



# The Great Fragmentation

- 
- Geopolitics, Peace, and Conflict
  - Superpower Decline
  - Middle Power Trajectories
  - The 3 Rising Powers
- 





## Quantifying Peace and its Benefits

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# Executive Summary

This report, produced by the Institute for Economics & Peace (IEP), provides a comprehensive, data-driven analysis of the structural transformation of the international system since the end of the Cold War, highlighting a fundamental broadening of global power characterised by the plateauing of superpower influence and the significant rise of middle power nations. This trend is only likely to continue in the coming decade.

Global peacefulness continues to decline, with peace deteriorating in 13 of the last 17 years. The increase in global violence coincided with the start of the global financial crisis in 2008 and is the third major geopolitical phase in the past 50 years. This phase can be characterised as the 'The Great Fragmentation'.

This era has replaced the period of rapid globalisation that occurred after the end of the Cold War. Geopolitical risks today exceed levels documented during the Cold War, driven by heightened military spending, which reached a record \$2.7 trillion in 2024, and the diminished role of multilateral institutions. While the United States and China remain the world's only superpowers, their geopolitical influence has plateaued since 2015, with neither managing to substantially increase their relative spheres of influence amid domestic challenges and a more competitive international environment. Against this backdrop, many middle level powers have substantially increased their influence, becoming more regionally active and deciding not to align with either superpower. There are also many emerging powers who over the next decade will most likely graduate to middle power status.

Additionally, the influence of traditional great powers has declined. Every great power other than Russia and India now accounts for a smaller percentage of global GDP than at the end of the Cold War. Germany's share of global GDP has nearly halved from 8.5 per cent in 1995 to 4.3 per cent in 2023, while over the same period, Japan's share has collapsed from 17.9 per cent to 4.0 per cent. The collective material capacity of these nations has plummeted from above 35 per cent of global capacity in 1975 to just over 20 per cent in 2016. This trend would have most likely continued from 2016 to 2025.

With the exception of India, great power nations face a horizon of stagnant economic performance, with no European power projected to exceed 2.5 per cent annual growth before the end of the decade and some with high levels of debt. Consequently,

traditional great powers are increasingly reliant on institutional frameworks like the EU and NATO to amplify their diminishing individual weight. As multilateral institutions become weaker their influence will diminish further.

As great power influence has waned, the number of middle power nations has nearly doubled from nine in 1991 to 16 in 2024. IEP's hybrid methodology, which assesses economic capacity, military capability, and relational influence, reveals that while superpowers maintain an average nominal GDP of \$20.6 trillion, nearly seven times higher than the average great power, the gap between great and middle powers has narrowed considerably. Middle powers like Brazil, Canada, South Korea, and Australia now possess higher nominal GDPs than great power Russia when measured in constant terms.

The report identifies a clear divide between 'established' middle powers like Australia, South Korea, Spain and Canada, which consolidated their status prior to 2008, and 'rising' middle powers such as the United Arab Emirates, Mexico, Israel, Indonesia, and Türkiye, which ascended since then. The influence of the established middle powers has remained relatively unchanged while the rising middle level powers are becoming more active within their regions and beyond, expanding their diplomatic, financial and military reach. How these countries decide to exercise their increased influence within the current multilateral system will help to shape the future international order. These rising powers often exhibit a more independent strategic profile, deriving influence from regional assertion and strategic autonomy rather than a strong alignment with either superpower. Their voting patterns within the UN highlight a divergence from the established middle level powers, who have historically aligned with the US and European great powers.

Countries with stronger economic growth, such as India, Indonesia, the United Arab Emirates and, to a lesser extent, Saudi Arabia and Türkiye, are most likely to keep increasing their influence. The report provides a deeper analysis of the three of these middle power nations who are best positioned to prosper over the next decade: the United Arab Emirates, Indonesia, and Türkiye.

The United Arab Emirates has successfully transitioned from a small oil-dependent state into a sophisticated global logistics and financial hub, leveraging a \$1.1 trillion sovereign wealth fund to become the largest source of foreign investment in sub-Saharan

Africa. Indonesia is asserting its role as the source of over half of the world's nickel mine production to embed itself into the global electric vehicle supply chain. Türkiye represents a different model of middle power emergence, evolving from a 'zero problems with neighbours' doctrine to an assertive 'hard power' strategy characterised by world-leading drone technology and a 103 per cent increase in global arms exports.

These nations exemplify the broader trend of 'strategic autonomy,' where rising powers maintain ties with multiple rivals, such as balancing security ties with the US against economic closeness with China, to maximise their independent room for manoeuvre in a fragmented international system.

The rise of middle powers within this fragmenting system, characterised by increased systemic volatility, presents a complex set of implications for international cooperation and peace. It presents new areas of competition but also new avenues for diplomatic cooperation and mediation. As influence spreads across more states, global governance becomes increasingly multipolar, complicating consensus-building and slowing collective responses to transnational threats like climate change and financial instability.

This shift has intensified competition in the Global South, where middle powers vie for influence alongside superpowers through aid, investment, and security partnerships, a trend that fuels proxy involvement and has contributed to a 175 per cent increase in internationalised intrastate conflicts since 2010. While rapid militarisation and divergent security alignments increase the risk of regional crises escalating, the strategic 'in-between' position of some middle powers also provides critical opportunities to broker deals, or to convene flexible 'minilateral' coalitions on specific issues like energy transitions or critical minerals.

Over the next decade, many more countries are likely to join the rising middle level nation category, as the number of countries categorised as 'emerging' has tripled since 1991. As emerging powers continue to graduate into middle powers, the middle power grouping will become not only larger, but also significantly more diverse and harder for any single superpower to control. Some of the countries moving towards middle power status include Nigeria, South Africa, Argentina, Qatar, Norway and Thailand.

However, despite the growing influence of middle powers, many face significant constraints from high public debt and rapid demographic aging. Government debt as a percentage of GDP is projected to be over 50 per cent in half of the middle power countries by 2030, with Belgium's debt expected to surge to over 125 per cent. Simultaneously, a demographic split is occurring. While the UAE and Saudi Arabia retain youthful workforces, half of middle power nations will have an elderly dependency ratio of over 40 retirees per 100 workers by 2050.

Ultimately, the transition toward a more contested and less predictable order indicates that future global stability will increasingly depend on whether these rising middle powers choose to use their growing influence for competitive fragmentation or for more inclusive, multi-node cooperation. Without a concerted focus on cooperation, global economic growth is likely to suffer creating further global instability.

As great power influence has waned, the number of middle power nations has nearly doubled from nine in 1991 to 16 in 2024.



Section 1:

# **Understanding Geopolitical Power**

## Key Findings

- Global governance is fragmenting into multiple power centres and creating vacuums of influence. Traditional multilateral institutions have been weakened, creating opportunities for alternative forums.
- Superpower influence appears to have plateaued, while many great powers' influence has declined.
- IEP's methodology has identified a cluster of middle powers with substantial increases in influence. These countries are more regionally focused, generally not aligned with a superpower, and seeking their own destiny.
- The economic rise of middle powers is reshaping global influence. Countries like the Gulf states, Brazil, Indonesia, Türkiye and others are gaining significant leverage through rising economic power, control of critical resources, and flexible coalition-building.
- The rise of economic power does not necessarily correlate with increased military capabilities.
- With major conflicts being at an all-time high since the end of WWII, the approach of these rising powers to conflict will play an important part in shaping the dynamics of peace in the first half of the 21<sup>st</sup> century.
- In terms of economic power and geopolitical influence, middle powers are closing the gap with great powers. However, great powers continue to possess significantly more military capacity on average.

## Introduction

The influence of rising middle powers extends far beyond traditional security considerations. Countries like Indonesia, Türkiye, Saudi Arabia, the UAE, and Brazil are increasingly influencing global trade flows, development finance, cultural narratives, and international institutions. This transformation reflects not a wholesale rejection of the existing order, but a pragmatic recalibration towards greater autonomy and influence. These nations share a common strategic posture: maintaining ties with both Western powers and emerging alternative institutions and powers while building independent capacity to further their own interests.<sup>1</sup>

Trade between developing nations has more than doubled over the past two decades,<sup>2</sup> now representing nearly a quarter of global commerce. This shift is accompanied by expansive deal-making that bypasses traditional Western-dominated partnerships. Southeast Asian nations are signing comprehensive economic agreements with Gulf states and fellow emerging economies. Latin American and African countries are deepening commercial ties with Asian partners. The BRICS+ expansion, now encompassing ten full members with additional partner countries, creates a framework for preferential trade among nations representing nearly half the world's population.<sup>3</sup>

Alternative trade corridors represent the physical infrastructure of this reorientation. For example, new routes connecting Asia to Europe through the Middle East, and linking Central Asia to

Mediterranean ports through Türkiye and the Caucasus. They promise faster transit times and reduced dependence on any single chokepoint or partner. Resource-rich nations are also leveraging commodity power more assertively, using export controls and domestic processing requirements to capture more value from critical minerals essential to the energy transition.

Perhaps no development better illustrates middle power agency than the rise of alternative development financing. Gulf sovereign wealth funds now control assets measured in the trillions, deploying tens of billions annually across Africa, Asia, and beyond. The New Development Bank, originally the BRICS Bank, has approved \$40 billion across more than 120 projects since its establishment, with membership expanding beyond the five founding nations to include countries from Africa, the Middle East, and Southeast Asia.<sup>4</sup> The Asian Infrastructure Investment Bank, China-led, has attracted over 100 member countries and achieved top credit ratings.

The contrast with traditional Western development finance is significant. Where World Bank and IMF lending typically requires structural adjustment, fiscal consolidation, and governance reforms, these alternative institutions emphasise respect for national sovereignty and faster deployment, often in local currencies rather than US dollars. Whether these represent genuine ideological alternatives or pragmatic diversification remains to be seen. However, the practical effect is clear: Global South countries now have more financing options with fewer political conditions attached.

Middle powers are projecting cultural influence through dramatically different approaches shaped by their domestic political systems, historical experiences, and strategic interests. Gulf states have pursued an aggressive ‘buy influence’ model through massive sports investments, mega-event hosting, and destination branding aimed at transforming international perceptions. Türkiye has developed religious-civilisational outreach through educational institutions, development agencies, and media networks that extend across the Balkans, Central Asia, and beyond.

Middle powers are also creating and reshaping international institutions that reflect their values and interests. BRICS expansion represents the most visible development, though internal divisions remain significant,<sup>5</sup> as democratic members resist positioning the grouping as an anti-Western bloc, while maintaining extensive economic integration with traditional partners. Four consecutive Global South G20 presidencies (Indonesia, India, Brazil, and South Africa) represent an unprecedented opportunity to shift global governance priorities, with achievements including African Union permanent membership and new initiatives on hunger, taxation, and development.

Regional bodies provide middle powers with platforms to demonstrate ‘centrality’, positioning themselves as essential hubs that other states must work through. ASEAN maintains its role as the driving force in Asian regional architecture.<sup>6</sup> The Organisation of Turkic States unites Central Asian and Caucasian nations under cultural-linguistic ties. The African Union has strengthened its voice in global forums. These institutions are not designed to tear down the existing order, as their members benefit too much from global trade and investment flows. Rather, the institutions build

parallel options that reduce dependence on any single power or bloc.

The common thread across these developments is strategic hedging, maintaining relationships with both Western and alternative powers while building independent capacity for action. The result is a world where development finance comes with fewer political conditions, trade partnerships exist outside traditional blocs, cultural narratives compete more equally, and where ‘swing states’ hold more leverage than at any time in the postwar era. Understanding how rising powers are reshaping trade, development, culture, and institutions in ways that reflect their own identities, political systems, and historical experiences, is essential to navigating the emerging multipolar landscape.

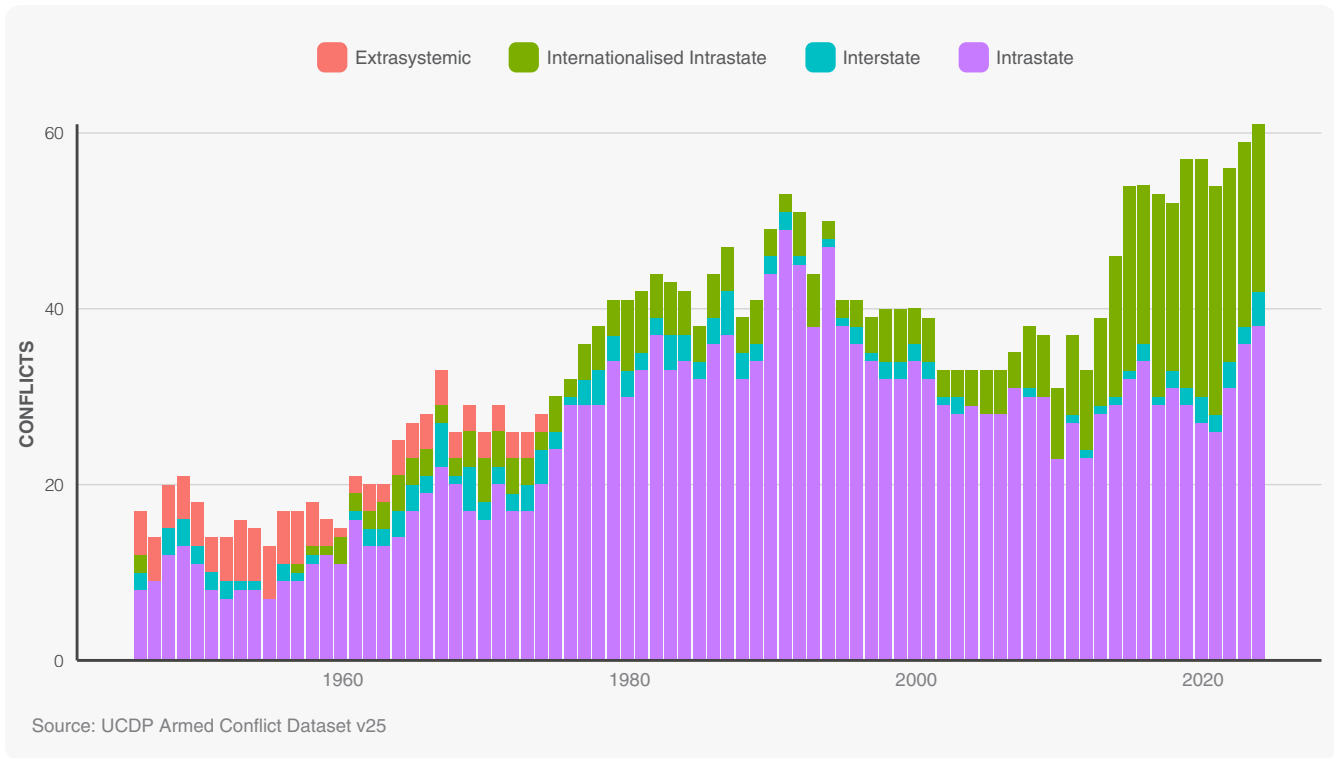
### Geopolitics, Peace, and Conflict

The rise of middle and emerging power nations is especially important given the rise of conflict in the past decade. The global security environment today is uncertain and volatile. As shown in Figure 1.1, the number of active conflicts is now at its highest level since the end of World War II. This is especially evident for internationalised intrastate-based conflicts.

Many of these conflicts are both long lasting and highly destructive, owing in part to the involvement of external actors. While outright direct conflicts remain rare, internationalised intrastate conflicts, where an external state provides troops to one side of an intrastate conflict, make up more than a third of all state-based conflicts. Conflicts are also increasing in duration, and far less likely to end in either an outright victory to one side, or in a formal peace agreement. Peace agreements have fallen sharply since the 1970s when 23 per cent of conflicts finished with a peace agreement, compared to just four per cent in the 2010s.<sup>7</sup>

FIGURE 1.1  
**Number of conflicts by conflict type, 1948–2024**

Internationalised Intrastate conflicts now account for more than a third of total conflicts.



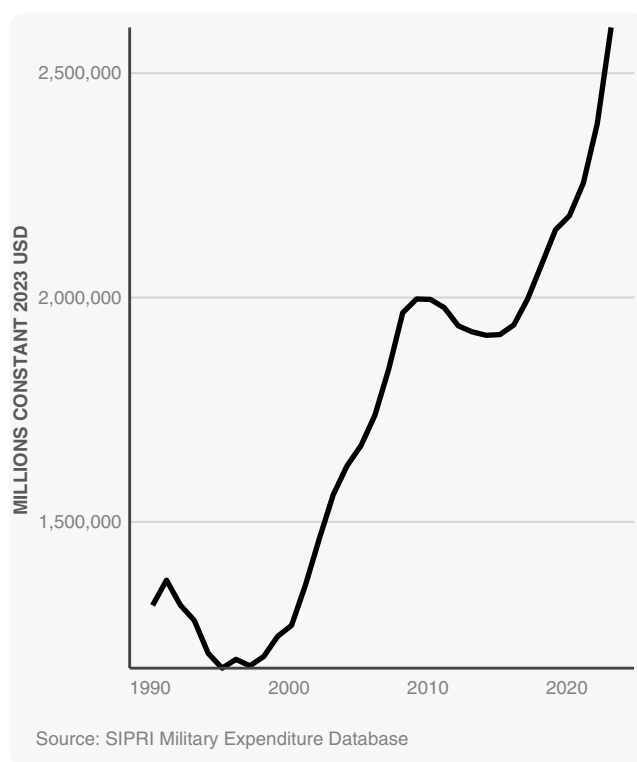


Military spending has also reached record levels worldwide, as shown in Figure 1.2. This is in part a reflection of the hardening of geopolitical rivalries and the spread of regional arms races. This escalation does not mean that war is inevitable, but it narrows the scope for diplomatic compromise, provides decision-makers with more options for military escalation, and deepens mistrust between countries. However, it is important to note that the average level of country militarisation had been declining for 15 years prior to the start of the Ukraine war.<sup>8</sup> The massive increases in military spending have been fuelled by a small number of countries with recent increases arising because of European countries responses to the Ukraine war. This partly reflects the realisation of the poor economics of military spending and the massive destruction that modern warfare causes.

FIGURE 1.2

### Total global military expenditure (constant USD), 1991–2024

Global military expenditure has risen almost every year for the past 30 years.



Global interdependence, which in the past often acted as a stabilising factor, has now become a domain of competition. Energy routes, food systems, financial markets, supply chains, and data flows are increasingly used as tools of statecraft. Sanctions, trade restrictions, debt and countermeasures are increasingly being used by governments as much as conventional military threats. In this interconnected environment, crises in one area have rapid effects on others, creating a tightly coupled system of risks.

The international system itself has shifted from the unipolar period of the early 1990s. The United States remains the most influential global actor, although its ability to unilaterally shape global events has diminished. China has emerged as a systemic rival, competing across military, economic, and technological

domains. Russia seeks to maintain influence, however its economic power has been vastly diminished, with the Ukraine war further weakening it economically and isolating it from key markets. Low population growth and over a million casualties in the Ukraine war have further diminished its future influence.<sup>9</sup>

Yet perhaps the most striking development has been the growing weight of middle and emerging power countries. Their influence derives from their growing economies, their control of critical resources or strategic locations, their role as regional anchors, and their ability to build flexible coalitions.

These rising powers differ in size, political systems, and strategic outlooks, but they often seek to avoid rigid alignment with any one camp. Many pursue 'strategic autonomy', maintaining relationships with competing powers while protecting their ability to manoeuvre. They are increasingly active in building coalitions around specific issues. The growth of smaller, targeted cooperative arrangements, commonly known as 'minilaterals', illustrates this point.<sup>10</sup> Groups such as the Quad, AUKUS, and I2U2 could potentially bring together middle and great powers to cooperate on maritime security, advanced technology, and regional development, while other economic groups specifically exclude the US and China, such as ALADI, MERCOSUR, and CARICOM.

These groups are smaller than traditional multilateral organisations and are designed to move quickly on areas of common concern. Middle powers also feature prominently in expanded groupings such as BRICS+, which now includes members from Africa and the Middle East. The decision of countries such as Egypt, Ethiopia, Iran, and the United Arab Emirates to join BRICS+ demonstrates a clear interest in diversifying partnerships and creating alternative platforms for influence.

Another dimension of middle-power diplomacy lies in their approach to multilateralism. Many middle powers continue to see value in reforming existing institutions rather than abandoning them altogether. Countries such as India, Brazil, and South Africa have long argued that the United Nations Security Council does not reflect the realities of the 21<sup>st</sup> century.

At the same time, some middle powers have become increasingly sceptical that reform will be delivered through traditional multilateral forums. Frustrated by the slow pace of change, they have experimented with working outside the established system to build influence on their own terms. Gulf states such as Saudi Arabia and the United Arab Emirates have invested heavily in parallel structures. Both have expanded the reach of their sovereign wealth funds, channelling vast resources into development finance and infrastructure across Asia, Africa, and Europe.<sup>11</sup>

The UAE has developed its role as a global logistics and financial hub, creating partnerships that bypass Western-led financing frameworks. Saudi Arabia's Public Investment Fund has emerged as one of the more influential in the world, giving the kingdom direct leverage over global markets. These moves do not necessarily reject the multilateral system, but they create alternative platforms where Gulf states can set terms and priorities more directly.

For some states, working outside established structures is also a way to demonstrate strategic autonomy. Türkiye's pursuit of flexible defence partnerships, or Indonesia's approach to commodity policy, illustrate how middle powers use regional or issue-specific frameworks to avoid over-dependence on any single bloc. These efforts reflect both ambition and caution. They allow states to showcase leadership and provide alternatives in areas such as infrastructure finance or technology standards.

This approach ensures that rising powers retain leverage regardless of whether reforms to the international system succeed or stall. It also means that the landscape of global governance is likely to become more fragmented, with a denser web of overlapping institutions, coalitions, and initiatives.

For peace and conflict, this creates both challenges and opportunities. Fragmentation can complicate coordination during crises, but it also increases opportunity through the number of venues from which dialogue and problem-solving can occur. This can be particularly advantageous, as many of the multilateral institutions have seen an erosion of trust or have become gridlocked.

The actions of these states matter directly for peace and conflict. Middle powers are often able to mediate disputes because they maintain links to multiple sides. Qatar's diplomatic initiatives and Türkiye's facilitation of the Black Sea grain agreement are examples of how smaller but well-positioned countries can act as brokers. At the same time, middle powers can also fuel instability, whether by supplying arms, shaping information campaigns, or using their influence to shield allies from sanctions.

Middle power production of key commodities and strategic transit points also gives them leverage far beyond their borders. For example, Gulf producers influence energy markets, Indonesia's control of nickel affects global supply chains, South Korea dominates critical segments of advanced manufacturing, and the United Arab Emirates plays an outsized role in global finance and logistics. Maritime corridors such as the Red Sea, the Strait of Hormuz, the Taiwan Strait, and the South China Sea highlight the global stakes of seemingly local disputes, where disruptions to shipping or miscalculation by military forces can have far-reaching consequences.

The geography of conflict today reflects these pressures with rising powers becoming more involved. In Europe, the war in Ukraine remains the most destructive conflict since WWII, with no easy resolution in sight and a constant risk of escalation into NATO's eastern flank. In the Middle East, the war in Gaza, cross-border exchanges along Israel's northern frontier, the ongoing war in Yemen, and fragile situations in Libya and Syria create persistent instability. Nile basin politics involving Egypt, Ethiopia, and Sudan also carry risks of confrontation. In Africa, Sudan's civil war has produced one of the world's gravest humanitarian crises, while violence in eastern Democratic Republic of Congo and across the Sahel continues to destabilise the region.

In the Indo-Pacific, the Taiwan Strait remains a potential flashpoint, alongside disputes in the South China Sea, tensions on the Korean Peninsula, and border confrontations between India, China, and Pakistan. In the Americas, Venezuela's revived

territorial claim against Guyana and the crisis in Haiti highlight regional instability. Beyond these regional theatres, cross-border domains such as cyber operations, space, and the security of undersea cables and satellites represent new areas where confrontation could escalate.

In all of these contexts, the decisions of middle powers are shaping outcomes. They host negotiations and frame agendas, as seen when smaller states convene regional summits or provide venues for back-channel diplomacy. They exert material influence through their control of commodities, manufacturing, or logistical networks, shaping both the conduct of wars and the prospects for post-conflict recovery. They alter military balances by supplying weapons, drones, or surveillance technologies. They also propose norms and frameworks that can make peace settlements more viable. Many middle powers practise a careful balancing act, maintaining ties with multiple rivals and using this flexibility to maximise their influence. In times of crisis, their choices about energy flows, trade routes, or diplomatic recognition can determine whether violence is contained or allowed to escalate.

These trends highlight the need to integrate middle powers into conflict analysis and resolution strategies. Durable settlements are unlikely to hold unless these states are involved, whether as guarantors of aid, conveners of talks, or providers of political recognition. The stability of trade corridors and supply chains is no longer simply an economic issue, but has implications for conflict prevention. Perhaps most importantly, the behaviour of middle powers can act as an early warning signal. Their decisions often reveal shifting balances in the international system before they become visible elsewhere.

The ascendance of middle powers has not removed great power competition but has reshaped the environment in which it plays out. The world is becoming more multipolar, with a greater number of states able to exercise meaningful influence. This makes conflict management more complex, as there are more interests to accommodate, but it also creates more avenues for solutions, including opportunities for creative diplomacy and regional solutions.

With many of the great powers' influence in decline, recognising the growing influence of middle and rising power countries, and understanding how they act in times of crisis, is essential for anticipating conflict and building sustainable peace in an increasingly contested world.

## Measuring State Power

To best understand the rising influence of middle power countries, it is necessary to have some kind of power classification methodology. The international system has always revolved around questions of power: who has it, how it is used, and how it is recognised. States are commonly described as belonging to certain tiers such as great powers, or middle powers, but these categories are not fixed or universally agreed upon. They shift over time, and their meaning is constantly debated. Understanding how to classify and compare state power remains essential for grasping the dynamics of global politics, yet the criteria used to make these judgments are often contested.

Power itself is not a single, easily measured quality. It includes military strength and economic resources, but also culture, diplomacy, and reputation. Power is often divided into three different types: ‘hard,’ ‘soft,’ and ‘smart’ power.

Hard power is the ability to coerce or influence through military and economic means: armies, weapons, sanctions, or financial leverage.

Soft power is the capacity to attract and persuade, based on the appeal of a country’s culture, political values, or policies.

Smart power is the combination of the two, recognising that influence is most effective when states can adapt flexibly and use both coercive and cooperative tools, depending on the circumstances.

Traditionally, countries have been placed into different tiers of power based on how much hard, soft, and smart power they have. The concept of ‘great powers’ emerged in Europe during the 16th and 17th centuries, when colonisation, trade, and new forms of statecraft created hierarchies between countries. By the early 19th century, at gatherings like the Congress of Vienna, the great powers were formally recognised as the dominant players whose approval was needed to shape international outcomes. The idea of middle powers soon followed, describing those countries below the great powers that still exercised meaningful influence.

However, there are no permanent or universally agreed criteria for determining what counts as a great or middle power, or whether other categories like superpowers or fringe powers exist.

These categories are relational: they depend not only on what a state possesses, but also on how it compares with others and how it is perceived. For example, a country may have significant economic strength but lack military reach, while another may have substantial resources but little diplomatic recognition.

## Power Groupings

In this report, IEP classifies countries with sufficient geopolitical power into one of four categories:

**Superpower:** A state that can decisively influence global affairs independently, with the capacity and willingness to shape international outcomes unilaterally. Superpowers can act alone when pursuing core interests, compel or deter multiple other states across regions, and naturally become focal points for international coalitions and opposition. Their decisions create systemic effects that force other powers to respond.

**Great Power:** A state with significant regional influence and selective global reach, capable of affecting multiple international issues but typically needing partnerships for major systemic changes. Great powers can resist pressure from other powers on core interests while maintaining foreign policy autonomy. They serve as regional anchors that smaller states must consider strategically.

**Middle Power:** A state with meaningful regional influence and specialised global capabilities in specific areas, but lacking comprehensive capacity to independently shape major international outcomes. Middle powers exercise influence through multilateral institutions, alliances, and niche specialisations rather than direct power projection. They often serve as bridge-builders or mediators in international disputes.

**Emerging Power:** A state at the threshold between middle power status and regional influence, with emerging capabilities that could become internationally relevant but who are currently constrained by limited resources or strategic focus. Emerging powers can occasionally affect regional outcomes and punch above their weight in specific domains, but lack consistent capacity for sustained international influence.

## Approaches to Classifying Power

There are three main ways used to classify state power. Each captures an important aspect of power, but none of them is sufficient alone.

The positional approach looks at what states have. It is focused on measurable resources: population size, territory, gross domestic product, military spending, natural resources, and human capital.

The behavioural approach examines what states do. From this perspective, middle powers in particular are defined less by their resources than by their diplomatic style. They are seen as states that actively engage in international institutions, prefer multilateral solutions to unilateral action, and often act as mediators in conflicts.

The identity-based approach emphasises perception and recognition. Power in this sense is a social fact: it depends not only on what a country has or does, but also on how it is seen by others.

A hybrid approach combines elements of all three approaches. A meaningful framework for classifying state power must consider the material resources a state holds, the way it behaves, and the recognition it receives. This combination gives a fuller picture of power in today’s global system, where influence rests not only on military and economic strength but also on reputation, networks, and legitimacy.

## Indicators of State Power

While power cannot be reduced to numbers alone, quantitative measures provide a necessary starting point. They establish baselines and allow comparison across states and over time. IEP’s approach to state power looks at indicators in three areas: economic capacity, military capability, and relational influence. Insufficient data was available to measure perceptions of powers over a long enough time series. However, the limited data that does exist shows a strong correlation with measures of economic power.

Economic power remains the most important overall measure of geopolitical influence. Nominal Gross Domestic Product and GDP per capita are the most common ways to measure it, reflecting

both the total size of the economy and the average wealth of citizens. Trade volumes, investment flows, and access to energy resources are other important indicators. Technological capacity, measured through research and development spending, is also increasingly vital.

Military power has long been considered a direct measure of strength. Traditional indicators include defence budgets, troop numbers, and weapons systems. Yet modern military power is less about sheer size than about the ability to project force globally and across domains. Powerful countries are distinguished by capabilities such as a secure nuclear deterrent, advanced heavy weapons, and space assets that underpin communication and surveillance. Military power also depends on integration: the ability to coordinate land, sea, air, space, and cyber forces effectively.

Relational influence can be measured by looking beyond a state's assets and seeing how it behaves in relation to other countries, particularly with regards to trade flows, diplomacy, and formal security ties. This relational perspective reveals both the concentration of global influence among a handful of states, and the growing reach of emerging players. For example, Germany's strong influence in Europe reflects its central economic role, while the United States and China exert influence on a global scale. Unlike GDP or military capacity, bilateral influence measures highlight how interdependence shapes real-world power dynamics.

IEP has developed a hybrid framework for classifying countries into different power groupings. The framework aims to be as simple as possible, allowing for the longest possible time series analysis while still covering the three major areas outlined above. IEP's framework uses three indicators, which are outlined in Table 1.1.

Nominal GDP (Constant 2015 USD): This measures the total economic output of a country in standardised dollar terms, adjusted to a baseline year to remove the effects of inflation. Economic strength underpins virtually all other forms of power projection from funding military capabilities and infrastructure development to providing foreign aid and economic leverage through trade relationships. Large economies can impose

meaningful sanctions, offer attractive market access, and sustain long-term strategic competition.

