollar? The currency's international role is often measured by its share of global foreign exchange reserves. Figure 1 shows that the dollar's share of recorded reserves currently sits near the 60 percent mark, where it has been for the past thirty years.

On this measure, it could be argued that we are already in a multipolar currency world and have been for decades. Central banks and treasuries around the world already manage diversified portfolios of assets, including gold, several national currencies, and even cryptocurrencies. While shifts in these portfolios could still be disruptive, we should be aware that our current, diversified system has proved stable for decades.

Share of FX market turnover

April daily averages, total = 200%



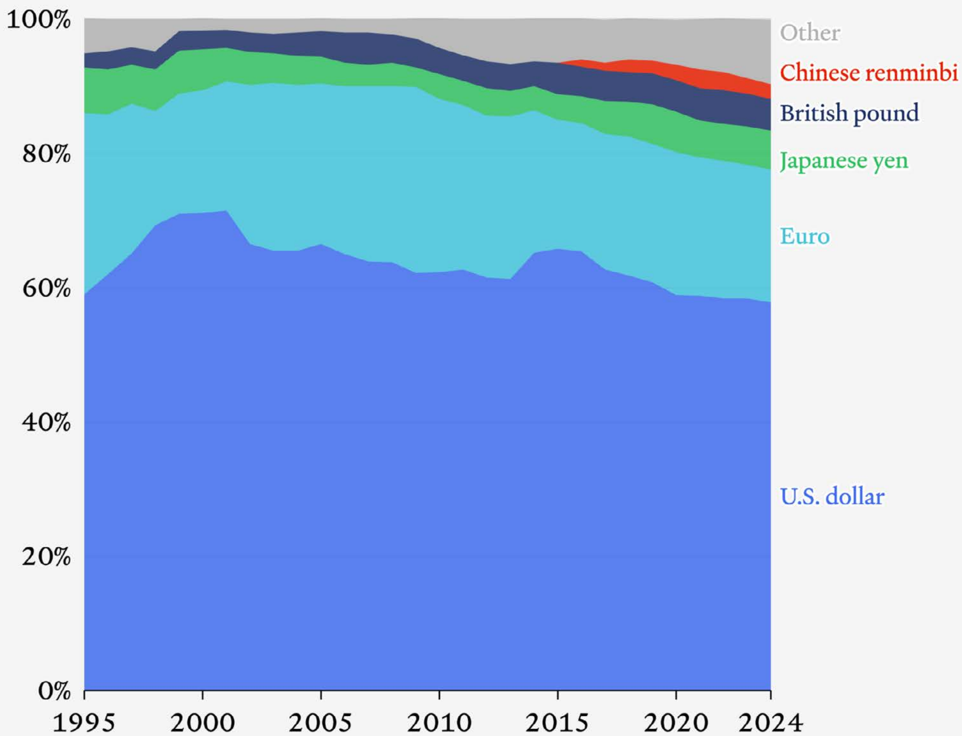
*Net-net basis, April daily averages in USD billions. Survey conducted triennially.
Source: BIS Triennial Central Bank Survey
Graphic: Yusuf Imaad Khan

As a means of exchange, however, the dollar remains much more dominant. In each day of 2025, an average of $9.5 trillion worth of trades passed through foreign-exchange markets, 90 percent of which involved the US dollar on one side or the other of the trade. As is the case with the dollar as reserve currency, Figure 2 shows remarkable stability over the past thirty years, albeit with some decline in euro transactions, and a small increase in RMB, due partly to exchange-rate changes.

When it comes to its role as a means of exchange, there are two ways the dollar is used. First, it is commonly used as a unit of account in contracts, and therefore for settlement of financial and commercial payments. Second, the dollar is used as an intermediary step when converting two other currencies, where there may not be a liquid market in which to make a direct bilateral conversion. This vehicle currency role persists as an effect of the structure of markets.

Shares of reported FX reserves

Percentage of globally disclosed foreign exchange reserves



Phenomenal World

*Share of globally disclosed foreign exchange reserves. Chinese renminbi is 0 until 2015-Q2.
Source: IMF COFER
Graphic: Yusuf Imaad Khan

The increased politicization of the dollar has appeared to threaten this stability. Iran has been a periodic target of repeated rounds of US financial sanctions since the 1970s. After the September 11 attacks, the US Treasury secretly issued subpoenas for data from SWIFT to track payments by suspected terrorists, a practice that was only revealed publicly in 2006, prompting a legal row with the European Union (EU), as SWIFT is headquartered in Brussels. This led SWIFT to open a server in Switzerland to offer its customers ways to avoid having their data stored in the US. In 2012, Iranian banks were disconnected from SWIFT, and in 2022, several banks from Russia and Belarus were similarly excluded to make it more costly for them to send and receive funds for their customers. Banks were forbidden from providing correspondent banking services for sanctioned entities, which prevented them from using the dollar, sterling or euro to settle commercial payments.

Such sanctions push transactions into more circuitous and expensive routes to avoid the use of the dollar or the currencies of other sanctioning political entities like the UK and the EU. The vulnerability to American sanctions has also led countries to create alternative payment systems, such as the China Interbank Payment System (CIPS), which was launched in 2015 to promote the international use of the RMB to settle trade. When Iran blocked shipping through the Strait of Hormuz in March, it seriously affected China's trade, sparking rumors that Iran would make an exception for oil paid for in yuan. Along with the sanctions on payments for Russia's oil, such a development could begin to break the dominance of pricing and settlement of the global oil trade in dollars. The more actors in a market that use a currency, the more useful it becomes. These forces also encourage convergence to a single or small number of key currencies.

But the politicization of the dollar is in itself nothing new. As early as 1951, at the very moment of the dollar's ascendance, the US administration froze the dollar-denominated assets and payments of Chinese entities associated with the Chinese Communist Party. Because Britain did not restrict China's use of sterling at the time, it then became more useful and prominent in China's trade. While the use of sterling did increase as a result of these geopolitical tensions, it did not significantly alter the dollar's overall status.

As was the case then, alternatives to the dollar remain marginal. Gold earns no interest and its supply is limited, the yuan remains partially behind capital controls, and the euro remains a money without a common fiscal policy. Deep and liquid financial markets are needed to support an international currency where holders want to be sure of their ability to move in and out quickly and cheaply. International currencies are indeed useful; traders want to use a currency that they know will be accepted by a wide range of counterparties. But without a more profound development of the global payments infrastructure, it is hard to increase use beyond a certain point.

In fact, the US payments infrastructure appears to be even more robust than before. International payments denominated in dollars are growing. Since sanctions were applied to payments to Russia, the share of SWIFT messages denominated in US dollars has increased from about 40 percent in the four years before 2022 (more than twice the share of the rival euro) to 58 percent in January 2026. Though China is among the world's largest trading economies, the RMB is used for only a tiny amount—currently 3 percent—of cross-border payments. (As much as 75 percent of these are initiated by the special administrative region of Hong Kong, which falls under Chinese sovereignty.) Its own payments infrastructure, CIPS, relies on SWIFT. China has only recently begun developing its own messaging system in a bid to secure more independence from US systems. Though more foreign banks have been joining CIPS in recent years, the vast majority of members are Chinese banks and their subsidiaries around the world. This means that at present, the RMB payments infrastructure is not a serious competitor to the dollar-based one.

In 2009 and again in July 2025, the People's Bank of China tried to overcome these barriers by promoting the use of the International Monetary Fund's Special Drawing Right (SDR) as an alternative international currency. But the SDR, which was launched in 1969, and offers countries a right to draw on convertible currencies, is a complex instrument. Because their value is measured through a weighted basket of five currencies, it ultimately reflects political, rather than purely market-driven, calculations. The bureaucratic and fundamentally political nature of SDRs has stalled efforts to use them as an effective replacement to the dollar.

Cryptocurrencies might appear as another possible source of instability for the dollar, and there has been a surge in the use of stablecoins, especially for payments. They offer more anonymity to their users and don't need to clear through New York. Tether, for example, is the most used stablecoin with the highest capitalization, but its value depends on backing by US dollar assets, linking it fundamentally to the dollar. In this way, the growth of stablecoins actually increases the demand for dollar assets and the indirect role of the dollar in international transactions rather than replacing the dollar per se. Efforts to build a workable cross-border system for central-bank digital currencies have struggled to overcome issues with interoperability and legal harmonization. mBridge is among the most advanced, gathering central banks of Hong Kong, China, Thailand, and the UAE, but it is still in the early stages of development.

Over the course of the last seventy years of crises and transformations in the global order, the dollar appears to have been resilient to the twists and turns of American policy, technological change, and geopolitical frictions. The currency distribution of global foreign exchange reserves and foreign-exchange markets has been remarkably stable for over thirty years and remains so even now, amid increasing political disorder. Even if the American empire itself is showing signs of fragmentation, the decline of the dollar is by no means assured. With no viable alternatives on the horizon, and in the absence of intense coordination among regional and global powers, the status of the US currency—and the global payments system that underpins it—may outlive expectations.

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Nvidia in the Gulf

Colin Powers

The Arab monarchies turn to Silicon Valley

In May 2025, Donald Trump embarked on the first overseas trip of his new administration, traveling to Saudi Arabia, Qatar, and the United Arab Emirates with a number of Silicon Valley luminaries in tow. The same day he touched down in Riyadh, the President rescinded the Biden-era "Framework for Artificial Intelligence Diffusion," which had sought to protect strategic technologies by regulating access to US chips. Whereas Biden had imposed detailed export controls as part of his national security program, hoping to contain the rise of China, Trump adopted a more transactional approach, aimed at flooding other countries with tech in order to consolidate American market dominance.

Trump's hosts saw a golden opportunity. Pledging up to $1 trillion to US companies for the years ahead, the Saudis were allowed to import 18,000 units of Nvidia's most advanced Blackwell server, the GB300. The UAE's Group 42 Holding Ltd (G42)—the technology holding company through which Abu Dhabi runs most of its artificial intelligence (AI) ventures—was meanwhile given permission to import 500,000 units of Nvidia's H100 chips annually. This marked a striking reversal. For the past two decades, the Gulf has been pumping credit and equity into the American AI ecosystem. Now, while such financial flows have by no means dried up, these countries have also begun to appropriate critical elements of American tech's infrastructure, bringing them within their own borders. The recent Nvidia deals, and the geoeconomic pivot they represent, pose a number of questions. Why has Washington moved away from its protectionist approach and pursued these commercial ties with the Gulf? Why have Saudi Arabia and Abu Dhabi, in turn, placed such a major bet on AI? What does this mean for US imperial strategy more broadly?

For years, the Gulf's outward investments have assimilated the region into circuits of accumulation dominated by the giants of the American information and communication technology (ICT) sector. Following the global financial crisis, the Gulf's sovereign wealth funds played a critical role in servicing Silicon Valley's insatiable demands for liquidity. This buttressed an American political economy increasingly tethered to rising asset valuations. Yet the Gulf financial stakes in Silicon Valley had limited economic effects back home.

They brought little in the way of tech transfers or upgrades to domestic productive capacity. Firms in these countries remained far removed from the technological frontier. As such, the Cooperation Council for the Arab States of the Gulf (GCC)—the alliance that comprises Saudi Arabia, Bahrain, the UAE, Kuwait, Oman, and Qatar—now seems to be changing tack: reconceptualizing not only its approach to the tech sector, but also its position within the fracturing world economy.

