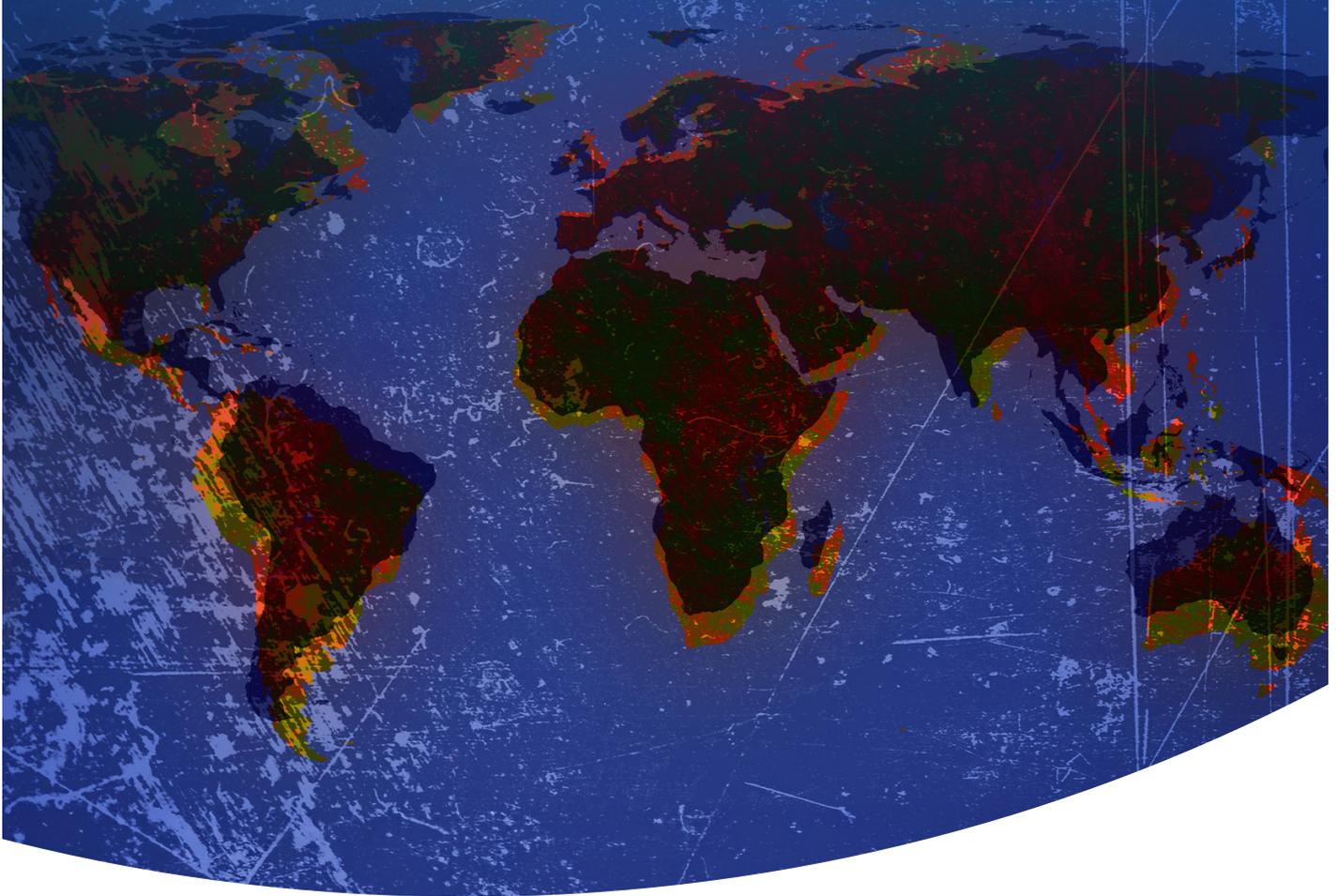


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PEACE AND PERVERSION: A GEOPOLITICAL ANALYSIS

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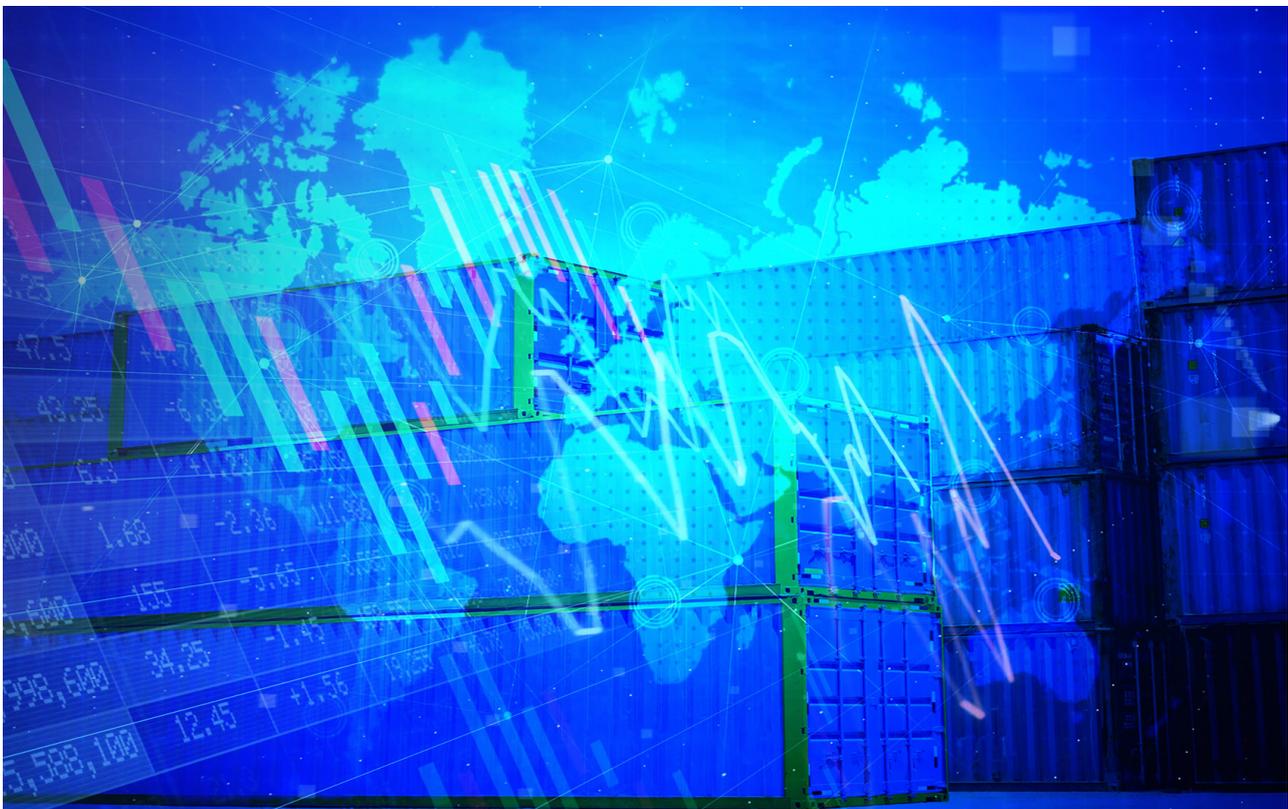
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In this detailed assessment of the geopolitical landscape, Alastair Irvine discusses the rising tensions between major global powers and considers the investment view.

The Russo-Sino axis wants global stability. Trump, the self-proclaimed “non-interventionist ‘President of Peace’” wants global stability. “Stability” in both instances means a form of domination. Both parties want stability on their terms and not those of the other. In a titanic clash of ideologies, in both cases it is difficult not to see theirs as a perversion of peace and stability in the way they are going about achieving it.



THE INVESTMENT PERSPECTIVE

Markets dislike uncertainty. Instability creates uncertainty. With little sense of self-awareness or irony, President Xi of China recently remarked to President Putin, “the world has become more unstable”. Shifts in geostrategic, geopolitical, geoeconomic and energy policies are having profound effects: they are changing and disrupting trade and capital flows; they are creating significant competition for resources; energy, capital, trade, currencies, regulatory frameworks, ownership and more are being weaponised in the conflicting pursuits for geostrategic advantage. Significant tensions are arising, not only between adversaries but between allies. The need to invest urgently in national security and resilience presents great political and fiscal challenges.