Total Military Expenditure (Constant 2023 USD): This indicator captures total military expenditure, reflecting a nation's financial commitment to defence and its capacity to build, maintain, and deploy military power. Military spending remains a fundamental component of geopolitical influence as it enables countries to develop defensive security and offensive deterrent capacity, sustain power projection capabilities, fulfill alliance commitments, and ultimately back diplomatic negotiations with credible force. Higher military expenditure signals both the resources available for defence and the priority given to military strength, allowing countries to shape regional security environments and protect their interests globally.

Total Foreign Bilateral Influence Capacity (FBIC) Score: This metric assesses a country's ability to influence other nations through bilateral relationships across multiple dimensions including economic ties, security cooperation, and diplomatic engagement, measuring both bandwidth (the size of a relationship between countries) and dependence (the extent to which one country relies on another country for a critical relationship or resource). Countries with high FBIC scores can shape international outcomes by leveraging these relationships to build coalitions, set agendas, and create dependencies.

Together, these indicators create a more robust and flexible classification system. Rather than forcing states into rigid boxes, the framework allows for fluidity, acknowledging that countries may shift over time as their resources, behaviour, and recognition change.

Countries that are above the threshold for superpower, great power, or middle power status in all three of the indicators are automatically classified into that tier. Countries that score above the threshold for great power status for two of the three indicators are assessed in more detail on a case-by-case basis, while countries that are above the threshold for middle power status for one or two of the three indicators are classified as fringe powers.

TABLE 1.1  
Power grouping indicators and thresholds

Area	Indicator	Source	Threshold	
Economic	Nominal GDP (Constant 2015 USD)	World Bank	Superpower	> 10 Trillion
			Great Power	2 Trillion - 10 Trillion
			Middle Power	450 Billion - 2 Trillion
Military	Total Military Expenditure (Constant 2023 USD Millions)	SIPRI Military Expenditure Database	Superpower	>200000
			Great Power	>35000
			Middle Power	>10000
Influence	Count of countries where FBIC score indicates significant influence	Pardee Institute University of Denver	Superpower	> 20
			Great Power	10-20
			Middle Power	2-10

## Power Classification

FIGURE 1.3

### World map of countries by power grouping

Sub-Saharan Africa has the lowest concentration of powerful countries.

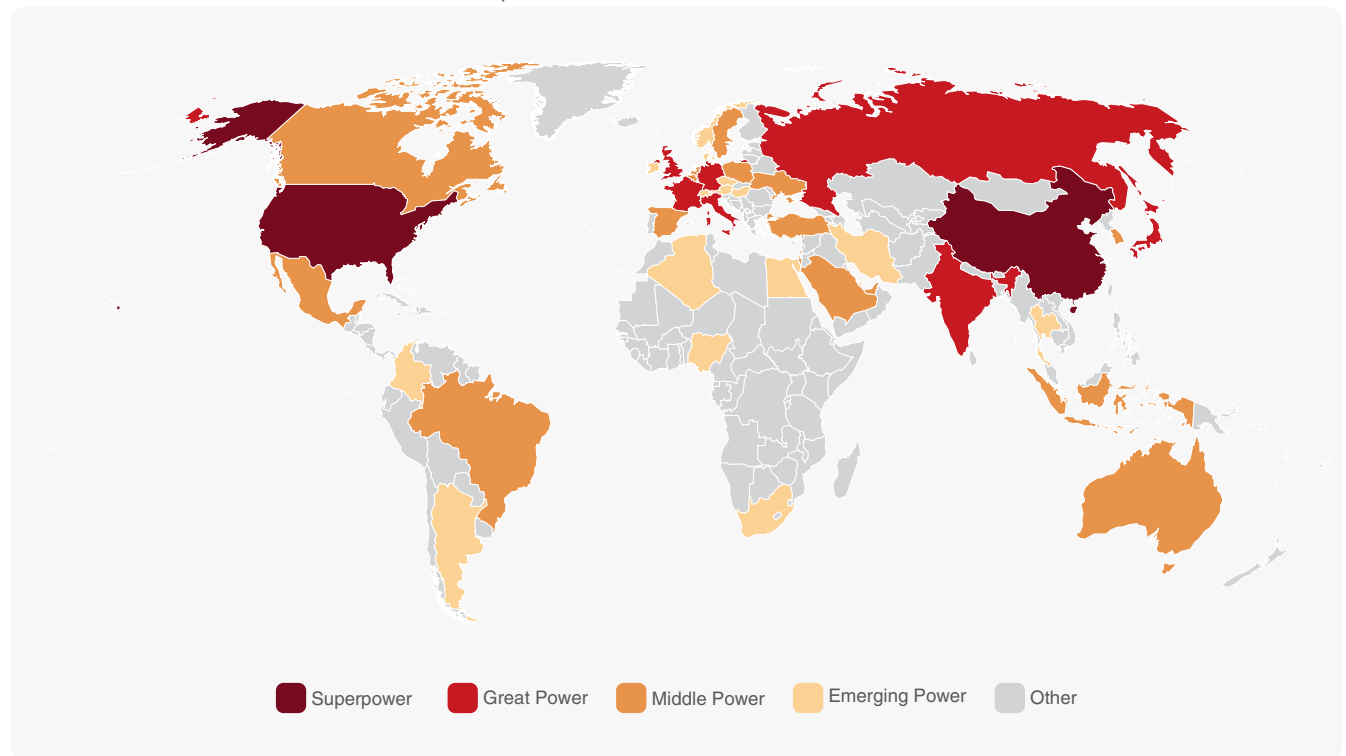


Figure 1.3 shows the global power distribution map. In total there are two countries classified as superpowers, seven as great powers, 16 as middle powers and a further 17 countries as emerging powers. The middle and emerging power nations are listed in Table 1.2.

The map reveals that there are several key patterns about how power is geographically concentrated around the world. The United States and China emerge as the clear superpowers, representing the world's two largest economies and most globally influential nations. Their geographic positioning on opposite sides of the Pacific creates natural spheres of influence, with the US

TABLE 1.2

### Countries by power grouping

Superpower	Great Power	Middle Power	Emerging Power
China	France	Australia	Algeria
United States	Germany	Belgium	Argentina
	India	Brazil	Austria
	Italy	Canada	Colombia
	Japan	Indonesia	Czechia
	Russia	Israel	Denmark
	United Kingdom	Korea	Egypt
		Mexico	Hungary
		Poland	Iran
		Saudi Arabia	Ireland
		Spain	Nigeria
		Sweden	Norway
		The Netherlands	Qatar
		Türkiye	Singapore
		Ukraine	South Africa
		United Arab Emirates	Switzerland
			Thailand

anchoring the Western Hemisphere and trans-Atlantic relationships, while China serves as the dominant force in East Asia.

A distinct band of great powers stretches across Eurasia and into Europe, including Russia, India, and several European nations. This concentration indicates that proximity to major population centres, historical trade routes, and resource-rich regions continues to matter for global influence. Russia's vast territorial expanse and India's large population base provide natural foundations for great power status, while European nations leverage their economic integration and institutional density.

Middle powers are largely concentrated in economically developed regions, notably Western Europe, parts of the Middle East, East Asia (Japan, South Korea), and select Commonwealth nations (Canada, Australia). This pattern indicates that middle power status generally correlates with economic development, good governance, and integration into international institutions rather than raw size or military might.

Indicator Performance

Interesting patterns can be seen when looking at the relative performance of super, great, and middle powers across the four indicators of power status. The world's two superpowers have much higher levels of economic power (economic and military resources) than great and middle powers, and the US have by far the highest level of military expenditure. However, the difference between middle and great powers on the bilateral influence indicator is nowhere near as large.

Figure 1.4 shows Nominal GDP by country and power grouping for 2024, the most recent year of available data. GDP here is measured in constant 2015 USD terms, to take into account the effects of inflation over time. This chart reveals a significant shift in the global economic landscape, highlighting how economic power has become more distributed among nations than traditional great power hierarchies might suggest.

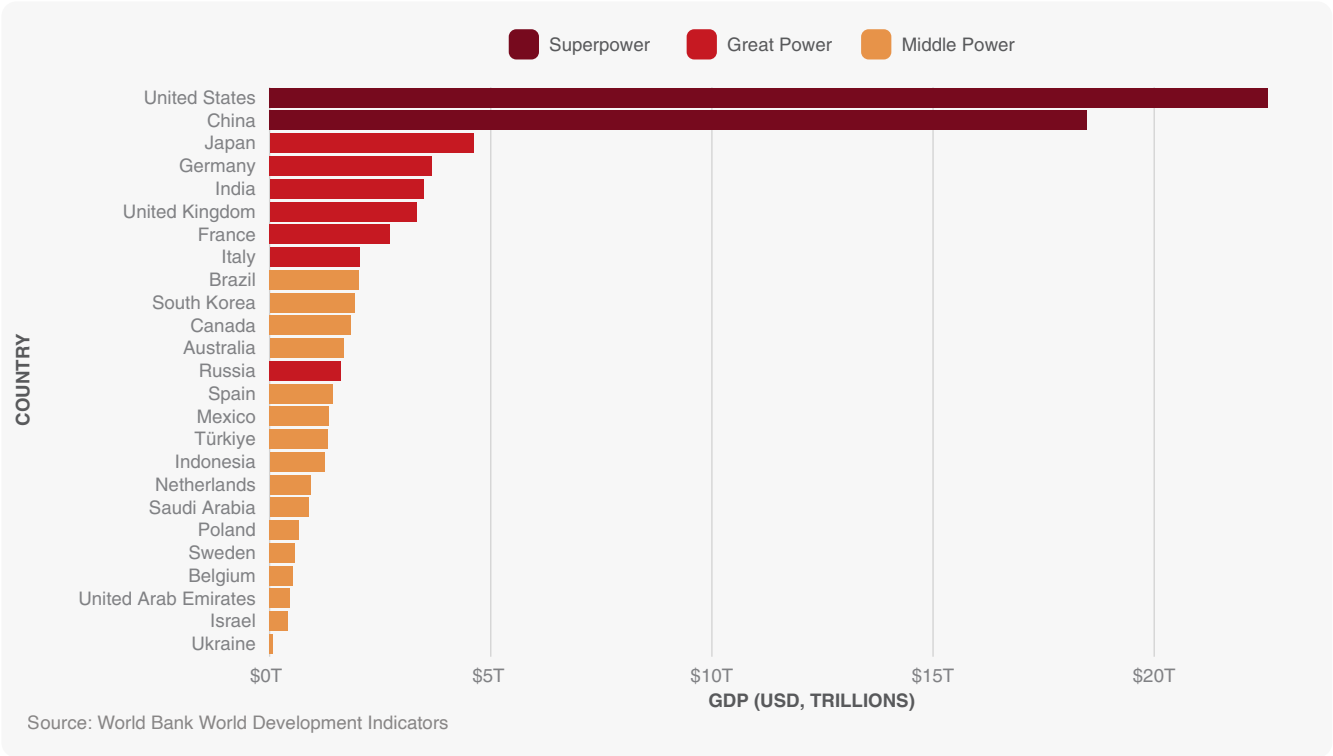
The data shows that while the United States and China maintain clear economic dominance as superpowers, the gap between great powers and middle powers has narrowed considerably. The average superpower nominal GDP is 20.6 trillion, almost seven times higher than the average great power GDP of 3.05 trillion. The average middle power nominal GDP is 950 billion.

China's GDP is more than three times higher than that of Japan, the great power with the highest nominal GDP, while the US has a nominal GDP that is almost five times higher than Japan. By contrast, Japan's nominal GDP is only twice as high as Brazil, the middle power with the highest nominal GDP. The middle power nations of Brazil, Canada, South Korea, and Australia all have a higher nominal GDP than the great power Russia, when measured in constant 2015 terms.

This distribution shows that more countries have the economic foundation necessary to participate meaningfully in global governance, development aid, and other forms of international influence that were once the exclusive domain of superpowers and great powers. This convergence indicates that the world may be entering an era where economic capacity to project influence is less monopolised by the traditional great powers, potentially leading to more complex and multipolar international dynamics.

FIGURE 1.4  
Nominal GDP (constant 2015 USD), 2024, by power grouping

There is now only a small difference in average nominal GDP between great and middle powers.





However, although the economic differences between the different power groupings are much lower than they once were, the difference in military expenditure is much starker, as shown in Figure 1.5. Superpowers have average military expenditure that is more than eight times higher than the great powers, while great power expenditure is more than 2.5 times higher on average than middle power expenditure.

Unlike the relatively compressed economic distribution, military capabilities show dramatic drop-offs between tiers. The gap between superpowers and great powers, and between great powers and middle powers, remains substantial. This highlights that building advanced military capacity requires sustained, long-term investment that most nations are not capable of, or seek to achieve through alliances with great and superpowers.

Several middle power countries have higher total military expenditure than many great power nations. Saudi Arabia, Ukraine, South Korea, and Israel all have higher military expenditure than at least one great power, while great powers like Italy, Japan, and France have much lower military expenditure than expected given their level of influence in other spheres. Russia has the highest level of military expenditure of all the great powers, driven in large part by its ongoing conflict with Ukraine.

High military expenditure is closely correlated with military capability. When considering weapons sophistication and combat readiness, the United States possesses military capabilities that are still significantly higher than all other nations, including China. This massive gap shows that despite economic multipolarity, US still has by far the highest capacity for global force projection and deterrence.

The military-economic power mismatch creates strategic vulnerabilities. Nations with strong economies but limited military capabilities may find themselves dependent on security guarantees from military powers, potentially constraining their foreign policy independence despite their economic strength.

Figure 1.6 shows the count of countries where a given country wields significant bilateral influence, defined as having an FBIC score of higher than 0.1 in another country. The data is shown by country and power grouping for 2023, which is the latest year of available data. The chart highlights that bilateral influence is more evenly distributed than military power. Unlike strong difference between groups seen with military capabilities, bilateral influence shows a more gradual distribution. This shows that influence can be cultivated through multiple pathways rather than only raw economic or military strength.

Great power nations retain significant bilateral influence. Both France and Germany influence almost as many countries as China, despite having significantly lower economic power and military expenditure. However, it should be noted that considerable influence is exercised within the EU. This also explains why so many European middle powers influence so many other countries. Netherlands, Spain, Belgium, and Sweden demonstrate influence levels that far exceed what their economic or military capabilities alone would suggest. This reflects the power of being embedded in dense networks of trade, diplomacy, and institutional relationships, particularly within the EU framework.

The inverse is also true: some countries have strong economic performance but relatively low geopolitical influence. For example, India ranks fifth on GDP and 13<sup>th</sup> in influence, similarly Japan is

FIGURE 1.5

### Total annual military expenditure, constant 2023 USD

The US remains the world's dominant military spender by a considerable margin.

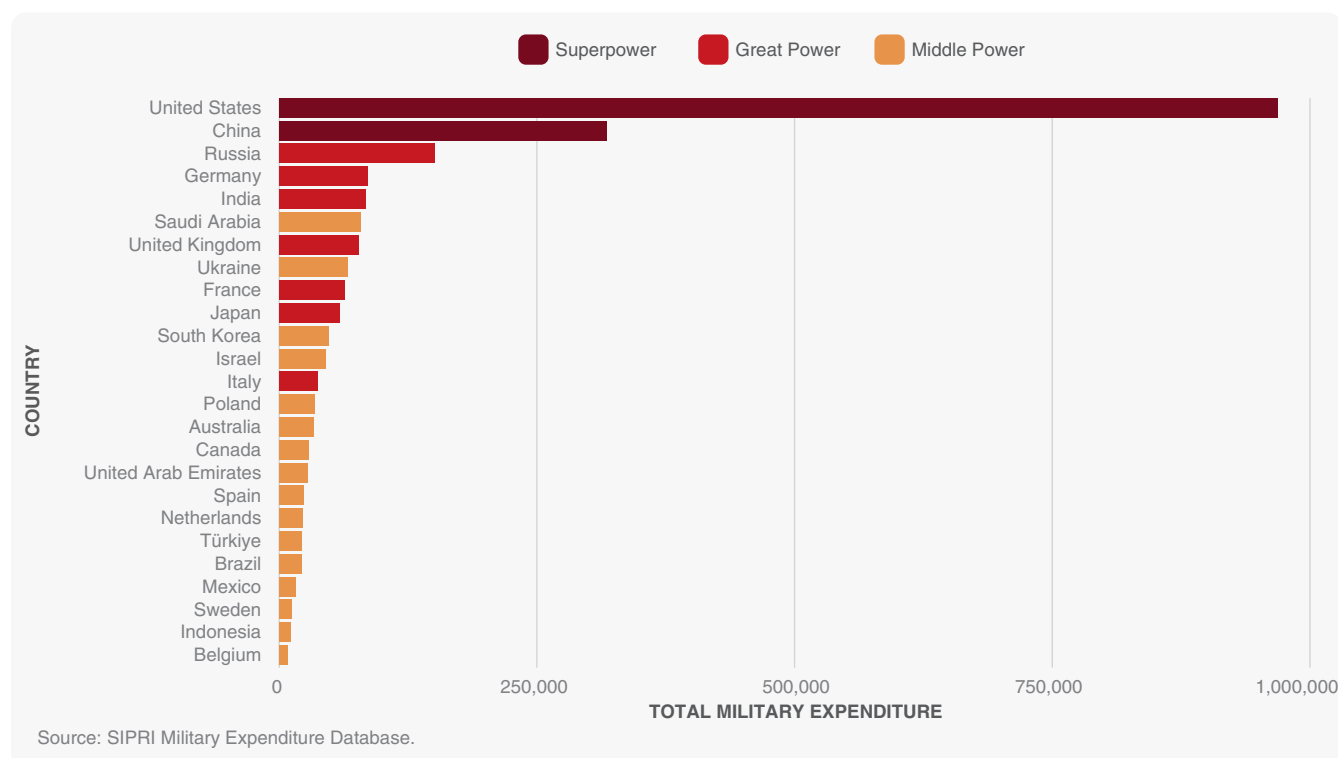
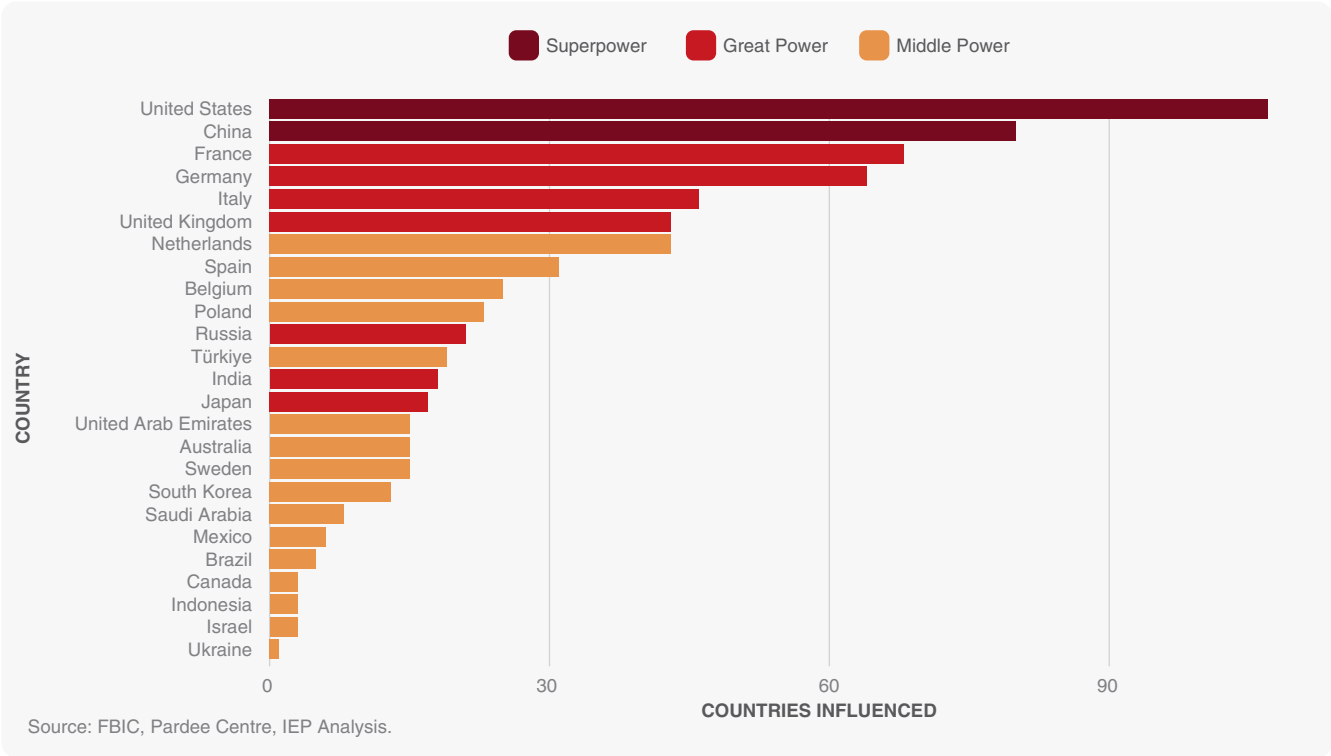


FIGURE 1.6  
**Count of countries influenced (FBIC > 0.1), 2023**

European middle powers exercise outsized influence, although this is predominantly within the EU.



14<sup>th</sup> on influence and fourth on GDP, while Brazil is 20<sup>th</sup> on influence and ninth on GDP.

The chart also demonstrates that middle power countries can be influence specialists. Türkiye, Belgium, Spain, Poland, and the Netherlands all have an influence score that is higher than at least one great power country. Nations can develop specialised influence niches through strategic positioning, institutional hosting, and diplomatic expertise, allowing them to shape outcomes far beyond their material capabilities.

The scatterplot matrix in Figure 1.7 shows how the three different indicators of geopolitical power are related to each other. All three of the indicators are correlated significantly with each other. However, some of the correlations are much stronger than others.

The strongest correlation is between bilateral influence and military expenditure. Countries with high levels of military expenditure are also more likely to be involved in active security agreements with other countries, and have stronger economic and diplomatic ties.

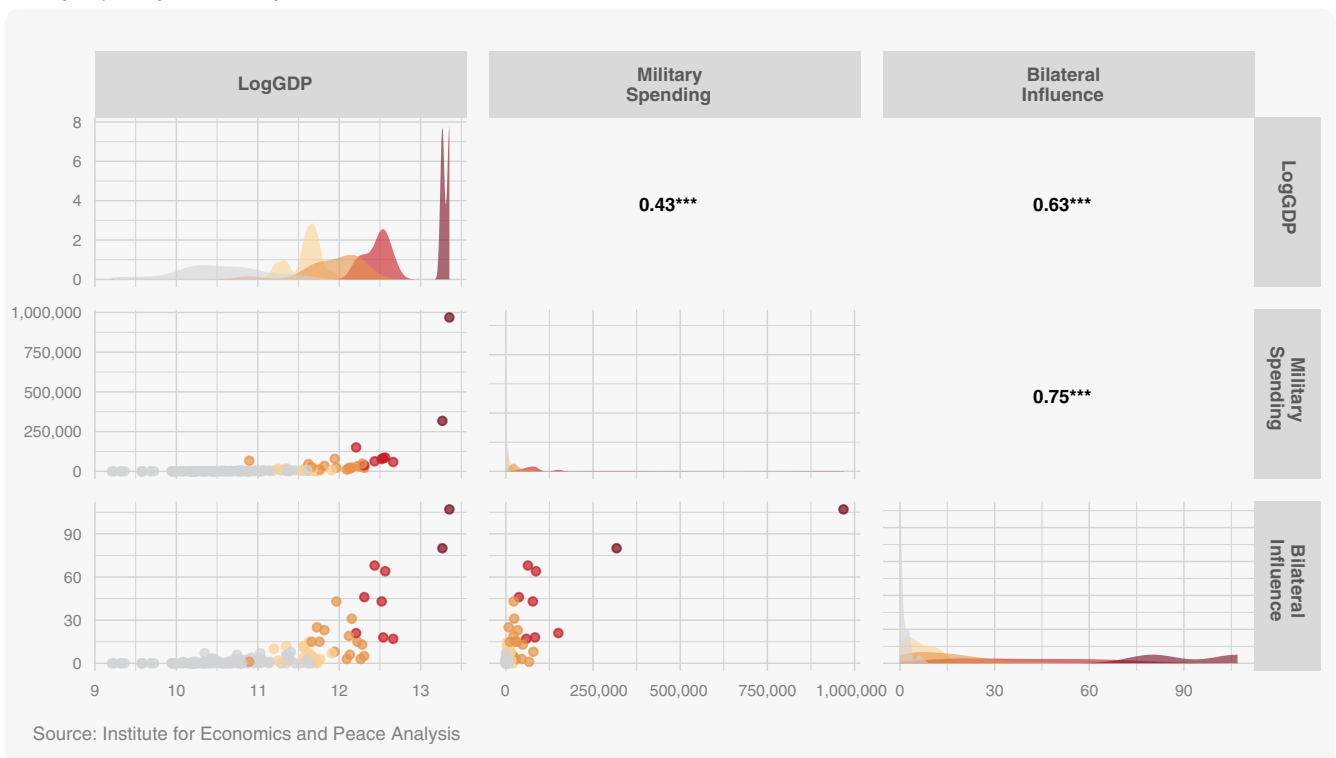
By contrast, military capability is less strongly related to economic strength than any of the other indicators. This underlines the fact that a country can develop significant military capability but still lack the capacity to influence other countries diplomatically and economically.



FIGURE 1.7

## Correlation between power grouping indicators

Military capability is not always associated with economic influence.



Section 2:

# The Great Fragmentation

## Key Findings

- ▶ There have been three key geopolitical periods over the past 50 years: The Cold War, rapid globalisation, and now the 'Great Fragmentation', which began at the start of the Global Financial Crisis.
- ▶ Geopolitical risks exceed levels of the Cold War, driven by heightened military spending, diminished role of multilateral institutions, tripling of trade restrictions and increasing competition among major and middle powers.
- ▶ Superpower influence is plateauing. The geopolitical influence of both the US and China has plateaued since 2015, with neither managing to substantially increase their spheres of influence while many middle level powers' influence is increasing.
- ▶ The increasing influence of middle level powers will shape much of the global security situation over the next 20 years.
- ▶ Dollar dominance is eroding: The US dollar's share of global foreign exchange reserves has fallen from 72 per cent at the turn of the century, to under 60 per cent today, with BRICS members increasingly signing agreements to trade in local currencies.
- ▶ Chinese Foreign Direct Investment (FDI) has collapsed: China's net FDI inflows fell from \$344 billion in 2021 to \$42.7 billion in 2023, with net FDI turning negative in the first half of 2024 as foreign firms repatriated more earnings than they invested. It's percentage of global GDP fell from 18.5 per cent 2021 to 16.5 per cent in 2024.
- ▶ European great powers and Japan now account for dramatically smaller shares of global GDP than in 1995, with Germany's share almost halving from 8.5 per cent to 4.3 per cent, and Japan's falling from 17.9 per cent to 4.0 per cent.
- ▶ Middle power nations now have greater combined material capacity - measured by population, industrial output, energy consumption, and military resources - than great power nations, reflecting a fundamental shift in the global power distribution since the Cold War.
- ▶ India is the sole great power nation with strong projected economic growth. India has surpassed China as the world's most populous nation and is projected to become the third-largest economy before 2030.

# Introduction: The Great Fragmentation

There has been a significant increase in geopolitical tensions over the past two decades. The *neighbouring countries relations* indicator in the Global Peace Index (GPI), which measures the strength of tensions between neighbouring countries, deteriorated by 13 per cent from 2008 to 2025, the fifth largest deterioration of any indicator in the GPI. The four highest deteriorations were all related to conflict. Relations between neighbouring countries deteriorated in 59 countries and improved in just 19 over the same period.

This deterioration in country relations is part of a much broader trend of increasing geopolitical and economic fragmentation that encompasses not just diplomatic tensions but also increasing conflict.<sup>1</sup> Geopolitical risks today exceed levels seen during the Cold War, driven by heightened military spending, stalled efforts at nuclear disarmament, the diminished role of multilateral institutions, and increasing competition among major and middle powers and regional blocs.

At the same time, contemporary global economic stagnation, increasing debt, and the weaponisation of economic interdependence via trade wars, are key factors shaping the economic landscape of geopolitics in the 21<sup>st</sup> century.

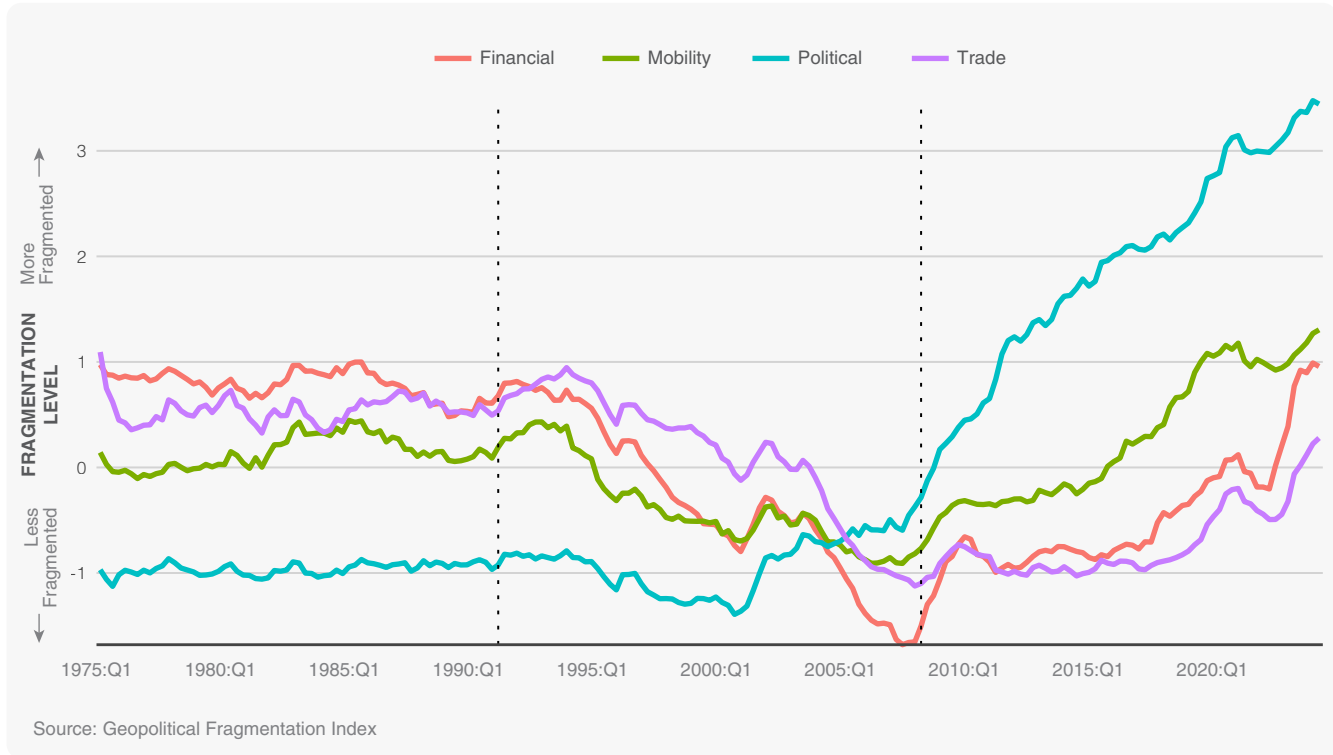
The long-term trend in geopolitical tensions is shown in Figure 2.1, which shows the trend in geopolitical fragmentation from 1975 to

2024. Geopolitical fragmentation refers to the accelerating breakup of the international system into competing power blocs and shifting alliances, weakening the common rules and institutions that once bound states together. It shows up in sharper strategic rivalries, selective economic decoupling, and a reduced ability to coordinate on trans-national problems.<sup>2</sup> Fragmentation is measured using a wide range of data sources that reflect both economic and political relationships between countries, capturing four key types of geopolitical fragmentation: financial, political, trade and mobility

There have been three key phases in geopolitical relations over the past 50 years. There was a stable division of power between Cold War blocs from 1975 to 1990, a period of rapid integration from the early 1990s to the mid-2000s, when global trade and cooperation flourished, followed by the beginning of ‘The Great Fragmentation’ after the 2008 Global Financial Crisis. This latest phase has intensified in recent years, driven by events such as the US-China trade conflict, Russia’s invasion of Ukraine, Israel’s war in Gaza, growing tensions over technology and higher levels of global conflict.<sup>3</sup>

This latest phase of increasing fragmentation was not caused by a sudden collapse of international institutions, but by a steady build-up of frictions over the last 15 years. These include the increasing use of tariffs, export bans, and investment restrictions,

FIGURE 2.1  
**Geopolitical fragmentation, 1975–2024**  
Fragmentation has skyrocketed since 2008.



as well as new migration and capital controls. Sanctions have become more common and longer-lasting, particularly those imposed by Western countries in response to subsidies, especially in China, and broader geopolitical disputes.<sup>4</sup> At the same time, political divisions are deepening. For example, voting patterns in the UN General Assembly show growing disagreement between Western countries and China and Russia on key global issues, reflecting a widening divergence in how different regions view the rules and responsibilities of the international system.