As yet, this transition remains fraught and incomplete. Just as the Gulf states have pinned their fortunes on the seemingly unstoppable rise of US tech, the primacy of politics has violently reasserted itself, with Tehran responding to the US-Israeli war of regime change by bombing Amazon Web Services data centers in the UAE and Bahrain. It thus remains uncertain whether the GCC's alliance with Washington, as mediated by Silicon Valley, will turn out to be a source of economic dynamism or an area of acute vulnerability. The ultimate outcome will have far-reaching implications for the Middle East and its place in the inter-state system.

Washington and the Valley

The connection between Silicon Valley and the Gulf has its roots in the secular decline in research and development capacity in the US. During the 1960s, the federal agencies that had been charged with leading public, technology-facing research after the Second World War—the likes of NASA, the Defense Advanced Research Projects Agency, and sister institutions—absorbed approximately 17 percent of federal discretionary spending. In the first decade of the 2000s, by contrast, the figure dropped below 10 percent. As a share of GDP, federally funded R&D fell from a peak of nearly 2 percent in the mid-1960s to around 0.5 percent by the mid-2010s. This altered the state's relationship with a particular fraction of American capital, as the emerging ICT megaliths—Microsoft, Amazon, Alphabet (Google), and Meta (Facebook)—became increasingly responsible for planning processes and research capitalization. The tech giants' relatively low-cost, predatory innovation model—reliant on outsourcing, infrastructural control, and intellectual property-based rent extraction—helped to build what would become known as intellectual monopolies. Aided by the advance of platformization, these firms captured an expanding share of the wealth generated by a newly digitized and service-oriented economy.

Thus, Silicon Valley was steadily transformed into more than just the main engine of US economic growth. By the 2010s, it was a behemoth exploiting and absorbing smaller firms that could subordinate entire industries to its will, creating staggering fortunes along the way. It developed technologies that were more and more pertinent to national security, so that whereas the Pentagon had once invested heavily in Silicon Valley, it now came to rely on Big Tech for everything from surveillance to cloud communications, robotics to artificial intelligence. As the US state became existentially reliant on the tech sector, the latter accrued more power in the world-system as a whole. The Federal Trade Commission (FTC) disregarded antitrust law and allowed the leading tech companies—Google, Facebook, and Amazon—to carve out unassailable monopoly positions across a number of fields.

Over President Obama's eight-year tenure, Silicon Valley's sectoral interests were elevated into general ones. He created the new executive positions of Chief Technology Officer and Chief Data Scientist in the Office of Science and Technology, and Chief Performance Officer in the Office of Management and Budget, staffing each with industry-friendly appointments. The launch of US Cyber Command in 2009, followed by the National Security Strategy and Quadrennial Defense Reviews of 2010, saw the consolidation of this Big Tech–national security nexus, with digital infrastructure designated as a "national strategic asset."

The rise of American AI

Yet after this initial growth spurt, the tech sector found itself adrift in the late 2010s. With little means to sustain the rate of innovation, it tried instead to juice profits from existing products, leading to a sharp deterioration in quality. Facebook's $77 billion investment in the "metaverse," which ultimately yielded no new product and failed to generate any additional revenue, was a sign of growing desperation. It therefore looked to generative AI, which had first taken off in 2012, as a solution. The first Trump administration responded to the AI race with Executive Order 13859 and the National AI Initiative: two interventions whose logic was distinctly laissez-faire, giving the private sector the prerogative to drive the development of the new technology.

This hands-off approach was welcomed by Silicon Valley and more or less maintained under the Biden administration. While FTC head Lina Khan made greater attempts to enforce antitrust laws, Meta and Microsoft outmaneuvered her in court to continue acquiring potential competitors. And while the White House made some attempt to impose guardrails on AI development—for example, through the Blueprint for an AI Bill of Rights—the general thrust of state policy remained the same: unambiguous support for Silicon Valley's lead players and an iron-clad commitment to furthering their interests. This was evident in Biden's fall 2024 National Security Memorandum, which reaffirmed the necessity of private-sector-led AI development in the context of rising rivalry with China. The CHIPS and Science Act of 2022, meanwhile, had already offered up tens of billions in subsidies and tax credits for semiconductor manufacturing and research in an attempt to protect Silicon Valley from competition. By situating the AI policy debate within the arena of national security, the administration gave permission for the tech firms to shirk their official responsibilities on regulatory standards, reporting, and transparency.

The Biden administration also helped to secure the massive amounts of funding that Silicon Valley demanded. Here, the Gulf came in handy. In June 2023, the White House brokered meetings between Sheikh Tahnoon bin Zayed of Abu Dhabi and senior executives from Microsoft, Google, and OpenAI. Around the same time, Secretary of Commerce Gina Raimondo was personally acting as Sam Altman's sherpa among the GCC powerbrokers as well. Partly by dint of these efforts, GCC funding for US-based AI companies increased fivefold in 2024. Public disclosures indicated that Sanabil Investments, a subsidiary of Saudi Arabia's Public Investment Fund (PIF), offered backing to the venture capital houses that helped to sustain Silicon Valley's AI ecosystem: Coatue Management, Insight Partners, Andreessen Horowitz, Founders Fund, Radiate Ventures, and General Atlantic. Abu Dhabi's predominantly state-owned MGX and G42 also directly financed the "hyperscalers," the cloud-computing companies such as Amazon Web Services, Oracle, and Google, that are determined to expand American AI capacity. MGX stood in as one of the primary backers of OpenAI during a $6.6 billion funding raise in October 2024, only months after Mubadala, the emirate's second-largest sovereign-wealth fund, took over the significant equity position that Sam Bankman-Fried's FTX held in Anthropic.

Abu Dhabi had been flirting with Chinese AI alternatives during the first half of Biden's tenure, but secret negotiations between Raimondo's Commerce Department and the leadership of G42 eventually persuaded the company to divest from Chinese technology firms and remove Huawei chips from its AI data centers. The pivot away from China was only partial, as G42's holdings in China's ByteDance (TikTok) were transferred to another state-owned vehicle (Tahnoon bin Zayed's Lunate), while the UAE continued to partner with China on 5G, drone, and military tech. Yet, even so, this climbdown brought Abu Dhabi closer to the American AI camp. It not only paved the way for Microsoft to sign a $1.5 billion cloud-computing and AI deal with the UAE in April 2024; it also put the country's resources (financial and energy), as well as its access to global South markets, at Silicon Valley's disposal.

Gulf onshoring

The second Trump administration is now using its AI policy to serve the hyperscalers, albeit with moments of incoherence and irrationality along the way. On his first day back in office, Trump issued an Executive Order titled "Removing Barriers to American Leadership in Artificial Intelligence." This deregulatory reform took aim at the Biden administration's already exceedingly weak consumer protections and reporting requirements. Trump's Department of Justice also moved to free the tech giants from antitrust-related worries. As of August 2025, Attorney General Pam Bondi had dropped more than a third of the lawsuits and investigations involving tech inherited from the Biden administration. Last spring and summer, Trump's Executive Order "Advancing Artificial Intelligence Education for American Youth" and his AI Action Plan pledged to rip up "red tape," pushing AI adoption into both US K-12 education and what would soon be rebranded the Department of War, protecting American intellectual property, and removing barriers to building new data centers and power generation facilities. This was followed by a December 2025 Executive Order that aimed to block state governments from imposing or enforcing regulations on AI.

Encouraged by the White House, GCC capital has continued to flow into Silicon Valley. MGX and G42 have committed to investing $1.4 trillion in the US over ten years. MGX also participated in a large Series C funding round for Elon Musk's xAI and helped fund a $10 billion capital raise for the US AI platform developer Databricks. Unsurprisingly, these investments are often channeled through personal patronage networks. Shortly before Trump's inauguration, representatives of Tahnoon bin Zayed bought a 49 percent stake in World Liberty Financial, a crypto venture led by the Trump and Witkoff families, for $500 million. Two weeks prior to the President's May 2025 visit to the Gulf, MGX committed an additional $2 billion of its own capital to the Trump-Witkoff crypto firm.

After Trump's visit in May, the rate of Gulf-to-Silicon Valley funding dramatically accelerated. Anthropic's $13 billion funding round in September included the Qatar Investment Authority (QIA) as a "significant investor," and QIA joined the UAE's MGX in supporting a $20 billion capital raise for xAI. Even more consequential is the Gulf states' recent move to "onshore" AI: not just pumping cash into the hegemon, but harnessing its technological capacities as part of their own domestic development plans. MGX, for example, has joined a consortium led by Nvidia, Microsoft, Blackrock, and xAI to purchase Aligned Data Centers for $40 billion, a company now exploring the possibility of issuing as much as $50 billion in debt to expand its AI portfolio. Then there is Stargate UAE: a one-gigawatt AI compute cluster joint venture between OpenAI, Nvidia, Cisco, SoftBank, and G42. In November 2025, the US Commerce Department officially cleared G42 to acquire tens of thousands of GB300 servers for the project.

The White House fully backs the plan to build out Gulf-based AI compute clusters and has thrown its weight behind a number of joint ventures. Qatar and the UAE have signed on to the White House's "Silicon Declaration," a pact for developing the supply chain and digital infrastructure needed for AI development. Saudi planners have now begun redirecting efforts and capital toward constructing their own AI data center hub: just last year, the PIF and xAI launched Humain, a "national champion" for AI, to operate the data centers using the country's newly purchased Nvidia GB300s. Its CEO, Tareq Amin, says he wants to bring 6.6 gigawatts of AI compute capacity online by 2034—meaning that Saudi Arabia would bear 6 to 7 percent of the world's AI workload, a market share surpassed only by the US and China. In November 2025, Humain and Nvidia established a strategic partnership specifying that the former may purchase up to 600,000 graphics processing units (GPUs)—the specialized electronic circuits used to train AI models—from the latter over the next three years. The trade press suggests that these chips will be used in data centers in both the US and Saudi Arabia. In the US, data centers are to be managed under a joint venture between Humain and Global AI, an AI infrastructure company founded by former IBM executives. In Saudi Arabia, Humain and Amazon Web Services are developing a dedicated AI facility near Riyadh expected to use Nvidia's wares. Meanwhile, Sam Altman has reportedly since early 2026 been pressing to raise $50 billion or more from the Gulf's leading sovereign-wealth funds.

The GCC's ability to combine subordination to the US private sector with national investment throughout the tech value chain is impressive. OpenAI now deploys its most advanced open models from data centers in Saudi Arabia, and xAI will soon be training its proprietary models there, too. Gulf powers are building out their own vertically integrated AI operations, with

Humain and G42 developing AI infrastructure, model training, and consumer applications. Humain is also currently piloting a voice-powered product it hopes may one day challenge Windows, MacOS, and the other global leaders in computer operating systems.

In sum, the combination of American capitalism's reliance on Silicon Valley and the self-destruction of its state-led R&D capacity has caused Washington to cede leadership of AI development to the dominant corporate players in the field. The Gulf's relative abundance of financial resources, access to cheap electricity, and power generation capacity has brought those players—all of whom have built their business strategies on the scaling of compute—to see the GCC's monarchies as essential allies. And those monarchies are now vying to become AI powerhouses in their own right with the blessing of the Trump administration.