The result has been a significant increase in volatility in global asset and commodity prices (the most obvious of which is gold, the traditional “safe haven” or “store of value” in uncertain times) or unexpected trajectories in currencies, notably the US dollar.

Down in the trenches battling the daily onslaught of economic data and noise, it is easy to lose sight of the bigger picture and to appreciate, even if on the ground it seems to have been imperceptible, just how much has changed. Consider the US 10-year government bond, accepted as the global proxy for the risk-free rate of return on an investment (the rate of return on a “riskless” investment, based on the presupposition that the US government will never default on its debt): in March 2020, peak pandemic crisis time and Donald Trump in office in his first term, the yield was 0.53% against a central bank interest rate of 0.25%; in February 2022, the time of Putin’s invasion of Ukraine, the yield had reached 1.75% with the interest rate still at 0.25% (bond yields and their associated prices move in opposite directions); today in February 2026 it is 4.2%; the implied average inflation rate (crudely, taking the difference in the yield on the cash bond and its inflation-adjusted equivalent, the TIPS) over the next 10 years is a stable 2.3%, only slightly above the US central bank’s mandate to run the economy with an inflation rate of 2%; the Federal Reserve has reduced interest rates from a peak of 5.5% in the summer of 2024 to 3.75% today. That increased yield premium is the heightened perception of risk.

Germany has virtually no economic growth, its heavy industries are suffering high energy costs and the government has been forced to relax borrowing rules to allow urgent military rearmament spending in face of the threat from Russia. As little as three years ago on negative yields, the German government was being paid to borrow not only over 10 years but 30. Today, at +2.8% and +3.5% respectively, German 10 and 30-year bond yields are their highest in 15 years.

It is said that there are two types of forecasters: those who don’t know, and those who don’t know they don’t know. I know no better than anyone else. This analysis does not set out to predict the future. However, from the perspective of assessing and pricing risk, having a critical understanding of what is shaping today’s events that is giving rise to such instability and uncertainty can help inform the investment perspective. If it does that, at least it has done its job.

EXECUTIVE SUMMARY

February 22nd 2026 marks the fourth anniversary of the Russian invasion of Ukraine. My first analysis, “Anatomy of a Crisis”, was published ahead of that event; this annual appraisal of the global geopolitical and geostrategic situation is my fifth. To describe the situation today as both dynamic and unstable would be an understatement. Donald Trump is not the cause of global instability but he is without doubt a strong and decisive catalyst propelling it into uncharted territory.

Last year, my 2025 analysis took as its focus what was then the forthcoming UK Strategic Defence Review (“A Call To Arms”, presumptuously it turned from a research piece into both a polemic and a comprehensive National Security Blueprint of its own for the UK). The official, independently-authored 2025 UK SDR was “ready to go”, in the words of one of its Reviewers, last February. However, with the march of events in NATO about funding, amid shifting strategic sands government publication was delayed until early June. The geostrategic situation continues to develop apace. The rainmaker unquestionably is Donald Trump.

This 2026 edition therefore takes as its analytical focal point President Trump’s “National Security Strategy of the United States of America” (NSSUSA) published at the end of November 2025. Without an appreciation of where it is coming from and the context from which it emerged, it is difficult to understand where the direction of travel is. This analysis aims to bring clarity to a complex and fluid situation.

For digestibility the analysis is divided into the following chapters:

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- 1) **National Security Strategy of the United States of America.** How and why “America First” and “Make America Great Again” are profound ideological philosophies and credos. This is a detailed analysis of a Trumpian strategy giving rise to significant destabilisation.

 - 2) **The Alternative View: the world as others see it.** Trump’s strategy was not developed in a vacuum. As well as taking an aggressive stance, it is also a rational defensive response to mitigating the competitive threats posed by China, Russia, North Korea, Iran and others.

 - 3) **Ukraine: a grinding conflict.** The path to peace in Ukraine is liberally strewn with practical difficulties and moral hazard with significant consequences.

 - 4) **NATO: Autocracy, Alliance or Anarchy?** NATO is in deep political crisis which in turn may prompt a security crisis. It is at a cross-roads: stick or split? Opinions are dividing and polarising.

 - 5) **The UK: studied obfuscation.** Amid political instability, leadership weakness and fiscal constraints, the UK’s commitment to national security is not its first priority.

 - 6) **Funding UK National Security: “doing our bit” in the national interest.** A three-layered approach as to how investors and the financial community should be taking the initiative to protect financial assets by mitigating national security risks.

CHAPTER 1

NATIONAL SECURITY STRATEGY OF THE UNITED STATES OF AMERICA

As a formal policy published under the Seal of the President of the United States, President Trump's National Security Strategy published in November 2025 is a remarkable document: to use the vernacular but without fear of exaggeration, "a game changer". Trump followed it up in a rambling but no-holds barred speech at the World Economic Forum in Davos in January. At the Munich Security Conference which followed in February, Secretary of State Marco Rubio might have been more diplomatic than Trump but the message remained as uncompromising. But none of it should have been a surprise to anyone who has been listening to what Trump says. Last February in the first address to Congress of his new term, he was explicit in his intent: "We are going to forge the freest, most advanced, most dynamic and most dominant civilisation ever to exist on the face of this earth". NSSUSA is the unusually ample flesh on the bones of "MAGA" ("Make America Great Again") and "America First".

A social media addict, much Trumpian policy is delivered by soundbite: "Drill, baby, drill!" (energy); "The future belongs to makers" (US reindustrialisation); "Who the hell defends a lease" and "Governor Carney" of the "51st State" instead of PM of Canada (geographic ownership and control); President Petro of Colombia "needs to watch his ass" (anti-narcotics policy); "we will rain hell" (policy against Iran and its proxies). It is easy to laugh, belittle or ignore such phrases and aphorisms simply because they are short, pithy soundbites; what lies behind is deep-rooted intent and conviction. Experience should say by now that only fools fail to take them seriously or fail to understand why Trump said them and what he meant by them.

VANITY! TRUMP'S NEED FOR PERSONAL RECOGNITION AND GRATIFICATION

With western muscle memory all but gone at the time of his re-election (of his principal overseas counterparties and allies from his first term, only President Macron of France remained in office), even a year later the geopolitical, geostrategic and geoeconomic consequences of Trump's second term are just beginning to be understood. But if there is an experience deficit among other heads of government, Trump himself is a different political animal leading a very different administration. Gone is the administrative chaos of Trump 1, the consistently revolving door as he jettisoned largely serious, experienced people who either failed to do his bidding and he fired them, or who reached the end of their tether with him and left of their own accord; in contrast, Trump 2 has so far been personally more bullish but administratively stable, supported by like-minded personalities either with their own ambitions for the top job in 2029, or family members, yes-men and sycophants.

Trump 1 was driven by the need to secure a second term. Driving Trump 2 is his vanity and a need for recognition, whether in the form of a Nobel Prize, or what he aims to achieve with his International Board of Peace. Like a medieval monarch, he craves indulgence and fealty. But most importantly of all he wants a global legacy cementing his place in history.

“AMERICA FIRST!” & “MAGA”: TWO SLOGANS, ONE COMPLETE POLITICAL PHILOSOPHY

If anyone still thinks that “America First” and “Make America Great Again” are mere electioneering window dressing adorning Republican red baseball caps, think again. Those two slogans describe and define in brutal simplicity a complete political ideology. They are Trump’s personal credo. He is determined the results will be his legacy. The central premise explicitly underpinning the NSSUSA is “America First”. To be sure, there is much in the strategy document that is objectionable and indeed offensive in every sense, much that is disputable and hypocritical; it is riddled with sweeping generalisations, inconsistencies and hyperbole as well as being selective and elastic with facts; equally there is much that is entirely sensible, pragmatic and, particularly relating to the economy, contains national blueprints which other democracies would be wise to emulate. But whatever one’s personal views and conclusions, as a crystal clear statement (“President Trump uses unconventional diplomacy” ch4 p8) of strategic intent projecting US interests, it is as forthright as it is frightening.