The underlying causes of this fragmentation are both political and structural. The return of great power competition, the rise of nationalism in many countries, and disputes over control of new technologies and natural resources, have all played a role. At the same time, global institutions like the UN and WTO have struggled to respond and have slowly become less effective.<sup>5</sup> As a result, countries are relying more on national or regional strategies, rather than working through global systems. What sets this period apart is how broad and long-lasting these changes are. The global geopolitical and economic systems may be approaching a tipping point and, if passed, it is difficult to predict what the new system would look like. Table 2.1 highlights some of the major changes across the three periods.

The global economy is significantly more interconnected than it was during the Cold War era. However, there are signs that the extent of this interdependence is beginning to plateau. Trade as a percentage of GDP has plateaued. After rising from under 40 per cent at the end of the Cold War to over 60 per cent by the mid-2000s, it has levelled off and has remained at or below 60 per cent since the end of the Global Financial Crisis.

Furthermore, this economic interdependence is increasingly becoming a source of geopolitical tension, as seen by the increase in tariffs, trade wars and deliberate policy choices aimed at

decoupling supply chains, particularly in industries deemed critical for national security.

The current move towards fragmentation has been driven primarily by strategic considerations and national security imperatives, rather than purely market-driven adjustments or shifts in technology and preferences. Several factors are propelling this trend. Prominent among these are escalating geopolitical tensions and strategic competition, such as the China-America tariff war that began in 2018, restrictions on exports of rare earth metals and the extensive sanctions imposed on Russia following its invasion of Ukraine.

These events have solidified the perception that economic dependencies are vulnerabilities that can be strategically exploited. Furthermore, heightened national security concerns, amplified by the supply chain disruptions experienced during the COVID-19 pandemic, have prompted governments and corporations to prioritise resilience and security of supply for essential goods and commodities. This has spurred interest in strategies like reshoring, near-shoring, and 'friend-shoring',<sup>6</sup> which involves relocating economic activities to geopolitically aligned partner countries.

The resurgence of large-scale industrial policies targeting strategic sectors such as semiconductors contributes to fragmentation, as these policies frequently incorporate protectionist elements or subsidies that distort global trade and investment patterns. Compounding these factors is the perceived weakening of multilateral institutions like the World Trade Organization, whose diminished capacity to manage trade disputes reduces constraints on unilateral actions. Shifting public and political attitudes in some nations, driven by concerns over globalisation and job losses, have also created political space for more protectionist stances.

TABLE 2.1

## Changes in the international system from the Cold War to the present

Area	Cold War	Globalisation	The Great Fragmentation
<b>Global Trade</b>	40 per cent of global GDP	Increases to 60 per cent of global GDP	Remained at 60 per cent for most of the past decade
<b>UN Security Council</b>	High use of UNSC veto, few resolutions passed	Declining use of the veto, increase in resolutions passed	Increased use of veto, decline of successful resolutions
<b>Aid Disbursement</b>	Increasing	Increasing	Shift from multilateral to bilateral disbursements
<b>Material Power Distribution</b>	P5* account for 55% of global material power	P5 power reduces to 50%	P5 power reduces to 40%
<b>Nuclear Powers</b>	2 (1947)	9 (2006)	9 (2025)
<b>Nuclear Stockpile</b>	Russia 40,000	Russia 12,000	Russia 5,600
	US 23,000	US 10,000	US 5,000
	Rest of World 1,500	Rest of World 700	Rest of World 1,500
	1986	1991	2023

\*Permanent 5 (P5) refers to the five permanent members of the United Nations Security Council: China, France, Russia, the United Kingdom, and the United States.

The use of trade-restrictive measures has surged globally, with around 3,000 such measures imposed in 2023, nearly triple the number from 2019. Restrictions on commodity trade saw a particularly sharp rise in 2022. Commodity markets themselves show clear signs of fragmentation, with widening price differentials for key materials like lithium and coal across different geographic markets in 2022.<sup>7</sup>

Financial flows are also exhibiting increased sensitivity to geopolitical risk, with some evidence suggesting capital reallocation towards countries perceived as geopolitically closer or as safe havens. The declining share of the US dollar in global reserves and widespread exploration of Central Bank Digital Currencies could further fragment the international payments system.

This trend towards economic fragmentation carries substantial potential costs. Estimates of long-term global GDP losses vary widely depending on the severity of fragmentation modelled, ranging from 0.2 per cent to nearly seven per cent.<sup>8</sup> Emerging markets and low-income countries are generally considered the most vulnerable, potentially facing disproportionate losses due to reduced access to technology diffusion, higher costs for essential imports like food and commodities and limited policy space to absorb shocks. Fragmentation is also likely to exert upward pressure on inflation by disrupting efficient supply chains and reducing competitive pressures.

The recent increase in economic fragmentation has been paralleled by a sharp increase in militarisation. This has been particularly noticeable in the past three years, following a period of decline in military focus after the Cold War, characterised by reduced military spending as a share of GDP for most countries and smaller armed forces personnel numbers.

The growth rate in military spending is also increasing sharply. The 9.4 per cent increase in spending during 2024 was the steepest year-on-year rise documented since at least 1988, higher than the 6.8 per cent increase seen in 2023 and the 3.5 per cent increase in 2022. Military spending per capita worldwide also reached \$334, its highest level since 1990.<sup>9</sup>

Meanwhile, efforts towards nuclear disarmament have stagnated. The major nuclear powers, the United States and Russia, possess the majority of warheads and have had little progress in stockpile reduction. China added 100 nuclear warheads in 2024, bringing its total to 600, and is projected to increase its capacity by 60 to 80 warheads annually. Indeed, in the past three years, every state with nuclear capabilities has either maintained or increased its arsenal. Iran's continued pursuit of nuclear capabilities, despite the 2015 agreement (from which the US withdrew in 2018), remains a significant factor influencing Middle Eastern geopolitics.

This surge in militarisation is a direct consequence of a deteriorating global security environment. The ongoing war in Ukraine serves as a primary catalyst, particularly for the dramatic spending increases observed across Europe. Similarly, the war in Gaza and associated regional instability are fuelling higher military budgets in the Middle East. Underlying these specific

conflicts is the broader context of great power competition, primarily involving the US, China, and Russia. This rivalry prompts significant investments in military modernisation as these powers seek to deter adversaries and project influence. Within NATO, the renewed emphasis on the two per cent of GDP spending guideline, driven by the changed security landscape, is another significant contributing factor.

The current phase of militarisation is also characterised by important qualitative shifts in technology and the global arms trade. Despite soaring expenditure, the total number of military personnel worldwide has shown a long-term decline, with a move towards more capital-intensive, technologically advanced armed forces. Investments are increasingly channelled into cutting-edge areas such as Artificial Intelligence (AI), autonomous systems like drones and unmanned underwater vehicles (UAVs/UUVs), cyber warfare capabilities, space-based assets, advanced sensors, and sophisticated missile technology.

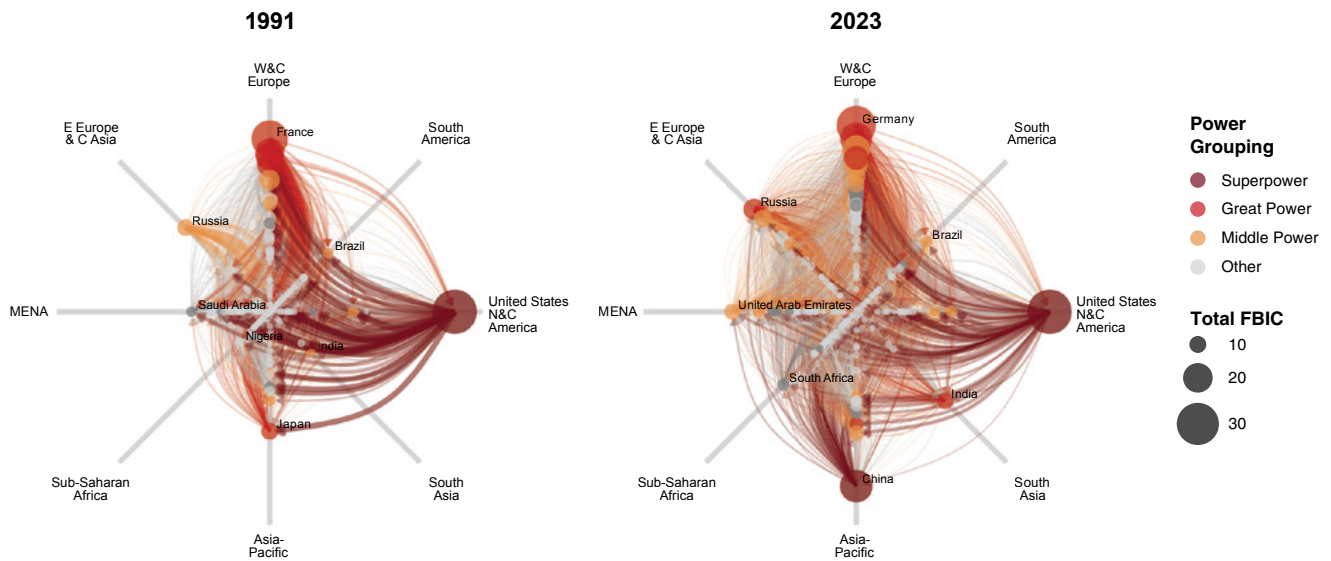
For instance, the US allocated substantial funds in 2024 towards nuclear modernisation and missile defence, while China is rapidly advancing its capabilities in stealth aircraft, UAVs/UUVs, its nuclear arsenal, counterspace systems, and cyber warfare. This technological arms race complicates traditional methods of assessing military power. When taking increased military sophistication into account, IEP estimates that there has been a ten per cent increase in global military capability over the last decade, despite deteriorations in the armed forces personnel rate.

Geopolitical fragmentation can also be seen in increasing competition for influence, particularly among middle power countries seeking to extend their reach in the developing world. Figure 2.2 uses the FBIC dataset to show the contrast between bilateral influence networks in 1991 and 2023. In 1991 there were relatively few middle power countries, and the US was the world's only superpower, with significant influence in almost every region of the world. However, by 2023 China had risen to superpower status, Russia had recovered much of its influence lost during the break-up of the Soviet Union, and new great powers, middle powers and emerging powers like India, the UAE and South Africa were playing a much larger role in their respective regions. It should be noted therefore that the increase in geopolitical fragmentation has not meant less interactions between countries, but rather a much denser web of relations across regions, with the US and traditional great powers in Europe having relatively less influence than at the end of the Cold War.

FIGURE 2.2

**Bilateral geopolitical influence, 1991 vs 2023**

Many more countries now exert significant influence globally.



Source: FBIC, IEP Analysis.

Most of this increase in influence has occurred in the developing world. Competition over influence in developing countries largely revolves around material and strategic concerns, like access to key resources, or the ability to exert strong influence on neighbouring countries. For instance, instability and resource scarcity in the Sahel region of Africa has driven foreign and regional actors to vie for control, contributing to a complex and contested environment. India's increasing influence revolves around its rising economic and military power, which has made the country central to Indo-Pacific geopolitics. Brazil's rising influence is driven by its leadership in Latin America, its economic power, and its strategic role in global institutions like BRICS. Brazil's growing importance, particularly for China and other emerging economies, has heightened rivalry with the United States and other Western powers.

While countries often exert influence through increased aid, trade, or defence agreements, in cases of countries in conflict, this can

manifest through competitive interventions in civil war. Between 2010 and 2023, the number of internationalised intrastate conflicts increased nearly threefold. Many of these conflicts involve large regional or international coalitions involved in peacekeeping or stabilisation operations. In 2023, there were 78 countries that were involved in at least one internationalised intrastate conflict, up from 59 in 2008.<sup>10</sup>

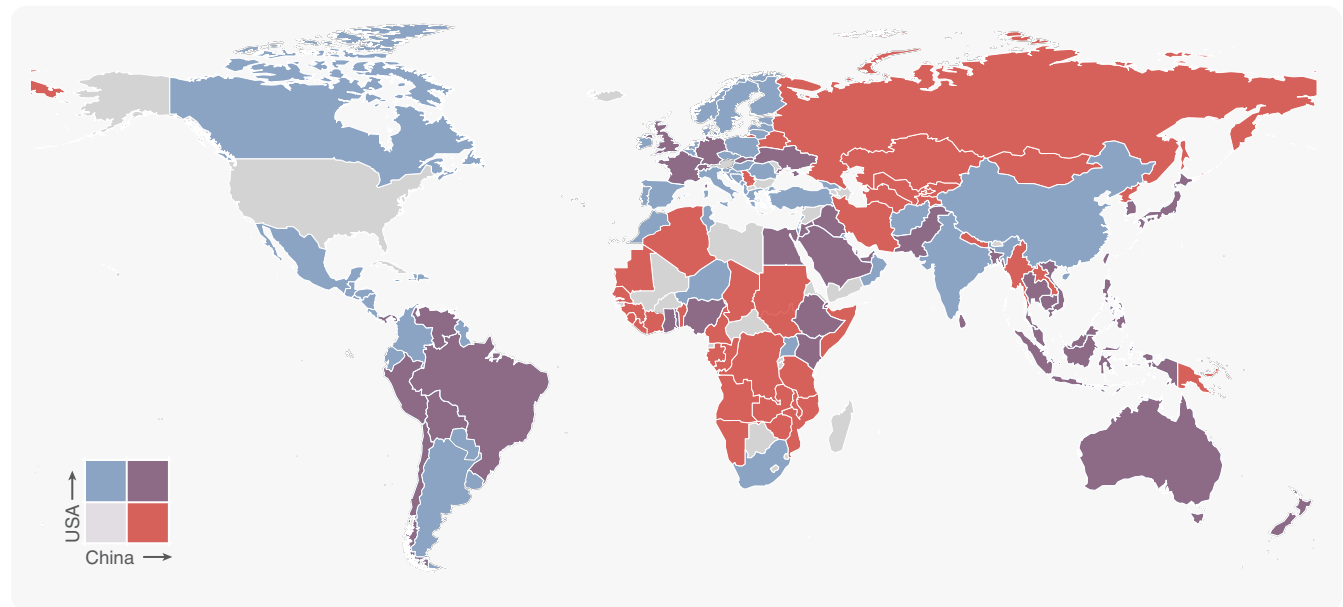
In many instances, the involvement of major powers in intrastate wars can intensify the conflict and hinder resolution efforts. This can be seen in the civil war in Sudan, where external actors, including China, Russia, Iran, Egypt, the United Arab Emirates, Chad, and Libya are supporting rival militias in their battle for control of the country. As a result of the violence that has persisted since 2023, Sudan is now facing the world's worst refugee crisis, with over 10 million people displaced.

# The Superpower Plateau

FIGURE 2.3

## Countries strongly influenced by the US and China, 2023

Almost every single country in the world is significantly influenced by either the US, China, or both superpowers.



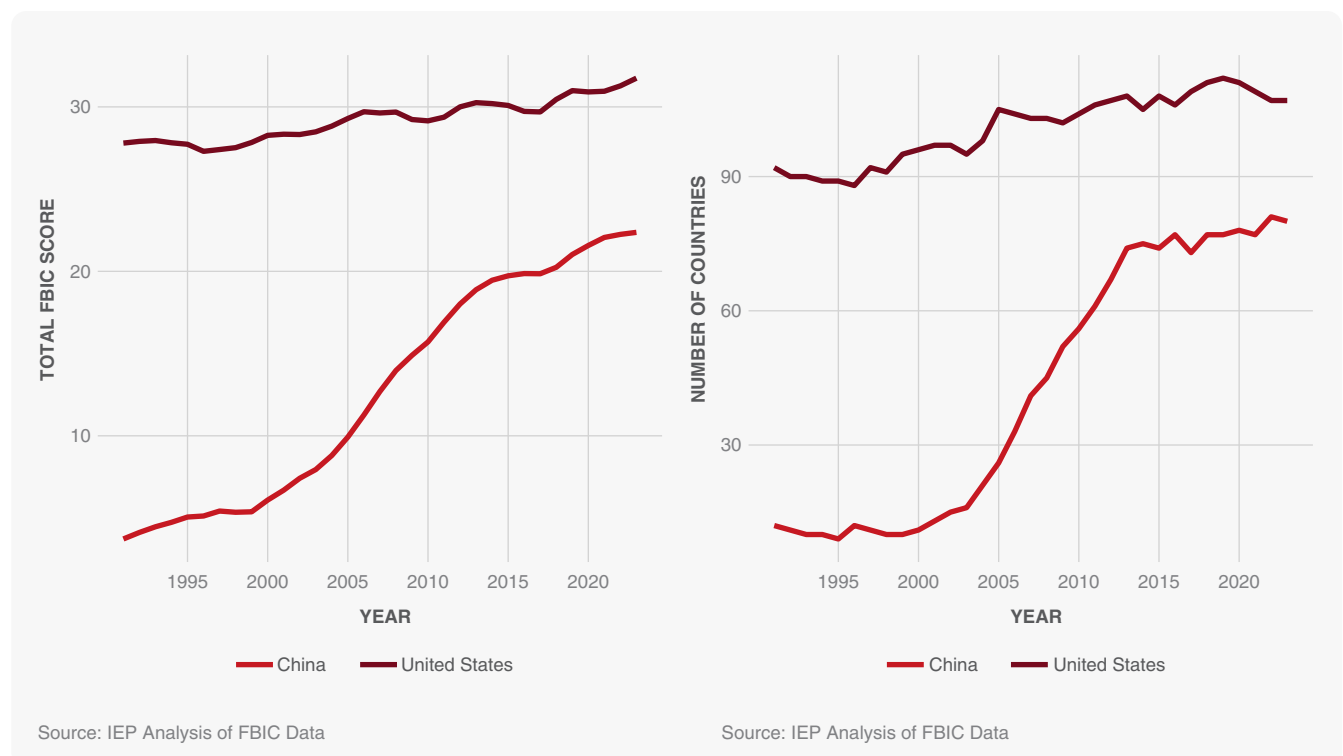
As noted in section one of this report, the US and China are the world's only superpowers, with clear advantages over the great powers in economic strength, military capability, and geopolitical influence. This can be seen most clearly by looking at the map in Figure 2.3, which shows countries that are significantly influenced by either the US, China, or both countries. Almost every single country in the world is significantly influenced by one or both superpowers.

However, there are signs that the geopolitical influence of both China and the US is beginning to plateau. This can be seen in Figure 2.4, which measures both the total FBIC score of the two superpowers, as well as the number of countries in which they have significant influence.

FIGURE 2.4

## Total FBIC score and number of countries influence, US and China, 1991–2023

Bilateral influence exerted by the US and China has been plateauing since 2015.





The US was the world's only superpower at the end of the Cold War, and had a significantly higher total FBIC score than any other country in the world at this time. However, its total score has increased very little since 1991, with a noticeable plateau between 2005 and 2016, although there has been a slight increase since then. China's total FBIC score rose rapidly between 2000 and 2015 but has slowed over the past five years.

A similar dynamic is visible when looking at the total number of countries where each country wields significant influence. For the US, the total number of countries where it has significant influence has not increased since 2015. Similarly, China's total number of countries influenced has minimally increased since 2012, although it rose extremely quickly between 2003 and 2012. This indicates that both countries are not increasing the number of countries where they have influence, and are not significantly deepening their influence in the countries where they already have a strong influence. Furthermore, they may have reached a limit to their spheres of influence, with China dominating in sub-Saharan Africa, and the US remaining the most influential country in Europe, with both countries competing for influence in South America and throughout the Middle East.

The past five years have been characterised by an increasingly multipolar world in which neither the US nor China has managed to translate economic heft and military power into sustained growth in geopolitical influence. Both entered this period with ambitions to expand their influence. Washington sought to revitalise alliances and preserve liberal norms, while Beijing expanded the Belt and Road Initiative (BRI) and promoted alternative governance models. However, as global FDI and trade fragment, and public confidence erodes, neither superpower has substantially increased its relative influence. Instead, their power has plateaued amid domestic challenges and a more sceptical international environment.

The US remains the world's most comprehensive power but its diplomatic and economic influence has slipped relative to the early 2010s. Public opinion abroad has become more sceptical of American leadership and allies sometimes view Washington as an unreliable security partner. Domestically, a majority of Americans believe US influence is declining. Economic challenges, including slowing foreign direct investment (FDI) inflows and the falling value of the US dollar reflect the erosion of US structural advantages.

Chinese influence has grown in some areas, especially in the Indo-Pacific, but appears to have plateaued under mounting economic problems, demographic decline, and rising global pushback. China's FDI inflows have collapsed since 2021, with net FDI turning negative in the first half of 2024 and public debt distress amongst BRI partners has generated backlash against China.

## United States: Economic and Diplomatic Influence

### Economic Influence

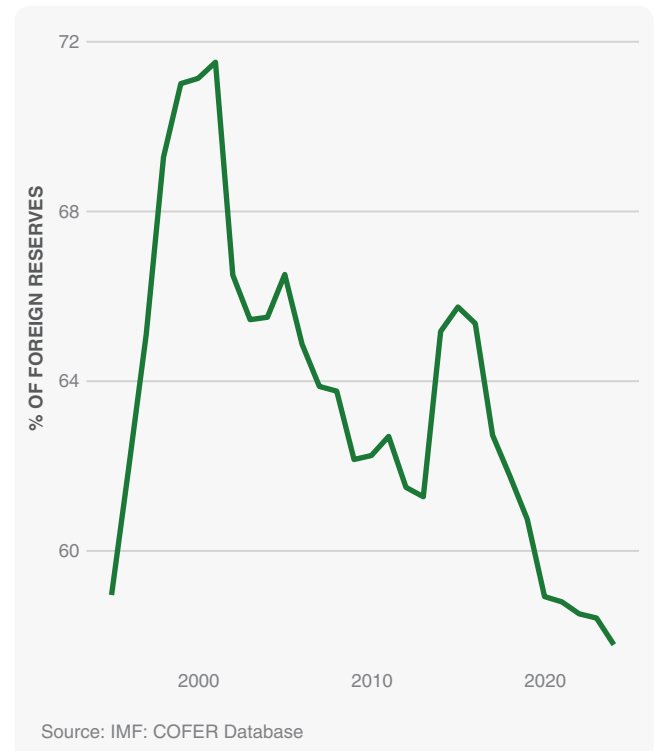
The US remains the world's largest economy, yet its relative economic influence has plateaued. Revised figures show that

foreign direct investment (FDI) in 2024 was only \$292 billion, lower than the average of the previous decade. These figures reflect a broader slowdown in global investment. The United Nations notes that global FDI fell by 11 per cent in 2024 to \$1.5 trillion, with infrastructure investment slowing and trade tensions deterring. The decline in inflows suggests that US economic attractiveness for investors may be falling. However, the US remains the top destination for FDI and accounted for nearly one-fifth of global flows in 2024.

FIGURE 2.5

### Percentage of foreign exchange reserves held in USD, 1995–2024

The US dollar now accounts for less than 60% of global foreign exchange reserves.



The decline of US influence can be seen when looking at the role played by the US dollar in the global economy. The currency still accounts for just under 60 per cent of global reserves, far exceeding the euro at around 20 per cent and the Chinese yuan at less than three per cent. However, dedollarisation is gathering momentum. BRICS members and other countries are increasingly signing agreements to trade in local currencies. The rise of dedollarisation can be seen in Figure 2.5 which shows that the percentage of global foreign exchange reserves held in US dollar has fallen from a peak of nearly 72 per cent at the turn of the century, to under 60 per cent now. The dollar's recent decline amid Federal Reserve rate cuts and political uncertainty, highlights additional threats to US currency domination.

US trade policy in the past decade has been a further source of instability while China's manipulation of certain commodity prices means it is monopolising clean energy technologies and strategic defence components. Tariffs introduced during the first Trump administration and continued restrictions on Chinese technology during subsequent administrations have slowed globalisation and triggered retaliatory measures, with recent conflict over access to

rare earth minerals exacerbating this volatility. US tariffs and aid cuts in Southeast Asia contributed to China becoming the default economic partner for six of eleven Southeast Asian nations. In Latin America, protectionist policies and limited investment have similarly allowed China and regional players to increase their economic presence.

### Diplomatic Influence

The US remains the world's most diplomatically influential nation, but some indicators suggest that the level of influence is beginning to fall. For example, the 2024 Asia Power Index recorded a fall in US influence in Asia between 2018 and 2024, despite high levels of US influence globally. The US withdrawal from Afghanistan in 2021, difficulties implementing the Indo-Pacific Economic Framework, and uncertainties over security commitments have raised questions about its reliability in the region.

The plateau in American diplomatic influence is reflected in changes in the way people in other countries view America. According to Pew's 2025 global survey, although people in most surveyed countries see the US as their most important ally, many Europeans and Latin Americans also name the US as the greatest threat to their country. The percentage of Canadians who view the US as the greatest threat to their country has risen from 20 per cent to 59 per cent, while the percentage in Mexico has risen from 56 per cent to 68 per cent. America is also seen as the greatest threat by 25 per cent or more of the population in Indonesia, South Africa, Brazil, Spain, and Türkiye.

Public attitudes toward American leadership have deteriorated. Pew's 2025 survey across 24 countries finds that although a median of 49 per cent have a favourable view of the US, views have become more negative. Among high income countries, US and China's favourability ratings are now closer than at any time since 2018. In Canada, positive views of the US fell by 20 percentage points from 2024, while favourable views of China increased by 13 points. Many European respondents now regard China as the world's leading economic power. Gallup's 2023 leadership poll showed the US had a net approval advantage over China in 81 of 133 countries, but the number of countries with negative net approval of both powers has grown markedly.

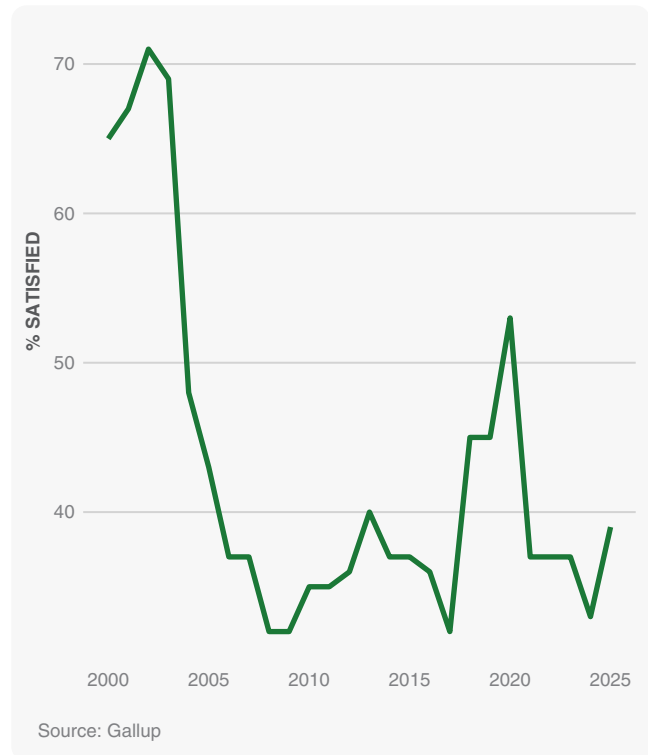
The perception of America's role in the world has also deteriorated domestically. Figure 2.6 shows the percentage of Americans who are satisfied with their place in the world over the past 25 years. In the early 2000s, over 70 per cent of Americans were satisfied with their place in the world. However, by 2005 this number had fallen to 40 per cent and has been under 40 per cent for almost every year of the past 20 years.

The US still plays a key role in multilateral institutions such as the IMF, World Bank and NATO, but its ability to shape agendas is increasingly contested. Some analysts have warned that a 'Rogue America' scenario where a US administration disengages from multilateral commitments, would encourage hedging by allies and hasten a shift toward regional blocs. Congressional gridlock has delayed treaty ratifications and hindered funding for global initiatives like climate finance.

FIGURE 2.6

### Percentage of Americans satisfied with their place in the world, 2000–2025

Less than 40% of Americans are satisfied with their place in the world, down from over 70% in 2003.



## China: Economic and Diplomatic Influence

### Economic Influence

China's meteoric economic growth over the past three decades fuelled speculation about its eventual economic dominance, but signs of an economic plateau have become evident. Some analysts estimate that China's real GDP growth in 2024 was only 2.4–2.8 per cent, far below official figures. Even with stimulus, growth in 2025 is expected to reach 3–4.5 per cent, a ceiling unlikely to restore past momentum. The property market slump has spilled over into local government investment and consumption, prompting heavy policy interventions such as interest rate cuts and refinancing programs, which reveal a deeper slowdown than official data suggests. Economists note that China's GDP may be overstated by about three percentage points annually, implying the economy could be \$1.7 trillion smaller than reported.

China's share of global GDP rose from 3.5 per cent in 2000 to 18.5 per cent in 2021 but fell to around 16.5 per cent by 2024, reflecting stalled productivity and a shrinking working age population. Urbanisation is plateauing and China's share of global manufacturing exports has also levelled off. There are indications that the key factors that allowed China to grow so quickly, namely high investment, savings, and labour supply, have been exhausted, raising the prospect of a 'Peak China' scenario reminiscent of Japan's plateau in the 1990s. These structural issues limit Beijing's ability to finance major overseas projects and sustain high economic growth.

In the past three decades China sought to convert its surplus capital into geopolitical influence through the Belt and Road initiative (BRI). However, the initiative has encountered strong pushback in recent years. Over 80 per cent of Chinese government loans go to countries experiencing debt distress, with outstanding loans exceeding \$1.1 trillion. Many BRI loans are unreported and their conditions opaque, prompting accusations of ‘debt trap diplomacy’ and triggering protests in Sri Lanka, Kenya and other states. Chinese lending to the developing world has fallen considerably since 2018, with debt servicing overtaking new loan commitments in 2019. Chinese financing to African countries fell considerably between 2016 and 2023, with Chinese engagement in South America also falling to a decade low level in 2024.