Service to empire

The GCC's bet on Silicon Valley can be attributed to a few major factors. The first is technical: for now, Nvidia produces chips at the industry frontier, which makes it rational for the Gulf to align itself with American tech. The second is ideological: Mohammed bin Salman's fascination with US-styled tech futurism—and its cyberpunk aesthetic—is well documented, and OpenAI's Altman describes Tahnoon bin Zayed as a "dear personal friend." Yet the third and most salient factor is the set of incentives, restraints, and path dependencies imposed by the region's existing position within the American empire, which long predates the AI boom.

The GCC's integration into the US-led post-war order began in 1933, with Standard Oil of California's securing of an oil exploration concession in Dhahran, and consolidated after 1974 when agreements on petrodollar recycling—investing export earnings in Wall Street banks—were reached with Washington. For the Gulf regimes, domestic capital accumulation had been premised on these tributary responsibilities; the most obvious sign of the

Arabian Gulf's service to US empire was the countries' pricing of oil in dollars and their rerouting of oil receipts into US-dominated capital markets. With time, however, the Gulf's subservient position pushed it to accept a more meaningful role in propping up the financial health of the US. In the 1990s, Saudi Arabia's Olayan Group expanded its position in Chase Manhattan Corp, while one of the country's royals, al-Walid bin Talal, rode to the rescue of Citicorp when it was in peril in 1991. The 2008 global financial crisis consolidated this dynamic, as the Abu Dhabi Investment Authority moved quickly to save Citigroup while Gulf purchases of US sovereign debt became critical to the "success" of the Fed's Quantitative Easing program.

Once the crisis began to abate, GCC investment proved equally critical for the tech-dependent recovery out of the US Great Recession. During this period, GCC members became ever more conscious of the need to diversify their national economies away from oil and gas. Partly because of the close handful of consultancy firms that advise each of these governments, their national strategies closely resembled one another, with Abu Dhabi, Dubai, Saudi Arabia, Qatar, and Kuwait all rolling out "Vision" plans with the same basic template. For the UAE and Saudi Arabia in particular, this meant taking a greater interest in AI. By the late 2010s, Saudi capital had become the single largest source of investment in the startups that had sprung up in the environs of San Francisco. The state murder of Jamal Khashoggi briefly interrupted the burgeoning Saudi–Silicon Valley relationship (Altman left the board of Neom in protest) but the backlash soon subsided into a return to business as usual. Throughout the post-Covid credit crunch, Saudi and Emirati money continued to backstop personal fortunes and restore stock prices for Silicon Valley's leading lights.

The Gulf's relations with Silicon Valley are also underpinned by the logic of regime security. In using their capital to support a sector-cum-class fraction that is central to the American economy and state, the GCC countries are expecting Washington to reciprocate, backstopping the royals' hold on power in an increasingly volatile Middle East. It is telling that Saudi Arabia's recent Nvidia deal arrived after Mohammed bin Salman and Trump signed a new

Strategic Defense Agreement, which, along with provisions on civil nuclear energy cooperation, stipulated sizable Saudi purchases of US military kit. These will include an unspecified number of F-35 fighter jets, history's most expensive weapon system, and golden goose for Lockheed Martin. This is AI investment *qua* protection money.

Best laid plans

What might this alignment mean for the future? With their new attempt to import AI compute power, the leading Gulf regimes have been told of unique opportunities for rent extraction. In 2022, McKinsey analysts posited that AI adoption could add $150 billion to GCC economies per annum. PwC more recently estimated that AI will contribute a minimum of $135.2 billion (or 12.4 percent projected GDP) to the Saudi Arabian economy as of 2030, and $96 billion (or 13.6 percent GDP) to the UAE's. These huge projections are already giving rise to novel institutional configurations, with the creation of new planning, regulatory, and financial bodies, as well as corporate entities that might serve as lead investors.

Threats are looming. The most immediate are downstream from the Iran war. Tehran has demonstrated its capacity not only to dictate terms in the Strait of Hormuz but to threaten US allies to its west whenever it chooses. The US has meanwhile proved that it lacks both the will and the means to protect its clients in the GCC from the fallout of its disastrous military adventure. Its protection racket only extends so far. With no stable political resolution for the region in sight, the Gulf's dreams of developing major AI infrastructure could come to naught.

Even if the status quo ante were to be restored, the systemic financial risks presented by Silicon Valley's AI model may well undermine the medium-term outlook of US-Gulf schemes for global AI dominance. The extraordinary rate of cash burn by American start-up technology developers, the unprecedented capital expenditures from hyperscalers (more than $800 billion expected in

2026), the circular relations binding key players in the industry, and Silicon Valley's general disregard for revenue generation all make the Gulf's long-term economic forecasts look uncertain. While investors were previously willing to ignore the yawning gap between AI expenditures and revenues, this began to change in the early months of 2026, amid the disorder unleashed by the second Trump administration. After an earnings call at the end of January, Microsoft shed $357 billion in market capitalization in a single day.

There are more reasons to believe that the chickens might soon come home to roost. Oracle has issued billions in debts in order to build data centers that OpenAI (among other companies) has pledged to lease; yet OpenAI's ability to honor its pledges hinges on the firm continuing to raise funding from the likes of Nvidia and SoftBank—both of which have signaled that they may be backing out of their non-binding commitments. Should key American partners fall on hard times, the knock-on effects could compromise the GCC's finances and plans to develop national AI stacks.

The Gulf's projected capital expenditure on AI data centers further complicates the financial picture. According to S&P's projection, the megawatt load of the Saudi Arabian data center sector will experience 29 percent compound annual growth between 2024 and 2030. An increase of generating capacity at that scale will need to be met by a major surge in demand; otherwise, losses resulting from overcapacity could be enormous. And this is irrespective of the significant challenges of managing chip obsolescence, as the existing cutting-edge chips may be surpassed within five to seven years. With the Gulf's so-called AI national champions troubled by shortages in skilled labor—despite large Saudi and Abu Dhabi investments in education and training, and despite offering huge pay packages—the obstacles to success are daunting.

There are broader questions about the underlying developmental utility of the AI industry. At this juncture, there is little basis to assume AI will generate substantial enhancements in productivity. Globally, the data suggests that AI's most immediate labor-market effect is to wipe out what were previously secure entry-level jobs, especially in software and related industries. Saudi Arabia is already struggling with a youth unemployment rate of around 15 percent. It takes Saudi high school and university graduates forty weeks on average to secure employment. Studies from the King Abdullah Petroleum Studies and Research Center identify women and youth as those most vulnerable to AI-derived job displacement. To ignore these warning signs and inject AI into the ailing Kingdom is to risk causing major social pain.

AI's ecological impact must also be considered in relation to the Gulf's climatic challenges, not least in Saudi Arabia, where the state plans to use natural gas-fired plants to supply electricity to the AI clusters under construction. With data centers sited in locations far too hot for optimal performance, the fact is that the emissions bill for cooling these facilities—even where more efficient air and evaporative systems are deployed—is going to be gigantic. Possibilities for reducing AI's carbon footprint through the use of solar plants face a number of obstacles, including the intermittency of renewable energy. Even with the Saudis making impressive jumps in grid-scale battery capacity in recent years, the country is a long way off from being able to store the levels of power needed to ensure that data centers are fed with the constant energy supply they require.

The Gulf monarchies have acted as indispensable allies to both the British and American imperial projects, ensuring the circulation of petroleum to the benefit of the wealthiest nations and helping to backstop the global dollar-based financial order. The unashamed role of these regimes in the world-system is to expand the profit share of income. Their rulers have refined the art of exploiting workers at home and extracting value abroad, using petrodollar recycling to plunder the Global South in the 1970s and '80s, then designing corporate models to skirt labor laws and prevent collective bargaining in the new millennium. They thus have a natural affinity with AI, which is not a simple means for replacing workers so much as a complex tool for degrading, deskilling, speeding up, and outsourcing labor. Gulf participation in the ventures of Altman et al., driven by a combination of economic interest, political expedience, and ideological commitment, is also the latest stage in this longer historical trajectory. But while the Gulf states have so far benefited from serving as gilded American proxies, this strategy could backfire in the near future, both because of the volatility created by US aggression and the internal contradictions of the AI boom. Over the coming decade, the health of empire in the Middle East will depend in no small part on whether this Gulf–Silicon Valley nexus can hang together.

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Monroe Doctrines

Jaime Preciado, Pablo Uc

Imperialism and anti-imperialism in Nuestra América

In March, Donald Trump gathered leaders from Latin America and the Caribbean at his golf resort in Doral, Miami, to stage the "Shield of the Americas" summit. The gathering sought to establish a new coalition to combat "narco-terrorism" and dismantle the drug cartels that have become a constantly evoked bugbear of the second Trump administration. Amid renewed US military aggression, the event drew twelve reactionary heads of state, eager to align with Washington's regional agenda. In attendance were Argentina's Javier Milei, Ecuador's Daniel Noboa, El Salvador's Nayib Bukele, and Chile's José Antonio Kast, as well as the right-wing presidents of Bolivia, Paraguay, Panama, Honduras, Costa Rica, Guyana, the Dominican Republic, and the prime minister of Trinidad and Tobago.

The group reaffirmed the continental security principles of the so-called Trump Corollary, the most recent National Security Strategy, and the new Anti-Cartel Coalition of the Americas. The "Donroe Doctrine" put forward in these declarations is but the latest iteration of long-standing US claims to regional domination in the absence of hegemony—an exaggerated reformulation of the Monroe Doctrine and Manifest Destiny.

In what follows, we examine this new doctrine in light of its historical predecessors: Monroeism, the Good Neighbor Policy, Cold War counterinsurgency, and neoliberal Pan-Americanism. We argue that each of these manifestations of US imperialism has encountered sustained antagonism, rooted in a long-standing pattern of Latin American resistance, from Simón Bolívar's integrationism to José Martí's revolutionary anti-imperialism. This historical comparison reveals a number of substantive continuities in the nature of US imperialism in Latin America: unilateral decision-making, a logic of national security, militarization, and economic coercion have manifested in varied forms since the early twentieth century. But it also reveals an important set of ruptures: above all, a willingness to undo the very fabric of regional institutions that the US has manipulated for so long. This reflects a novelty in the composition of Latin American resistance—the limits of a coherent counter-hegemonic vision put forward by regional actors.

Together, these angles help illuminate contemporary US supremacy under the Donroe Doctrine, which marks a new period of US hemispheric imperialism. Trump's vision of a realigned geography through a "Greater North America" revives and repurposes centuries-old ideologies central to Pan-Americanism itself. The task before us, then, is to posit how anti-imperialist agendas might claim a new horizon for "Nuestra América."

Conflicting legacies

In 1904, Theodore Roosevelt spoke as the inheritor of a new empire. With the end of the Spanish-American War, the US solidified itself as a Caribbean Power. Roosevelt's speech articulated the fusion of two imperial ideologies: the Monroe Doctrine and the Doctrine of Manifest Destiny (1845). The former, delivered by President Monroe in 1823, rebuffed European imperial control of the Western Hemisphere, and in so doing, claimed it for the US sphere of influence. The latter legitimized the territorial expansion of the United States as a historic mandate. The doctrinal convergence articulated by Roosevelt laid the foundations for a continental projection that combined principles of hemispheric defense with practices of domination.