His personal introduction sets the tone:

“My fellow Americans, over the past nine months, we have brought our nation—and the world—back from the brink of catastrophe and disaster. After four years of weakness, extremism, and deadly failures, my administration has moved with urgency and historic speed to restore American strength at home and abroad, and bring peace and stability to our world.

No administration in history has achieved so dramatic a turnaround in so short a time.

Starting on my first day in office, we restored the sovereign borders of the United States and deployed the US military to stop the invasion of our country. We got radical gender ideology and woke lunacy out of our armed forces, and began strengthening our military with \$1 trillion of investment. We rebuilt our alliances and got our allies to contribute more to common defence—including a historic commitment from NATO countries to raise defence spending from 2% to 5% of GDP. We unleashed American energy production to reclaim our independence, and imposed historic tariffs to bring critical industries back home.

In Operation Midnight Hammer, we obliterated Iran’s nuclear enrichment capacity. I declared the drug cartels and savage foreign gangs operating in our region as Foreign Terrorist Organisations. And over the course of just eight months we settled eight raging conflicts—including between Cambodia and Thailand, Kosovo and Serbia, the DRC and Rwanda, Pakistan and India, Israel and Iran, Egypt and Ethiopia, Armenia and Azerbaijan, and ending the war in Gaza with all living hostages returned to their families.

America is strong and respected again—and because of that, we are making peace all over the world.

In everything we do, we are putting America first.

What follows is a National Security Strategy to describe and build upon the extraordinary strides we have made. This document is a roadmap to ensure that America remains the greatest and most successful nation in human history, and the home of freedom on earth. In the years ahead, we will continue to develop every dimension of our national strength—and will make America safer, richer, freer, greater, and more powerful than ever before.

President Donald J Trump.”

And on the seventh day He rested. This letter, reproduced in full, is pure, authentic Trump. You can almost hear him saying it exactly how it reads in that peculiar alto lilting tone of his. It combines bombast and hubris with overstatement, fantasy and fact. But the 29 pages of big-type text written by another hand which are the substance of the Strategy are the antithesis of hubris: while woven with arrogance and chilling in its implications, the tenor of the work is the opposite of being over-confident and complacent; on the contrary it betrays an obvious insecurity. It is an acknowledgement that while the US might still be the one genuine global superpower, its position is undoubtedly threatened. There is an admission of needing to redefine its goals and to recognise the limitations of its own interests to within the Western Hemisphere. While being explicit about the need to dominate his backyard (which still represents half the globe!) the focus of his attention is countering the principal threat coming from China.

What differentiates Trump from other western democratic leaders and his American predecessors is the ruthless self-determination to take whatever robust action he sees necessary not only to defend his country's interests but to advance and expand them.

“AMERICA FIRST” MEANS EVERYONE ELSE’S INTERESTS ARE SUBSIDIARY

It is often said that Trump is an ‘isolationist’. To be clear, America is not isolating. Not in the sense of retreating as a self-contained society and economy behind its national seaboard and land borders as some have suggested. That type of American isolationism would pose many problems but it would be clear-cut and in many ways easier to deal with. Trump’s language is as imperious as the strategic intent is imperial. His views on America’s supremacy at the apex of the world order are clear. As we will see, the combination of a mercurial character, the multi-faceted nature of his strategy (territorial appropriation; weaponizing global trade, energy, natural resources, deregulation, US capital, US industry, US technology, the dollar etc, as well as the over-arching focus on military power) and deliberately elasticating the definition of what constitutes the Western Hemisphere and America’s “sphere of influence” (what he terms the “Trump Corollary to the Monroe Doctrine”) make it much harder for both his allies and adversaries to know how to react or what to expect next.

“America First” is a statement of intent; the real Trump Corollary to the Monroe Doctrine is that everybody else’s interests are secondary and subsidiary to those of the United States; if the interests of others happen to coincide with Trump’s, all well and good, if not the problem is theirs and not his. However, as a deal-maker, in ensuring America gets what it wants, his natural default mode is transactional. To encourage counterparties to his way of thinking, what are termed “inducements” are available. Trumpian “inducements” come in two forms: first, positive incentives; second, direct threats including unwinding existing trade agreements, applying new punitive tariffs and in extreme cases the threat of brute force.

There is an important qualifier to the preoccupation with the Western Hemisphere: “The affairs of other countries are our concern only if their activities threaten our interests”; as Europe is finding out, “our” interests really mean Trump’s interest.

Ever the “unconventional diplomat”, Trump’s document is a masterpiece of saying what he means and meaning what he says while having the perverse effect of leaving everyone else to a greater or lesser extent off-balance and guessing what it means for them. Keeping counterparties off-balance is a trick at which he is expert.

COUNTERPARTY CONUNDRUM: IS TRUMPION DOCTRINE THE NEW AMERICAN NORM?

What America's friends and foes alike are rapidly having to weigh is how to respond. In the here-and-now, as in the case of the ownership of Greenland and the immediate internal challenge posed to the integrity of NATO with the American threat to use military force against the island (a threat withdrawn at Davos: advisers must have told him he had overstepped the mark) and potentially punitive trade tariffs on any other ally backing Denmark, they have to react to the situation as they find it.

But longer-term, key to the calculus is whether the NSSUSA is a uniquely Trumpian doctrine limited to the duration of his presidency and expiring in 2029? Or is it a more broadly accepted and deeper-rooted Republican ideology that is core also to his successors' strategic outlook in his own party, and therefore could extend at least to 2033 (some detect the input of potential future Republican leaders Vice President JD Vance or Secretary of State Marco Rubio behind the White House intern bashing away at the typewriter)? For example with Greenland, there might be significant Republican unease in Congress about Trump's methods of gaining control of the island (process); however, that should not be confused with denying that Greenland is a gaping hole in the armour of US homeland security for which American control or ownership would be the appropriate solution (principle).

If it is a Democrat administration potentially taking office after Trump in 2029, even if there is a recognition for the restoration and renovation of a global rules-based order with American participation and effective institutions to underpin it, to what extent will US national interest and protectionism have infused the wider US political spectrum? Trump is far from being the first US president for whom Europe's safety is not America's first priority. Democrat Presidents Obama and Biden were both keen to shift US strategic focus eastwards to the Indo-Pacific region; neither is Trump the first to have lost patience with allies nor to cause a near-death experience for the NATO alliance as Biden did in 2021 with his unilateral cut-and-run from Afghanistan. Even Trump's casual disregard for the collateral damage he causes to others who should naturally be staunch allies of the United States is not unique: again, the same criticism can be levelled at Biden about Afghanistan. But what does differentiate Trump is that he does not accidentally create havoc: he provokes reactions by deliberately creating havoc.

A BILL OF RIGHTS AND AN ABROGATION OF RESPONSIBILITIES

I have used the terms "frightening" and "chilling". Lest there be any doubt, what Trump's document represents is a bill of not only intents but what he sees as American strategic rights; the obverse of the same coin is that his is an abrogation and denunciation of America's international responsibilities. To that extent in terms of global stability and security there is a profound, all-pervading delinquency running through it.

Trump's division of the world into spheres of influence is a repudiation of globalism and encourages the notion of "Might is Right"; eschewing his legal responsibility as a guarantor of Ukrainian security, sovereignty and its 1994 borders, for example, the manner of Trump's peace negotiations in Ukraine which will lead to its partition, is heading in the direction of legitimising bad behaviour by bad actors; rehabilitating Putin personally and restoring Russia nationally to organisations such as the G7/8 without any sanction would reward bad behaviour. That said, Trump's own military interventions border on illegality.

Applying strong man tactics, Trump the perversely self-proclaimed “non-interventionist President of Peace” is content to dispense his own unique brand of pax humana wherever he sees the need; but the symbols, the traditional white doves, the olive branches, handshakes of goodwill, the kumbaya, all are redundant relics. They are replaced with high-tech hardware delivered in a mailed fist: MOPs, Tomahawk cruise missiles, nuclear-powered aircraft carriers, Navy SEALs and military Delta Force kidnap/hit squads.