Domestically, China’s ability to attract foreign capital has diminished significantly, as shown in Figure 2.7. According to some estimates, net FDI inflows collapsed from \$344 billion in 2021 to \$42.7 billion in 2023, the lowest level in over two decades, with other estimates suggesting that FDI in China is now at a 30-year low. In the first half of 2024, net FDI turned negative, meaning foreign firms repatriated more earnings than they invested.

International investors withdrew more than \$12 billion from Chinese onshore equities since June 2024. Multiple factors are driving this capital flight: widening interest rate gaps, a gloomy economic outlook, a prolonged real estate downturn, intense competition from domestic firms, and geopolitical tensions with the US. Beijing’s crackdown on foreign consultancies, exit bans and data restrictions have further alarmed investors. This capital flight not only constrains growth but also signals declining confidence in the Chinese economy.

FIGURE 2.8

### Foreign direct investment in China, 1979–2024

FDI into China is now at a 30-year low.

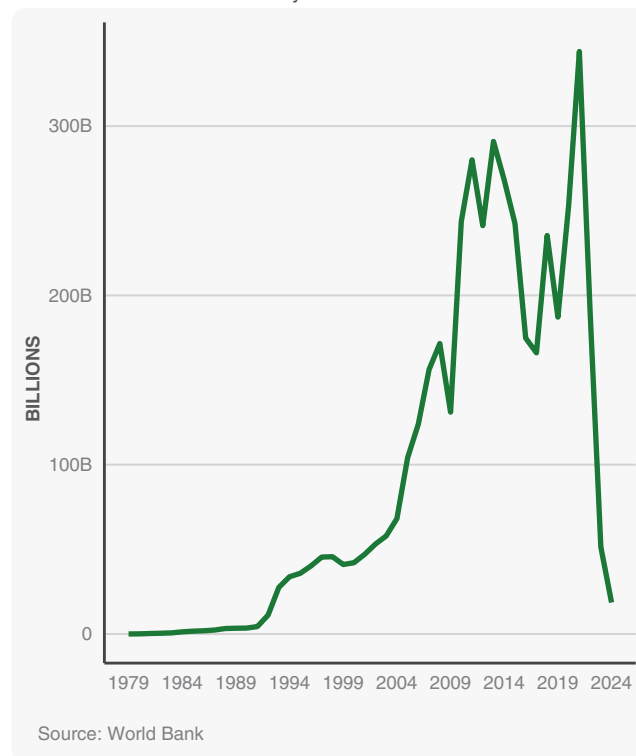
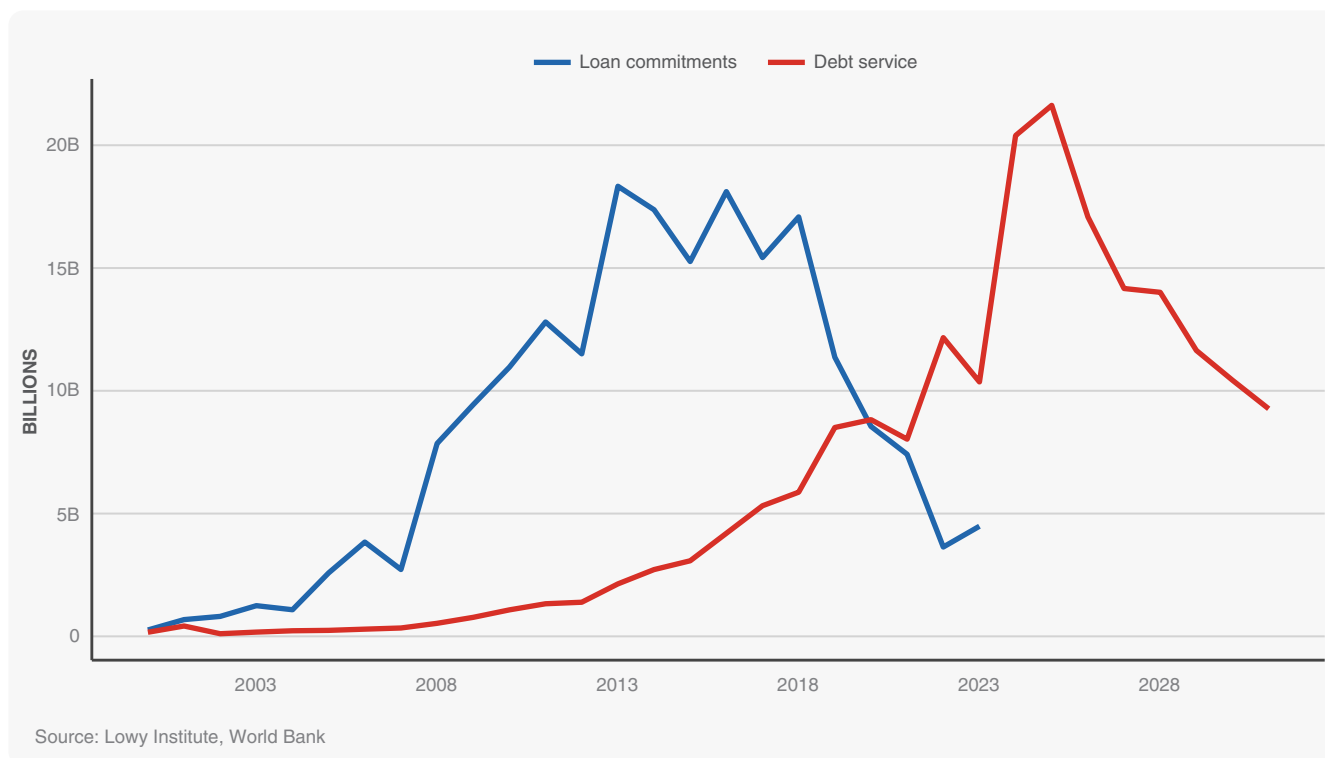


FIGURE 2.7

### Chinese lending to developing countries, 2000–2030

China has drastically reduced the scale of its lending to the developing world since 2018.



## Diplomatic Influence

China remains the most geopolitically influential country in Asia and retains significant influence in sub-Saharan Africa and parts of South America. However, China's influence relative to its level of resources has shrunk. Despite these issues, China has become the default partner for six of 11 Southeast Asian countries, particularly in trade and investment. China accounts for about 20 per cent of Southeast Asia's exports and 26 per cent of imports, compared to the US at around 16 per cent for each. Chinese investment accounted for 21 per cent of new project investments in Asia between 2015 and 2024, up from 13 per cent in the previous decade.

Outside Asia, Chinese influence has faced pushback. African and Latin American leaders have increasingly diversified partnerships, courting Europe, India and the Gulf states. China overtook the United States as the dominant external state actor in West Africa around 2011, but its influence has plateaued since then.

China has expanded its role in multilateral organisations. It cofounded the Asian Infrastructure Investment Bank (AIIB) and the New Development Bank as well as increased voting shares at the IMF and World Bank. However, Chinese influence in global governance still faces resistance. Many advanced economies, along with some developing countries, remain cautious about Beijing's authoritarian governance model. In Asia, US alliances and partnerships (Japan, Australia, South Korea, India) act as counterweights. Beijing's more assertive diplomacy such as wolf warrior rhetoric, coercive economic measures against Australia and Lithuania, and sanctions on European parliamentarians, has sometimes backfired, prompting alignment against China.

# Great Power Decline

The plateau in superpower influence and increased competition between the US and China over issues like AI, energy independence, and trade should in theory create an opportunity for the great power nations to increase their geopolitical influence.

However, the relative influence of great power nations has been declining for much of the past 30 years, as can be seen in Figure 2.9. This chart shows the percentage of total global material capability that is held by each power grouping. The relative power of superpower and middle power countries has increased over the past 50 years, reflecting the rapid economic growth and increased output of China and many developing countries in that period. By contrast, the material capability of great power nations has plummeted, falling from above 35 per cent of global capacity in 1975, to just over 20 per cent in 2016. Middle power nations now have greater combined material capacity than great power nations.

The fall in combined material capacity of the great power nations is reflected in their economic performance. Every great power nation other than Russia and India now accounts for a smaller percentage of global GDP than at the end of the cold war, as shown in table 2.10.

TABLE 2.10

## Great power share of global GDP, 1995 and 2023

India and Russia were the only two great powers to see their share of Global GDP increase.

Great Power	Global GDP Share 1995	Global GDP Share 2023
Germany	8.5%	4.3%
Japan	17.9%	4.0%
France	5.2%	2.9%
Britain	4.4%	3.2%
Italy	3.8%	2.2%
Russia	1.3%	2.0%
India	1.1%	3.5%

No great power nation accounted for more than five per cent of global GDP in 2023, whereas in 1995, Germany, Japan, and France all surpassed this threshold. Germany's share of global GDP has almost halved over the past 30 years, while Japan's share shrank even more as a result of its property bubble collapse and subsequent 'lost decade'.

FIGURE 2.9

## National material capacity by current geopolitical grouping, 1975–2016

The material capacity of the great powers has been in sharp decline since the end of the Cold War.

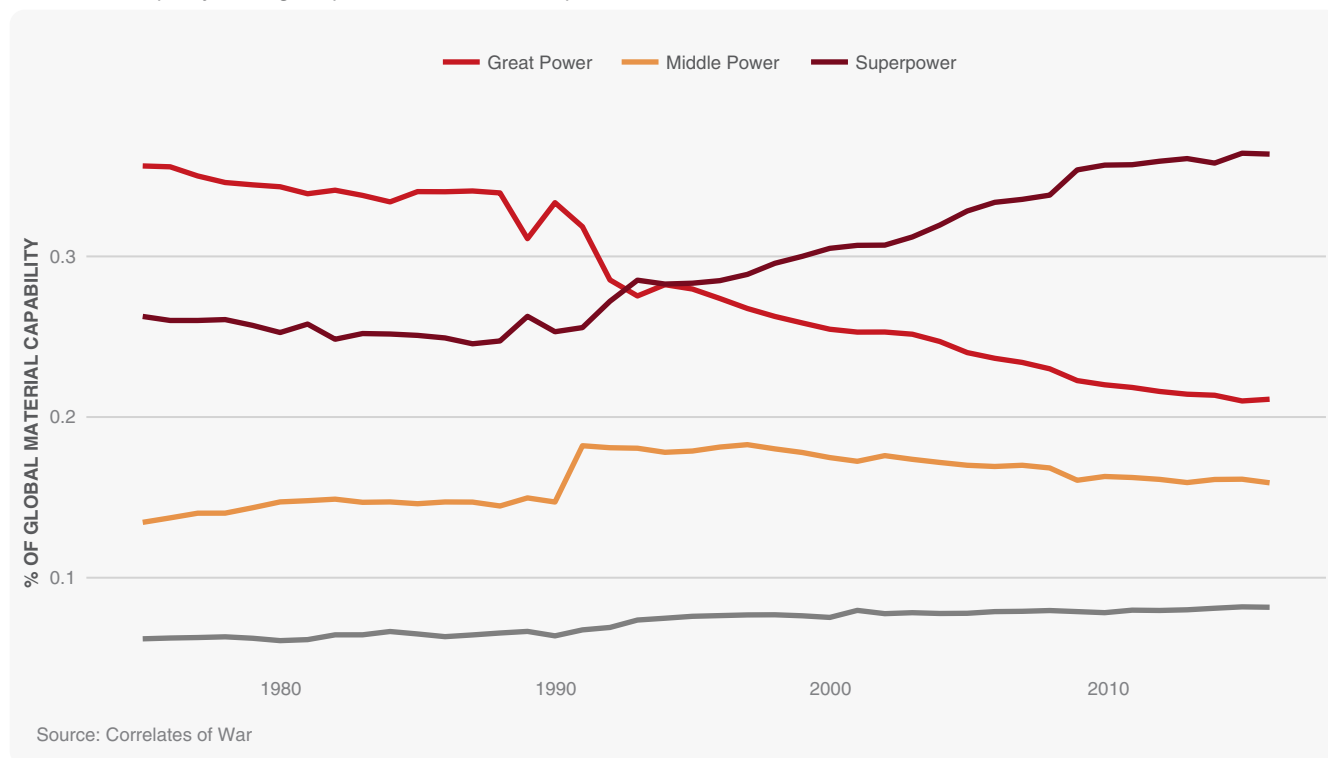
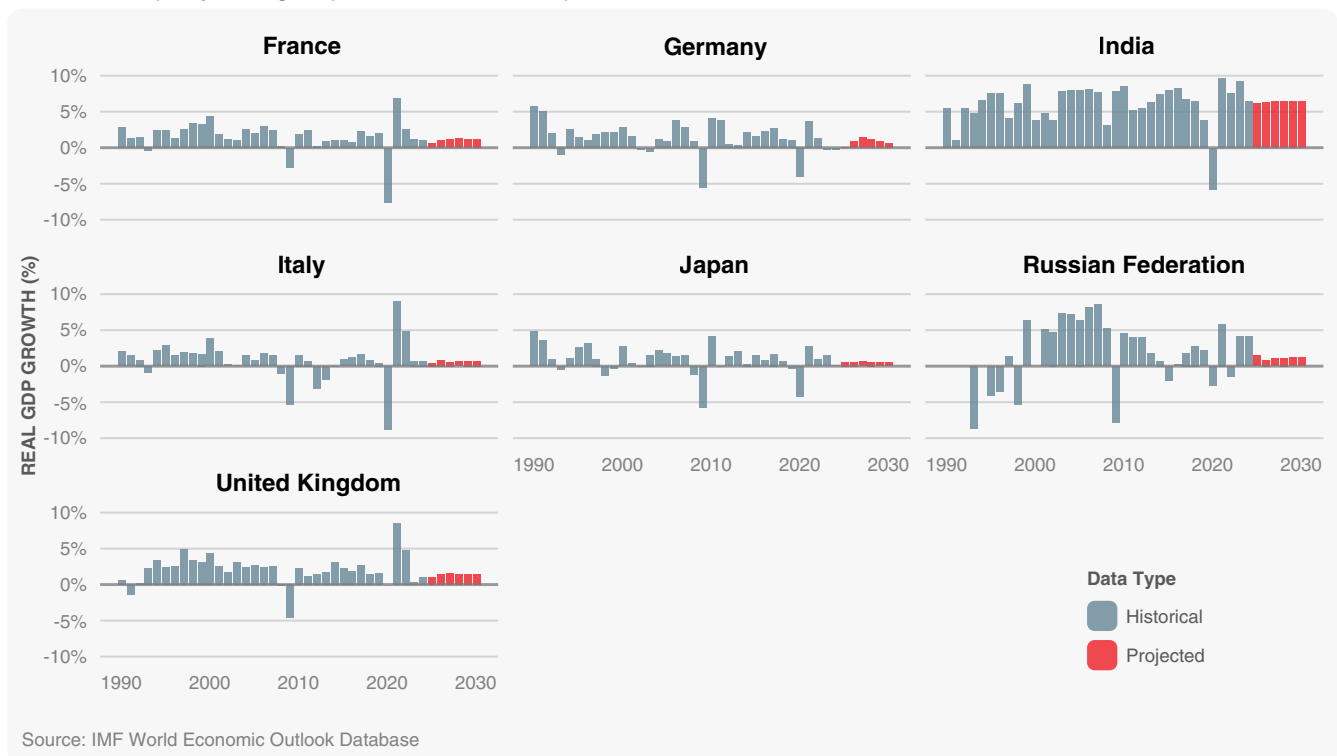


FIGURE 2.11

## Great power historical and projected economic growth, 1990–2030

The material capacity of the great powers has been in sharp decline since the end of the Cold War.



The stagnant economic performance of the great power nations is expected to continue until the end of the decade, as shown in Figure 2.11. No great power nations other than India are projected to record a single year of growth above 2.5 per cent before the end of the decade. Outside of the post-covid recovery period, no European power has recorded a single year of above five per cent growth in the last 30 years.

### Europe's Constrained Strength

The four major European powers represent the historical core of the great-power concept. Today they face a shared reality, a clear relative decline on the global stage, most evident in their shrinking slice of the world economy.

Britain, the world's sixth-largest economy, is navigating a particularly difficult recalibration following Brexit. Its paramount strength lies in financial services, with the City of London remaining a preeminent global financial centre. Yet the economy suffers from stagnant productivity, chronic underinvestment and the ongoing challenge of forging new trade relationships to compensate for reduced EU market access.<sup>11</sup>

France, with the seventh-largest economy, operates a highly developed social-market model with significant state participation in aerospace, energy and defence. It leads globally in luxury goods, tourism and agriculture. But high public debt, persistent unemployment and sluggish growth constrain its standing.

Germany anchors Europe as the world's third-largest economy, powered by sophisticated manufacturing and exports. Recently, however, the German model has buckled under high energy costs

following reduced Russian gas supplies, an economic slowdown in China, and the enormous expense of the green transition.

Italy, despite being the eighth-largest economy globally, with Europe's second-largest manufacturing sector, represents the clearest case of underperformance. Decades of near-zero productivity growth, one of the world's highest debt-to-GDP ratios, and chronic political instability have created a persistent gap between its economic size and its international influence.

Militarily, these powers remain substantial but cannot be assessed in isolation from NATO. The alliance provides their ultimate security guarantee and a platform for interoperability but also fosters strategic dependence on America for high-end capabilities like strategic airlift and advanced intelligence assets. This alliance is under pressure due to the current US administration not fully backing Ukraine and US ambivalence about its role within NATO.<sup>12</sup>

The UK maintains the most globally deployable force, backed by an independent nuclear deterrent. Its post-Brexit 'Global Britain' strategy involves a deliberate tilt toward the Indo-Pacific, operationalised through the AUKUS pact with Australia and the US. Two large aircraft carriers anchor its power projection, and modernisation focuses on cyber, space and artificial intelligence. Yet budget constraints have shrunk the armed forces, raising doubts about its ability to sustain large-scale operations.

France champions 'strategic autonomy,' underpinned by an independent nuclear deterrent, a robust defence-industrial base, and extensive experience leading expeditionary operations, particularly in Africa. Its modernisation program includes a



next-generation aircraft carrier and advanced fighter aircraft developed with Germany and Spain.

Germany's military posture is transforming. Russia's 2022 invasion of Ukraine triggered a strategic turning point, reversing decades of underinvestment. The German government committed to spending two per cent of GDP on defence and established a 100 billion euro special fund to modernise its armed forces. Its priority is rebuilding heavy armoured forces to serve as NATO's conventional backbone in Europe. This will take a decade to complete.<sup>13</sup>

Italy's capable professional military focuses overwhelmingly on the Mediterranean region, with power projection centred on its navy and amphibious forces. Modernisation is constrained by the financial limits of years of economic underperformance.

Despite material decline, the European great powers retain disproportionate diplomatic influence through institutional power. Britain and France hold permanent, veto-wielding seats on the UN Security Council, a legacy that provides agenda-setting authority far exceeding their contemporary weight. For France, Germany and Italy, the EU acts as a force multiplier. As the world's largest single market, it gives members immense leverage in trade negotiations and standard-setting. Germany has translated economic dominance into de facto EU leadership, while France has provided strategic and military impetus for common security policy.

All four are core G7 members, ensuring a seat at the top table for global economic coordination. Britain's EU departure represents the most significant shift in this landscape. While the British government has sought to offset this loss through NATO, the Commonwealth and new partnerships like AUKUS, it has lost its direct voice in shaping its largest trading partner's policies.

The European powers' decline is not an outright collapse, but instead signifies a fundamental role shift. They are transitioning from primary architects of global order to powerful actors within specific niches: Germany in advanced manufacturing and the EU economy, Britain in global finance and intelligence, France in expeditionary military power, Italy in Mediterranean security. Institutional frameworks like the EU and NATO amplify their influence beyond what they could achieve individually, yet acting through these institutions requires consensus, inherently constraining the unilateral action that once defined great-power status. In that sense, traditional great powers are now converging somewhat with the rising middle powers in terms of their ability to project influence.

## Divergent Eurasian Paths

Russia and Japan, offer a stark contrast in great power decline. Russia represents revisionist decline, where a focus on military power has potentially accelerated diplomatic decline. By contrast, Japan exemplifies resilient resurgence after a period of stagnation, leveraging technological and economic strengths to re-emerge as a pivotal actor within, rather than against, the US-led system.

## Russia

Russia's post-Cold War journey has fluctuated dramatically from near-collapse in the 1990s to a strong resurgence in the 2000s. However, its attempt to reclaim superpower status through military expansion has come at a significant cost.

Russia's economy is the 11<sup>th</sup> largest in the world in nominal terms, below much smaller countries such as Australia. It remains strongly dependent on hydrocarbon exports which has stifled economic diversification and left its budget vulnerable to energy-price volatility. The 2022 Ukraine invasion triggered Western sanctions, severing economic ties, cutting off key technologies and financial markets, and forcing the economy onto a war footing. While showing short-term resilience by reorienting trade toward Asia, long-term growth prospects have been severely damaged.

Russia's military power remains formidable. It possesses the world's largest nuclear stockpile, the ultimate guarantor of sovereignty and great-power status. It has invested heavily in advanced strategic systems including hypersonic missiles and modernised submarines. However, the war in Ukraine revealed significant issues within Russia's military: rigid command structures, poor training and morale, corruption, and flawed planning.<sup>14</sup> Russia has suffered significant losses, with some estimates suggest it lost more tanks in the war than existed in its pre-war active inventory. Defence industry production has ramped up by shifting to round-the-clock operations, prioritising quantity over quality while remaining dependent on foreign components for advanced systems, a vulnerability exacerbated by sanctions from other countries.

Russia's most significant loss has been diplomatic, with the war in Ukraine leading it to be a pariah state across the West. The invasion prompted mass expulsions of Russian diplomats from Europe, described as the most significant strategic blow to its intelligence networks in recent history. Foreign policy has reoriented toward consolidating an anti-Western bloc, deepening partnerships with China, Iran and North Korea. Russia has transformed from a key player in European security to its primary antagonist.

## Japan

Japan's trajectory offers a strong counterpoint to that of Russia. Japan's economy endured 'Lost Decades' after its asset-price bubble burst in the early 1990s. Demographic pressure from its rapidly aging population saw it drop from the world's second to the fifth largest economy. However, Japan's enduring strength lies in its economic and technological sophistication. It leads globally in robotics, advanced materials and precision manufacturing. It is a financial superpower, holding one of the world's largest stocks of foreign reserves and net foreign assets, a critical source of global capital.

The shifting East Asian security landscape, particularly China's military modernisation and North Korea's nuclear threat, is driving Japan's most significant military transformation since 1945.<sup>15</sup> Tokyo has discarded the informal one per cent of GDP defence spending cap and is doubling its defence budget. Crucially, it is moving beyond its purely defensive post-war posture by

acquiring 'counterstrike capabilities,' such as hundreds of long-range precision cruise missiles including Tomahawks. Military modernisation has focused on top-tier capabilities: a large F-35 stealth-fighter fleet and retrofitted Izumo-class carriers to operate F-35Bs, effectively Japan's first aircraft carriers since the 1940s.

Japan's diplomatic strategy is inextricably linked to its cornerstone alliance with the US, which provides the ultimate security guarantee. Far from seeking autonomy, Japan is deepening integration with US forces. It is pivotal in the Quadrilateral Security Dialogue (the Quad) alongside the US, Australia and India, which is aimed at ensuring a 'free and open Indo-Pacific.' Japan maintains one of Asia's largest and most respected diplomatic networks and is a major provider of development assistance, a key foreign-policy tool.

## India's Upward Trajectory

India is the one exception to the narrative of great power decline. Its strong demographic position and sustained economic growth has seen it move above regional power status into that of a great power, even if its per capita economic strength lags other great powers. However, this is tempered by significant developmental challenges, as well as the delicate balancing act India faces with regards to its diplomatic *relations with neighbouring countries*, such as China and Pakistan.

India is now one of the world's fastest-growing major economies. Having recently surpassed the UK, it is projected to overtake Japan and Germany to become the world's third-largest economy before the end of the decade. This expansion is powered by strong domestic consumption from a rising middle class, a vibrant services sector, and government efforts to expand domestic manufacturing.

Underpinning this momentum is India's demographic expansion. In 2023 India surpassed China as the world's most populous nation. Its population is young, with a median age under 30, contrasting sharply with aging Europe and Japan. By 2047, an estimated 20 per cent of the world's working age population will live in India.<sup>16</sup>

However, India still faces significant development challenges including high poverty levels, inequality and major deficits in infrastructure, health and education. While aggregate GDP is one of the highest in the world, per-capita GDP is only 136<sup>th</sup> globally, constraining resources for public investment and private consumption. Successfully managing these developmental challenges will determine the ultimate ceiling of its global power.

India's military is undergoing transformation commensurate with growing economic and diplomatic stature. It fields the world's second-largest active force, with over 1.4 million members of its armed forces, and has the fourth-largest defence budget globally. Decades of gradual modernisation aim to transform a large but technologically dated force into a modern, network-centric military. India is a declared nuclear-weapons state with a credible triad and continuously developing advanced missile, space and cyber capabilities.

The primary drivers of Indian military strategy are acute neighbourhood threats. India shares contested borders with nuclear-armed Pakistan and an increasingly assertive China, necessitating a large, well-equipped land army. Increasingly however, its strategic focus is on maritime force projection. To counter China's growing naval presence in the Indian Ocean and secure sea lanes, India is investing heavily in developing blue-water capabilities to project power across the wider Indo-Pacific.

A significant historical constraint has been heavy reliance on foreign arms imports, particularly from Russia, and chronic inefficiencies in its state-run defence industry. The 'Make in India' campaign, aims to foster self-reliance, with progress in shipbuilding and missile development, though domestic procurement remains slow.

India's diplomatic approach is as distinctive as its economic and military trajectory. India's foreign policy has evolved into a fiercely independent 'multi-alignment.'<sup>17</sup> In an era of intensifying US-China competition, India has refused formal alliances with either bloc. Instead, it maintains substantive relationships with multiple, often competing, power centres, with concurrent membership in the US-led Quad and active participation in forums like the Shanghai Cooperation Organisation and BRICS alongside Russia and China.

This unique positioning allows India to act as bridge and leading voice for developing nations across Asia, Africa and South America. Leveraging historical credentials and its status as a successful multicultural democracy, India champions developing-country concerns on climate, trade and public health, providing significant diplomatic leverage.

At the heart of its diplomatic ambitions is India's campaign for permanent Security Council membership.<sup>18</sup> As a G4 nation (with Brazil, Germany and Japan), India argues that the P5 composition is out of date and must shift to reflect contemporary realities. As its power grows, this claim becomes increasingly credible.

India's ascendancy is a structural feature of 21st-century order, underpinned by fundamental demographic and economic shifts distinguishing it from other great powers. Its multi-alignment strategy positions it as the pivotal global swing state. America and allies view India as essential democratic counterweight to China in the Indo-Pacific, a Quad cornerstone. Simultaneously, Russia and China see India as crucial for building multipolar order and a key non-Western grouping member. By refusing to be fully aligned with either superpower, India gains significant leverage, forcing them to compete for its cooperation. This diplomatic flexibility is a unique and powerful asset as India emerges as a great power.



Section 3:

## **The Rise of the Middle Powers**

## Key Findings

- The number of middle power countries has almost doubled to 16 since the end of the Cold War, with the number of emerging powers tripling over the same period.
- This represents a fundamental broadening of the global distribution of power and a shift in influence away from traditional power centres.
- Almost half of the middle power countries are 'rising middle powers', countries that achieved middle power status in the era of the 'Great Fragmentation'. The start of this era coincided with the global financial crisis in 2008.
- Middle power nations recorded a dramatic increase in economic output over the past 30 years, with the average nominal GDP increasing by over 500 per cent.
- By contrast, military expenditure remained relatively stable over the same period, but has begun to increase significantly in the last three years.
- Middle powers whose ascendancy occurred during the 'Great Fragmentation' have a different geopolitical profile than established middle powers. They are less aligned with the US and Europe both politically and militarily.
- As emerging powers continue to graduate into middle powers, the middle power grouping is becoming not just larger, but significantly more diverse and difficult for any single superpower to control.
- There is a clear divide between middle power nations that are closely aligned with the US, and those that are equally aligned with both the US and China.
- The split in the alignment with superpowers is clearest when looking at security ties and alliances. Economic and political influence is more evenly divided.
- Rising Middle Powers, most notably South Korea, Türkiye, and the United Arab Emirates, demonstrate the most dynamic momentum with both the increase in depth and breadth of their relations. The rising middle power countries have increased the breath of their diplomatic connectivity reaching towards the level of Great Powers.
- With the exception of India, all great powers and many middle power countries, will struggle with economic growth in the next five years, creating trade-offs between domestic priorities and increasing international influence.
- Countries with stronger economic growth, such as India, Indonesia, the United Arab Emirates and, to a lesser extent, Saudi Arabia and Türkiye, are most likely to keep increasing their influence.

# Overview

The structure of the international system has undergone a significant transformation since the end of the Cold War in 1991, which has only accelerated since the global financial crisis (GFC) of 2008. While global attention frequently focuses on the return of superpower and great power competition, a significant structural shift has occurred in the tier below: the rapid rise and proliferation of middle powers.

From 1991 to 2024, the number of middle power nations nearly doubled, expanding from nine to 16. This expansion is not merely numerical; it represents a fundamental broadening of the global distribution of power and a shift in influence away from traditional power centres.

The trajectory of this rise highlights a distinct tipping point coinciding with the 2008 GFC, a moment that effectively marked the end of the initial post-Cold War globalisation era. Prior to this date, the number of middle power countries remained relatively static. However, the last 15 years has seen a steady rise in the number of middle power nations.

This expansion has resulted in a divided landscape comprising two distinct generations of middle powers. The established middle powers, including nations like Australia, Canada, and South Korea, consolidated their status prior to 2008 as primary beneficiaries of the liberal international order, generally aligning with Euro-Atlantic and Pacific alliance systems. In contrast, the rising middle powers, which includes the United Arab Emirates, Indonesia, and Türkiye, ascended during an era of geopolitical rivalry and fractured supply chains. Consequently, these newer entrants often exhibit a more independent strategic profile, deriving influence from regional assertion and strategic autonomy rather than the traditional alliances of established middle powers.

Figure 3.1 highlights the growth of middle power nations over the last three decades. In 1991, the number of middle powers hovered around nine, remaining relatively stable through the early 2000s. Post-2008, the number and influence of middle powers began to increase, nearly doubling to 16 by 2024. This upward trajectory of middle powers contrasts sharply with the volatility of the emerging powers, which shows much more volatility over time. The number of emerging powers dropped substantially after the GFC, highlighting that their economies were not as resilient as middle powers. Achieving middle power status represents a graduation into a more durable level of influence.

FIGURE 3.1

## Number of middle and emerging power countries, 1991–2024

The number of middle power countries almost doubled since the end of the cold war.