After Spain lost control of Cuba amid its independence struggle, the US placed the island under military occupation. It soon after made a grab for Puerto Rico, which it established as a colonial dependency, as well as the Philippines and Guam, which it held as unincorporated territories. This period of imperialism was characterized by the overt, unilateral exercise of US aggression.

The form of imperialism reflected decades of intense resistance. In his 1815 "Letter from Jamaica," Simón Bolívar had proposed a union of newly independent Latin American nations. By 1826, the Panama Congress, organized by Bolívar, was calling for a Hispanic American union to resist Northern domination. Meanwhile, as the first Monroe-style Pan-American Summit took place in Washington in 1890, José Martí came to prominence across the Americas. His seminal 1891 essay, "Nuestra América" (Our America), was widely read across the continent, becoming the basis for anti-colonial and popular sovereignty movements that sought to build regional unity against the new Northern imperial aggressor.

The co-constituting bind between imperialism and resistance is essential to the history of the Americas. Their histories are defined by five historical periods.

Critical microhistory of imperialism and Latin American resistance

Historical Period	**Orientation of Pan-Americanism**	**Imperial Doctrines and Agencies**	**Latin Americanist Resistance**
First Period (1776–1933)	Foundational Pan-Americanism (1776–1880)	Manifest Destiny Monroe Doctrine	Bolivarian Project: Letter from Jamaica Amphictyonic Congress of Panama
	Imperial Pan-Americanism (1881–1933)	First Pan-American Conference Roosevelt Corollary	José Martí's Nuestra América
Second Period (1934–1953)	"Good Neighbor" Pan-Americanism	Hemispheric Solidarity Good Neighborliness TIAR: military dominance OAS: inter-American relations IDB: developmentalism and indebtedness	Developmentalist alliance of populist regimes

Third Period (1954–1980)	Pan-Americanism of National Security	National Security Doctrine Counterinsurgency and Anti-Revolutionary Policy School of the Americas Operation Condor Anti-Communist Containment Alliance for Progress	Cuban Revolution National Liberation Revolutionary and popular Anti-imperialism Liberation Theology Sandinista Revolution in Nicaragua Revolutionary uprisings and counterinsurgency in Central America
Fourth period (1981–2020)	Neoliberal Pan-Americanism	Neoliberalization Washington Consensus Summit of the Americas FTAA FTAs and subregional FTAs Northern Command	Cycle of social unrest from 1989 (Caracazo) to 2001 (Que se vayan todos) Bolivarian Revolution Zapatista Uprising World Social Forum and Continental Social Alliance Cycle of Progressive Governments
Fifth period (2025–present)	Unilateral Supremacy	Make America Great Again America First Trump Corollary Military intervention “Shield of the Americas” Greater North America	Brazil-Colombia-Mexico Axis World Anti-Fascist Front ALBA Movements

Source: Author’s own work based on Jaime A. Preciado Coronado, “El panamericanismo: instrumento geopolítico para la implementación de la Doctrina Monroe,” in *La Doctrina Monroe contra América Latina y el Caribe (1823-2023): dos siglos de agresiones, intervenciones e injerencia*, ed. by Carlos Oliva Campos (Caracas: Monte Ávila Editores Latinoamericana, 2023), 71–114.

US imperialism, then, is not simply a unilateral act of domination. It is always contested and reshaped by the movements that resist it. Pan-Americanism sometimes manifests through *gunboat diplomacy*—expressed in violent interventionist processes that included invasions, the overthrow of governments, and territorial annexations—and sometimes through *carrot diplomacy*, which relies on negotiation, treaties, and a system of indebtedness. These two faces of American imperialism constitute different tools that can be directed towards different actors, often during the same period.

A new phase of American imperialism would be launched by Franklin D. Roosevelt in 1933. With the Good Neighbor Policy, Washington sought friendlier relations, pulled back from military interventions, and initiated hemispheric cooperation, including the first multilateral bodies that would go on to form the basis for the nascent Inter-American system. With this institutional system in place, this period expanded a platform of military control through the Inter-American Treaty of Reciprocal Assistance (TIAR, 1947) and ten Pan-American Conferences held before 1954. The creation of diplomatic spaces claiming to support democratic governance, like the Organization of American States in 1948, effectively functioned as a means for anti-communist containment and the isolation of countries and movements opposed to US hegemony.

This phase of US imperialism, too, reflected a new iteration of resistance movements. It was during this period that national-popular movements emerged across Latin America and the Caribbean, positioning themselves against national bourgeoisies and oligarchies supported by the US and Europe. At the same time, a process of social integration developed, which sought to protect and strengthen social markets, or what Cardoso and Faletto termed the "developmentalist alliance" between industrial sectors and the working-class and popular sectors. The sheer strength of these movements forced a claim to multilateral cooperation, for fear of sparking even greater revolt.

But ultimately, this cooperative framework once more led to unilateral violence. With the intensification of the Cold War, US government officials could no longer risk the appearance of regional sovereignty. The 1954 coup in Guatemala was soon followed by the attempted invasion of Cuba in 1961; the recovery of the Panama Canal following the sovereignty revolt in 1964; the coup against the government of João Goulart in Brazil that same year; the military intervention in the Dominican Republic in 1965; the assassination of Ernesto "Che" Guevara in Bolivia in 1967; the coup against Salvador Allende in Chile in 1973; and Operation Condor in Argentina in 1975.

The establishment of pan-continental military infrastructure soon became a key mechanism of control. During the Second World War, the Caribbean Defense Command was key to this. Its objective was to control the Panama Canal, monitor the Caribbean, and coordinate military missions in Latin America. The School of the Americas, a training facility that laid the groundwork for counterinsurgency imperialism, was also established. By 1963, the Southern Command (SOUTHCOM) was formed to contain communism and popular revolt, and expand the counterinsurgency commitments enshrined in the National Security Doctrine.

The legacies of these agencies continue to shape today's continental military alliances. Importantly, the Cuban Revolution's effective resistance became an inspiration for various national liberation movements and guerrilla struggles. And it was within this insurgent landscape that the most significant anti-imperialist principles of the century—internationalism and the promotion of a revolutionary humanism—matured across broad intellectual, journalistic, and artistic spheres throughout Latin America.

It was in response to these movements that yet another period of empire arose. Ronald Reagan's Neoliberal Pan-Americanism synthesized a "minimal" state with an emphasis on "national security." The minimal security state justified intervention in various parts of the world, particularly in the Caribbean and Central America. Seeking to reinforce its dominance in the Americas, the George H. W. Bush administration proposed the Initiative of the Americas in 1990 and a series of biannual summits beginning in 1992 as part of the new post-Cold War agendas. The Clinton administration advanced this neoliberal turn by pushing forward the North American Free Trade Agreement (NAFTA) and the Free Trade Area of the Americas (FTAA), which George W. Bush had adopted as hemispheric priorities. Added to this were the nine Summits of the Americas held between 1994 and 2022.

Despite the emphasis on trade and markets, neoliberal Pan-Americanism was accompanied by an increasingly unilateral security agenda. In 2002, US Northern Command (NORTHCOM) was created in response to the September 11, 2001, attacks, incorporating Mexico as part of the priority security zone in the face of transnational threats, and the launch of the global war on terror and the reorganization of the fight against drug trafficking on a regional scale.

Against this backdrop, a new cycle of social protest was launched. It began in 1989 with the "Caracazo" in Venezuela, the Continental Campaign for 500 Years of Indigenous, Black, and Popular Resistance in 1990, and a flurry of anti-globalization social movements like the Zapatistas in Chiapas and the 2001 World Social Forum in Porto Alegre. For more than a decade, a regional network of dissent was built, a source of social multilateralism that marked resistance to Pan-Americanism in general and to neoliberalism in particular.

Bolivarian Venezuela, the strategic epicenter of a counter-hegemonic geopolitics oriented toward regional integration, garnered significant popular support in several Latin American countries. The implosion of the FTAA in 2005 was counterbalanced by the creation of major regional institutions autonomous from the Pan-American system, such as the Union of South American Nations and the Bolivarian Alternative for the Peoples of Our America-Peoples' Trade Agreement (ALBA-TCP), which brought together governments and popular movements in a new regional anti-imperialist phase and a phase of "South Latin American" autonomy that substantially "weakened" the scope of the Monroe Doctrine.

This wave of resistance garnered a response from the Northern aggressor. In 2013, then Secretary of State John Kerry pronounced the end of the Monroe

Doctrine, announcing the beginning of a new era of cooperation. Echoing Roosevelt's pronouncements in the 1930s, Kerry put forward a vision of regional equality in which countries would adhere "not to a doctrine but to decisions we make as partners." Bolivarian geopolitical projection, Brazil's growing influence, and the rising force of regional self-determination against the prospect of US-led multipolarity initiated a new cycle of Nuestra América. In 2010, the Community of Latin American and Caribbean States (CELAC) was created, notably including Cuba. Under this political consensus, the region was declared a zone of peace.

But by the 2010s, the crisis of the political left and the rise of the far right in Latin America led to a breakdown of the integration proposed by Nuestra América. Today, we see a forceful revival of the imperialism of the 1900s: an amalgamation of the Monroe Doctrine and Manifest Destiny reminiscent of Theodore Roosevelt's term. This iteration of imperialism represents a hegemonic power in crisis, clinging to unipolarity under militaristic supremacy. Unlike any of its previous iterations, the US's explicit domination over the Western hemisphere today undermines the very Pan-American institutional framework that it had constructed over the past two centuries.

The fifth stage

In 2016, Donald Trump began to outline his political-ideological project under the slogan of "Make America Great Again." With anti-immigrant and nationalist stances, Trump's first administration rejected trade multilateralism—namely the United States-Mexico-Canada Agreement (USMCA) and the Trans-Pacific Partnership (TPP)—which it blamed for the loss of industrial jobs in the United States. The shift toward an orthodox national security doctrine and rising nationalism led the administration to gradually appropriate the fundamental principles of the Monroe Doctrine to define its relationship with Latin America and the Caribbean.

In the 2017 National Security Strategy, the Western Hemisphere appeared as a relatively secondary priority within the geographical hierarchy of foreign policy, but the strategy named drug trafficking as a central priority. The document highlighted China's growing role in the region through its state-driven investments and loans. Meanwhile, it deemed Russia's policy of bolstering its radical allies—Cuba and Venezuela—to be failed and anachronistic.

Although the pan-American geopolitical projection during the Joe Biden administration represented a brief pause in this strategy, Donald Trump's return to the White House marked the beginning of a phase that deepened the ideological principles of the "America First" doctrine. This internal upheaval is linked to an explicit return to Monroe Doctrine principles and a supremacist imperialist projection. The US's 2025 National Security Strategy, unlike that of 2017, positioned the Western Hemisphere as the priority region within US strategic projection:

> After years of neglect, the United States will reaffirm and apply the Monroe Doctrine to restore US preeminence in the Western Hemisphere and protect our homeland and our access to key geographic areas throughout the region. We will deny non-hemispheric competitors the ability to position forces or other threatening capabilities, or to possess or control strategically vital assets, in our hemisphere. This "Trump Corollary" to the Monroe Doctrine is a sensible and powerful restoration of US power and priorities, consistent with US security interests.