No wonder Dmitry Medvedev, former Russian President/Prime Minister, hardline nationalist and Putin puppet, was moved to declare in the wake of the recent American intervention in Venezuela that henceforth nobody has the right to criticise his country for Russia undertaking what it regards as operations protecting its own national interests. Russian aggression has not only been implicitly vindicated but legitimised by Donald Trump. When talking about his Venezuelan venture in his speech at Davos, Trump’s joke throwaway line will have been grabbed as green light by every bad actor as legitimisation for illegal land-grabs to provide geostrategic advantage (e.g. Russia in Eastern Europe and China in the South China Sea and Taiwan): “maybe more countries should try it—make an attack and then do a deal”. Morally, this is a race to the bottom.

DISRUPTION OF THE RULES-BASED ORDER

If the United Nations rules based order pertaining since the end of World War Two was already demonstrably unfit for purpose, Trump has given it another severe beating. His is an explicit rejection of global security and stability institutions, their laws and conventions; he said as much in an interview to the New York Times in January. To prove the point, on January 8th he ordered US withdrawal from 66 bodies which he sees as no longer looking after America’s interests (he perceives some as being actively inimical to America: to quote the White House press release, “RESTORING AMERICAN SOVEREIGNTY: President Trump is ending U.S. participation in international organizations that undermine America’s independence and waste taxpayer dollars on ineffective or hostile agendas.”) Half are UN organisations, but the full list includes the International Panel for Climate Change, the World Health Organisation, the UN Human Rights Council and UNESCO. Mutual support, cooperation and security codes are replaced by a self-serving presumption summed up in “Might is Right” through the Trumpian lens. If nothing else, it has prompted UN Secretary General Antonio Guterres to recognise that to be effective, the UN Security Council needs fundamental restructuring and to undergo complete constitutional reform. Those reforms may well be stillborn given the existing vetoes accorded individually to the five permanent members whose seats result from being the winning powers in the Second World War, all of them nuclear-armed: America, Russia, China, the UK and France. Are they all willing to see their individual powers diluted in favour of a Global South demanding proportional representation?

Trump’s personal initiative, founded on the original board chosen by him to oversee the reconstruction of the Israeli Mediterranean coastline and specifically the development of a new Trumpian Gaza-sur-Mer to rival Dubai, is his rival international “Board of Peace” (subscription fee \$1 billion, Chairman Donald J Trump, c/o Mar-a-Largo Fl. USA). He ostentatiously signed the founding Articles and admitted its first members at Davos in January. Whether this is a genuine force for good, a short-duration flight-of-fantasy, or something greatly more sinister in the mould of Ian Fleming’s Blofeld and a Spectre-like convention remains to be seen; at least for the next three years it has the implicit backing of the assets of the United States vested personally in Donald Trump as President.

Responding to Russia's invasion of Ukraine in 2022, President Biden differentiated between democracy and autocracy, light and dark, good and evil: you're with us or you're against us. It was a rallying call to the democracies, a warning to the autocracies and theocracies, and an appeal to maintain the established world rules-based order in the interest of global stability and security. Trump's approach, as in his first term, is the opposite: it is deeply corrosive, driving a wedge between the US and its allies and exacerbating tensions between those allies themselves or creating tensions where few or none existed previously. It includes the appeasement of Russia and President Putin whom he treats with a great deal more respect than he accords to America's fellow democratic peer countries.

AMERICAN STRATEGIC DELINQUENCY

America is not so secure that it does not need allies and friends; Trump admits that. Even if his reasons behind his actions are sound (e.g. getting other NATO members to pay their full dues) what he is risking, hence the strategic delinquency, is that with such a corrosive approach undermining and fracturing those relationships and debasing alliances, he does the work of those who would do us harm. That potentially also makes the United States itself less secure in the process.

AMERICA'S MOST POWERFUL WEAPON? THE "SHARPIE"

But as well as being directed at the international audience, Trump's National Security Strategy addresses domestic lawmakers, taxpayers and voters. It does so in a multi-layered way. To the legislature in Washington, the repetition of "national interest" in every policy facet is deliberate. Other than formally committing the US to war which requires Congressional approval, the strategic, tactical and operational implementation of the NSSUSA will almost certainly be prosecuted by Presidential Decree/Executive Order. The single most powerful weapon in the entire US arsenal is the President's ultra thick "Sharpie", the black felt-tip pen with which he seals those orders with his characteristically aggressive, spiky signature.

Presidential Decree is supposed to be limited to being deployed sparingly and only "in the national interest". Every US president uses executive orders, some more than others. Trump pushes the boundaries to the limit, characteristically ruling by decree as often as possible. Each is open to being contested in the Supreme Court (as his happening with his tariffs); the constant hammering home of "national interests" is the legal mitigant against a successful challenge. That he has been able literally to shoot first without necessarily asking or being required to answer questions later is a shortcoming in the robustness of the US constitution.

"AMERICA FIRST": A POLITICAL ELEPHANT TRAP

Politically, the NSSUSA is an address to the nation and particularly his own caucus that he is explicitly delivering "MAGA" and putting "America First", exactly as he promised he would. A transactional president is not only getting the US taxpayer off the financial hook through "burden sharing" and making Europe pay for Ukraine's war effort, he is also encouraging European countries to backfill depleted arsenals from US defence contractors: a win-win.

For his political opponents, particularly with the mid-term elections rapidly approaching, it is a deliberate trap: if they disagree or oppose him, by his definition they are anti-American, as bad as those institutions which undermine US interests. Americans are fiercely proud of their nation: his approach is to join the dots for them. The implied accusation is that to disagree is to hold un-American values (the reality is that any electoral defeats in November which might cause him to lose his slim majorities in the House or the Senate or both are far more likely to be caused by his failure successfully to address the economic cost of living crisis which he promised to repair, or as a reaction to the widespread unease at the heavy-handed approach to domestic law enforcement including casual lethality as used by federal agencies such as ICE in Minnesota).

APPRAISING TRUMP'S STRATEGIC INTENT

So to the substance of the National Security Strategy. Instead of dissecting the document in minute detail, the aim is to distil and analyse the principal themes.

All-pervading foundations

Suffusing the document are a number of key foundations to be preserved, exploited, developed, 'weaponised'; in Trumpian language summarised as "America's means to get what we want":

- **Economy:** having the biggest and most innovative economy which generates wealth for reinvestment and exerting leverage over countries wanting access to US markets and capital. US capital markets and the deep pool of capital available in the country are regarded as essential national assets.
- **Dollar:** guarding but also harnessing the US dollar hegemon as the leading global reserve currency with all the geopolitical, geoeconomic and geostrategic power and leverage that accrue from it. He draws the distinction between the power of the dollar and its value.
- **Tech:** exploiting US technological innovation for commercial, economic and military strength.
- **Military:** the world's most powerful armed forces. To "recruit, train, equip and field the world's most powerful, lethal, and technologically advanced military to protect our interests, deter wars and—if necessary—win them quickly and decisively". This includes the nuclear deterrent and the provision of a Golden Dome for homeland defence, as well as being able to protect US assets (both physical and human) overseas. Note that last year as a statement of intent Trump formally renamed the Department for Defense, the Department for War.
- **Energy dominance:** "Unleashing energy" as a competitive and strategic asset and the engine of growth and technological innovation. Control of its sources and raw materials is vital to national security and resilience.
- **Natural resources:** The need for access to other natural resources, in particular the strategic rare earth minerals in which the US is almost entirely deficient; the US having access means denying control and access to others ("no competing powers physically dominant in our Hemisphere, borders at no risk of military invasion, and other great powers separated by vast oceans", a clear warning to China and Russia, both highly active in Latin America, to keep out).
- **Taxation and deregulation:** exploiting low tax rates and deregulation as both a competitive advantage and a strategic inducement to invest in the US.