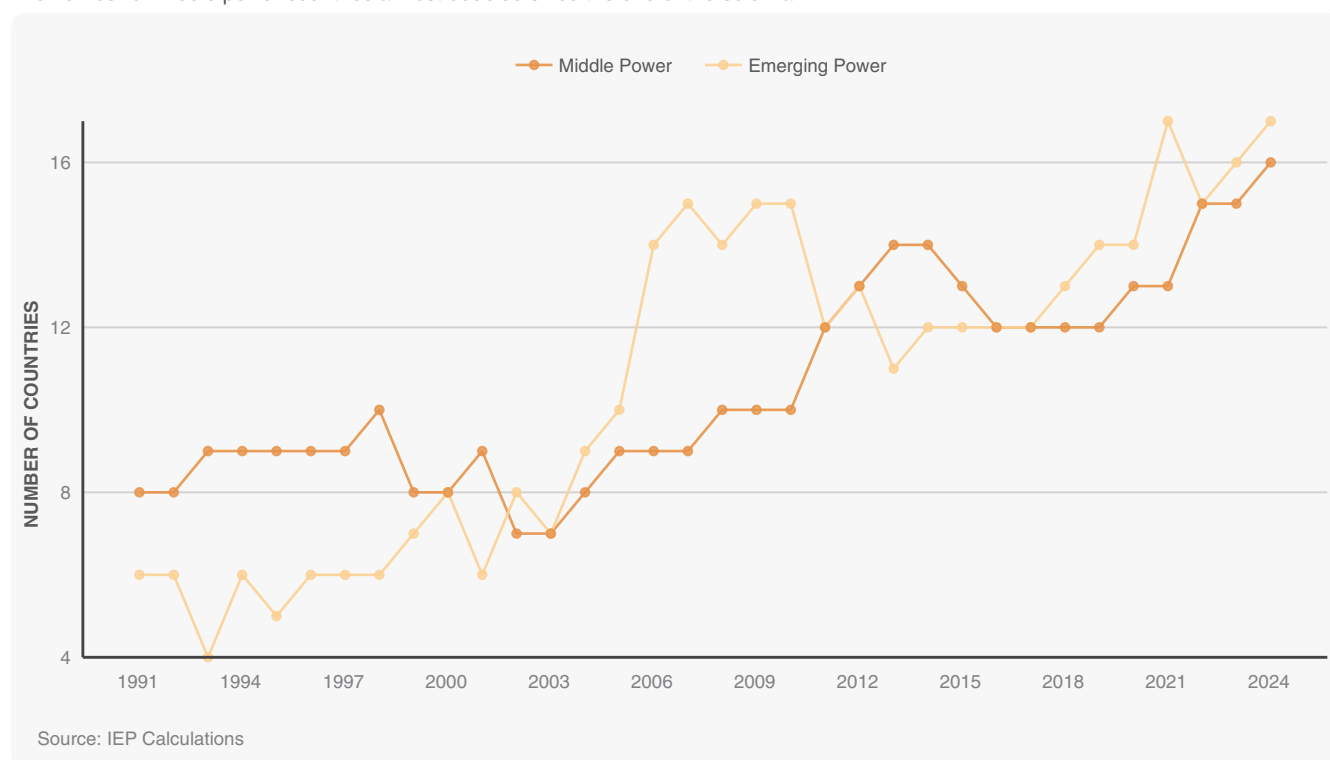


Table 3.1 divides the middle power countries into two groups: Established Middle Powers and Rising Middle Powers. The Established group became middle powers prior to 2008 and largely comprises the traditional beneficiaries of the liberal world order. Nations such as Australia, Canada, the Netherlands, and South Korea define this bloc. Geographically and politically, this group is heavily weighted toward the Euro-Atlantic and Pacific alliance systems. Their rise to middle power status coincided with the era of globalisation, where alignment with US markets and security architecture was the primary driver of influence accumulation.

TABLE 3.1  
**Established and rising middle powers, 2024**

Established Middle Powers	Rising Middle Powers
Australia	UAE
Brazil	Poland
Canada	Türkiye
Spain	Mexico
Netherlands	Indonesia
South Korea	Israel
Saudi Arabia	Ukraine
Belgium	
Sweden	

In contrast, the Rising Middle Powers, who crossed the threshold during the ‘Great Fragmentation’ era of 2009 to 2024, represent a fundamentally different geopolitical profile. This cohort includes the United Arab Emirates, Indonesia, Türkiye, and Poland. Unlike

the established group, these nations have ascended during a period of geopolitical rivalry. Their emergence shows that influence in the modern era is increasingly derived from strategic autonomy and regional assertion. The inclusion of nations like Ukraine and Israel in this rising category further underscores how a global security crisis can paradoxically accelerate a nation's structural importance and bandwidth in the international system.

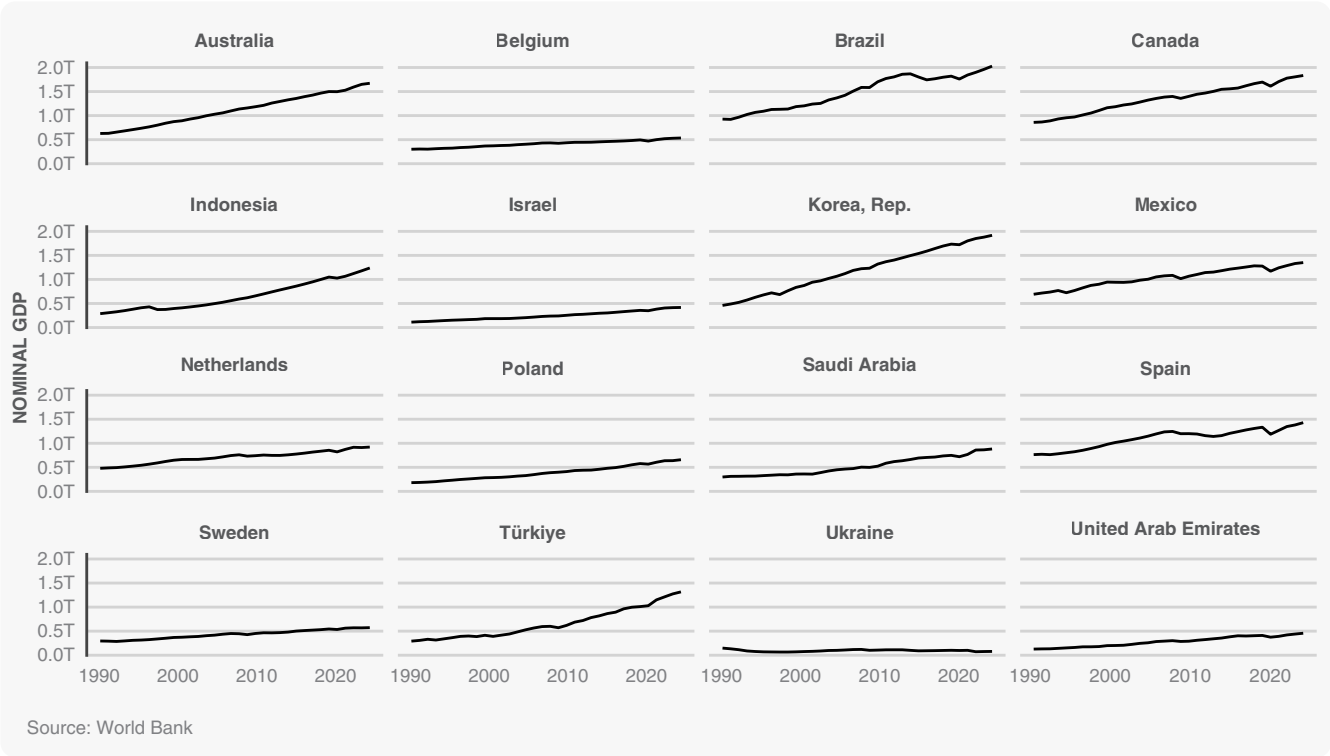
The widening of the middle power base indicates a diffusion of global power away from the traditional core. The rising cohort brings more transactional and non-aligned perspectives into this tier, complicating consensus-building in multilateral forums. As emerging powers continue to graduate into this category, the middle power grouping is becoming not only larger, but also significantly more diverse, making it harder for any single superpower to exert control and complicating consensus-building within the multilateral system.

Middle Power Trajectories

Figure 3.2 shows the nominal GDP of the middle power nations from 1991 to 2024, revealing a period of significant economic expansion. Over the past three decades, the collective economic weight of these nations has grown substantially, driven by the globalisation of trade and commodity booms. Underscoring this trend, the average nominal GDP of middle power nations increased by 524 per cent between 1991 and 2024. Ukraine, Sweden, Belgium, and Spain were the only middle power nations to record nominal GDP growth of less than 250 per cent, with the UAE, Indonesia, Saudi Arabia, and Poland all recording growth in nominal GDP of over 800 per cent.

FIGURE 3.2  
**Nominal GDP (trillions USD), 1991–2024**

Nominal GDP increased by an average of 524 per cent in middle power nations between 1991 and 2024.



The data highlights a distinct acceleration in the early 2000s, where trend lines for almost all regions turn sharply upward, reflecting the deeper integration of these economies into the global market. This period of synchronised growth was interrupted by the 2008 financial crisis, which appears as a visible contraction across most countries, followed by a more fragmented recovery period in the decade that followed.

A closer examination of regional performance highlights contrasting economic fortunes among middle powers. Brazil exhibits the most volatile trajectory. After a sharp rise that saw Brazil peak as the largest economy in this cohort around 2011, it experienced a significant contraction, with its nominal GDP falling by 31 per cent between 2011 and 2016. It has only recently trended back towards its previous highs.

By contrast, the Asia-Pacific middle powers, specifically Australia, South Korea, and Indonesia, demonstrate more consistent, resilient growth. Indonesia in particular stands out for its largely uninterrupted growth, starting from a lower base in the 1990s and steadily climbing to rival the established economies of the region. Elsewhere, North American middle powers like Canada and Mexico have maintained strong, steady upward trends, ending the period amongst the economically strongest middle power nations.

The chart also illustrates the divergence between emerging and established economies. European middle powers such as the Netherlands, Sweden, and Belgium show stable but more modest growth curves compared to the rapid expansion seen in the Americas and Asia. At the lower end of the spectrum, Ukraine is a stark outlier. Its economic trajectory remains largely flat and stagnant over the 30-year period. This reflects long-term

structural challenges and the devastating economic impact of conflict, contrasting sharply with the dynamic growth seen elsewhere in the middle power cohort.

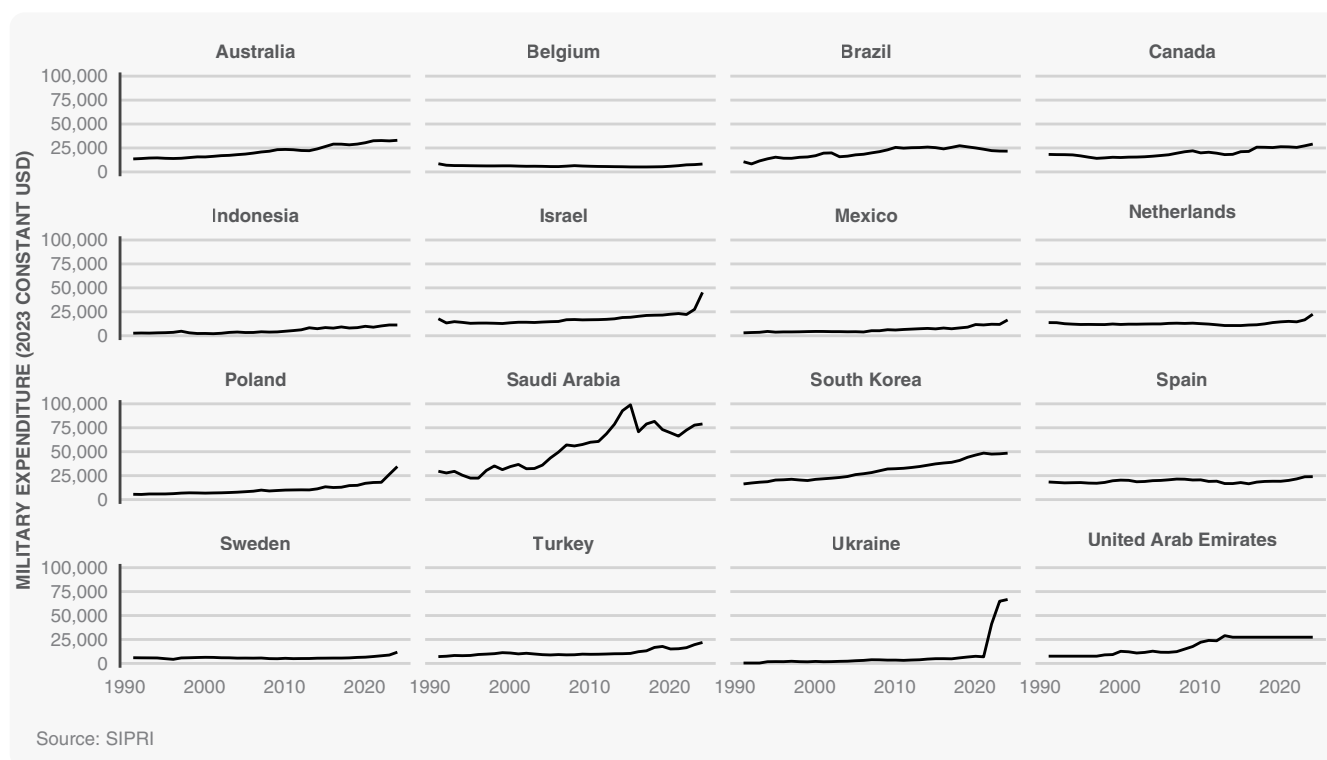
Figure 3.3 highlights the trajectory of military expenditure among middle powers from 1991 to 2024, presenting a stark visualisation of the shift from the post-Cold War ‘peace dividend’ to a new era of global rearmament. For the first decade of the data, spending across most regions remained relatively flat or grew at a modest pace, reflecting a global security environment where major state-on-state conflict was viewed as a receding threat. However, the latter half of the chart, particularly post-2015, shows a decisive break from this pattern. The trend lines turn for many middle power nations turn sharply upward, culminating in a dramatic acceleration in the final years of the dataset that shows a global pivot toward militarisation in response to rising geopolitical instability.

A regional analysis reveals two dominant modes of military expansion: the steady, strategic modernisation seen in the Asia-Pacific and the volatile, threat-reactive spending in the Middle East and Europe. The Asia-Pacific powers, represented by South Korea and Australia, display the most consistent growth trajectories. South Korea’s expenditure, for instance, follows a consistent linear upward path over three decades, indicating a long-term, structural commitment to defence capabilities driven by persistent regional security dilemmas rather than sudden shocks. In contrast, middle power nations in the Middle East show high volatility. Saudi expenditure surged to become the highest in the cohort around 2015, reaching a peak of almost \$100 billion, before dropping sharply. This pattern reflects a spending model, driven by fluctuating oil revenues and reactive procurement cycles rather than the steady capability building seen in Asia.

FIGURE 3.3

### Total military expenditure, 1991–2024

The Gulf State middle powers had the largest increase in military expenditure.



The most striking feature of the dataset is the rapid expansion of military expenditure in Europe, starting in 2022. For nearly 30 years, European middle powers like Poland and Ukraine maintained relatively low and stable defence budgets, often below the levels of their Asian and Middle Eastern peers. This status quo was shattered by the invasion of Ukraine. In response to this conflict, Poland's expenditure broke its historical trend with a sharp increase in 2023 and 2024, illustrating how rapidly the return of high-intensity warfare to the continent has forced a rewriting of national budget priorities.

Ultimately, the data portrays a fragmented security landscape. While the Asia-Pacific nations have engaged in a decades-long process of incremental buildup, the European middle powers are now engaging in rapid re-armament. The convergence of these trends in the 2020s has pushed the collective military burden of middle powers to its highest point since the end of WWII, signalling the end of the post-Cold War era and the beginning of a more militarised global order.

Figure 3.4 shows the Formal Bilateral Influence Capacity (FBIC) of middle power nations from 1991 to 2024. This metric goes beyond economic size or military might to measure the structural power a nation holds in the international system. By combining 'bandwidth' (the volume of interactions like trade, arms transfers, and diplomatic representation) with 'dependence' (how much other nations rely on those interactions), the FBIC score offers a proxy for a country's ability to exert leverage globally. The general trend across the cohort is one of expansion, reflecting a world where middle powers are becoming increasingly integrated and influential nodes in the global network.

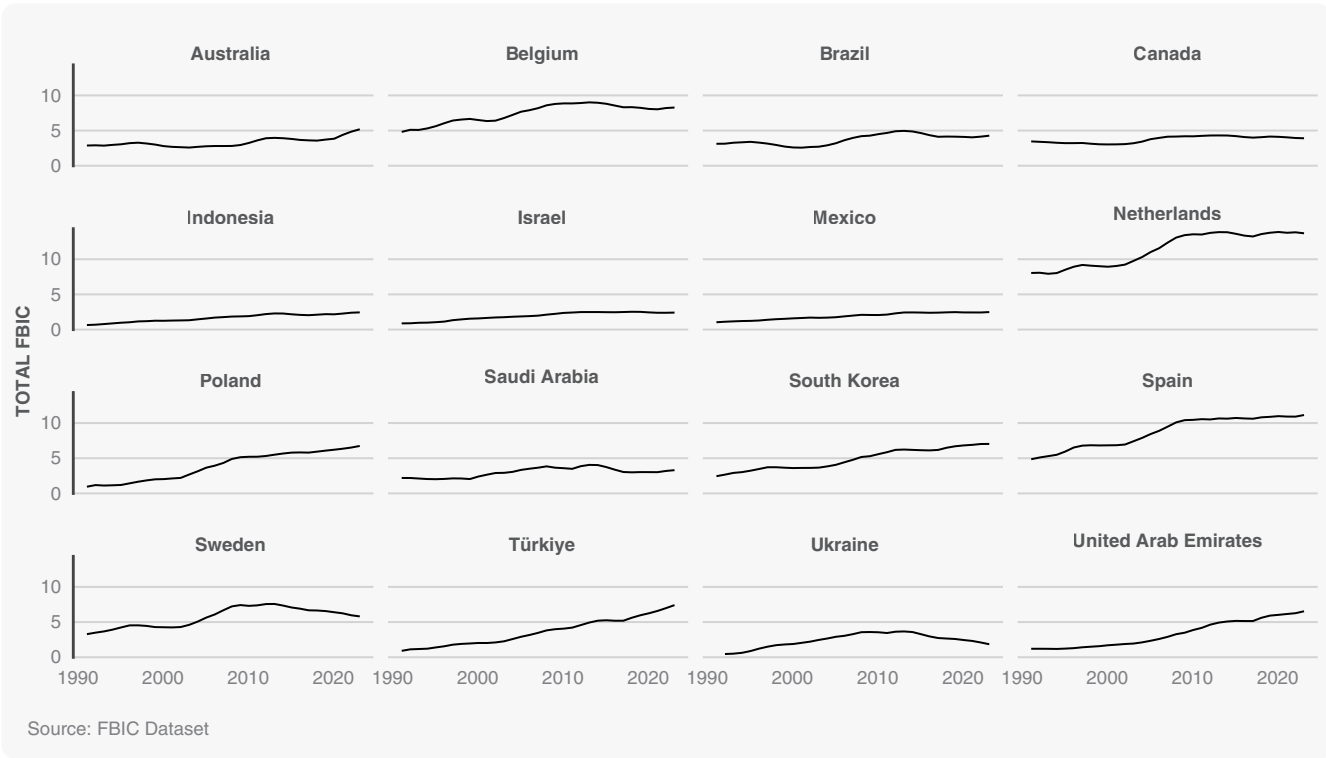
The most striking feature of the chart is the dominance of the European middle powers. The Netherlands, Spain, and Belgium have the highest level of influence. This high standing is a structural byproduct of European integration. These nations are embedded in the dense diplomatic and economic web of the European Union, which multiplies their connectivity. Their high scores reflect their roles as critical hubs for trade, logistics, and multilateral diplomacy, allowing them to punch well above their weight in terms of structural influence compared to their standalone GDP or military spending.

Below this established European tier, a dynamic group of rising powers illustrates the shifting centre of geopolitical gravity. Türkiye demonstrates the strongest upward trajectory in the entire cohort. Türkiye had one of the lowest levels of influence of any middle power nation in 1991. Since then, its influence capacity has surged, overtaking established middle powers like Canada and Australia. This aligns with Türkiye's explicit strategy of diversifying its foreign policy, expanding its diplomatic footprint in Africa and the Middle East, and becoming a key supplier of defence hardware. Similarly, the United Arab Emirates and Indonesia show steady growth, reflecting their successful transition from local powers to regional and global economic and diplomatic influencers.

In contrast, the data highlights the relative stagnation in influence of some middle powers. Ukraine's influence capacity remains flat at the bottom of the chart, indicating that while it has attracted massive attention and inbounds aid, it has struggled to build the reciprocal structural outward leverage. Established middle power nations like Australia and Canada also did not greatly increase

FIGURE 3.4  
**Total foreign bilateral influence capacity, 1991–2023**

The EU countries, Gulf States, and Türkiye had the largest increase in bilateral influence.



their total influence in the past two decades. Despite their economic size, their geographic isolation and trade concentration with a few major partners limits the extent of their bilateral leverage compared to the hyper-connected hubs of Europe and the Middle East.

Figure 3.5 shows a breakdown of where middle powers project their influence, distinguishing between influence exerted within their immediate regional neighbourhood and influence projected outside of this region. This distinction highlights a fundamental divergence in middle power strategy: the choice between becoming a deep regional anchor or a far-reaching global connector. The data reveals that geography and political integration are the primary determinants of this ratio, creating a spectrum that ranges from the isolated globalists to the hyper-integrated regionalists. Just over half of middle power nations exert more than 50 per cent of their influence in their immediate region, however, a small number of countries are much more likely to exert influence globally.

Israel and Canada emerge as the most externally focused nations, though for starkly different reasons. Israel serves as the extreme outlier, with nearly all of its influence capacity focused outside its region. This reflects its unique geopolitical reality, isolated from its immediate neighbours in the Middle East due to historical conflict but with a large Jewish diaspora situated in many of the major western powers. Due to this, Israel has built deep structural ties with the US and other western nations. Canada, similarly, displays a surprisingly low level of regional influence. Despite its proximity to the US, this profile shows that Canada acts as a transatlantic and bridge, leveraging its diplomatic and economic bandwidth to maintain a global footprint rather than restricting its influence solely to the North American bloc.

Conversely, the most regionally focused middle powers are all European, specifically Sweden, Poland, and Belgium, with Sweden and Poland exerting almost 75 per cent of their influence regionally. This highlights the structural depth of the European Union. Unlike other middle powers that must navigate independent foreign policies, these nations are embedded in a dense web of single-market trade, shared regulations, and multilateral diplomacy. Their influence is maximised by deepening ties with their neighbours, effectively making them regional heavyweights whose global power is mediated through the collective weight of the European bloc.

Between these extremes lie the balanced connectors, such as Indonesia, Mexico, Saudi Arabia, and the United Arab Emirates. These nations have almost equal regional and global influence, indicating a dual role where they serve as leaders within their respective regions (ASEAN, Latin America, and the GCC) while simultaneously maintaining critical connections to the broader global economy. The UAE and Saudi Arabia, for instance, are anchoring forces in the Middle East but rely heavily on external energy exports and economic and security ties in sub-Saharan Africa.

Figure 3.6 show the evolution of middle power influence from 1991 to 2024 by plotting their trajectories along the two types of FBIC influence: bandwidth and dependence. The horizontal axis shows bandwidth, which measures the volume of a state's international interactions, for example, the total volume of trade, while the vertical axis shows dependence, which measures the extent to which other countries rely on those interactions. The overwhelming trend for middle power nations is an increase in both areas, indicating that middle powers are not merely becoming more active participants in the global system, but are

FIGURE 3.5

### Regional vs non-regional bilateral influence of middle power nations, 2023

A majority of middle power nations exert at least half of their influence in their immediate region.

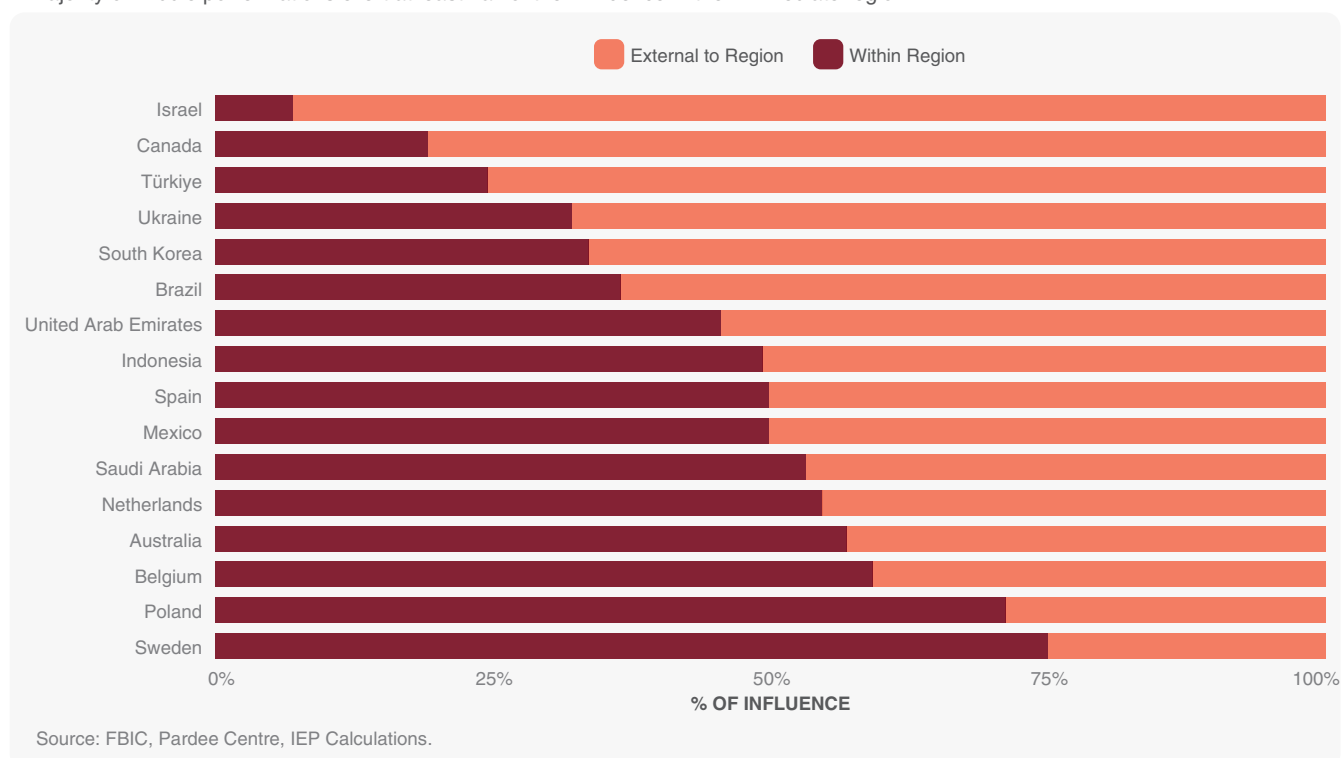
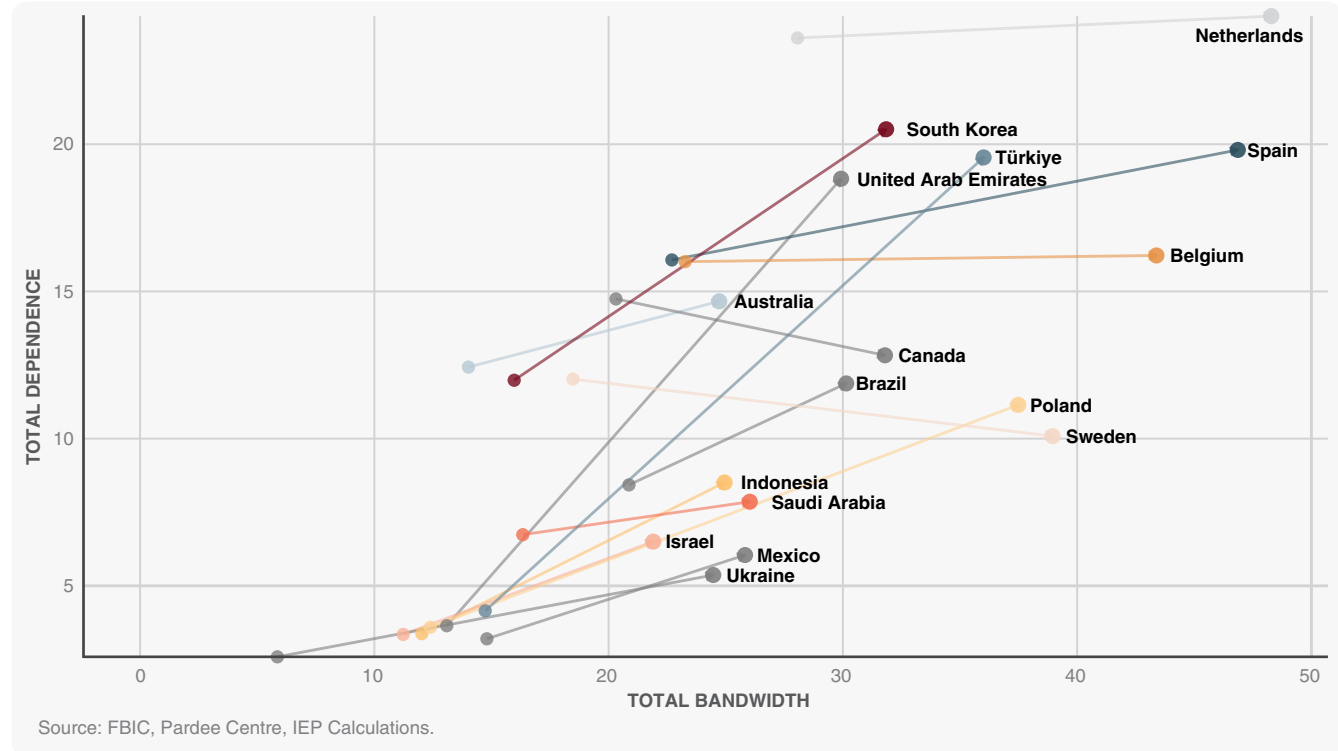


FIGURE 3.6

**Change in influence, bandwidth vs dependence, middle power countries, 1991–2023**

Türkiye, the UAE, and South Korea had the largest increase in other countries depending on them.



also becoming structurally indispensable. This dual expansion suggests a fundamental shift in the international order, where influence is increasingly distributed rather than concentrated solely in superpowers and great powers.

The European nations, led by the Netherlands, Spain, and Belgium, maintain the highest positions on both domains. Their trajectories are characterised by high starting points and steady growth, reflecting their embeddedness in the European Union. The EU framework acts as a force multiplier, allowing these relatively small states to generate outsized reliance from partners due to their roles as logistical and diplomatic gateways. However, over the past 35 years these countries have increased their influence bandwidth but had relatively little increase in dependence.

In contrast, the rising middle powers of the Asia-Pacific and Middle East, most notably South Korea, Türkiye, and the United Arab Emirates, demonstrate the most dynamic momentum. They have accumulated both bandwidth and dependence since the end of the Cold War. South Korea's trajectory is particularly notable, as it has surged past established middle powers like Australia and Canada to occupy a high-bandwidth, high-dependence, position that rivals the top European states. This reflects a successful strategy of coupling export-led economic growth with a diversified diplomatic portfolio, effectively converting economic weight into structural leverage.

### Middle Power Alignment

Assessing the alignment of middle power nations vis-à-vis the United States and China is indispensable for decoding the contemporary international order. Unlike great powers that drive systemic change, or emerging powers that are often isolated, middle powers function at the international system's strategic core, and their alignment decisions reveal the actual distribution of global influence beyond mere rhetoric. By mapping how these nations navigate the gravitational pull of the US and China, specifically the frequent tension between economic integration with the East and security reliance on the West, the shifting nature of geopolitical competition becomes clearer.