The so-called "Trump Corollary" aims to reestablish historical principles under the ambitious framework of a "Donroe Doctrine," which has a dual objective: to recruit established allies in the hemisphere to control migration, stem the flow of drugs, and strengthen security both on land and at sea; cultivate new alliances; and reinforce the United States's appeal as a preferred economic and security partner in the hemisphere.

This marks the beginning of the fifth stage of US imperialism, one that both exacerbates the historical legacy of the most aggressive phases of US expansionism and deviates from these earlier iterations by undermining existing Pan-American institutions, supplanting them with new, personality-driven bodies aligned with the ideological framework of the far right. This phase has sought unilateral supremacy rather than consensus or regional coordination.

The new phase of imperialism has ushered in a post-Pan-American era, in line with the decline of the tenets of neoliberal hegemony and the principles of the Washington Consensus. Its strategic approach is coercive, manifested in the complete externalization of migration and the persecution and expulsion of US immigrant communities. These domestic policies have threatened to undermine the basic foundations of US citizenship while remaining loyal to a fascist nationalism espoused by MAGA. In this fifth phase, the US acts as an illiberal superpower dismantling strategic alliances like NATO, subordinating its foreign policy to Israeli wars, and supplanting the multilateral institutional framework of the UN through entities such as the Peace Board. For instance, the Gaza Strip reconstruction plan, meant to rebuild the region after the horrors of genocide, has been promoted by business figures with close personal ties to Trump himself.

In Latin America and the Caribbean, the imperial path has been characterized by political, economic, and military siege with expansionist aspirations. The premise of the doctrine is now clear: whoever dominates the Greater Caribbean will dominate the heart of the Western Hemisphere. Venezuelan President Nicolás Maduro became the strawman used by the Pentagon to justify a comprehensive militarization of the Greater Caribbean. Bombing campaigns in the Caribbean and the Colombian Pacific destroyed over forty-five unidentified boats between September 2025 and March 2026, resulting in the extrajudicial killing of at least 150 people. Added to this was a military assault campaign focused on the seizure of oil tankers, aimed at establishing de facto control over the waters of the Caribbean and other areas of international waters along the Atlantic to disrupt energy flows between Venezuela and its main energy partners.

The military intervention of January 3 in Venezuela took place within this context, with the central objective of seizing control of the energy sector in the Greater Caribbean, redirecting oil capital from the world's major reserves through structural reforms, containing a large-scale social uprising within the country, restructuring the government regime's chains of command (without a democratic transition), and reversing the energy giant's historic relations with Russia, China, and Iran. The isolation and planned collapse of the Cuban regime—culminating in the abrupt suspension of Petrocaribe—is part of a brutal strategy of energy suffocation.

The hemispheric doctrinal shift has been evident in the administration's actions this year. During the Western Hemisphere Defense Chiefs Conference in February, US Secretary of War Pete Hegseth called on defense chiefs and senior military leaders from thirty-four countries in the hemisphere to unite to deter "bad actors." At the first "Conference of the Americas Against the Cartels," Hegseth referred to adversaries threatening the security and shared geography of the continent by attempting to displace "the historic 'North-South' relationship," one which "excludes the United States and other Western nations, but includes non-Western powers and other adversaries."

Hegseth outlined a strategic map that rejects the notion of the Global South in place of a Greater North America. He further claimed, "All sovereign nations and territories north of the equator, from Greenland to Ecuador and from Alaska to Guyana, are not part of the Global South. They form our immediate security perimeter in this great neighborhood in which we all live. Each of these countries borders the North Atlantic or the North Pacific."

In this vein, Trump's war secretary reaffirmed his fundamentalist perspective on Western geography and culture by defining Greater North America as "Christian nations under God's protection," laying claim to a "shared heritage." This fifth stage of imperialism is thus rooted in an ideology of continental national security and expansionist geographical determinism. In this stage, Latin America and the Caribbean are subordinated and subjected to a global realignment.

The fifth stage of U.S. imperialism

Annexation, invasion, siege, and strikes inside Hegseth's "Greater North America."

Phenomenal World

Source: Airwars, U.S. Military in Latin America and the Caribbean, which documents 56 incidents from 2 September 2025 to 8 May 2026. Positions are approximate: Airwars publishes the zone of each incident (Caribbean or Eastern Pacific) but not precise coordinates.
Graphic: Pablo Uc and Yusuf Imaad Khan

Mapping Greater North America

In this redefinition of the hemisphere as Greater North America, the Trump administration's authoritarian nationalism has shifted toward the exercise of transactional diplomacy founded on threats and negotiation. These threats have come in the way of aggressive tax policies and debt incentives, meant to coerce military cooperation, influence electoral processes, and encourage security and anti-immigration policies. As a result, US intervention in Latin America is justified by the threat of narco-terrorism.

The new geopolitical map of Unilateral Supremacy reflects four avenues for the accumulation of US power. The first is technology and media, which have been utilized to naturalize a vision of territorial expansion that draws on the Monroe Doctrine's legacy. Here, economic nationalism has merged with increased power held by technological and corporate oligopolies that control data, platforms, networks, and their algorithms. Major media infrastructures and their owners, often major Trump donors, drive an ideological apparatus that has upheld a discourse of an annexationist siege. Imperial geopolitical imaginaries, like the renewal of "Uncle Sam," reflect the historical principles of expansion and intervention rooted in big stick policy and gunboat diplomacy.

The second is in the quest for control over natural resources. The Ministerial Meeting on Critical Minerals, convened in February 2026 by the US State Department, is one example. The meeting sought to redefine the terms for access to natural resources and increase control over the global market. With Panama as a strategic isthmus connecting Europe to the Pacific, the region presents a "relative potential for self-sufficiency" that could grant the hegemonic power a position of relative invulnerability. Latin America is home to nearly 20 percent of the world's oil reserves, 25 percent of strategic metals, and more than 30 percent of the world's primary forests. Moreover, Venezuela itself holds 17.5 percent of the world's oil reserves. The "Lithium Triangle" formed by Argentina, Bolivia, and Chile boasts the highest concentration of the world's lithium resources.

Since 2025, both Chile and Bolivia have joined a Washington-aligned axis, presenting a possible setback for China in the region. Brazil, however, has retained a strategic role that could serve as a counterweight to the strategy of imperial domination. The country boasts key nickel, cobalt, rare earths, and graphite reserves, and the sovereignist stance of Lula da Silva, Brazil's membership in the BRICS+ bloc, and China's role as Brazil's main trading partner could challenge US hemispheric aims.

The third dimension of US strategy is trade. Tariffs have been weaponized as part of a diplomatic-transactional strategy to compel countries to reorient their security policies, foster internal ideological shifts, and limit access to strategic areas in the hemisphere. These transactional strategies are part of a broader "America First" discourse and war on narcoterrorism. In practice, they target China's trade presence, investments, and infrastructure projects in the region. The Panama Canal is a case in point. Last year, the Panamanian government yielded to US pressure to revoke the concession granted to a Hong Kong-based company that had been operating two ports on the Canal since 1997.

Trump's tariff regime has taken a particular form in Latin America. The administration has pursued negotiations with each head of state, using tariffs as a lever of political pressure to secure concessions in trade agreements and intervene in internal political affairs. In July 2025, for example, the administration threatened to impose a fifty percent tariff on imports from Brazil in order to pressure the government to drop legal proceedings against Jair Bolsonaro for his role in the attempted coup between 2022 and 2023. On the trade side, a set of agreements between the US and Guatemala, Argentina, Ecuador, and El Salvador were announced in November 2025, granting specific access to the US market. Trump has used the International Emergency Economic Powers Act (IEEPA) to readjust trade priorities according to security and immigration concerns.

Trump's personal support has also manifested in the new conditional framework for borrowing through the International Monetary Fund (IMF).

In Argentina, Trump openly supported Javier Milei's party in the 2025 midterm elections under the threat of scrapping a $20 billion economic aid package through the IMF. The US also pressured the IMF to grant loans to Ecuador ($6.5 billion) and El Salvador ($2 billion), solidifying ties with strategic allies subordinate to this new scheme of hemispheric indebtedness and the neoliberal oligarchic model. Similarly, Trump expressed his support for the conservative candidate Nasry Asfura of the National Party in the 2025 Honduran elections and pressured the electoral authority to reverse the results that were unfavorable to "his candidate," threatening to withdraw all support from the Central American country. Meanwhile, amidst the US's extrajudicial bombings in the Caribbean, Trump pardoned Juan Orlando Hernández, the former Honduran president serving a forty-year sentence for drug trafficking and money laundering on US soil.

Finally, the fourth avenue for US power is through military alliances with subordinated but favorable governments. The focus on migration and security reflects the alarming fascist shift in the US domestic paradigm of immigration enforcement carried out through Customs and Border Protection (CBP) and Immigration and Customs Enforcement (ICE). Greater security cooperation and an increased presence of US armed forces was a core topic of discussion in the aforementioned Conference of the Americas Against Cartels and the Shield of the Americas.

These alliances draw from a long history of US imperialism and military intervention in the hemisphere. Under tariff pressure, Mexico has agreed to cooperate with the US regarding military actions against drug cartels. Although the Mexican government has sought to preserve territorial sovereignty and control over national security, it has gradually yielded to US pressure. In February 2025, Claudia Sheinbaum's government immediately complied with the US government's request to strengthen northern border security by deploying 10,000 National Guard and Army personnel, in addition to the 32,000 National Guard members already assigned to immigration tasks. Meanwhile, between 2025 and 2026, Mexico transferred more than ninety drug-trafficking leaders to the United States without an extradition process.

By overlaying maps of military-political deployment, US commercial expansion, and access to natural resources, we can see the dimensions of US power. Under this hemispheric framework, each territory becomes a battleground for control.

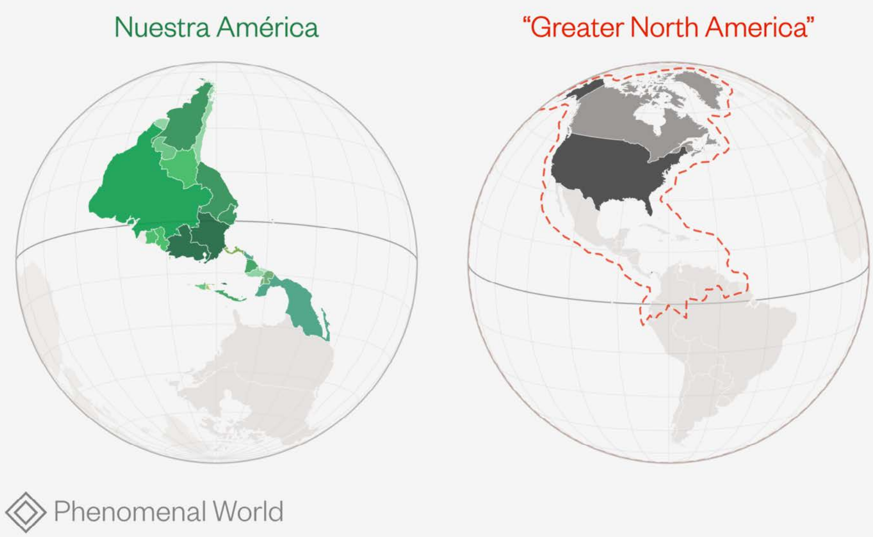
Anti-imperialist creativity

In addition to reviving old mechanisms of domination, the fifth stage of imperialism also strains the frameworks through which Latin America has historically conceived of its emancipation. Political and intellectual creativity cannot be limited to denouncing interventionism. Rather, it demands a strategic re-reading of the long Latin Americanist tradition, which, far from being a nostalgic repertoire, constitutes a living field of theoretical and practical production.