- **Reindustrialisation:** “the future belongs to makers”. Trump understands the need for a balanced economy and self-reliance and control of manufacturing both as a national asset, a competitive advantage, the engine of economic growth and wealth creation, and as a means of achieving national resilience and security.
- **Diplomacy:** “Unmatched Soft Power and cultural influence”. Trump does soft power and culture, apparently. Who knew?

Principles and Priorities

Chapter 4 is the meat of the Security Strategy. Parts 1 and 2 of the chapter are statements of “Principles” and “Priorities” built principally on economic, foreign and military policy. It begins with a focused definition of the National Interest, distilling national security as the only goal and eradicating the remainder; the US will no longer be the world’s policeman.

“**Peace Through Strength**” is the recognition of the essence of deterrence, a philosophy that even now, despite the obvious threats and global instability, too many NATO members have taken a long time to understand, some are still not taking seriously or are politically or financially hamstrung in their ability to implement.

Given the direct US interventions in Nigeria, Venezuela and Iran, and the threatened ones directly or obliquely targeted at Greenland, Cuba, Mexico, Colombia, Panama, Canada and others, “**Predisposition to Non-Intervention**”, the “**Primacy of Nations**” and “**Sovereignty and Respect**” are obvious inconsistencies. Trump presumes a self-determined legitimacy to deviate: “For a country whose interests are as numerous and diverse as ours, rigid adherence to non-interventionism is not possible. Yet this predisposition should set a high bar for what constitutes a justified intervention”. It is Trump who sets the height of the bar.

“Primacy of Nations” and “Sovereignty and Respect” are pregnant with cynicism: he clearly has little regard for either as demonstrated in Venezuela and Greenland. But his most egregious disregard for both is beyond doubt in the case of Ukraine: the US, together with the UK and Russia, is the legal guarantor of Ukrainian security and sovereignty as defined in the 1994 Budapest Memorandum. That he not the first US president to abrogate his explicit responsibilities under the treaty is not the point (Barak Obama stood idly by in 2014 and watched when Crimea was annexed illegally; wittingly or otherwise Joe Biden encouraged the Russians in 2022 ahead of the full invasion when he said a “limited incursion was acceptable”); far from honouring the agreement, Trump’s peace plan presumes the partition of Ukraine as a fait accompli and insists on the US being granted mining rights in the mineral-rich south-east by way of financial compensation for US support for the Ukrainian war effort. Further, he is still obfuscating over the definition of future security guarantees while ensuring Ukraine will never join NATO. All the evidence so far suggests that adherence to these “Principles” is lip service; actions speak louder.

When making interventions, Trump exudes contempt for such niceties as the official warrant cards provided by UN Mandates. Trump neither seeks permission first nor forgiveness after: he simply acts and moves on.

In a tacit warning to adversaries (i.e. Russia and China), in a case of do-as-I-say-not-as-I-do, the “**Balance of Power**” principle will not allow any other nation to become “so dominant that it could threaten our interests. We will work with allies and partners to maintain global and regional balances of power to prevent the emergence of dominant adversaries”; this is in direct conflict with the US’s stated aim of itself explicitly needing to dominate the half of the globe that constitutes the Western Hemisphere.

“**Fairness**” is the explicit warning to other members of US-led security alliances such as NATO not to take advantage of American wealth and resources. It is an entirely justifiable rejection of free-loading financially and militarily and trespassing on American goodwill. Trump expands on this later in his strategic priorities, one of which is entitled “**Burden-sharing and Burden-shifting**”. This is the confirmation of last year’s NATO agreement (with the exception of Spain which refused, seemingly without sanction) that all members will meet the 5% of GDP spending target on defence and national security infrastructure. Trump looks favourably on countries which buy American defence materiel.

If military power and prowess are paramount in achieving US national security, it is only because they can be supported and financed by a robust economy which is in turn underpinned by energy security.

Energy: “Drill, baby, drill!”

It is a statement of the obvious that energy literally powers and drives the economy. Donald Trump has clearly identified that energy is a fundamental national asset; control, security, reliability and self-reliance are vital for growth and national resilience. “Drill, baby, drill!” is an unfashionable, controversial but very unambiguous national energy strategy: little did we know that it included not only the exploitation of the US’s own on- and offshore oil and gas capacity, but also taking control of Venezuela’s.

But he is also preoccupied with the future: he is not blind to the transition towards carbon net-zero; he is acutely aware of the potentially exponential demand for electricity as AI, quantum computing etc fulfil their potential. Hence his laser focus on control of or access to the rare earth minerals and ores in places as diverse as Greenland, sub-Saharan Africa (the DRC especially), Siberia, Latin America and south-east Ukraine. Trump fully and correctly recognises four aspects underpinning economic wealth, growth, technological innovation and development: the needs for 1) permanent, consistently available energy capacity; 2) lots of it; 3) full control over it; 4) to invest in even more of it (or in his case, appropriate it). He is investing massively in nuclear alongside gas and oil; unreliable windmills are being “uprooted” and “torn down”.

Trade, tariffs and the Dollar

Trump’s economic strategy is a straight rebuttal of the concept of globalisation. The concept of “**Balanced Trade**” is about the US advancing its competitiveness. He wants others to buy American goods while reducing imports into the US: “the United States will prioritise rebalancing our trade relations, reducing trade deficits, opposing barriers to our exports and ending dumping and other anti-competitive practices that hurt American industries and workers”.

Trump's 2025 tariff wars and negotiations followed the script of his ex-Harvard economic adviser Stephen Miran's November 2024 academic booklet "A User's Guide to Restructuring the Global Trading System" published by Hudson Bay Capital. Miran's thesis is that "The Roots of Economic Discontent Lie in the Dollar"; in what is known as the Triffin Dilemma, Miran argues the conundrum of balancing between the strategic **power** conferred by the dollar—it comprises more than half the value of all world reserve currencies, most global commodities are traded in it, and the dollar's centre of gravity means the US is the centre of the world's settlements system—against its tactical **valuation** vis-à-vis other currencies. The dollar lost 12% of its value in 2025 having been 'talked down' (which includes Trump engaging in open warfare with the Chairman of the Federal Reserve over interest rate policy), an outcome that was entirely consistent with tariffs in deterring exports to the US while making exports from the US more competitive. Incidentally, Miran has since been appointed a Governor on the board of the Federal Reserve. Trump's nominee to replace current Fed Chairman Jay Powell in May is Kevin Warsh, a self-confessed but mislabelled "dove" who shares the philosophy that interest rates are far too high despite the US economy growing at over 4%pa in real terms and in danger of overheating.

The easiest way for counterparty countries to avoid the tariff-loaded expenses and currency penalties of trading with the US is to invest there instead. For example, Trump might not want US consumers buying cars manufactured in Germany and imported into the US; but he welcomes with open arms the likes of Mercedes or BMW building factories in the US, having their cars stamped "Made in the USA" and creating US jobs. It is a tried and tested strategy: Joe Biden's carbon net-zero policy did the same with electric vehicles and his big financial incentives to consumers on condition that they bought only "green" products made in the US with US labour.

"The future belongs to makers"

"Securing Access to Critical Supply Chains and Materials", "Reindustrialisation" and "Re-shoring" are Trump's strategic counter to China's One Belt One Road and maritime String of Pearls strategies to dominate supply chains, ranging from the sourcing of raw materials to their processing and the routes to market. In particular it is intended to deliver future self-reliance for critical products and components, particularly including all-important semi-conductor chips, the global supply of which is dominated by vulnerable Taiwan.

Regarding the defence contracting sector, as well as the need for "national mobilisation to innovate powerful defences at low cost, to produce the most capable and modern systems and munitions at scale"; the industry must be made to act fast and invest in technology and capacity. Corporate salary bills in defence are to be capped and share buy-backs forbidden to ensure the maximum reinvestment of profits in the interest of national security (i.e. managements and shareholders are being made to take responsibility, as the Americans say, to have "skin in the game").

As well as **"Energy Dominance"**, Trump fully understands the foundational importance of capital and capital markets. Through **"Preserving and Growing America's Financial Sector Dominance"**, Trump explicitly recognises the risks, warning against complacency: "Our leadership position cannot be taken for granted. Preserving and growing our dominance entails leveraging our dynamic free market system and our leadership in digital finance and innovation to ensure that our markets continue to be the most dynamic, liquid and secure and remain the envy of the world".