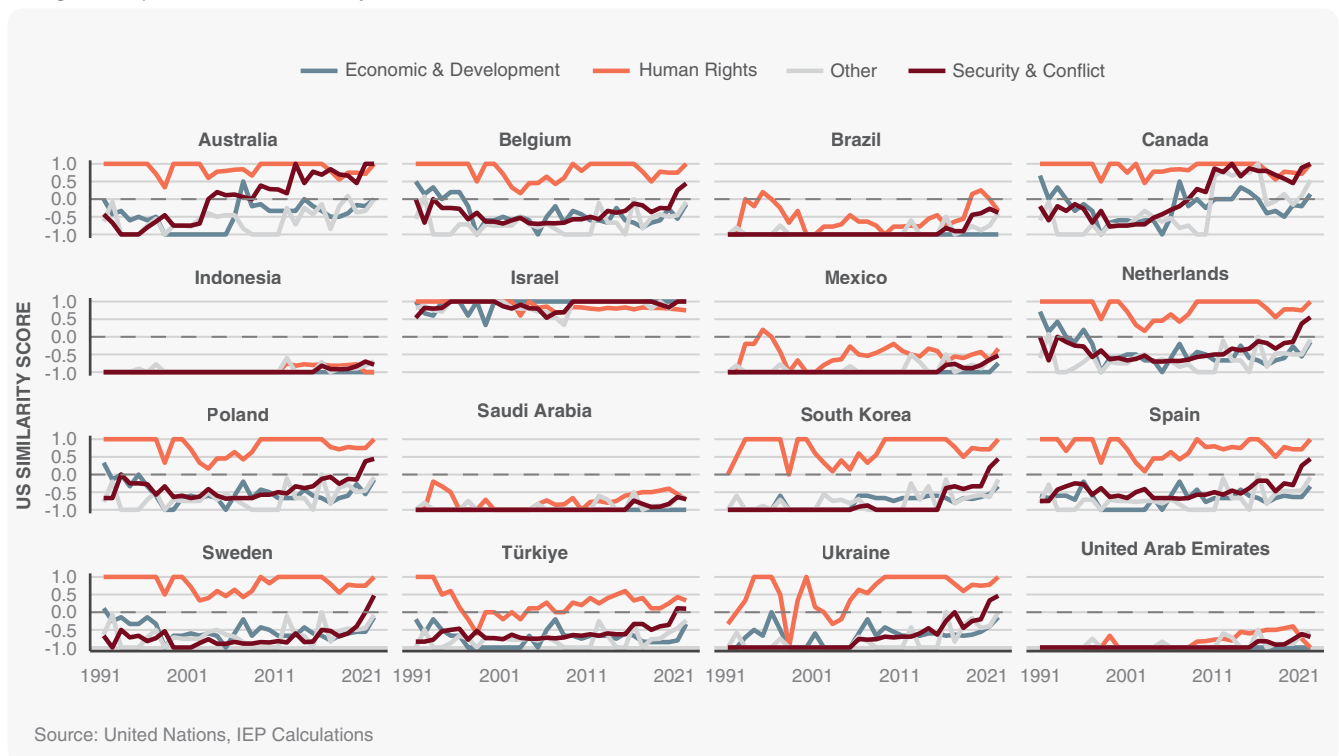
Figure 3.7 illustrates the voting behaviour of middle power nations in the UN General Assembly over the last three decades. This data only includes those votes where the US and China were in opposition, offering a clear view of geopolitical alignment with the two superpowers. A positive score of one indicates complete alignment with the US in a given year, while a score of negative one indicates total alignment with China in that year. The data reveals a complex landscape where allegiance is rarely absolute. Instead, it is highly dependent on the specific thematic area, with clear divergences appearing between voting records on security, human rights, and economic development.



FIGURE 3.7

## Superpower alignment in the UN General Assembly

Rising middle powers were more likely to vote with China.



To interpret these patterns, it is important to consider the historical evolution of the UN General Assembly since the end of the Cold War. The chart begins in 1991, immediately following the collapse of the Soviet Union. This period, often termed the unipolar moment, initially saw broad US influence. However, UN voting is often symbolic. For many developing nations, it is a low-cost arena to signal dissatisfaction with the prevailing global order without severing diplomatic ties. Since the early 2010s, the return of superpower competition has polarised these votes further. As China has risen as an alternative economic and diplomatic pole, it has courted the developing nations by emphasising sovereignty and non-interference over human rights interventionism. This explains why the human rights metric is often the point of greatest divergence on these charts, as it acts as the primary ideological fault line between the US and China, leading to middle powers choosing sides more starkly than they do on economic or security measures.

The chart shows two distinct groupings of middle powers. The first group, comprising Euro-Atlantic and Pacific allies such as Australia, Belgium, Canada, the Netherlands, Poland, Spain, Sweden, and South Korea, demonstrates a consistent, high-level alignment with the US. For these nations, the human rights trend line acts as a ceiling, hovering near full alignment. This indicates near-total agreement with the US on international norms and values. However, even within this core group, economic alignment is more volatile and generally lower than security or rights alignment, highlighting that while these nations share values with the US, they maintain distinct priorities regarding development and global economics.

Conversely, a different pattern emerges among key rising middle powers such as Brazil, Indonesia, Mexico, Saudi Arabia, and the

United Arab Emirates. These nations often sit near the zero line or dip into negative territory, indicating alignment with China. The most significant divergence occurs on human rights resolutions. Unlike the established middle powers, these nations frequently vote against the US on rights issues, reflecting a broader historical trend where the Global South often resists what is perceived as Western-imposed standards on internal governance in favour of state sovereignty.

Beyond these stable blocs, the data captures how geopolitical shocks can rapidly alter alignment. Ukraine serves as the most dramatic example, with its chart showing a strong variance in the 1990s and 2000s followed by a sharp, unified pivot toward US alignment across all metrics starting around 2014 and intensifying further by 2022. Türkiye, conversely, displays the behaviour of a transactional power, with significant fluctuations across the decades that resist neat categorisation into either the Western or Global South groups.<sup>1</sup>

The alignment of middle power countries to the superpower nations can also be examined by looking at the FBIC dataset. By quantifying influence through the dual lenses of bandwidth, which captures the volume of interaction across economic, security, and political channels, and dependence, which measures the degree of asymmetric reliance a state has on a superpower. This reveals the actual gravitational pull exerted by the US and China. This approach identifies nations that are merely engaging with superpowers and those that are structurally tethered to them, offering an empirical basis to visualise whether middle powers are truly choosing sides, balancing between poles, or drifting into new spheres of influence.

Figure 3.8 visualises the changing economic superpower orientation of great, middle, and emerging power nations from 1991 to 2023. Economic influence in this model is derived from two primary sub-indices: bandwidth and dependence. Bandwidth measures the volume of interaction, effectively the size of the pipeline between two nations, aggregating the total value of bilateral trade and the depth of formal economic treaties. Dependence measures the asymmetry of that relationship, calculating how critical those interactions are to a country's survival by weighting variables such as trade as a percentage of GDP and foreign aid dependence. It also includes Foreign Direct Investment (FDI) stocks and Other Official Flows (OOF), thereby capturing the structural influence of corporate integration and state-backed debt.

The clearest trend for the middle power cohort, represented by nations such as Indonesia, South Korea, Türkiye, and Brazil, is a move toward the upper-right quadrant. This trajectory indicates that for most of the post-Cold War era, influence was not a zero-sum game. These nations did not choose between the superpowers but rather integrated more deeply with both. Indonesia and South Korea show particularly steep vertical growth, reflecting a strong expansion in Chinese economic influence, yet their movement to the right demonstrates that their bandwidth with the US has grown in tandem. This shows a strategy of accumulation rather than alignment, where middle powers have successfully leveraged globalisation to increase their connectivity with both the US and China, becoming structurally tied to both poles simultaneously.

A distinct regional divergence is visible within the Americas, where Mexico, Canada, and Colombia display a unique trajectory

of increasing American influence. Unlike the Asian and Global South powers, their growth in dependence is almost exclusively weighted toward the US, with relatively flat vertical growth in Chinese influence. Mexico's vector moves decisively to the right, demonstrating the impact of frameworks like NAFTA and the USMCA. While China has risen as a global economic force, the structural economic dependence of these North American partners remains overwhelmingly connected to the US, insulating them from the pull of the Chinese economy to a degree not seen in other regions.

Figure 3.9 highlights the evolution of superpower political influence from 1991 to 2023. Political influence aggregates two primary indicators: the Level of Representation (LOR) and Intergovernmental Organisation (IGO) memberships. The LOR index measures the formal rank and focuses of diplomatic missions, such as the presence of an ambassador or charge d'affaires, while the IGO metric calculates the weighted count of shared memberships in international bodies. Therefore, movement on this chart represents not just sentiment, but the strengthening of institutional and diplomatic infrastructure between nations.

The political trend differs significantly from the economic variance seen in Figure 3.8. Rather than a wide dispersal, the data reveals a tight, consistent convergence toward the upper-right quadrant for most middle and great powers. This indicates that the defining characteristic of the post-Cold War era has been a massive expansion of diplomatic density. Nations have not reduced their diplomatic integration with the US to accommodate China, instead, they have engaged in a strategy of dual-integration. The steep, upward trajectories of middle powers like South Korea, Türkiye, and the United Arab Emirates shows that these nations

FIGURE 3.8  
**Economic influence received from the US and China, 1991–2023**

Middle powers are increasingly economically intertwined with China.

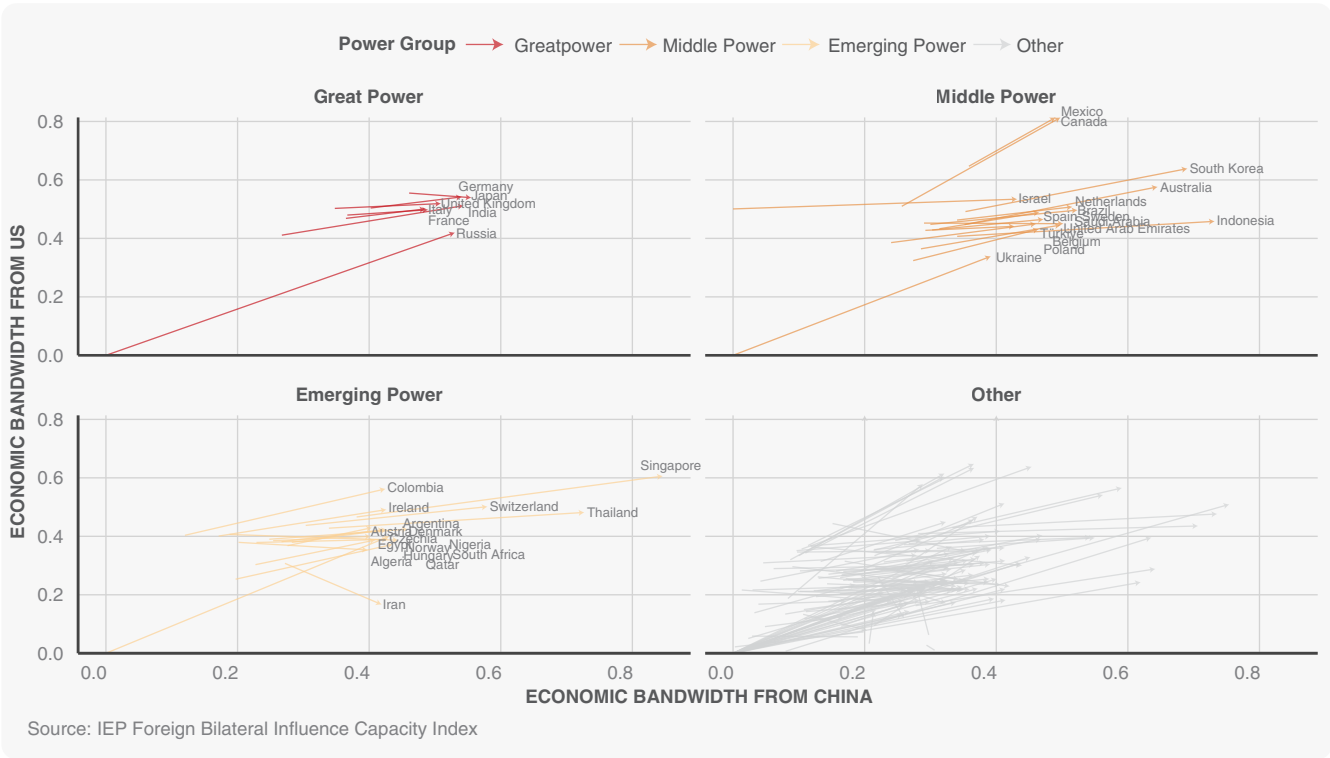
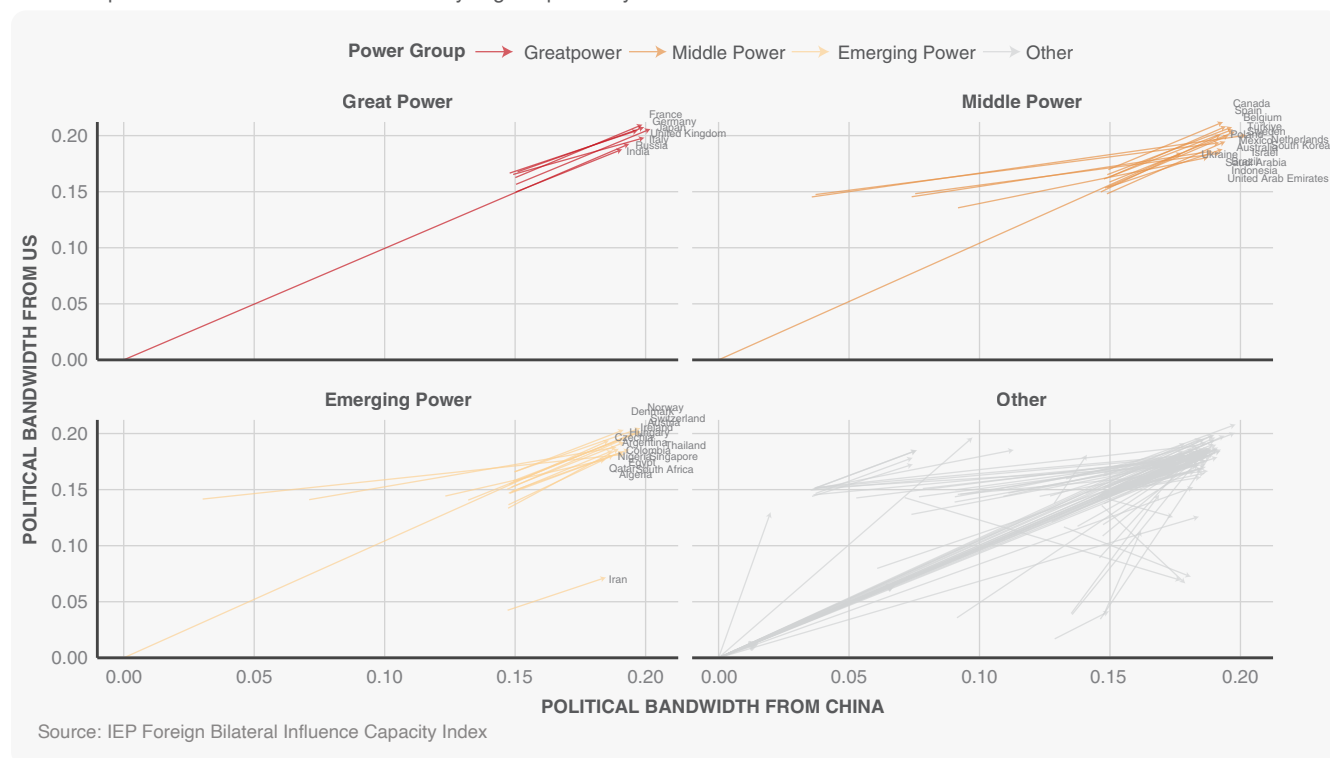


FIGURE 3.9

## Political influence of the US and China, 1991–2023

All middle power countries became more closely aligned politically with both US and China.



have systematically upgraded their diplomatic status with China, while simultaneously maintaining their institutional ties with Washington.

The great powers are already firmly entrenched within both Chinese and American spheres of influence. Nations such as the United Kingdom, Germany, and Japan are clustered tightly in the furthest reaches of the upper-right corner. This reflects their status as diplomatic superpowers with maximum bandwidth; they possess near-total saturation in terms of embassy exchanges and shared IGO memberships with both the US and China. For these nations, the cost of political decoupling is exceptionally high, as their influence is structurally woven into the institutional fabric of both rivals. The middle power cohort is rapidly climbing to meet this level of saturation, effectively closing the gap between

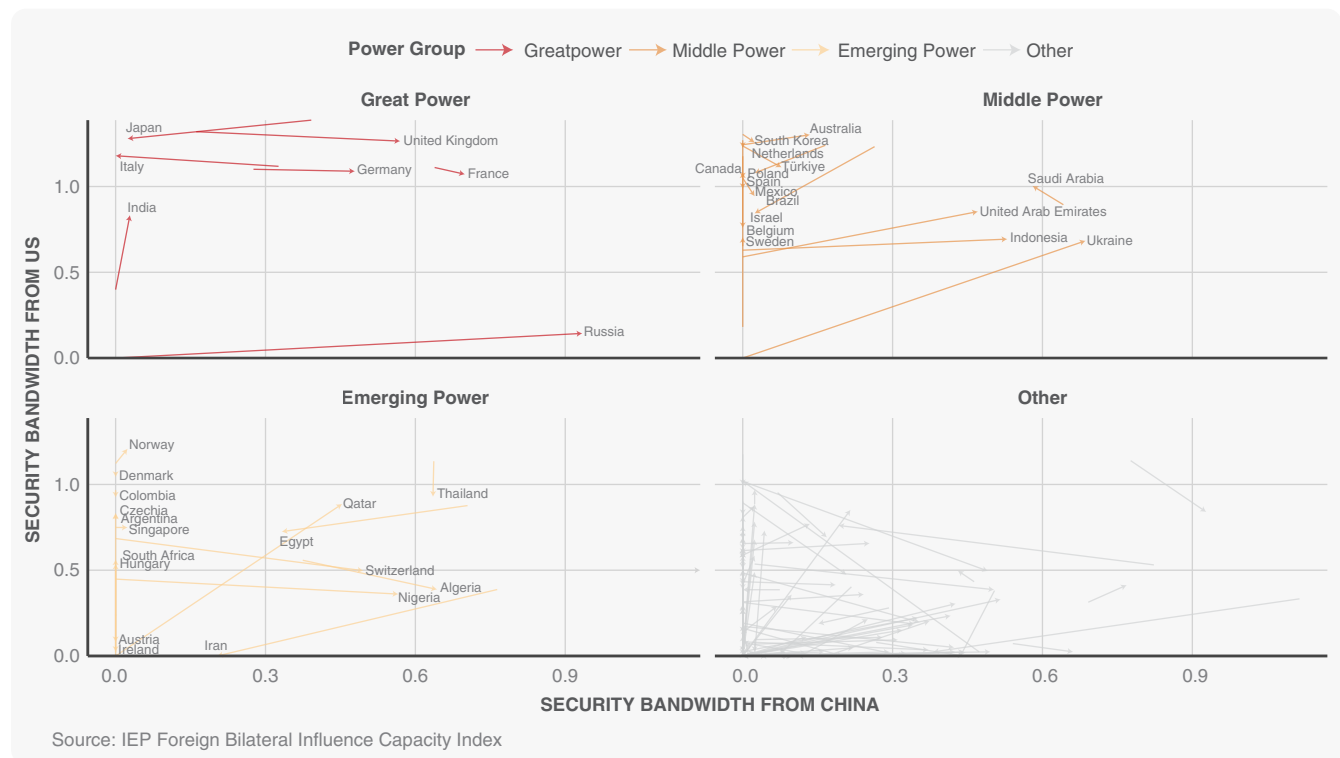
themselves and the traditional great powers in terms of diplomatic connectivity.

Figure 3.10 presents the most polarised landscape of the three influence dimensions, mapping the trajectory of superpower security influence from 1991 to 2023. Unlike the economic and political charts, which depicted a world of dual-integration and convergence, this data visualises a stark divergence. The security domains comprise security bandwidth, alliance commitments and total arms transfers, and security dependence: the ratio of a partner's arms imports to their total military stock. Unlike trade, which can be diversified relatively easily, security relationships rely on long-term interoperability, treaty obligations, and exclusive hardware procurement, forcing nations into clearer choices between the superpowers.

FIGURE 3.10

## Security influence received from the US and China, 1991–2023

Most middle powers remain tightly aligned with the US on security issues, but some are moving towards China.



The chart reveals that the American Alliance System remains the dominant feature of the global security architecture, especially for middle power nations. The top-left quadrant is crowded with key US partners, including Australia, Japan, South Korea, and Canada. These nations exhibit extremely high security influence received from the United States with near-zero influence from China. Their trajectories are characterised by a horizontal deepening, indicating that over the last 30 years, they have not only maintained but intensified their structural reliance on the US, while remaining almost completely walled off from Chinese security integration.

Conversely, the data highlights the emergence of a group of countries defined by exclusion from the US sphere rather than attraction to it. Russia provides the most dramatic example, with a very strong increase in Chinese security influence. Most of the other countries which show increasing Chinese influence are emerging rather than middle powers, most notably Nigeria and Algeria.

Between these two extremes lie the hedging middle powers, represented by nations like Saudi Arabia, the United Arab Emirates, and Indonesia. Unlike the firm US allies, these nations display vectors that move diagonally upward, indicating a strategy of diversification. The UAE and Saudi Arabia, for instance, retain strong US influence but show a visible increase in Chinese influence, reflecting their recent procurement of Chinese drones and missile technology to supplement American hardware. Ultimately, while the economic and political domains show a world coming together, the security domain shows a world pulling apart, with the 'middle' becoming a narrower and more difficult space to navigate.

## Middle Power Challenges

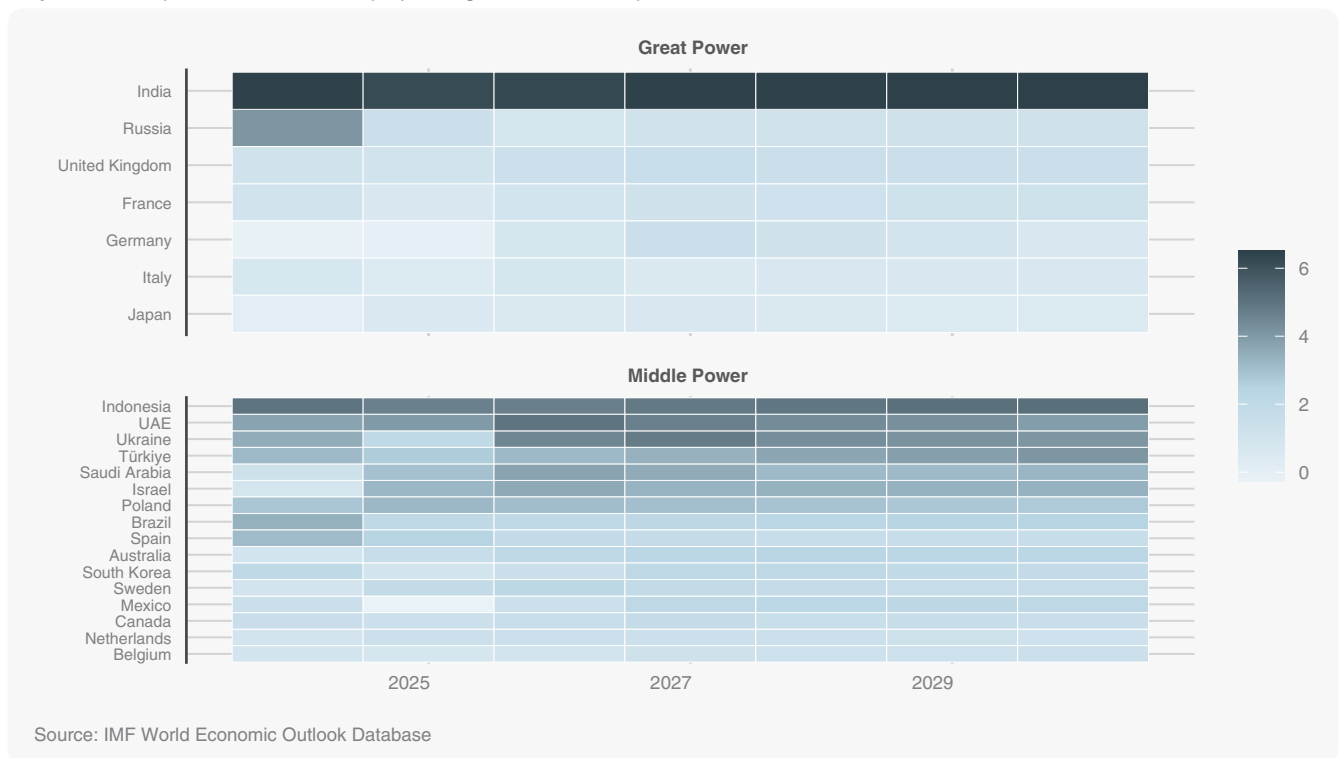
Given the relative decline of great powers, and the relative growth in strength of middle power countries, the world seems set for a significant increase in the influence of middle power nations. However, not all middle power countries have the same level of potential for economic growth, with many facing the same kind of economic and demographic stresses as the great power nations.

Figure 3.11 looks at projected economic growth for both the middle power and great power nations from 2024 to 2030. As previously noted, India is the only great power nation with projected GDP growth above two per cent for the next five years. Projected economic growth for most middle power nations is higher than almost all of the great powers. Of the countries not currently in conflict, Indonesia, the UAE, and Türkiye all have strong projected growth, with Saudi Arabia, Israel, and Poland also all projected to show reasonable growth over the next five years.

FIGURE 3.11

**Projected economic growth, Great vs Middle Powers, 2024–2030**

Very few middle power countries have projected growth above two per cent.



The chart highlights that the era of broadly synchronised global growth has passed, replaced by a distinct two-speed reality. High growth countries over the next five years concentrated almost exclusively in the developing world and Asia, while the established economies of the Euro-Atlantic and Pacific spheres are facing a period of low or stagnant growth. This projection implies that the material basis for future influence is shifting away from the traditional custodians of the international order towards emerging middle powers in Asia.

Among the middle power cohort, Indonesia emerges as the clear standout, mirroring the aggressive growth trajectory of India in the great power category. Similarly, the United Arab Emirates and, to a lesser extent, Saudi Arabia and Türkiye, display robust growth forecasts. For these nations, strong internal economic performance provides the fiscal headroom necessary to fund ambitious foreign policies, military modernisation, and domestic stability mechanisms. This positions them to weather global volatility with greater resilience than their slower-growing counterparts, as they possess the resources to mitigate internal dissent and project power externally.

Conversely, the chart highlights a difficult horizon for established middle powers. Nations such as Canada, the Netherlands, Belgium, Spain, and Sweden are projected to experience tepid growth, mostly hovering below two per cent. This stagnation poses a significant strategic challenge. Without the dividend of rapid economic expansion, these governments face difficult budgetary

choices between funding social welfare for aging populations and financing the increased defence capabilities required by a deteriorating security environment. Maintaining their current level of global influence will become increasingly expensive and politically contentious relative to their shrinking share of global GDP.

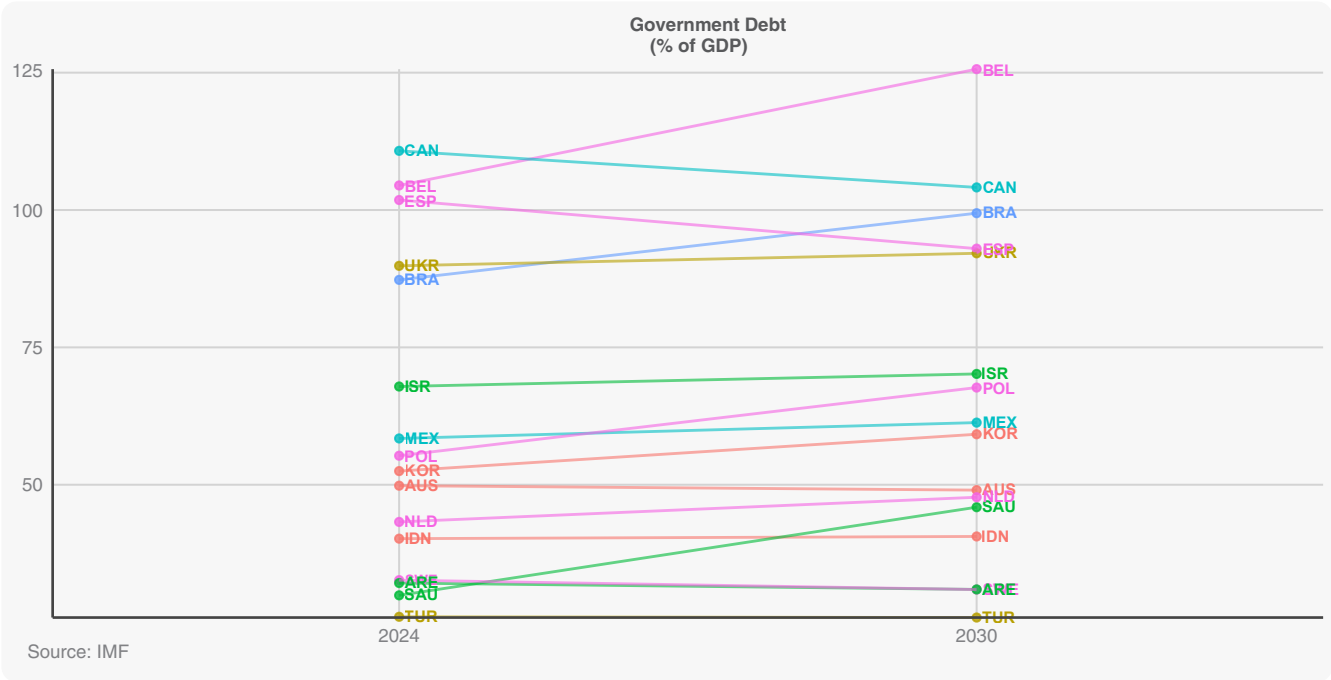
The projection also captures the volatility of recovery, most notably in Ukraine, which shows a darker band indicative of higher percentage growth. However, this likely reflects the statistical bounce of post-conflict reconstruction from a shattered base rather than organic economic health.

This data serves as a leading indicator for the redistribution of hard power. As the economic centre of gravity drifts further toward the Indo-Pacific and the Middle East, the ability of traditional Western middle powers to leverage economic statecraft will diminish, while rising powers like Indonesia will increasingly possess the material weight to demand a revised status in international governance.

Figure 3.12 looks at the debt challenge facing middle power nations. Government debt as percentage of GDP measures the total amount of money a government owes relative to the size of its entire economy. This ratio indicates how manageable the debt burden is. A higher percentage means it would take more of the country's economic output to pay off the debt.

FIGURE 3.12  
**Projected debt, middle power countries (2024 vs 2030)**

Government debt as a percentage of GDP will be over 50 per cent in half of the middle power countries in 2030.



The prevailing trend across the majority of the countries is upward or stagnant at high levels, highlighting that for many countries, the coming decade will be defined by the difficult politics of fiscal consolidation rather than the opportunities of expansionary investment.