Today's anti-imperialism must be updated in the face of new forms of power: coercive financialization, expanded extractivism, security-driven militarization, and the societal capture of digital platforms. The anti-imperialist tradition stretching from Bolívar and Martí, through to the most recent experiences of Latin American cooperation, suggests that unity is not a given, but a conflict-ridden construction. It demands organized political will, social cohesion, and an innovative institutional imagination that upholds multilateralism.

Nuestra América vs. Greater North America

Bolívar's and Martí's Nuestra América, today perhaps best represented by the 33-nation CELAC* bloc, against Hegseth's "Greater North America"



*CELAC: Community of Latin American and Caribbean States
Graphic: Pablo Uc and Yusuf Imaad Khan

US-dominated Pan-Americanism today is clearly unable to offer a legitimate framework for hemispheric cooperation. What was historically presented as an integration model has become a mechanism of selective subordination, now radicalized under the Donroe Doctrine. This raises fundamental questions: How can we construct an anti-imperialist horizon when confronting a new form of imperialism—one not only manifested through territorial occupation, but also through financial networks, digital platforms, and global supply chains? What does "Nuestra América" mean today?

An anti-imperialist Latin American vision cannot be reduced to an identity-based abstraction. It must be translated into concrete projects of integration, social justice, and sovereignty (CELAC being one example). It must also be communicated clearly by national governments. Nicolás Maduro, Gustavo Petro, Claudia Sheinbaum, and Luiz Inácio Lula da Silva have each denounced, to varying degrees, the return of the United States's hemispheric interventionist logic. These positions help maintain a government critique of imperialism alive and assert a vision of the hemisphere that belongs to all of us.

Unity, also, can no longer be limited to alliances between states. It must represent a movement between peoples and popular struggles, including those led by indigenous and Afro-descendent groups. The Caracas Manifesto of 2025, transnational movements like the Nuestra América solidarity convoy against the energy blockade of Cuba in 2026, and mobilizations against military interventions are expressions of anti-imperialist creativity in civil society.

These practices not only dispute the imperial imagination but also connect local struggles with global horizons of anti-imperialist and anti-fascist popular resistance. The central challenge of this renewed anti-imperialist creativity is to articulate a project capable of confronting imperialism in transformation. In this tension between memory and reinvention, between fragmentation and unity, lies the possibility of a new historical cycle for Nuestra América.

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6. Under this framework, the two spheres of geostrategic control defined by SOUTHCOM and NORTHCOM incorporated the continent into the global war on terrorism strategy and the conception of the United States as a unilateral power assuming the role of "global police." It should also be noted that in 2025, Republican Congressman Ken Calver introduced a bill to exclude Mexico from Northern Command and transfer its jurisdiction to Southern Command, although it has not gained traction.
7. Bringel, Breno y Cabezas, Almudena. "Geopolítica de los movimientos sociales latinoamericanos: espacialidades, ciclos de contestación y horizonte de posibilidades". In *Anuario de la integración latinoamericana y caribeña*, ed. by Jaime Antonio Preciado Coronado (Guadalajara: Universidad de Guadalajara / University Press of the South New Orleans / Ediciones de la Noche, 2014).
8. The Zapatista uprising in 1994 became a global benchmark for anti-globalization resistance by opposing the North American Free Trade Agreement (NAFTA), while the Continental Social Alliance (ASC), which emerged in the late 1990s, expanded a transnational social coalition against neoliberalism and in defense of social justice. In addition, People's Summits flourished, along with powerful indigenous, Afro-descendant, and women's movements across the continent.
9. Tovar Ruiz, Juan. "La doctrina Trump en política exterior: fundamentos, rupturas y continuidades". *Revista CIDOB d'Afers Internacionals* 120 (2018): 264.
10. It holds nearly 47 percent of the world's lithium reserves, 36.6 percent of copper reserves, 34.5 percent of silver reserves, 23.8 percent of natural graphite, 20.6 percent of tin, 18.8 percent of iron, 16.7 percent of rare earths, and 15.7 percent of nickel. It produces more than fifty percent of the world's silver, 37 percent of copper, 36 percent of molybdenum, 37 percent of lithium, 20 percent of tin and zinc, and 16 percent of iron.
11. Chile and Peru maintain a key position as global leaders in copper, while Brazil, Jamaica, and Guyana hold a significant place in bauxite (aluminum) production and reserves.
12. Always subject to periodic evaluations not contingent on prior trade agreements—such as CAFTA-DR or previously signed free trade agreements.
13. A provision, incidentally, that is highly vulnerable in *light of the* recent *US Supreme Court ruling*, which determined that the president exceeded his authority by imposing a series of tariffs that disrupted global trade.
14. According to *ACLU Texas*, as of March 2026, a total of 367 deaths have been recorded, of which 78 were minors, 51 were US citizens or legal permanent residents; 62 were deaths in custody; 16 were caused by off-duty officers;

23 were related to the border wall; 119 resulted from vehicle chases by the Border Patrol; and 6 were due to cross-border shootings.

Rene Magritte, Le mal de mer, 1948.

What Future for the Global South?

Celso Amorim

Brazil's leading diplomat on navigating global instability

The first months of 2026 have seen a dramatic escalation of imperial violence. The United States kidnapped Venezuelan President Nicolás Maduro, threatened to invade Greenland, laid siege to Cuba, gave the green-light to continue the genocide in Palestine, and launched —with Israel—a war against Iran, which as included bombing its major cities, destroying schools and hospitals, wrecking critical infrastructures throughout the Persian Gulf, disrupting the maritime route responsible for a fifth of traded oil in the world, and, of course, assassinating its head of state.

Celso Amorim has been a major presence in Brazilian diplomacy and international relations for more than thirty years. He served as foreign secretary under President Itamar Franco in 1993 and as Brazil's Permanent Representative to the United Nations later in the decade. He resumed the role of Minister of Foreign Affairs when Lula came to power in 2003 and held it until 2010, before being appointed Minister or Defense by Dilma Rousseff. He is now Chief Advisor to the third Lula government.

The global turbulence of today served as the context for the following interview. In a conversation with *Phenomenal World* editors Maria Fernanda Sikorski and Hugo Fanton, Amorim discusses the future of the multilateral order and the strategic dilemmas for middle powers facing both global competition and US aggression. Carried out on February 10 in Brazil and updated on March 4 to include a reflection on the attacks against Iran, this interview considers the current geopolitical ruptures and continuities through the Brazilian perspective.

An interview with Celso Amorim

Maria Sikorski: What is your assessment of the latest developments in the Middle East?

Celso Amorim: The attacks on Iran, as well as Iran's response to the US-Israeli offensive, represent a significant aggravation of regional tensions in an international context already marked by major instability. The shrinking space for dialogue and the growing centrality of force are deeply regrettable developments. In just a short period, we have gone from signs of progress in negotiations to a large-scale military operation. At this point the consequences are difficult to measure, but it is unlikely that there will be any quick resolution or a low-cost outcome, considering the demographic, historical, and political dynamics in Iran. The damage will probably not be confined to one country or region, and a scenario in which several conflicts could become interconnected is not out of the question.

Hugo Fanton: What is the significance of assassinating a head of state?

CA: The assassination of a head of state or government is a serious violation of international law, and escalating the conflict to this point tends to increase geopolitical instability.

MS: Earlier this year you described the US military intervention in Venezuela as "tragically surreal," and warned about the dangers of a world that is no longer governed by a predictable set of rules. The international institutions created in the post-war period have not mounted a concrete or coordinated response to Maduro's kidnapping. Have we now entered a global state of exception, in which diplomacy has been replaced by brute force?

CA: This is the worst moment for international dialogue since I began to occupy positions of greater responsibility in public life—I am not talking about the beginning of my diplomatic career, when I did not yet follow these processes closely, but about the period when I was directly involved in formulating foreign policy. La Rochefoucauld said that "hypocrisy is the tribute vice pays to virtue." Now not even that remains. Today certain states act simply because they have the power to act. I consider what happened in Venezuela unjustifiable. I am not defending Nicolás Maduro nor am I saying that he is right; that is another issue. But what we have witnessed here is a violation of international law in its oldest sense: the law of nations.

Countries have always waged war, but they have not always behaved in this way. The death of a monarch in combat, for example, could occur within a recognizable logic of confrontation between states. What happened in Venezuela, by contrast, is truly surreal. Its only parallel in recent international relations is what we saw in the case of Saddam Hussein.

I have learned from my political experience that it is possible to search for loopholes, to push for gradual change, to try to influence events, but that ultimately one cannot ignore reality. And this is the reality today. The question is how to deal with it, and here we do not yet have a clear answer. You rightly mentioned the absence of a stronger reaction from the multilateral system, but we must remember that the multilateral system itself was created by the victorious powers at the end of World War II, and continues to be shaped by this legacy. States act according to their own interests; none is willing, at least for the moment, to risk a direct confrontation with what is still—and will likely continue to be for some time—the world's greatest military power. This makes the current moment particularly dangerous.

At one time, when we spoke of multipolarity, we used to imagine a more flexible, more open international order. But we are now seeing the concept of multipolarity transform into something else. It has gradually become conflated with the logic of "spheres of influence." The other great powers, Russia and China, may have rhetorically condemned the intervention in Venezuela, but they have taken no concrete action. There was not even a resolution presented to the Security Council, which, even if it was defeated, would have at least allowed other states to stake out their positions.

There's no hiding the fact that we live in a very difficult world. Whereas two decades ago I would have said that we lived in a world of opportunities, today we live in a world of difficulties—which have only intensified because of the recent turn in US foreign policy, guided by the worldview associated with Thucydides, in which strength is the only guiding principle.

HF: How can or should Brazil act in this context? Historically, the country has advocated peaceful solutions to disputes and relied on multilateralism as a central instrument of its foreign policy.

CA: There is no simple solution. Brazil must continue to work toward a better type of multipolarity. That is why, personally, I have always been cautious about the concept of the "hemisphere." While the "western hemisphere" might exist geographically, it is curious to use it as a political category when there is no real eastern equivalent.

I do not see any determinism in this position. Brazil must maintain good relations with the US—that much is obvious and needs no further explanation. But at the same time, it cannot fail to cultivate relations with China, Russia, and other countries. Not least because, in order to weigh its options, it must maintain dialogue with all sides. When it comes to Russia, in some quarters there was no willingness to engage in dialogue after the outbreak of war in Ukraine. But now I am pleased to see that certain initiatives—such as the visit of French officials to Russia—are pointing in a different direction. It's not as if Brazil was responsible for effecting this change, but it is nonetheless important for the world at large that there are voices in Brazil that continue to insist on the need for dialogue.

We are living through a period when global tensions often arise without mediation. The world today is increasingly raw, so to speak. We may have never experienced such a stark international situation. And although this has increased the risks of international politics, it has also exposed its real workings. This is a world without illusions.

The consequences for Brazil are profound. Sectors of society that were not previously interested in strategic or defense issues have begun to reflect on these questions. The country needs to develop a serious defense policy, not to confront major powers—we will never have the capacity to confront countries such as the United States, Russia, or China militarily—but to acquire a real deterrence capability. It is essential that external actors know that any aggression would entail significant costs and damage. This is no simple task, as events in Venezuela show. But it is a necessary one.