A Permanent Rupture?

It is almost certain that a future Democrat administration will immediately reverse some or many of Trump's initiatives. In the game of US climate change hokey-kokey ("you put your left leg in, you take your right leg out, in-out-in-out-shake-it-all-about.."), it will be restored to the IPCC's carbon net-zero and emissions protocols. So too, restoration and leadership (assuming other countries wish for it—many may look to take advantage of America's self-imposed absence and see it diminished on its return) in the UN rules based order. But it would be great a mistake to assume that everything mentioned here that Trump is doing would be reversed; the US is a naturally conservative, capitalist and entrepreneurial society, used to nearly a century of global influence and leadership. The centre-line in US politics is well to the right of its equivalent in many European countries including the UK. Across the political spectrum, Americans are proud of their country and their nationhood, (I have deliberately refrained from the term "nationalism" with all its modern pejorative connotations of being associated with far-right politics); they are certainly not embarrassed by either. Even if Democrats place a more "progressive" slant on it and favour collaboration over confrontation, they are no less certain of maintaining and strengthening their post-WW2 leadership of the free world which still requires security of energy and attracting and exploiting capital to underpin a vibrant economy.

Geographic Spheres of Influence

The remainder of the Strategy is the regional perspectives. Geographically, four pages are specifically devoted to the US bailiwick. The Western Hemisphere comprises the left half of the globe extending west of the Greenwich Meridien finishing on the International Date Line 180 degrees around the world in the Pacific, running to the west of the Hawaiian archipelago down past the east of New Zealand, and which has the north and south American landmass dominating as its centre of gravity. The reality of course is that the preceding 14 pages in the document are all about the USA's strategic hegemon. As an indication of other priorities, however, Asia earns six pages while Europe warrants two-and-a-half and Africa half a page. Pagination highlights differential strategic emphases.

Western Hemisphere; America's back yard: the military effort historically directed towards central Europe will be reduced over time and switched to the security of the Western Hemisphere. The emphasis is on keeping other players (i.e. China, Russia and North Korea) well away. America is only too aware that illegal migration from countries in Africa, the Middle East and the Asian sub-continent (e.g. Afghanistan) is no longer merely a European problem. The transatlantic route from Africa to Southern America as a means of accessing the US is now well established. As is the case in Europe, it is being exploited through hybrid means by adversarial government agencies including the Russian GRU deliberately to channel vulnerable people towards North America as part of the active strategy of political destabilisation. Trump intends to disrupt this. As he has also made plain, his is a war against international organised crime and the drug cartels, including the use of lethal force. He will freely use tariffs and possibly military force (sticks) and reciprocal trade arrangements (carrots) to persuade other governments in the region to cooperate.

If that is all encapsulated by the term "**Enlistment**", he will also "**Expand**" America's direct influence. Expansion is explicitly about gaining access to and being able to exploit natural resources that America needs while simultaneously denying them to others. It is equally explicitly gaining "control of military installations, ports, and key infrastructure to the purchase of strategic assets broadly defined". It is easy to see how gaining control of Panama, Greenland and Canada feature in his mind.

Trump will deploy the agencies and departments of state in the national interest: embassies, trade missions, the State Department and the departments for War and Energy, as well as what we would know as quangos, e.g. the Small Business Administration and the Export-Import Bank. All are to be used to encourage the purchase of US goods abroad (each of those entities will be given funding to provide what in essence are trade subsidies designed to undercut foreign out-of-area competitors and muscle them out). Those agencies too are tasked with ensuring that counterparty governments in the Western Hemisphere are not seduced with financial and other honeytraps by bad actors to host anti-American cyber and intelligence activities.

Asia; defensive respect: the narrative on Asia is fascinating. Representing “half the world’s GDP based on purchasing power parity, and one third based on nominal GDP” the Indo-Pacific “is already and will continue to be among the next century’s key economic and geopolitical battlegrounds”. Trump’s is a commitment to a “free and open Indo-Pacific”.

Donald Trump respects China; that is obvious. He acknowledges the complex multi-layered challenges and threats posed by the one country which is not only a true rival to US dominance but itself has the explicit aim of being the world’s dominant society and economy. He intends to rebalance trade with China and to reduce American reliance on it as a source of components and finished goods. Included in this challenge is America’s certainty that even if China is not the direct source of imports, Chinese components assembled into finished goods via such countries as Mexico for re-export to the US are an important indirect channel. Less a case of isolating from China, it is insulating against it (for which ample illustration is that six months past the August 2025 deadline by when almost all other countries had concluded his “Liberation Day” tariff negotiations, those with China have yet to be agreed).

Trade “**rebalancing**” is prefaced by a stark reality and entirely consistent with Stephen Miran’s Hudson Bay Capital analysis from 2024: “we have made clear to our allies that America’s current account deficit is *unsustainable*”. He intends that a mixture of yet more sticks (tariffs and the lower dollar) and carrots (“inducements by way of high-tech cooperation, defence purchases and access to our capital markets”) will continue to make America the global first-choice partner for Asian countries. India, the most populous country on the planet and the world’s fifth largest economy is specifically targeted for attention with the aim of luring it into the western camp and simultaneously undermining the solidity of the Global South alliance of which India is a leader. Trump acknowledges that the US and western allies including those in Europe plus Japan, S. Korea and Australia have “not yet formulated, much less executed, a joint plan for the ‘Global South’” but Trump is determined that the US will institute reforms to supranational organisations drawn from these countries which will serve American interests.

Finally with regards to Asia is the military position. As with his European allies, Trump insists on Japan and S. Korea “burden sharing” and paying their dues towards mutual regional defence. America will not provide this regional defence alone. The obligation on its allies is explicit: pay up or face the future without us. He will be delighted with the re-election in Japan of right-wing Prime Minister Sanae Takaichi with her full commitment to Japanese rearmament and her hawkish stance with Beijing about the independence of Taiwan. Trump’s strategic emphasis on Taiwan is clear-cut. Not only the vulnerability and importance of its semi-conductor industry globally, but that Taiwan’s geographic location splits North-East and South-East Asia into two distinct theatres of operations and provides direct access to the ‘Second Island Chain’.

The 'Island Chains' are integral to US national defence strategy and the protection of the entire western seaboard of North America. The 'First Island Chain' stretches south-west from the Japanese archipelago through the East and South China Seas down to Indonesia and the Malay peninsula. The First Island Chain is the inner maritime bulwark taking in much of the Russian and the entire Chinese Pacific coastlines. The outer islands, or 'Second Island Chain', are those in the western-mid Pacific extending south of Japan and including such strategic groups as the Marianas, Okinawa and Guam, down to western New Guinea. As the document correctly identifies: "one third of global shipping passes annually through the South China Sea and has major implications for the US economy. Hence deterring conflict over Taiwan, ideally by preserving military overmatch, is a priority. We will also maintain our declaratory policy over Taiwan, meaning that the United States does not support any unilateral challenge to the status quo of the Taiwan Strait" (i.e. the 110 mile sea lane dividing Taiwan from the Chinese mainland).

Given all this, nowhere in the entire document is there any reference either to AUKUS (the trilateral agreement between Australia, the UK and the US with regard to Indo-Pacific strategy) nor any mention of the Five Eyes intelligence sharing agreement between the US, UK, Canada, Australia and New Zealand. Omission because of too much detail or irrelevance, it is hard to tell.

Europe; to play with the grown-ups, first you need to be one: somewhat difficult to believe but Trump admits an affection for Europe (in Davos: "my mother was 100% Scottish, my father 100% German: of course I like Europe"). There the good news largely ends.