The situation is most acute for the high-income nations occupying the upper strata of the chart. Belgium presents the most concerning trajectory, with debt projected to surge from roughly 105 per cent to over 125 per cent of GDP by 2030. This increase signals a potential structural crisis, limiting Belgium's ability to increase defence spending to meet NATO targets. Similarly, while Canada is projected to achieve a modest reduction, it remains firmly entrenched in the high-debt tier alongside Brazil and Ukraine. For these nations, debt service will consume a growing share of the national budget, acting as a strategic drag that constrains their ability to react to external shocks or modernise their militaries without risking sovereign credit instability.

A secondary tier of nations, including Poland, South Korea, and Saudi Arabia, exhibits a distinct trend of re-leveraging. While their absolute debt levels remain manageable compared to Belgium or Canada, their trajectories are sharply upward. Saudi Arabia is projected to see a significant increase in its debt-to-GDP ratio, likely reflecting the massive capital requirements of its Vision 2030 diversification projects which require state borrowing to prime the pump of a post-oil economy. Poland's rising debt line correlates with its aggressive military expansion. It is effectively borrowing against future growth to finance its transformation into a European security guarantor, indicating a conscious strategic choice to trade fiscal containment for military security.

Conversely, the bottom of the chart highlights the nations best positioned for strategic autonomy. Indonesia, Sweden, and the

United Arab Emirates maintain debt levels well below 50 per cent of GDP, with trajectories that remain flat or even declining. This fiscal health constitutes a significant competitive advantage. Unlike their debt-burdened peers, these governments possess the fiscal space to implement stimulus during downturns, invest in sovereign wealth funds, or surge defence spending in a crisis without facing immediate market punishment. For the UAE and Sweden in particular, this low-debt profile reinforces their status as stable, agile actors capable of maintaining independent foreign policies in an increasingly volatile global economy.

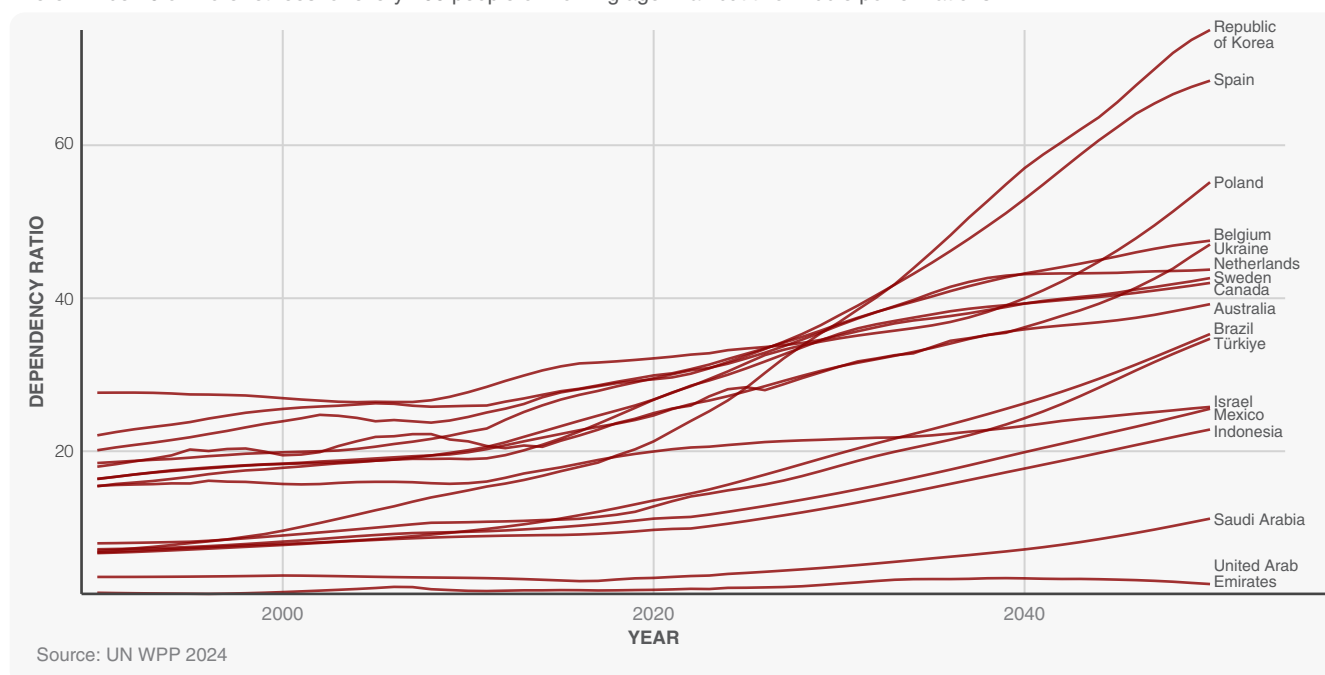
Figure 3.13 highlights the scale of the demographic issues facing middle power nations. The elderly dependency ratio measures the number of people aged 65 and over compared to the working-age population. A higher ratio indicates more retirees depending on fewer workers, which can strain pension systems, healthcare, and public finances. Only two middle power countries are projected to have an elderly dependency ratio lower than 20 in 2050, while half of the middle power nations are projected to have an elderly dependency ratio of over 40 retirees per 100 workers.



FIGURE 3.13

### Elderly dependency ratio, middle power countries (1990–2050)

There will be 20 or more retirees for every 100 people of working age in all but two middle power nations.



Declining birth rates in economically developed countries will both strain and help public finances.<sup>2</sup> As populations age, the ratio of working-age people to retirees falls, with fewer workers needed to support more pensioners through taxes and social insurance contributions. Healthcare systems face mounting pressure as elderly populations grow while the tax base shrinks. Countries like Japan, Italy, and South Korea already face worker-to-retiree ratios that make current pension promises mathematically difficult to sustain without raising retirement ages, cutting benefits, or significantly increasing taxes on a smaller workforce. Labor shortages will affect economic growth and productivity.

The data reveals a dramatic demographic bifurcation that will likely serve as a primary driver of structural power shifts in the coming decades. The cohort is clearly splitting into two distinct trajectories: the rapidly aging established powers of Europe and East Asia, and the demographically resilient rising powers of the Middle East and Global South. This divergence highlights that while the established middle powers will face increasing fiscal strain from pension and healthcare obligations, the rising middle powers will retain the fiscal manoeuvrability and workforce vitality necessary to drive economic expansion.

The most pronounced trajectory on the chart belongs to South Korea. Starting from a relatively youthful base in the 1990s, its dependency line is projected to increase rapidly, crossing every other nation to become the most aged society in the group by 2050. This aging profile, mirrored to a slightly lesser degree by Spain and Poland, represents a significant strategic liability. For these nations, the coming decades will require a massive diversion of national resources away from power projection and defence modernisation toward internal social maintenance. The steepness of the curve for South Korea and Poland implies a demographic shock that could severely constrain their future economic growth potential and shrink the recruitment pools for their armed forces.

In sharp contrast, the bottom of the chart is populated by the rising middle powers, specifically the United Arab Emirates, Saudi Arabia, Indonesia, and Mexico. The United Arab Emirates occupies a unique outlier position with a dependency ratio that remains essentially flat and near zero. This is likely a structural artifact of its expatriate-dominated labour model, which allows it to import working-age labour without incurring long-term demographic liabilities. Similarly, Saudi Arabia and Indonesia show much shallower growth curves, indicating that they will continue to enjoy a demographic dividend well into the mid-21<sup>st</sup> century. For these countries, a younger workforce translates into a deeper tax base and fewer legacy costs, providing the material capacity to sustain the ambitious foreign policy and economic diversification agendas observed in previous charts.

Ultimately, this demographic data reinforces the ‘two-speed’ future suggested by the earlier economic projections. The traditional pillars of the middle power tier, such as Canada, Australia, and countries in Western Europe, are facing a ‘grey ceiling’ where sustaining their current level of influence will become increasingly expensive. Meanwhile, the demographic vitality of the Global South suggests that the centre of gravity for dynamic economic activity, and by extension, political influence, will continue to drift toward nations like Indonesia and the Gulf states, simply because they have the human capital to support it.

The scope of these economic and demographic challenges facing middle power nations is significant. However, there are several countries that have only grown sharply in geopolitical influence, but are also relatively unaffected by these internal challenges. The next section looks at three of these countries in detail: the United Arab Emirates, Indonesia, and Türkiye.



Section 4:

# Case Studies

## Key Findings

- ▶ The United Arab Emirates, Indonesia, and Türkiye are the best placed middle power countries to increase their geopolitical influence in the coming decade, owing to strong economic growth forecasts and fewer demographic concerns.
- ▶ Despite its small size and population, the UAE has accumulated notable military, diplomatic, and economic capabilities that it has leveraged to expand its influence across the Middle East, North Africa, and beyond.
- ▶ Türkiye's economy is the world's 16th-largest by nominal and 11th-largest by PPP-adjusted GDP. As the 15th-largest electricity producer in the world, Türkiye aims to become a hub for regional energy transportation. It is also a world leader in drone technology.
- ▶ Indonesia has witnessed a meteoric rise in nickel production that almost tripled since 2020, and by 2023 the country accounted for roughly half of global nickel mine production, cementing its dominant position in the global nickel mining industry. Major battery and auto producers are increasingly tied into Indonesian supply chains.

## The UAE

The United Arab Emirates (UAE) has undergone a remarkable transformation, emerging as a middle power with significant regional and even global influence. In many ways, the UAE's foreign policy over the past decade reflects the traits of a traditional middle power: despite its small size and population, it has accumulated military, diplomatic, and economic capabilities and leveraged them to expand its influence across the Middle East, North Africa, and beyond.

### Economic Power

Underpinning both the military and diplomatic advances of the UAE is its formidable economic power. The UAE's economy, fuelled by petroleum exports, generated massive surpluses that were then funnelled into sovereign wealth funds, infrastructure, and global investments. By 2025, the UAE's sovereign wealth fund is estimated at about \$1.1 trillion, the third largest in the world behind only the US and China.<sup>1</sup> This financial strength provides the UAE with a large investment capacity equating to global financial influence, far beyond what a country of its size would normally command. Major UAE funds like the Abu Dhabi Investment Authority (ADIA), Mubadala, and others have become key investors in sectors ranging from energy and real estate, to technology and logistics worldwide.

The UAE uses these investments strategically. Its sovereign wealth strategy is aligned with national objectives of economic diversification and forging strategic partnerships. As it plans for a post-oil future, while also extending the life of oil, its funds are actively securing stakes in clean energy, artificial intelligence,

biotechnology, and other future-focused industries. This not only prepares the UAE's domestic economy for transition but also embeds the Emirates in the economic development of many other countries, effectively buying influence and goodwill.<sup>2</sup>

Since 2015, the UAE has vigorously diversified its economy to reduce reliance on oil, with total production beginning to plateau over that period, as seen in Figure 4.1. It has poured billions into renewable energy projects at home and abroad. By 2023, the UAE had invested \$50 billion in renewables across 70 countries and pledged another \$50 billion in the coming decade.<sup>3</sup>

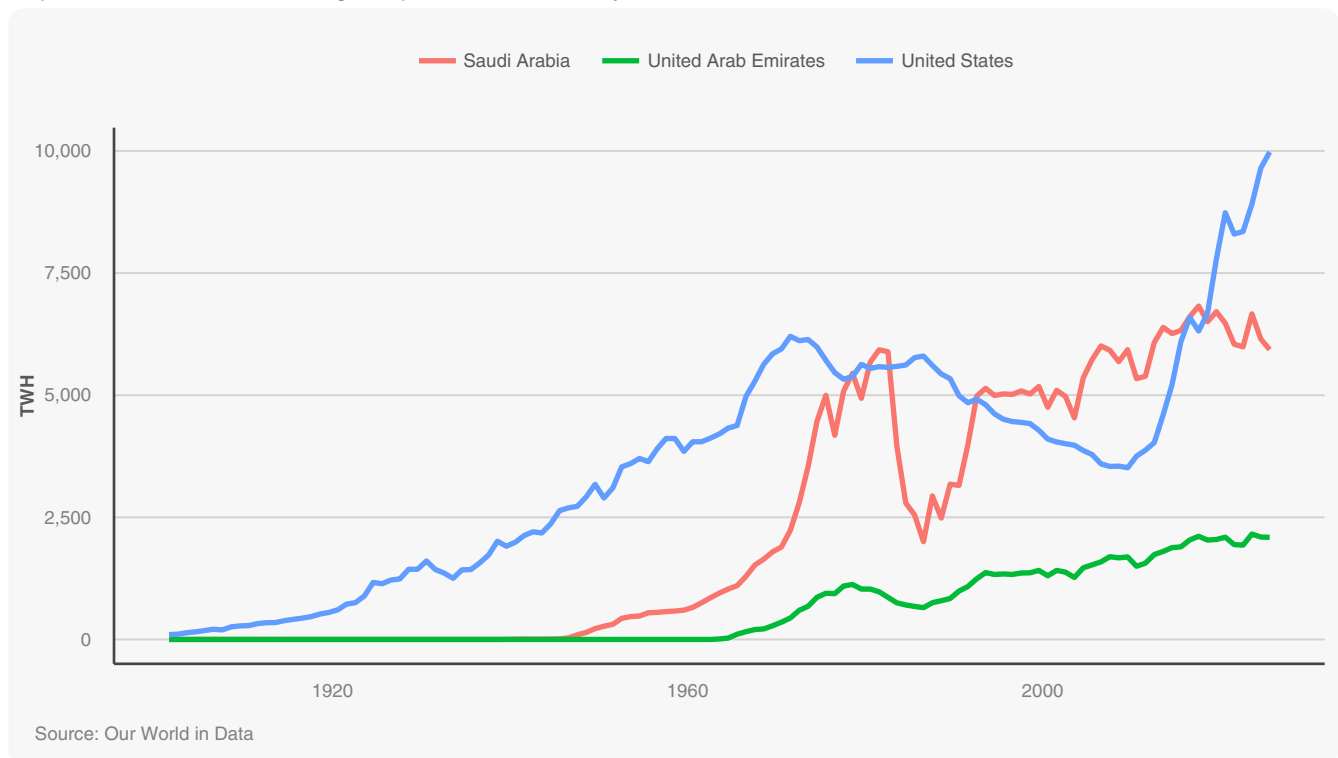
Regionally, the UAE's economic influence is perhaps most visible in its role as a trade and logistics hub. The Emirate of Dubai pioneered the UAE's diversification in the early 2000s by turning itself into a global city of commerce. By building ports, airports, and inviting foreign businesses into free zones, the UAE entrenched itself in global supply chains. The national airline carriers Emirates Airline and Etihad Airways connect East and West through Gulf hubs, reinforcing the UAE's centrality to international travel and trade.

This 'hub economy' status gives the UAE a form of structural economic power, many countries depend on its ports, airlines, and markets for their own commerce. For example, Dubai Ports World (DP World), a state-owned ports giant, operates more than a dozen ports in Africa and has stakes in ports on every continent. As of 2025, DP World and the Abu Dhabi Ports Group together run 13 port terminals in eight African countries, with at least six new port deals signed in the last few years.<sup>4</sup> These ports, along with associated railways and logistics centres, effectively extend the UAE's economic footprint deep into other regions, especially East Africa, South Asia, and the Eastern Mediterranean. A notable

FIGURE 4.1.

**Total oil production: US, Saudi Arabia, and the UAE, 1960–2023**

Oil production in the Gulf states began to plateau in the last five years.



example is the UAE's heavy investment in the Red Sea and Horn of Africa corridor. By investing in ports in Somalia and Sudan, and partnering with Egypt on Suez Canal zone projects, the UAE positioned itself as a guardian of the vital Bab-el-Mandeb and Suez chokepoints. This dovetails with its security interest in keeping those waterways open.

Economic power has also been exercised through bilateral investments and aid that advance the UAE's geopolitical aims. After the Arab Spring, the UAE poured money into supporting allied regimes, including three billion dollars to Egypt, investments in Jordan's economy, support for Bahrain during its

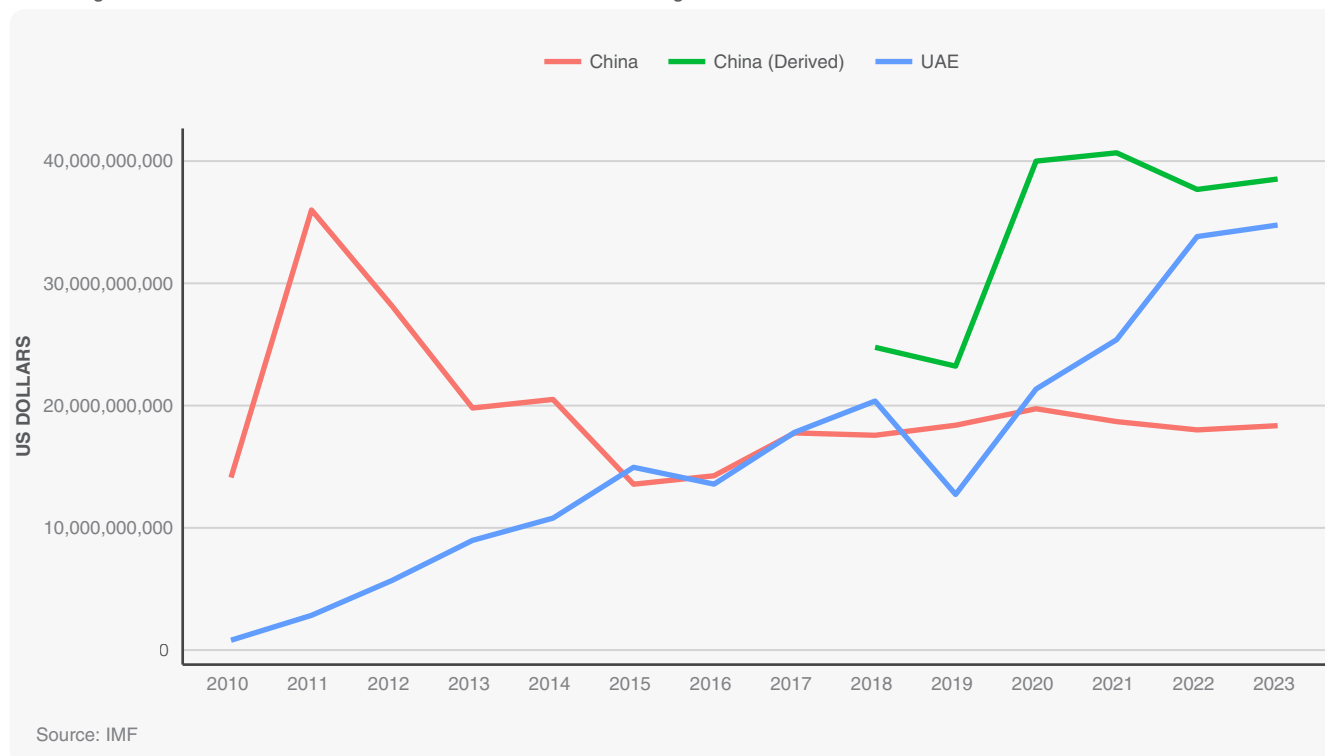
2011 unrest, and loans or deposits to countries like Sudan, Pakistan, and others at strategic moments.

In 2022 and 2023, the UAE announced \$97 billion in new investments in Africa, making it the single largest source of foreign investment on the continent in that period.<sup>5</sup> Although derived figures from the IMF still have Chinese investment as higher, and while some of this headline figure for the UAE may include long-term project pledges, it underscores how Abu Dhabi has outpaced traditional powers in vying for African markets and resources.

FIGURE 4.2

## Foreign Direct Investment in sub-Saharan Africa, 2010–2023 (official data and IMF estimates)

According to official data, the UAE has now overtaken China as the largest source of FDI in sub-Saharan Africa.



The motivations include securing a regional economic advantage ahead of competitors like Qatar or Türkiye, locking in resource access, and expanding export markets for Emirati firms.<sup>6</sup> The UAE also joined the BRICS group in 2024, an indication that it sees itself as a rising actor in the global South's economic architecture.<sup>7</sup>

Domestically, economic strategy and foreign policy are tightly interlinked. The economic diversification agenda drives foreign initiatives. For example, in pursuit of becoming a tech and innovation hub, the UAE has partnered with nations like the US, Israel, and Japan for technology transfers and start-up investments. To boost tourism and real estate, it has eased visa restrictions and hosted global events to lure foreigners, which requires maintaining a safe international image. As oil prices fluctuate, the UAE hedges by deepening trade agreements. It signed Comprehensive Economic Partnership Agreements (CEPAs) with India, Israel, Indonesia, and others to lock in trade and investment flows. These trade pacts expand its economic influence by integrating the UAE with fast-growing economies and positioning it as a gateway for international business into those regions.

### Diplomatic and Soft Power

In parallel to its hard power activities, the UAE has significantly expanded its diplomatic reach and soft power by forging networks of influence, attracting trade and investment, and hedging against reliance on any single ally or strategy. One manifestation of this is the UAE's investment in humanitarian aid and development assistance as tools of diplomacy. In 2018 the UAE ranked among the top five countries in absolute humanitarian aid volume.<sup>8</sup>

Another facet of Emirati soft power is its ambitious program of cultural and global engagement. The UAE has turned itself into a hub for international tourism, art, and sport, all of which serve diplomatic goals by raising its profile and showcasing a friendly image. It held the World Expo 2020 (delayed to 2021 due to COVID-19), which brought nearly 200 nations into participation and highlighted the UAE as a meeting point of civilisations. Recurring events like the Dubai Airshow, international film festivals, Formula One Grand Prix races, and high-end conferences all attract global elites and decision-makers, enhancing the UAE's diplomatic clout through nation branding.

Strategically, the UAE's diplomatic activism has also been evident in its realignment and alliance-building. Most dramatically, the UAE undertook a historic rapprochement with Israel by signing the *Abraham Accords* in August 2020, normalising relations with Israel. The motives were both pragmatic and strategic, as the UAE sought advanced US weaponry and tech cooperation with Israel, and it aimed to formalise an anti-Iran partnership under US auspices. The move also enhanced the UAE's influence in Washington and signalled a new regional leadership with other states such as Bahrain and Morocco soon following its lead. However, Israeli's aggressive actions in Gaza and now the West Bank have resulted a freezing of the accord with little likelihood of it resuming soon.

The UAE has also managed its relations with its regional rivals. After a period of intense rivalry with Qatar, including participating in the Saudi-led blockade of Qatar in 2017–2021, the UAE moved to reconcile with Doha once the feud was diplomatically resolved. It has also mended its relationship with

Türkiye after being on opposite sides of conflicts in Libya, and Türkiye's support for Muslim Brotherhood groups that the UAE opposes. With Iran, despite deep mistrust, the UAE has maintained channels of dialogue. It never severed diplomatic ties even when Saudi Arabia did, and in 2019–2020 Abu Dhabi quietly sent envoys to Tehran to ease tensions after tanker attacks in Gulf waters threatened UAE's trade routes.

The UAE's mediating endeavours further strengthen its image as a diplomatic player. In 2018, the UAE (alongside Saudi Arabia) played a conspicuous role in facilitating the peace agreement between Ethiopia and Eritrea, ending a 20-year conflict. It hosted the leaders and reportedly offered economic incentives, a success that won it goodwill in the Horn of Africa.<sup>9</sup> In South Asia, the UAE stepped in as a mediator between nuclear rivals India and Pakistan. It was revealed that Emirati officials brokered secret talks that led to the February 2021 ceasefire along the Kashmir border.<sup>10</sup> Such diplomatic initiatives outside the Middle East, demonstrate the UAE's aspirations to be seen as a global problem-solver and convener.

The UAE has also leveraged multilateral forums to amplify its geopolitical influence. It secured a rotating seat on the UN Security Council for 2022–2023, using the platform to advocate for issues like maritime security and counter-extremism. It has hosted major international summits, notably being chosen to host the COP28 United Nations Climate Change Conference in 2023. Additionally, Abu Dhabi is headquarters to the International Renewable Energy Agency (IRENA), reflecting the UAE's desire to shape global agendas on energy transition and sustainable development, which also aligns with its aims to diversify its economic dependence on oil.

## Military Power

The UAE's rise as a middle power has coincided with its substantial investment in military and security capabilities, alongside a desire to deploy them in regional conflicts. The UAE's military buildup accelerated in the 2000s under the leadership of Sheikh Mohammed bin Zayed Al Nahyan (MBZ), the then Crown Prince, now President, of Abu Dhabi, who sought to create a highly effective force capable of supporting regional proxies, and even in competition with larger neighbours like Saudi Arabia. An example would be Yemen, where both Saudi Arabia and UAE back different anti-Houthi militias. Saudi supports the central PLC-led government while the UAE aligns with the STC separatists. In early 2026, the STC collapsed following a failed offensive and counteroffensive from Saudi backed forces. Because of its oil wealth, the UAE has acquired advanced weapons systems from US, including F-16 fighter jets, precision-guided bombs and cutting-edge air defence systems.<sup>11</sup>

The Arab Spring in 2011 and its aftermath marked a turning point, after which the UAE became dramatically more assertive in using hard power regionally. The proliferation of conflicts and rise of Islamist movements across the Middle East created what Abu Dhabi saw as an existential threat to regional order and to its own model of governance. At the same time, Emirati leaders perceived a declining US role amid a call by Washington for local partners to shoulder more of the burden of regional security. In response, the UAE extended its strategic reach well beyond its

borders, pursuing a proactive and sometimes unilateral military policy unprecedented in its history.

The UAE also built a network of military bases and outposts around the Red Sea and Horn of Africa to support its campaigns. The UAE has established informal facilities in at least eight areas outside of the UAE; Yemen (Perim and Socotra Islands), Eritrea (Assab naval/air base), Somaliland (Berbera), Puntland, Libya, and Chad, often through discreet arrangements with local authorities rather than formal status-of-forces agreements.<sup>12</sup> This 'flexible outpost' approach allowed the Emirati military to project power and logistics into multiple theatres, such as launching air sorties in Libya to back General Khalifa Haftar's forces, and sustaining its expeditionary presence in Yemen via the Assab base on the African coast.<sup>13</sup>

Beyond Yemen and Libya, the UAE has expanded its security footprint across the wider Middle East and North Africa, often in less visible ways. It emerged as a major supplier of arms, training, and funding to many allied governments or factions. In the Horn of Africa, it cultivated close ties with governments like Ethiopia and separatist regions like Somaliland, partly to offset rival Türkiye's partnership with Somalia.<sup>14</sup> In Sudan, the UAE (along with Saudi Arabia) initially backed the transitional military council after the fall of Omar al-Bashir in 2019, and more recently, reports indicate the UAE's support for the Rapid Support Forces in Sudan's ongoing civil war, a contentious involvement it officially denies.<sup>15</sup>

Elsewhere, the UAE quietly pursued counterterrorism and counter-insurgency partnerships across the African continent. As of 2024, the UAE is reportedly a security partner to over two dozen African countries, concentrated in East Africa, North Africa, and the Sahel.<sup>16</sup> This support ranges from training local security forces and building military facilities, to supplying arms often through Emirati-manufactured equipment like drones and armoured vehicles.

# Indonesia

Indonesia, the world's fourth most populous nation and largest economy in Southeast Asia, is increasingly viewed as one of the most important rising middle powers of the 21<sup>st</sup> century. Over the past 20 years Indonesia has shed much of its earlier post-Cold War reticence and begun asserting a broader regional and global role.

Several drivers explain Indonesia's growing influence. Its consistent economic growth provides a stronger foundation for national power than in the past. After recovering from the late-1990s Asian Financial Crisis, Indonesia emerged as one of the world's fastest-growing economies. It is now classified as an upper-middle income country and is the 16<sup>th</sup> largest economy globally, and seventh in PPP terms. Strategic shifts in the regional order have also motivated Indonesia to take a more proactive role. The rise of China and the intensifying US-China rivalry has influenced Indonesia foreign policy alignment. Like other rising powers, it seeks to work with both superpowers without having to choose sides or becoming strategically dependent on either.

## Economic Power

Indonesia's economic emergence underpins its middle-power status as the largest economy in Southeast Asia. It is now a member of the G20, with its GDP reaching about \$1 trillion around 2011, and today stands at around \$1.4 trillion. In 2012 Indonesia was the second-fastest growing G20 economy after China, with growth in the mid-2010s hovering at around five to six per cent annually.<sup>17</sup> Indonesia has assumed a leadership role in advocating for reforms to make the global economic order more accessible for developing nations. As a populous Muslim-majority nation, Indonesia also exerts economic soft power in the Islamic world, championing Islamic finance.

However, Indonesia's growth, while steady, has not reached the ambitious target of more than seven per cent, and the country continues to face the risk of a middle-income trap. Infrastructure gaps and regulatory red tape have long impeded investment, though recent administrations have made progress on this by enacting sweeping deregulation and pouring resources into infrastructure. During the period from 2014 to 2024, 16 new airports, 18 seaports, 2,100 km of highways, and dozens of dams were built, which helped Indonesia jump ten places in the global competitiveness rankings.<sup>18</sup> These improvements in logistics and connectivity enhance Indonesia's attractiveness as a manufacturing base, especially as companies seek alternatives to China. However, corruption, inequality, decentralisation and skill gaps in the workforce remain ongoing issues.

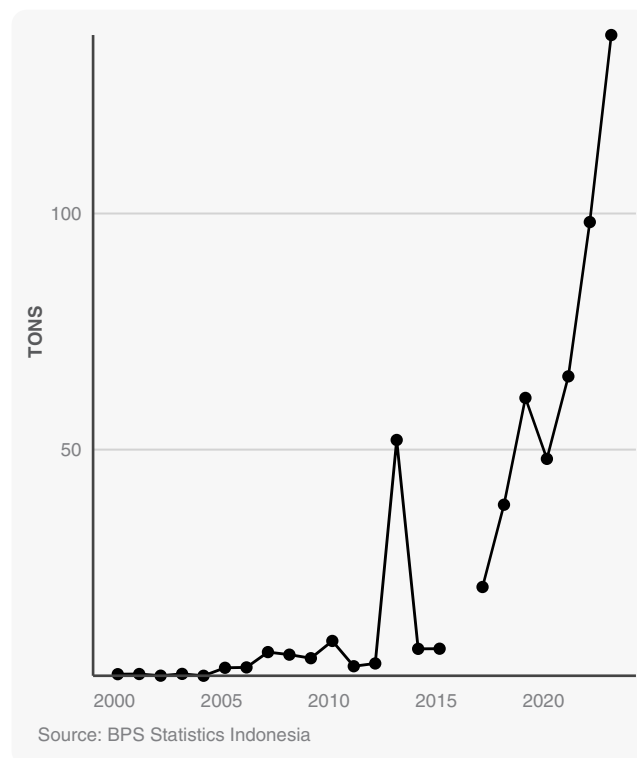
Indonesia has witnessed a meteoric rise in nickel production over the past decade, as shown in Figure 4.3. Output in Indonesia increased tenfold from the early-2010s to the mid-2020s, an unprecedented surge that cemented the country's lead in the world's nickel mining industry. By 2023, Indonesia accounted for roughly half of global nickel mine production, up from barely 13 per cent in 2012, and it holds the world's largest nickel reserves.<sup>19</sup> Major battery and auto producers are increasingly tied into Indonesian supply chains. Tesla, BYD, LG, and Hyundai have all

either sourced materials or made investment plans linked to Indonesian nickel in recent years (through partnerships or joint ventures in processing and battery production). Indonesia aims to translate its resource endowment into a domestic EV industry. By 2027, it hopes to rank among the top three EV battery producers globally, leveraging its nickel advantage to become an Asian hub for battery production.<sup>20</sup>

FIGURE 4.3

## Indonesian nickel production, 2000–2023

Nickel production has almost tripled since 2020.