At the same time, Brazil must continue to contribute to the construction of a more balanced multipolar international order, in which foreign relations can be rooted in mutual autonomy rather than automatic ideological alignments. Perhaps this is the way forward: combining deterrence with diplomatic action in favor of a more open and cooperative international system. Now, if you ask me whether there are any guarantees of success, the honest answer would be no. There are no certainties. We are dealing with a deeply uncertain historical moment.

MS: You have always been one of the leading defenders of regional cooperation in Latin America and especially in South America. Yet at this moment of realignment—when the region is once again coming under intense external pressure—Latin America seems deeply fragmented. Its governments have very different orientations. What are the implications of this, given that Brazil's international defense strategy has historically been designed alongside regional allies, as with the South American Defense Council?

CA: I have not seen such an unfavorable moment for Latin America as a whole, and for South America in particular, in a long time. Even so, we must continue this vital work. It is not impossible for governments that think differently to engage in dialogue or cooperation. For example, we had a very solid cooperative relationship with Colombian President Álvaro Uribe, who was present when the UNASUR Constitutive Treaty was signed; whereas Uruguay's Tabaré Vázquez, who was politically close to us, was the only regional head of state who did not attend. Disagreements arose later, especially regarding the creation of the South American Defense Council, because Colombia tended to mix the concepts of external defense and internal security, while we had a different view. Still, it was a solvable disagreement, and in the end it was overcome.

Once it was created, the Council helped to reduce tensions at delicate moments, such as during the crises between Colombia and Ecuador and between Colombia and Venezuela. Within the broader framework of UNASUR, we were also able to respond to internal crises, such as in Bolivia, although we only ever intervened at the request of the local authorities themselves, never without an invitation. So I would say that dialogue with leaders who have different views is not impossible, as long as there is a willingness to talk. What's more difficult is sustaining integration processes when worldviews diverge profoundly not only in terms of domestic policy, but also in terms of international alliances and strategic orientations. But even then we must not give up. Politics, as they say, is the art of the possible—and it is also about expanding the space of the possible, bringing it as close as possible to the ideal, while knowing that this ideal will never be fully realized.

HF: Is the project of Latin American or South American integration decisive for Brazil's international integration? What is the strategic role of regional integration at a geopolitical moment when regional spheres of influence seem to be regaining centrality, with the US invoking the Monroe Doctrine to threaten Venezuela and Cuba?

CA: This is something that Brazil cannot accept. I have the perception—although I may be mistaken—that the US treats Brazil with a certain degree of caution, on account of its territorial size, population, and economic and energy potential. We need to be fully aware of this position. Brazil cannot adopt a foreign policy marked, as has been said in the past, by "viralatismo": a tendency to simply follow the US. That is not, nor will it ever be, the country's role.

I believe Brazil should always seek to maintain good relations with its neighbors. The President himself demonstrated this on his recent trip to Panama—an ability to engage in dialogue regardless of ideological affinities. Of course, there are different types of bilateral relationships; personal closeness is one thing, and respectful coexistence between states, based on cordiality and mutual recognition, is another. When the other side does not wish to maintain cordial relations, it is not appropriate to go on insisting; each country must be allowed to pursue its own path. But in general, when this kind of distance opens up it is detrimental for everyone, since Brazil is an important market and a natural partner in the region. Here one must learn to be patient. Patience is an indispensable virtue in international politics—and only leaders with real strategic vision, such as President Lula, fully understand its importance.

You mentioned Cuba, and on this I do not want to be silent. What is happening there is deeply tragic. It is not simply a matter of pressuring or replacing the government; the sanctions imposed on Cuba do not fall just on a regime, but on an entire people. At the same time, it is not easy to know how to deal with a situation like this. Brazil has few concrete instruments to help, because the degree of interdependence in the international financial system is such that virtually any transaction ends up going through mechanisms subject to US jurisdiction and, therefore, to US sanctions. The same thing happens with oil, with Petrobras. So we are severely limited. But even so, I believe this issue should be the subject of broader international reflection, because it is not about Cuba alone. The precedent set could have serious consequences for the entire region.

Regardless of one's sympathies or disagreements, Cuba's historical trajectory is truly unique: there was a revolution, the invaders were expelled. One can discuss the errors and limitations of the political system that was consolidated thereafter, but nothing about this system will be improved by starving a people with sanctions and isolation. The G77 discussed adopting a resolution on the issue, but a decision like this depends on consensus among its members, and there were even one or two countries in South America that ended up preventing this from happening. This is a shame, because the condemnation of unilateral sanctions has historically been one of the few lasting points of convergence among the countries in the region. Seeing this unity weaken is very worrying.

HF: Would it be possible to build a regional emergency support mechanism, involving Mexico, for example, to address the situation?

CA: I can't say. Mexico itself faces significant challenges. We have great admiration for President Claudia Sheinbaum, but each country has to deal with its own internal priorities, and when its own security is at stake, it is difficult to take on initiatives of this kind.

In any case, I remember once saying to American lawmakers that, in a sense, the US has already lost the war it started against Cuba more than sixty years ago. The regime has not been overthrown. It is no longer simply a matter of replacing one government with another; it is now about destroying the people. Cuba is a highly specific historical case, in which the perceived political alternatives are extremely limited: either the continuation of the current system or a return to the situation prior to the revolution. I will not quote the various descriptions I have heard of the Batista era, when the country was a mixture between a casino and worse things.

HF: Under the previous Lula and Dilma governments, you often described Brazilian foreign policy as "proud and active." More recently, the term "active non-alignment" has emerged. What distinguishes these two concepts, or are they just different ways of expressing the same international outlook?

CA: I don't think there are any major conceptual differences between one formulation and the other. Perhaps the latter is more precise. But I must say that the expression "proud and active" was not born out of any deep theoretical elaboration, but out of a circumstantial necessity. In 2003, when President Lula announced my appointment, there were various other ministers present and I knew I couldn't give a long speech; I had to say something in four or five minutes at most. So I tried to summarize what the new government's foreign policy orientation would be. I tried to identify the main difference with the Fernando Henrique Cardoso administration.

It was not exactly a radical change, but the fundamental shift was that Brazil would not subordinate itself to externally defined agendas—the FTAA was an obvious example—and, at the same time, it would adopt a more proactive stance in its relations with other developing countries. Our foreign policy would be proud in the sense of preserving decision-making autonomy, and active in the sense of expanding international initiatives and partnerships.

I was an overseas ambassador during the Fernando Henrique administration and I have no personal complaints—on the contrary, I admire him. But often the instructions I received pointed in the opposite direction: act cautiously, avoid initiatives that could generate unnecessary friction with the US or the European Union. This was the prevailing attitude, even if it wasn't explicitly stated. The approach we took under the first Lula administration was a little more assertive in this regard. We would now pursue a foreign policy of our own choosing, without fear of taking our own initiatives, though always within the bounds of realism, because everyone knows that there are powerful asymmetries and competing international influences.

In the first year and a half of the Lula administration, we strengthened Mercosur and advanced the agreement between Mercosur and the Andean Community, which would later give rise to UNASUR; we significantly expanded Brazil's presence in Africa with numerous presidential visits; and we held the South America-Arab Countries Summit. We were not afraid to get involved in issues that were considered sensitive. There was the crisis in Venezuela marked by the attempted coup in 2002—which, to be fair, had also been condemned by Fernando Henrique—in which Brazil began to play a more direct role of mediation and support for regional stability.

The expression "active non-alignment" was coined by the former Chilean economy minister Carlos Ominami. I participated in the first meeting he organized on the subject, and I remember remarking at the time that I was very pleased with the choice of the term, because it brought together two traditions of Brazilian foreign policy: in the past, we had a policy of automatic non-alignment, and later we developed the idea of proud and active diplomacy. The idea of active non-alignment combined these orientations, yet without calcifying into a rigid doctrine.

It is often said that Brazil is a Western country—and in some respects perhaps it is—but it is also a country of the South. Ultimately, our orientation must be guided by national interests in each specific circumstance. On some issues, we will vote alongside the US; on others, we may converge with China. This is the logic of active non-alignment.

HF: And does the current international situation still allow for this?

CA: Time will tell. Brazil continues to follow this path. In 2024, in the context of the war in Ukraine, when no one was talking about diplomacy, we coordinated with China on a joint document proposing the opening of an international space for political dialogue and the rejection of military escalation. I would even say that this initiative came mostly from Brazil, which was more often asked to play the role of interlocutor, although we found great intellectual and political receptivity in China. We contributed to the creation of a Group of Friends of Peace at the United Nations. And now, as I mentioned, we are finally starting to see European countries recognizing that any lasting solution must take into account basic geopolitical realities, such as the fact that Russia will continue to be part of Europe.

I believe there is still room for this type of multilateral activity, although of course the context has changed. This initiative took place before the return of Trump, whose administration has paid little attention to such efforts.
For the first time since the end of the Cold War, the international system is beginning to feel the effects of a situation in which the US no longer has the same uncontested position of dominance. This is, without assigning any value judgment to the term, a truly revolutionary moment, in which our ultimate direction is still uncertain. Here Brazil's strategy also involves strengthening the BRICS, whose origins date back to Lula's first administration. The BRICS bank remains active, and we continue to seek mechanisms for cooperation that would expand the possibilities for action in our increasingly complex

world—a world which is very different from the one I encountered when I was first foreign minister, and which is now undergoing profound changes that are perhaps only comparable to those that occurred in the aftermath of the world wars.

MS: To what extent did the formulation of a proud and active foreign policy also represent a redefinition of how Brazil sought to position itself vis-à-vis Washington?

CA: In 2002, Brazil took the initiative to create the Group of Friends of Venezuela. This proposal from President Lula brought together, on the one hand, countries that were more sympathetic to the Venezuelan government and, on the other, major powers such as the US itself. The goal was to create a space for mediation amid the political crisis the country was experiencing. The person I talked to most about this issue was the then-US Secretary of State Colin Powell. I was very concerned about the need to maintain political dialogue with Venezuela, especially since the recall referendum was beginning to emerge as a possible institutional solution to the crisis. There was also the issue of the presence of international observers—at that time, the OAS still enjoyed a higher degree of credibility than it would later have under Luis Almagro. We wanted to ensure the international legitimacy of the democratic process, and I tried to convince President Chávez of the importance of providing such guarantees.

At the same time, I learned that Roger Noriega, a US advisor, would be making statements in the Senate that risked further aggravating the situation. Coincidentally I happened to be in New York, so I called Colin Powell directly and asked him to check the content of the speech, because Chávez was extremely sensitive to any external signal that could be interpreted as interference. At first, Powell did not fully understand the request and replied that he had no control over US senators. I explained that I was not referring to the senators, but to the representative of the government itself who would be making the statement. What happened next was quite unusual in diplomatic practice. Powell forwarded the text of the speech to us in advance so that we could examine it. In my many years of diplomacy I have rarely seen such a gesture, especially in relations between countries of such different weight. This demonstrates the level of dialogue and cooperation that existed at that time.