In a no-holds-barred excoriating dismemberment of Europe's critical faculties, he holds Europe's leadership in contempt. Dividing the world into winners and losers, Europe is a loser; he is factually correct observing that the EU has seen its aggregate share of global GDP fall from 25% in 1990 to 14% today. But he reserves his most inflammatory and withering criticism for what he describes as "civilizational erasure" in Europe: erosion of free speech; uncontrolled immigration; the democratic deficit arising from the increasing powers invested in unelected supranational bodies; loss of national identities; falling ("cratering") birth rates etc. "Should present trends continue, the continent will be unrecognisable in 20 years or less. As such it is far from obvious whether certain European countries will have economies and militaries strong enough to remain reliable allies. Many of these nations are currently doubling down on their present path. We want Europe to remain European, to regain its civilisational self-confidence, and to abandon its failed focus on regulatory suffocation" (which also includes what Trump sees as the deliberate anti-competitive targeting of US tech companies by European governments and Brussels).

Trump is intensely critical of what he describes as Europe's "subversion of democracy". This is his view of what he sees as the conspiracy to keep right-wing parties away from the levers of power in state, national and those supranational legislatures mentioned above. He will make mutual defence obligations conditional on reversing the process ("Cultivating resistance to Europe's current trajectory within European nations": would that be by diplomacy or subversion?). Prima facie allies through NATO, he is prepared to abandon Europe unless it toes his line both with this and the required military spend, now set at 5% of national GDP (remember his angry outburst before the 2024 election, "Russia can invade who the hell it wants if those countries don't pay their bills").

Militarily, he asserts Europe's protection is now predominantly Europe's responsibility to ensure. But he is acutely on point where Europe's responsibilities and America's interests collide. In terms of US homeland security, as Denmark is finding with Greenland, it is the Danes' lack of physical and financial commitment to defending that strategic island on America's north-eastern seaboard which brings Copenhagen and Trump into direct conflict. Canada with its immense Arctic littoral to America's north, and Panama to the south with its shortcut from the Pacific to the Atlantic are in equally invidious positions. When dealing with his 'allies', Trump sees nothing wrong in substituting confrontation for collaboration.

One of the biggest foreign policy changes from the Biden era is the desire to normalise relations with Russia. He believes that a US-brokered peace deal between Russia and Ukraine will "mend many rifts". He gives the strong implication that the current "attenuated relations" with Russia, to the point many European states see Russia as an existential threat, are the fault of the European Union and the United Kingdom.

As an indirect reference to Europe's complicated and conflicted relationship with China, he would like to "Encourage Europe to take action to combat mercantilist overcapacity, technological theft, cyber espionage and other hostile economic practices". It comes as zero surprise therefore that he takes a dim view of Sir Keir Starmer's appeasing approach to China including permission being granted for a Chinese mega-embassy to be opened hard by the City of London ("deeply concerning"), and Starmer's recent trade mission to Beijing ("really dangerous"). Trump has flip-flopped on the strategic illiteracy of the UK 'deal' with Mauritius over the Chagos Islands' sovereignty and has now given it a qualified blessing: in reality, his second assessment of this crackpot 'deal' was on the money: "Really stupid".

He will veto any further expansion of NATO, frustrating for the immediate future any plans entertained by Georgia, Moldova and Ukraine to join.

In America's interest, Trump says he wants Europe to be a success (though obviously not to the extent of posing a challenge to the US). He simply cannot see it being so on its current trajectory and with its current leadership. The EU's propensity to centralise, standardise, pasteurise and homogenise everything it touches, and in Giorgia Meloni's words "regulate itself to death", is a sure-fire way of losing competitive advantage to hungrier rivals. The fact that it is Donald Trump saying it does not make it any less valid a point of view.

The Middle East; kumbaya at the point of a Tomahawk: Trump regards the region as having absorbed disproportionate US time, money and political energy over many decades. He certainly will not abandon it but he does want to de-prioritise it. However, it remains a region in which Trump is prepared actively to intervene militarily outside the Western Hemisphere in US interests. Iran's potential nuclear capacity, as well as its support for a range of regional proxy terrorist organisations and the destabilisation they are designed to create including the eradication of the state of Israel, are obviously seen as being of national interest to the US. Also key is the protection of the global supply chain pinch points located in the region: specifically the Straits of Hormuz and the Red Sea including the Suez Canal in the north and the Bab El-Mandab Strait and the Horn of Africa to the south.

Peace and stability across the region are his goals. Revitalising the Abraham Accords of his first term (abandoned by Biden) is the three-pronged approach of rehabilitating the Gulf region monarchies, repairing inter-Gulf state relations where fractured, and reconciling Islamic, Judaeo and Christian differences across the region, including in Syria and Lebanon. Whether two millennia of ideological and physical strife is so easily able to be brought to a swift and permanent conclusion is a highly moot point. He remains bullish about dealing with Iran and its regional proxies. One assumes that neutralising a nuclear Iran, plus his newly constituted Board of Peace focusing on a solution to the Palestinian-Israeli conflict and the proposed Gaza-sur-Mer real estate mega-development, will be the acid tests of success.

Africa; Trade for Aid: replace continental aid (“liberal ideology”) with targeted trade and business development which bring economic prosperity and stable governance (pragmatism). Natural resources and energy are at the core. It is as simple, unsophisticated and possibly naïve as that.

China has a significant head start having been active and influential for decades in Africa. Beijing’s has been a programme which verges on neo-colonialism, literally buying favour through significant investments in infrastructure and development. The Chinese are experts at placing targeted counterparty governments in Beijing’s debt. An economic and resource-led battleground, the winner will be the one with the greatest conviction of the significance and potential for Africa, the longest staying power, the deepest wallet and the biggest fists, one in a velvet glove, the other mailed.



CHAPTER 2

THE ALTERNATIVE VIEW. THE WORLD AS OTHERS SEE IT

I have described Donald Trump's National Security Strategy for the United States of America as a "game-changer". It is in that it imposes a new aggressive-defensive approach to America's self-interests on the rest of the world, one not seen so clinically, forcefully and self-centredly articulated in more than a century.

It is popular to cast Trump as a geopolitical hooligan, and it is difficult to disagree (the official Annual Report of the 2026 Munich Global Security Conference referenced his "bulldozer politics"). To say he is shaking things up considerably is an understatement. He is a deeply divisive and destabilising influence with his devil-may-care approach to diplomacy (he has none) and his devil-take-the-hindmost approach to geostrategy (MAGA and America First).

However, focusing purely on Trump as the great disruptor misses a fundamental point.

GEOPOLITICAL EARTHQUAKE

In Davos, Canada's Prime Minister Mark Carney accurately described a "a rupture in the world order, the end of a pleasant fiction and the beginning of a harsh reality, where geopolitics, the large, main power geopolitics, is submitted to no limits, no constraints." His counter to this rupture is an appeal to what he terms the "Middle Powers" including Canada and Europe to reassert a rules-based order founded on liberal, democratic values. As he put it, it is to mitigate against Thucydides aphorism that "the strong can do what they can and the weak must suffer what they must". Two questions arise: 1) do enough share that ambition? and 2) even if they do, do they have sufficient clout to matter?

Trump is certainly catalysing the break-down in the existing rules-based order. In fact it is even more straightforward: he rejects it outright. Withdrawing the US from 66 supra-national governance bodies was an explicit repudiation of them as not only a waste of time but through Trumpian eyes, inimical with America's interests. But he is most definitely not the *cause* of that break-down.

The old rules-based order, founded on the 1941 Atlantic Charter signed by Churchill and Roosevelt from which emerged the post-war United Nations, has been increasingly unfit for purpose for years. But it foundered on the rocks with Ukraine. Ukraine should have been the UN's moment to shine, where it fully justified its existence. It failed in an abject manner. How else to explain that Russia, one of the five permanent members of the Security Council, aided and abetted by another (China) could not only invade a sovereign member completely illegally a) which the UN, knowing the likelihood of such an event, was unable to prevent, b) that literally having watched it happen in real-time in an emergency UN Security Council session on the subject, was powerless to stop it and c) still allows Russia a seat at the table with full representation, full voting rights and including the power of veto?

If the old world order is visibly dying ("ruptured"), the New World Order is already taking shape and has been for at least decade. Politicians such as Carney have been slow on the uptake. The geo-strategic and geo-political tectonic plates, perceptibly moving for years, have suddenly accelerated. The Global South (loosely what would have been patronisingly termed "the Third World") sees itself as the future, the Old World decadent and in decline.