The nickel boom has significantly boosted Indonesia's economy through foreign direct investment (FDI) and industrial growth. In pursuit of greater value addition, the government banned raw nickel ore exports to attract investment in domestic processing. This strategy was successful, as Chinese companies alone have invested an estimated \$30-65 billion in Indonesia's nickel supply chain over the last decade.<sup>21</sup> As a result, dozens of new smelters and refineries were built, rising from only two nickel smelters before 2014 to over a dozen by 2020, enabling Indonesia to export refined products like nickel pig iron (NPI), ferronickel, and stainless steel instead of raw ore.<sup>22</sup>

Chinese firms finance and build Indonesia's nickel hubs, and in return China secures a stable nickel supply.<sup>23</sup> By 2025, Chinese entities controlled an estimated 90 per cent of Indonesia's nickel mines and smelters, a statistic that illustrates both the scale of Chinese investment and Indonesia's potential over-reliance on one partner.<sup>24</sup> Indonesian leaders are mindful of this dependency and have aimed to court investors from the US, Europe, and other nations to diversify partnerships and balance China's influence.

From a geopolitical standpoint, Indonesia's nickel is now a strategic asset in decarbonisation. The US and Europe, striving to secure critical minerals for their clean energy industries, find themselves needing Indonesian nickel, or the processed battery materials derived from it, to meet their EV deployment goals. This dynamic gives Indonesia bargaining power in international forums and bilateral deals related to climate and trade.

## Diplomatic Power

Indonesia has a long tradition of diplomatic engagement, from hosting the 1955 Bandung Conference that birthed the Non-Aligned Movement, to co-founding ASEAN in 1967 as a vehicle for regional stability. In the 2000s, Indonesia re-emerged as an advocate of regional cooperation and global dialogue.

It is the most populous Muslim nation with 280 million people, a democracy that straddles the Indian and Pacific Oceans and maintains a constitutionally mandated 'free and active' foreign policy. Indonesia's diplomacy has focused on two levels: leading in ASEAN and the Indo-Pacific region, and amplifying its voice in global forums (UN, G20, etc.) on issues from climate change to peace mediation. These efforts are driven by the desire to shape an international order conducive to its interests and values, and by the belief that as a middle power Indonesia can be a mediator or stabiliser in times of conflict.

Within Southeast Asia, Indonesia is widely seen as the most influential member of ASEAN, given its size and founding membership. Throughout President Yudhoyono's tenure,

Indonesia expended diplomatic energy on deepening ASEAN institutions. Notably, Indonesia's lobbying was pivotal in the adoption of the ASEAN Charter in 2007, and the ASEAN Community Vision 2015.<sup>25</sup> Under Yudhoyono, Indonesia often acted as a consensus-builder and crisis-manager in ASEAN. It has strong bilateral influence in most ASEAN countries, as shown in Figure 4.4, with it having the strongest influence in the Philippines, Singapore, and Malaysia.

Beyond its neighbourhood, Indonesia has worked with multilateral institutions to expand its diplomatic reach. A key achievement was winning a seat as a non-permanent member of the UN Security Council for 2019–2020, its fourth time serving on the Council. During that term, Indonesia focused on themes like peacekeeping and conflict prevention.

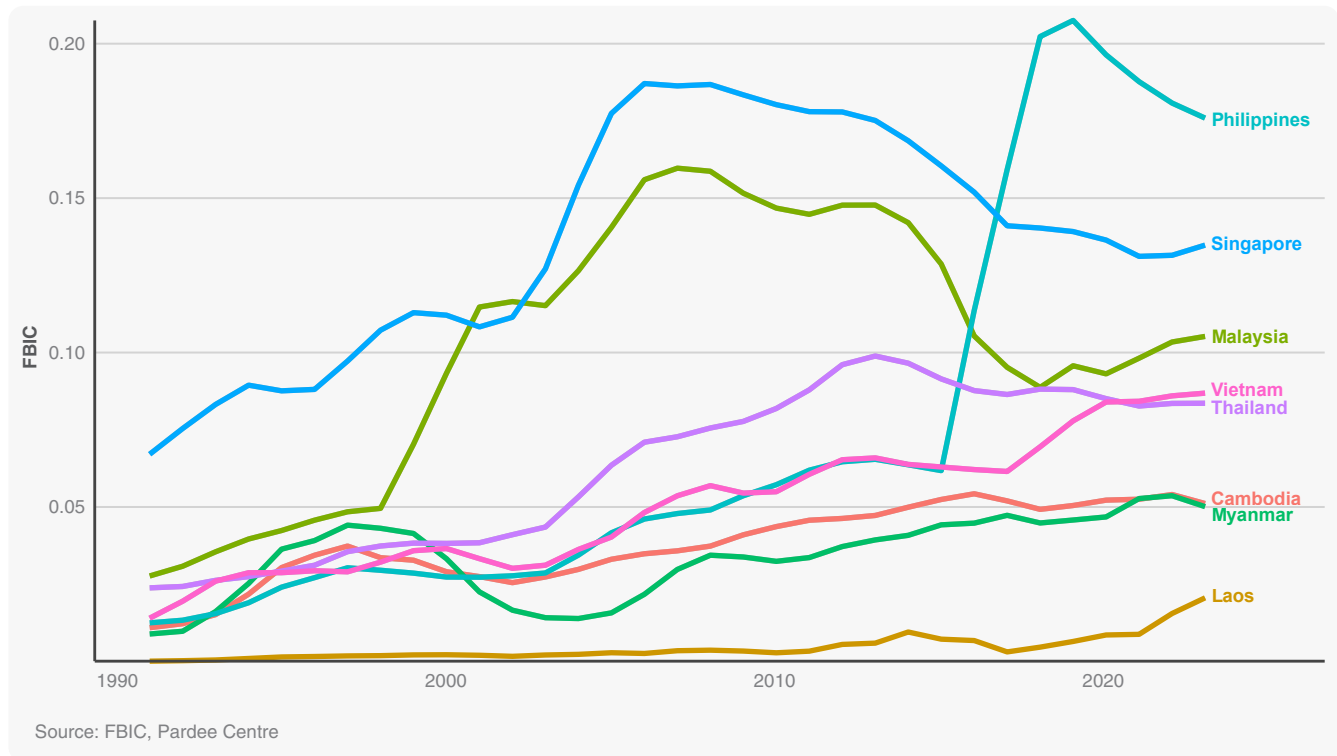
Indonesia also engages in middle-power coalition diplomacy. For instance, it is part of MIKTA, an informal partnership of Mexico, Indonesia, South Korea, Türkiye, and Australia formed in 2013 to consult on global governance issues. While low-profile, MIKTA is a platform where Indonesia can coordinate with fellow middle powers on reforming multilateral institutions or tackling transnational challenges.

Indonesia's future trajectory will depend on its ability to overcome the constraints identified: solidifying its economic gains, completing military modernisation and adapting to new threats and aligning its ambitions with resources.

FIGURE 4.4

### Indonesia's bilateral influence in other ASEAN countries, 1991–2023

Indonesia's influence has increased in every ASEAN country since 1991.





## Military Power

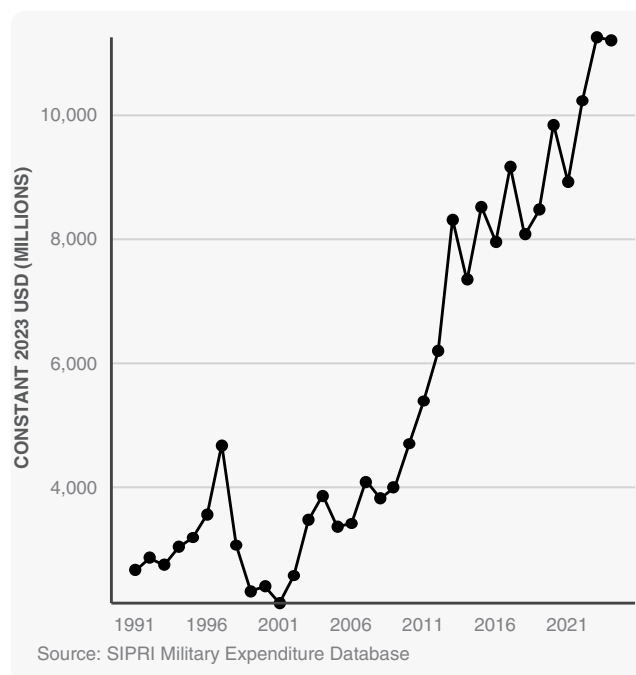
In the realm of hard power, Indonesia has pursued a broad military modernisation program since 2010 to better secure its territory and assert its maritime sovereignty. After the fall of Suharto in 1998, the Indonesian National Armed Forces (TNI) had been underfunded and focused on internal security. The growing external challenges of the 2000s, from terrorism to maritime disputes, prompted a strategic shift. In 2009, the government unveiled the 'Minimum Essential Force' (MEF) blueprint, a 15-year plan (2010–2024) to build a minimally credible defence posture across all services.<sup>26</sup> The MEF targeted upgrades in air, land, and naval capabilities to defend Indonesia's territory, especially its extensive maritime Exclusive Economic Zone (EEZ), against both traditional and non-traditional threats. As of the end of 2024, results have been mixed. Indonesia achieved roughly 65 per cent of the MEF goals by 2024, with shortfalls in certain areas due to budget constraints.<sup>27</sup>

The growth in military power can be seen in Figure 4.5, which shows total military expenditure in constant dollars from 1991 to 2024. However, while the TNI has modernised, defence spending as a share of GDP has remained modest, around 0.8 to one per cent, with military spending sometimes deprioritised in favour of additional infrastructure spending.<sup>28</sup>

FIGURE 4.5

### Indonesian total military expenditure, 1991–2024 (constant 2023 USD)

Military expenditure has almost tripled since 2008.



Maritime security has been a top priority, befitting Indonesia's identity as an archipelagic nation spanning critical sea lanes. Indonesia has no territorial claims in the South China Sea per se, but it faces encroachments by Chinese fishing fleets and coast guard vessels that assert China's 'nine-dash line' claims overlapping Indonesia's EEZ north of the Natuna Islands. Indonesia's response has been increasingly firm. In 2017, it symbolically renamed the northern EEZ as the 'North Natuna Sea'

to underscore Indonesian jurisdiction.<sup>29</sup> To back up this rhetoric, the TNI has boosted its patrol presence around Natuna. In early 2020, when a flotilla of Chinese fishing boats escorted by a coast guard ship lingered in the area for weeks, Indonesia deployed fighter jets, navy corvettes, and even mobilised local fishermen in a show of resolve.<sup>30</sup>

One tangible outcome has been the expansion of Indonesia's naval and air bases in the Natuna region. Since 2018, the Navy has maintained a continuous presence of at least 3–4 warships around the Natuna's and established a new military base there.<sup>31</sup> Region-wide, Indonesia joined fellow ASEAN states in enhancing maritime cooperation. For example, through coordinated patrols in the Malacca Strait and joint exercises like the *ASEAN Solidarity Exercise* held near Natuna in 2023. These efforts align with Indonesia's concept of itself as a 'Global Maritime Fulcrum,' a grand strategy to reinvigorate Indonesia's maritime power and make it a pivotal actor between the Indian and Pacific Oceans.

Perhaps the clearest sign of Indonesia's rising militarisation is its long-term plan to build a 'blue-water' navy by 2045. Indonesian defence officials have set a goal that by the country's 100th anniversary, the Navy (TNI-AL) should field 274 warships, and 137 aircraft, roughly double its current fleet of 148 ships.<sup>32</sup> This would transform Indonesia's navy from a 'green-water' force, focused on coastal defence, into one capable of extended operations across the Indo-Pacific.

Indonesia has sought creative ways to enhance its security capacity other than large increases in spending. It has cultivated training and equipment ties with multiple powers to both improve capabilities and avoid overreliance on any one partner. Indonesia has no formal military alliance, but it engages in joint exercises with a wide range of countries. For example, Garuda Shield, an annual exercise with the US, has grown in scope and in 2022 expanded into a multinational drill with participation from Japan, Australia, and others. Indonesia also conducts exercises with China, Australia, India, and Russia. Arms acquisitions similarly come from diverse source. Indonesia flies American F-16s and Apache helicopters, deploys Russian Sukhoi fighters, South Korean trainer jets, and has ordered French Rafale jets and Italian frigates. This 'retail approach' to procurement has drawbacks such as interoperability issues, but it serves to diversify Indonesia's dependencies and maximise political leverage by engaging all major arms suppliers.<sup>33</sup> A hedging strategy is evident: Indonesia balances economic closeness with China with security ties to the US and others, aiming to preserve *strategic autonomy*.

Indonesia's security contributions also extend to non-traditional domains and international peacekeeping, with nearly 2,800 personnel deployed in UN missions in Africa and the Middle East.<sup>34</sup> This not only improves the capabilities of the TNI through operational experience but also earns diplomatic goodwill. Following deadly jihadist bombings in the 2000s, Indonesia's security forces effectively dismantled major terror networks like Jemaah Islamiyah. Indonesia led regional efforts to combat extremism and share intelligence, and its de-radicalisation programs were often cited as models. In the maritime realm, Indonesia was active in initiatives against piracy and illegal fishing, reinforcing its narrative of being a security provider in its region.

# Türkiye

Türkiye has long been considered a key regional power, given its pivotal geographic position at the intersection of Europe and Asia. In the past 15 years it has increasingly paired its regional influence with its growing geopolitical status. Türkiye has pursued an assertive foreign policy across the Middle East, North Africa, the Eastern Mediterranean, and beyond.

This represents an evolution from Türkiye's earlier posture. The early 2000s were guided by a 'zero problems with neighbours' doctrine which aimed for regional calm, whereas recent activity has seen Türkiye willing to project power and influence even at the cost of friction with its neighbours and great powers. Turkish policymakers commonly argue that Western hegemony is waning and that Türkiye must chart its own course in a 'post-Western' world by pursuing 'strategic autonomy', a foreign policy not relying on any single bloc. At the same time, domestic political considerations drive many of Türkiye's actions. The government has often leveraged foreign policy successes to bolster domestic support, especially as Türkiye's economy faces difficulties.

## Economic Power

Türkiye possesses the 19th-largest economy globally and is a member of the G20, giving it a voice at this internationally influential forum. One notable trend has been Türkiye's diversification of trade away from its traditional EU market towards Asia, the Middle East, and Africa. Between 2002 and 2022, Türkiye's trade with Asia increased from \$19 billion to \$220 billion, overtaking its trade with Europe.<sup>35</sup> By 2022, Türkiye was conducting more trade with the Global East and South than with the West, a dramatic reorientation that reflects its geopolitical pivot. The growth in commerce with China and Russia has been particularly noticeable, with Turkish trade with those two countries surging from \$6.7 billion in 2002 to over \$106 billion by 2022.<sup>36</sup> This interdependence has given Türkiye alternative economic partners to the West, which in turn supports its independent foreign policy stance.

Regionally, Türkiye has used economic instruments to build influence in its immediate region. In the Middle East, Türkiye pursued free trade agreements (FTAs) or preferential trade deals with neighbours such as Egypt, Jordan, Morocco, and the Gulf states during the 2000s. Turkish construction and contracting firms became active across the Middle East. By some counts, Turkish companies were second only to Chinese in the volume of construction projects in the developing world, especially in Gulf countries. These firms regularly act as informal ambassadors of Turkish influence, employing thousands across the region and enjoying direct backing from its diplomatic missions.

Another facet of Turkish economic influence is energy geopolitics. Türkiye has positioned itself as an energy transit hub connecting East and West. The Baku–Tbilisi–Ceyhan oil pipeline, which opened in 2006, and the Trans-Anatolian Natural Gas Pipeline (TANAP), which opened in 2018 carrying Azerbaijan's natural gas to Europe via Türkiye, both enhanced its strategic economic importance. Türkiye also agreed to host the TurkStream pipeline,

bringing Russian gas to Europe through Türkiye, thus entrenching its role as Russia's conduit and giving it leverage in energy negotiations.

## Diplomatic Power

As a middle power, Türkiye's diplomacy is characterised by multi-directional engagement: maintaining its Western alliances while simultaneously cultivating ties with non-Western powers and positioning itself as an independent regional leader. This allows it to talk to all sides of a conflict and even broker deals between adversaries. One prominent example was Türkiye's role as a mediator in the Russia-Ukraine war. In 2022, it brokered the Black Sea Grain Initiative in partnership with the UN, that enabled Ukrainian grain exports despite Russia's naval blockade. Türkiye hosted peace talks and leveraged its unique position as a NATO member and supplier of drones to Ukraine, but also a neighbour of Russia that did not join Western sanctions, to act as a go-between. Although the grain deal eventually collapsed in 2023, Türkiye's efforts won it international recognition as a potential peacemaker and underscored how middle powers can wield diplomatic influence in global.<sup>37</sup>

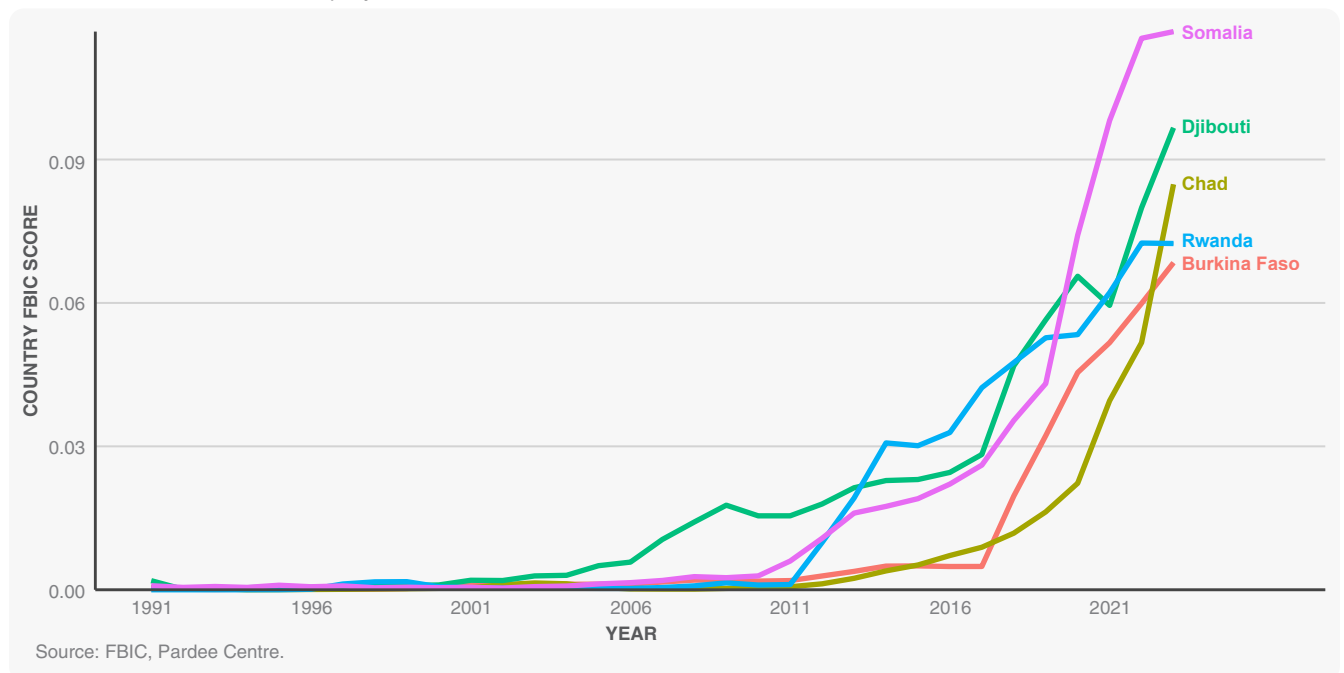
Türkiye has sought to balance relations with major powers in a way that improves its own agency. Türkiye's relations with the EU and US in the 2010s were frequently strained, over issues like Syria policy, human rights, and Türkiye's purchase of Russian weaponry, but it managed these frictions while avoiding a total rupture. Türkiye's continued commitment to NATO - it still hosts key NATO installations and contributes to missions - sits alongside its participation in new forums led by non-Western powers, exemplifying a hedging strategy. Notably, Türkiye has periodically floated interest in forums like the BRICS and formed part of MIKTA, an informal middle-power grouping with Mexico, Indonesia, South Korea, and Australia.<sup>38</sup> Such moves signal Türkiye's intent to be recognised as an influential voice in both Western and non-Western settings.

In 2005, Türkiye launched a comprehensive initiative to engage African states politically, economically, and culturally, as shown in Figure 4.6. The number of Turkish embassies in Africa swelled from just 12 in 2009 to 43 by 2021.<sup>39</sup> This massive diplomatic expansion was accompanied by high-level diplomatic visits. President Erdoğan has visited over 27 African countries, a record for non-African leaders. Türkiye was also admitted as a strategic partner of the African Union. The results have been striking in trade and influence. Türkiye-Africa trade volumes quintupled between 2003 and 2020, from about \$5.4 billion to \$25 billion, and Türkiye became a major investor in African infrastructure building airports, hospitals, and even mosques in countries like Senegal, Sudan, and Mali.<sup>40</sup>

FIGURE 4.6

## Turkish influence in sub-Saharan Africa, 1991–2023

Turkish influence has increased rapidly since 2010.



Türkiye's diplomatic influence has also grown via its role in international organisations and forums. Türkiye is an active member of the G20 and has used the G20 platform to advance issues important to emerging economies. Türkiye additionally initiated the Astana Process (2017) alongside Russia and Iran as an alternative diplomatic track to address the Syrian conflict, thereby bypassing the Western-led Geneva talks.<sup>41</sup>

In the United Nations, Türkiye has taken a leading position on refugee issues. Türkiye hosts over four million refugees, the world's largest refugee population, mostly due to the Syrian war. By hosting refugee summits and striking the 2016 EU-Türkiye migration deal, where Türkiye agreed to stem refugee flows to Europe in exchange for aid and political concessions, it showed its adept skills at diplomacy.<sup>42</sup> In 2021, Türkiye launched the Antalya Diplomacy Forum, intended as a Davos-like annual gathering of global leaders and thinkers on Turkish soil, further positioning Türkiye as a hub for international dialogue.

Domestic political factors are also intertwined with Türkiye's diplomatic conduct. In recent years it has responded to domestic governance challenges with international diplomacy. When facing economic troubles or electoral pressures, the regime increased its international engagement to bolster its domestic standing.<sup>43</sup> For instance, ahead of the 2023 elections, the Turkish government emphasised foreign policy achievements from The Hagia Sophia's reversion to a mosque, to championing Palestinian rights in order to rally nationalist and conservative voters. President Erdoğan hosted massive pro-Palestine rallies in late 2023, even calling Hamas militants 'freedom fighters,' a stance that sharply contradicted the position of his Western allies.<sup>44</sup>

## Military and Security Power

One of the clearest manifestations of Türkiye's middle-power emergence is its enhanced military and security capacity and the increasing use of hard power to advance its national interests. Over the past decade, Türkiye has increasingly relied on military engagement in regional conflicts, a major shift from its earlier avoidance of entanglements. This turn to 'hard power' became evident after the Arab Spring in 2011. Türkiye has progressively moved from caution to intervention, launching cross-border military operations and establishing an overseas military footprint to secure its strategic objectives. In 2020 alone, Türkiye carried out Operation Spring Shield in northwestern Syria, deployed troops and drones to Libya to bolster the UN-backed government in Tripoli, and provided vital military support to Azerbaijan in the Nagorno-Karabakh war.<sup>45</sup> Through these interventions, Türkiye positioned itself as a power broker in multiple conflicts, able to influence the scales on the battlefield and then influence diplomatic outcomes.

Turkish military assistance, notably armed drones and advisors, was widely credited with halting an offensive on Tripoli in 2020 and forcing a ceasefire in Libya, thus securing Türkiye a role in Libyan peace efforts. Similarly, Turkish-supplied Bayraktar TB2 drones helped Azerbaijan recapture territory in 2020, ultimately laying the groundwork for Azerbaijan's 2023 capture and ending of the war in Nagorno-Karabakh, demonstrating how Türkiye's hard power could alter regional balances in the Caucasus.<sup>46</sup> These actions marked Türkiye as a more assertive regional security actor willing to use force beyond its borders.

Türkiye's growing military assertiveness has been enabled in large part by the strengthening of its domestic defence industry and armed forces. Over the last decade, Türkiye invested heavily in local defence production, from drones and armoured vehicles to

warships, aiming for greater self-sufficiency and export capability. Türkiye's annual defence spending remained robust. Crucially, it cultivated a domestic drone program that became world-renowned. The Bayraktar TB2, a medium-altitude armed drone developed by Turkish firm Baykar, achieved notable success in conflicts and quickly attracted foreign buyers. Türkiye's global arms exports have accordingly surged. In the period 2015–2019 to 2020–2024, Turkish arms exports jumped by 103 per cent, making Türkiye the world's 11<sup>th</sup> largest arms exporter by 2024 with about 1.7 per cent of global arms exports.<sup>47</sup>

The country now sells its military hardware across the Middle East, Africa, Europe, and Asia, a form of both economic gain and strategic influence. Over one-third of Türkiye's recent arms exports have gone to Middle Eastern partners and another one-third to Asian countries, with new markets in Europe and Africa. Turkish armed drones are in high demand. In the period 2015–2024, over 20 countries had imported the Bayraktar TB2 or other Turkish UAVs, as shown in Figure 4.7.

This 'drone diplomacy' has given Türkiye leverage. It forges security ties and training programs with buyer countries and increases its clout in regions like sub-Saharan Africa where Turkish weapons now equip local forces.<sup>48</sup> The rise of Türkiye's defence industry exemplifies how Türkiye has bolstered its hard power while also reducing reliance on Western arms. Notably, Türkiye has sometimes prioritised strategic autonomy in procurement even at the cost of alliance frictions. A case in point was its 2017 decision to purchase the Russian S-400 air defence system, which led to US sanctions and Türkiye's removal from the F-35 fighter program, costing Türkiye an estimated \$10 billion in lost investment and contracts.<sup>49</sup> Such moves underscore that Türkiye's military strategy is driven not only by external threats but by a desire for freedom of action that aligns with its middle-power aspirations.

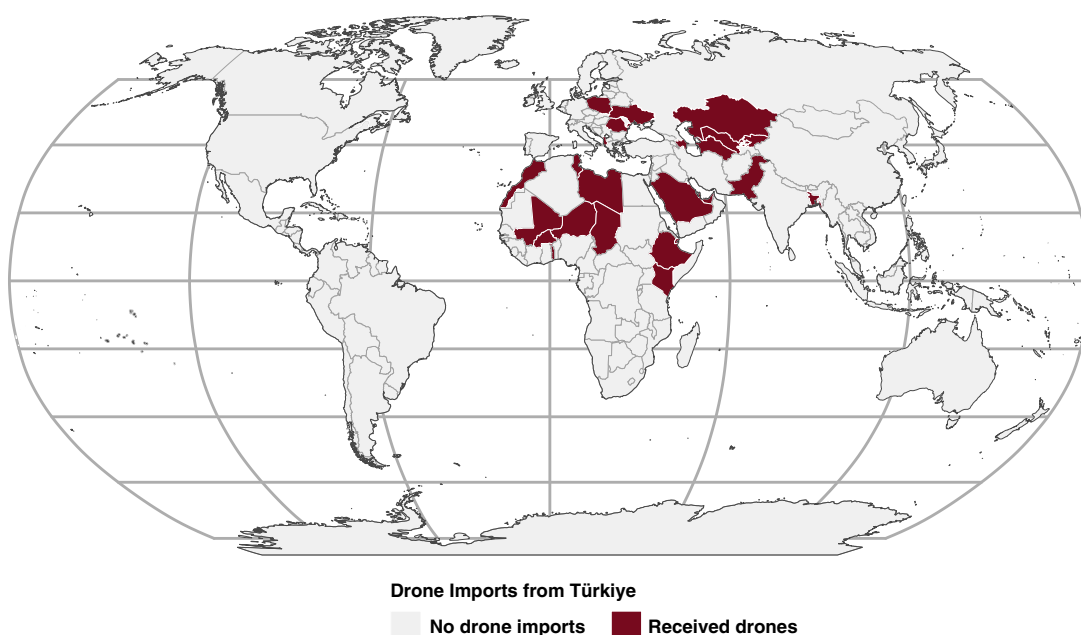
Türkiye's security footprint now extends far beyond its borders. Türkiye has established military bases or installations in Northern Cyprus, Qatar, and Somalia - home to Türkiye's largest overseas military training base that opened in 2017- to project power into the Red Sea region and train forces. In Libya, Türkiye maintained military advisors and a drone base in Misrata after 2020, effectively securing a long-term sphere of influence in North Africa's security dynamics.<sup>50</sup> Across Africa, Türkiye has signed dozens of security cooperation agreements, including with Niger, Ethiopia, Nigeria, and Tunisia, involving arms sales, military training, and counter-terrorism assistance.<sup>51</sup> Türkiye also uses proxy actors to extend its security reach. In Syria, the Turkish military partnered with and equipped Syrian rebel factions as auxiliary forces in multiple operations since 2016. In Libya, Türkiye reportedly facilitated the deployment of Syrian fighters and utilised a private military company (SADAT) to support the Tripoli government's militias.<sup>52</sup> These indirect methods allowed Türkiye to amplify its power projection at relatively lower political cost.

A signature element of Türkiye's new military strategy is the 'Mavi Vatan' or 'Blue Homeland' doctrine. Blue Homeland claims extensive Turkish rights over maritime space in the Aegean and Eastern Mediterranean. In practice, this doctrine led Türkiye to send naval-escorted research ships to contested waters near Cyprus and Greece to explore for gas in 2019–2020, triggering a crisis with Greece and the EU.<sup>53</sup> Türkiye's naval assertiveness was further demonstrated in a controversial maritime boundary agreement it signed with Libya's government in November 2019, which ignored Greek claims and aimed to give Türkiye access to a broad swath of the Mediterranean seascape.<sup>54</sup> Although such steps heightened tensions with NATO partners and led to a EU Response, they exemplify Türkiye's willingness to challenge the status quo.

FIGURE 4.7

### Countries that imported Turkish-made UAVs, 2015–2024

Türkiye exported drones to over 20 different countries in the last decade.



Source: SIPRI Arms Transfers Database

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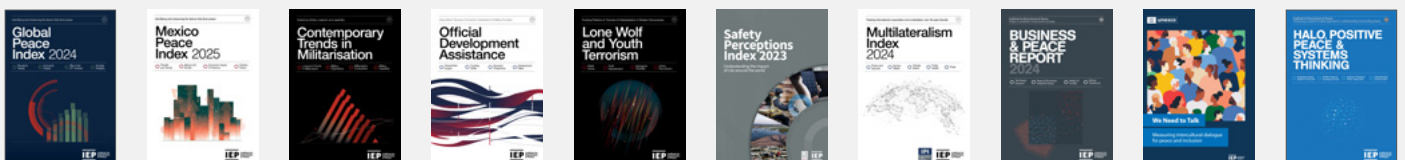


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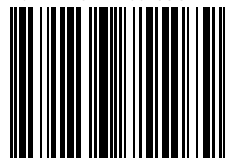
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