I could cite several other examples. In 2007, under the Bush administration, Brazil was invited to participate in the Annapolis Conference, despite internal criticism that we maintained too much dialogue with Arab countries. (I have been to Palestine five times, but I have also visited Israel on several occasions, and President Lula was the first Brazilian head of state to make an official visit to Israel.) Alongside India and South Africa, we were the only non-predominantly Muslim developing country that attended—which reflected the growing international recognition of the balanced role that Brazil sought to play in the dialogue between different regions and actors.

During the Barack Obama administration, we maintained a normal relationship with the US, despite the revelations that the NSA was routinely engaged in espionage against Brazil. We cooperated on issues such as Haiti, albeit in a limited capacity, and above all on the Iranian question. When I look at current events, I have the impression that history may be repeating itself—although the circumstances are much more serious today. At that time, the US government asked Brazil to intercede with Iran, and so we did. The process took several months, as is natural in negotiations of this kind, but in the end we achieved exactly the terms that the US had previously said would be acceptable.

The US later reversed course and chose to bring the issue to a vote in the UN Security Council, which was a difficult moment. But even so, this did not compromise the bilateral relationship. A few months later, during the General Assembly, we still maintained normal contact; Bill and Hillary Clinton were present and invited me to meetings. Despite our differences, lines of communication remained open.

MS: You have been directly involved in formulating Brazilian foreign policy ever since Clinton was in the White House. What would you say are the main changes in the bilateral relationship between Brazil and the US over the last three decades?

CA: The biggest change I've seen since I first served as foreign minister, during the administrations of Franco in Brazil and Clinton in the US, is a commercial one. In the 1990s, the US was Brazil's largest trading partner, accounting for about 25 percent of our exports. Today, that share has fallen to about 12 percent. The US remains a very important trading partner for Brazil—still the second largest as an individual state—but there is now a significant gap between it and China, now our main trading partner, which accounts for about 35 percent of exports. This naturally produces a different perception of the bilateral relationship.

The US retains enormous cultural influence. Everyone's happy when a Brazilian film wins an award at Cannes, but there is real national commotion when we win an Oscar. American cultural hegemony remains extremely strong. On the political front, meanwhile, there has been some fluctuation. In ideological terms, the governments in which I have served have generally had a greater affinity with Democratic administrations in the US; but in practice, we had a very positive relationship with President Bush and, despite the many ongoing challenges, we seek to preserve a pragmatic relationship with President Trump.

MS: What is the role of BRICS in this context? How do you assess the group's recent performance and what are the real possibilities for cooperation among its members today, including as a bloc, to support certain international agendas?

CA: The existence of BRICS is extremely important. Like any international mechanism, the group has imperfections—there will always be debates about which countries should or should not have been included, and about the nature and timing of its expansion. But I believe that the decision to expand BRICS was correct in principle.

There are various countries, like Indonesia among others, whose participation strengthens the group's representativeness. Of course, the greater the number of members, the greater the diversity of interests and, consequently, the more complex the decision-making process becomes. In this sense, expanding the BRICS' representativeness tends to reduce its immediate operational effectiveness. Yet I still believe that the overall balance is positive. The mere fact that the group exists, meets regularly, and maintains permanent lines of contact makes it a significant presence on the international stage. Even when there are cautious positions or occasional absences, the perception remains that this is a real political articulation, capable of acting when necessary. This assessment is not ours alone. Analysts in the US, Europe, and other regions recognize that BRICS has now established itself as a hub for coordination.

MS: Has the search for alternatives to the dollar become essential for the economic and political security of countries in the Global South? What role does BRICS play in this?

CA: The issue of de-dollarization may be related to the BRICS but it is not limited to it. I am not an economist, but from what I have seen this is indeed a process that has been gradually taking place. After all, an international currency is essentially a matter of trust. When the perception arises that this currency is being used as a political instrument—to restrict transactions between third parties, for example—countries naturally begin to seek alternatives.

This does not mean that we will see the end of the dollar's centrality overnight. I do not believe in abrupt changes of this kind. But we are already seeing China promoting the renminbi as an international reserve currency, something that is now beginning to take shape, at least to a certain extent. The euro has also been partially able to play this role and has recently regained ground. And many countries have begun to increase their gold reserves as a form of diversification in the face of a possible erosion of confidence in traditional reference currencies.

So this is a real phenomenon, albeit an incremental one. Because any decision to suddenly de-dollarize would be extremely complex, given the density of global financial and trade relations, a gradual process of diversification is more likely. Paradoxically, the erosion of international rules is itself contributing to this movement. It is impossible to selectively weaken the norms of the international system and, at the same time, expect confidence in institutions, including monetary ones, to remain intact. The way sanctions and financial instruments are being used inevitably affects the perception of security associated with the dollar.

Something similar is occurring in other areas of international politics. In the conflict between Russia and Ukraine, for example, the debate continues over the broader origins of the crisis: was it the expansion of NATO, the 2014 coup, or the progressive deterioration of the European security environment that caused the war? This demonstrates how complex conflicts rarely have single causes and how, ultimately, it is necessary to seek a possible, albeit imperfect, peace. The logic is similar in the economic realm.

Many previously criticized Brazil's decision not to join the FTAA. At that time, the US and EU accounted for similar shares of our foreign trade, about a quarter each. If the FTAA had been implemented, Brazil's dependence on the US could be much greater today. Measures such as tariff increases or trade restrictions could have had a much greater impact. In other words, the diversification strategy, associated with the idea of multipolarity, is not just an abstract political ideal. It is a concrete element of economic resilience and strategic autonomy for Brazil.

HF: Can the BRICS be understood, in this context, as a space for diversification and strategic coordination among countries seeking a more balanced international order?

CA: The BRICS does contribute to the strengthening of a more multipolar international order. When we compare forums such as the G7 and the G20, this much becomes clear. The difference lies not only in the presence of the BRICS countries themselves, but in the broader degree of diversity that the G20 embodies. President Bush himself realized, especially in the context of the international financial crisis, that it would be necessary to expand the space for global coordination. The G20 emerged as a more representative institution, capable of bringing together developed and emerging economies around common solutions.

Of course, the G20 could still evolve. It would be desirable to expand African representation, for example. A country like Egypt should certainly be present, and the same goes for Nigeria, the most populous country in Africa. Whatever assessment one might make of their governments or levels of stability, their presence would help to make the forum more representative.

I served for many years at the UN, where I have always advocated—and continue to advocate—for the reform of the Security Council. However, I think it is more likely that this transformation will come from the outside, driven by the evolution of broader multilateral mechanisms, rather than from the will of any single actor. It is in this context that the G20 becomes particularly relevant and, within it, the BRICS countries play an important role in broadening the plurality of discussions and contributing to more balanced international governance.

HF: At the last meeting of the World Economic Forum, President Trump once again advocated a reorganization of global governance under US leadership, based on the principle of strength. Mark Carney's response, in which he argued that the old international order has come to an end and that the current moment poses new dilemmas for so-called "middle powers," resonated around the world. How do you define middle powers, and what are their strategic options today?

CA: You might say that middle powers are those that do not have atomic bombs. Brazil has established in its constitution that all nuclear activity must be exclusively for peaceful purposes. The possession of nuclear weapons is not part of our national project, nor do I believe it should be—though this does not mean renouncing our defense capabilities. Brazil needs to develop means of deterrence that would make it more difficult to repeat the scenarios we have seen in Venezuela or Cuba, whatever the origin of the threat.

International security continues to be governed by the perception of costs and risks. The idea of a unipolar world, which for a certain period seemed predominant, no longer corresponds to reality. Even the US knows this. The great risk, as I mentioned earlier, is that this new multipolarity will become confused with a logic of spheres of influence, which is something that Brazil cannot accept. A country with diversified economic relations—which trades with both China and with the US—cannot be placed in any exclusive sphere of influence. Nor can Brazil be reduced to a single geopolitical identity. We are part of the Global South, yet we are marked by multiple overlapping cultural influences: European, African, indigenous, and Arab, among others. Brazilian foreign policy needs to reflect this plurality and preserve an autonomy of judgment, avoiding the reproduction of imported views that do not align with our historical and social reality.

MS: When you were Minister of Defense, you often argued that there is a link between national defense strategy and national development strategy. At the end of last year, you advocated increasing defense investments to around 2 percent of GDP. Could you explain what this proposal would mean in military, economic, and political terms for Brazil?

CA: This is a position I had already advocated when I was Minister of Defense—even though it was not, at that time, a formal government policy, as it would depend on broader institutional decisions. Given the current international situation, it seems natural to me that Brazil should implement this kind of increase. But it is important to make clear that this should be directed primarily toward investment and the maintenance of acquired capabilities, and not simply the expansion of current expenditures (today, a very large portion of the Brazilian defense budget is allocated to payroll and pensions). It is not my place to specify which programs should be given priority; that is the responsibility of the Minister of Defense and the military commands. What I can say is that Brazil has significant deficiencies in several technological and operational areas.

When I first mentioned the investment target of close to 2 percent of GDP, I was simply trying to establish a reasonable benchmark for international comparison. At the time, I calculated an approximate average between BRICS countries and other relevant economies. Brazil is not involved in any direct conflicts, nor does it face immediate military threats comparable to those in regions such as the Middle East or the Indo-Pacific. Thus, 2 percent seems sufficient to ensure deterrence capability. The logic is essentially defensive. The nuclear-powered submarine is a good example: its main advantage is not as an offensive weapon, but as a deterrent; it has the ability to remain submerged and undetected for long periods, hindering any attempt at military projection against the national territory or its strategic maritime areas.

What happened recently in Venezuela is still not entirely clear to me. I do not know exactly where the failures occurred, but it is evident that there were various shortcomings. At the same time, it must be recognized that certain powers now have extremely advanced capabilities in the areas of electronic and cyber warfare, and it is natural that other major international actors are developing similar instruments. The central question then becomes: how can a country like Brazil defend itself in this type of scenario?

The goal is to prevent Brazil from becoming a structurally vulnerable country. And this becomes even more relevant when we consider our strategic resources. Brazil is estimated to have the world's second-largest reserves of rare earths and critical minerals—essential inputs for advanced technologies, the energy transition, and modern defense systems. This endowment has sparked great international interest, just as strategic resources have always attracted external attention throughout history. Brazil therefore needs, first and foremost, to develop a clear national policy for critical minerals—something that is already beginning to be discussed within the government—and it also needs to have adequate means to protect these assets.

In a possible scenario of international tension between third parties, in which access to Brazilian strategic minerals becomes relevant, the country must be able to defend its interests and sovereignty. This is just one example, but it illustrates a broader point: national defense, technological development, and economic security have become inseparable.

HF: Finally, what is your assessment of President Trump's so-called Board of Peace?

CA: I prefer to stick to the positions already expressed by the President of the Republic, who highlighted two important points. First, it does not seem appropriate to conceive of a so-called Board of Peace, with the intention of reforming or replacing UN mechanisms, through a unilateral initiative that has not been previously discussed with the international community. Any initiative of this nature should, at most, have a clearly defined scope—for example, restricted to the situation in Gaza and the Israeli-Palestinian conflict—rather than striving for a broader reconfiguration of international governance. Second, even if limited to this specific context, any peace initiative would need the effective participation of legitimate political representatives of the Palestinian people. It is not enough to rely solely on experts or technicians; it is essential to ensure the Palestinians' political presence and authority in the process. This is a prerequisite for any arrangement to have legitimacy or a real chance of producing lasting results.