CHINA'S NEW WORLD ORDER

In the vanguard of change is China. Beijing's explicit strategic intent is domination. In policy laid down by the Chinese Communist Party and the teachings of General Secretary Xi Jinping the Party's officially anointed 'Core' (virtual emperor), it is to create and lead what Xi himself has declared the New World Order by 2049, the centenary of the foundation of the Party. If 2,000 years ago all roads led to Rome, by mid-way through the current century all roads are intended to lead to Beijing.

China's strategic vision is undimmed: global dominance achieved through a two-decade strategic plan of deliberate neo-colonialism; not so much territorial conquest or appropriation (though it has freely practised that in the South China Sea and threatens it in Taiwan) but by buying favour and placing countries and governments in its debt through trade, investment and inducements. The terrestrial 'One Belt One Road' and the maritime 'String of Pearls' infrastructure programmes, the biggest such projects in history, are the strategic means by which China aims to dominate global resources, processing, logistics and routes to market. To what extent it is successful will depend on 1) the strength of the Chinese economy to fund it; 2) linked to which, the extent to which the Chinese population benefits directly weighed against the costs of making it happen; and 3) the extent to which the West is successful and unified in frustrating China's ambitions to contain the threat.

China is metamorphosing from a low-value-added imitator and component sub-contractor to a global powerhouse of innovation. It leads the world in new technologies such as solar energy, electric vehicles and in the military sphere is the clear leader in operational hypersonic missile technology. If not leading, it is fast catching up with innovation in sectors such as aerospace, pharmaceuticals and artificial intelligence. Its defence budget is approaching America's when measured on a purchasing power of parity standpoint and its sophistication fast improving. A communist society, its economic structures are obviously different to those in the capitalist west; however, its preoccupation with energy security is at least as acute as Trump's. Discovering massive shale gas reserves in the Sichuan Basin, and perfecting the technology of fracking, China has rapidly risen to be the second largest shale gas producer globally. Determined to reduce the reliance on imported gas (from countries such as Russia, vulnerable to sanctions disrupting supply) and coal, nevertheless China has 100 new coal-fired power stations coming on stream in 2026, with a further 400 already under construction. It aims to have built a fleet of 150 nuclear power stations between 2020 and 2035 and is investing heavily in solar energy. China aims to be a net-exporter of energy, rather than a net-importer of its sources and fuels.

RUSSIA: A BEAR AT BAY BUT UNTAMED

For all its military ineptitude in Ukraine (and despite all the limitations, conditions and constraints of NATO's charitable benevolence, the simply amazing Ukrainian resistance and President Zelensky's obdurate Oliver Twist pleas for "More please, Sir!" not forgetting to bow-and-scrape in gratitude), Russia's strategic aims have not changed: territorial recovery of Ukraine and at the very least, the creation of a militarily and politically neutral buffer zone between Russia on the one hand and the EU and NATO on the other extending from the high Arctic all the way down to the Black Sea and the Mediterranean. Formerly neutral Sweden and Finland joining NATO has added a new dimension to the tensions in the far-north and Arctic regions, not least the new very close proximity of NATO with Russia's strategic nuclear Northern Fleet based in Murmansk and Archangel.

‘GLOBAL STABILITY’: A JOINT SINO-RUSSIAN AXIS STANDPOINT

Trump’s National Strategy, underpinned by those credos of “Make America Great Again” and “America First”, is not only an aggressive statement of American national intent, it is also an entirely rational defensive reaction to the multi-layered threats which are no longer incipient but real. One effect of the Russian invasion of Ukraine has been the formalisation of the Axis bringing together Russia, China, Iran and North Korea. China (India too, until recently) has been a significant buyer of sanctioned oil and gas from Russia and Iran. Iran has been supplying large numbers of attack drones to Russia. North Korea is an active combatant alongside Russia in Ukraine. It is now widely believed that China has been supplying technology and components for use in the wide range of Russian military ordnance daily pounding Ukrainian targets, both military and civilian.

In May 2025 Xi Jinping was in Moscow to celebrate the 80th anniversary of VE Day. He was present not only in sympathy with Putin and offering overt public support, but also as a formal ally, there to cement relations with his ‘dear friend’ and to launch fresh initiatives in the New World Order.

Russia and China issued a Joint Statement the day after VE Day. Another remarkable document, it was simultaneously a wholly disingenuous and hypocritical statement of intent about maintaining global strategic stability; it was a thinly veiled threat to NATO; it threw down the gauntlet directly to America; it projected a series of security red lines covering most of the globe.

‘The independent, mature and resilient China-Russia relationship not only brings great benefits to the people of the two countries, but also makes important contributions to maintaining global strategic stability and promoting an equal and orderly multipolar world.’ Throughout, they refer to themselves as the ‘Two Sides’. It is surely a cruel joke invoking the sanctity and responsibilities of the United Nations (of which The Two Sides are both members of the Permanent Security Council) towards global security and the protection of UN members, that with the complicit support of China, Russia invaded Ukraine, and China is on record as preparing for the ‘recovery’ of Taiwan by military or other means by 2027.

‘One of the most pressing strategic risks to be urgently addressed remains the highly destabilizing expansion of existing and newly formed military alliances and coalitions that is being carried out by some nuclear-weapon States close to the frontiers of other nuclear-weapon States in an attempt to establish or expand permanent footholds in such areas, which are particularly sensitive to them, for the purposes of projecting military power, exerting forceful pressure and committing other hostile activities that threaten the core security interests of those States.’ Given the outbreak of local hostilities at the time, it could have been construed as a reference to India and Pakistan. Much more likely, it was a little-disguised threat directed at Sweden and Finland for joining NATO, and a warning to Ukraine, Georgia and Moldova or any other non-member frontier state that any hint of their considering and being allowed to join NATO should to be regarded as a direct provocation.

The communique then went on indirectly to threaten both Poland (which has appealed to be a beneficiary of the protection afforded by the British and American nuclear umbrella, as well as asking the US to deploy tactical nuclear and air defence weapons on Polish soil) and South Korea (publicly debating a nuclear weapons programme as a deterrence against already nuclear-armed North Korea): *‘It is also of serious concern that such activities are accompanied by the forward deployment of military infrastructure and advanced offensive, defensive and versatile weapon systems that can be employed to accomplish strategic missions -- in particular, to perform decapitating and disarming strikes, while providing enhanced capabilities for missile interception.’*

Trump's Golden Dome, the planned US integrated, layered national homeland defence shield, is cast as a direct provocation to both China and Russia. The AUKUS tripartite treaty is dealt with in a similar manner: *'The Two Sides state that the efforts undertaken by the AUKUS (US-UK-Australia) partnership to establish military infrastructure of two nuclear-weapon States in support of the activities of their nuclear forces in the territory of a State Party to the South Pacific Nuclear Free Zone Treaty undermine strategic stability and provoke an arms race in the region.'* Elon Musk's Starlink programme was referenced as a threat: *'The Two Sides condemn the use of commercial space systems to interfere in the internal affairs of sovereign States and armed conflicts involving third countries.'*

There is much that is difficult to argue with in terms of preventing or not escalating an arms race and the responsibilities of the Nuclear States. However, Moscow and Beijing's cynicism is pregnant. The final, concluding paragraph is a dark statement of intent: *'The Two Sides intend to continue in the most active manner to enhance the coordination of their approaches and to deepen the practical cooperation on maintaining and strengthening global strategic stability, as well as to jointly address common challenges and threats in this sphere.'*

Lest anyone be in any doubt, however anodyne and technocratic the language, global strategic stability seen through the eyes of the Chinese Communist Party is their own strategic vision of the New World Order and the supremacy of global communism with Chinese characteristics. Anyone who seriously thinks that Xi wants Russia close but not too close is not only complacent but dangerously delusional; Russian cooperation with China, and the genuine partnership between Xi and Putin, is foundational to achieving the strategic goals of both. A transactional Trump firmly believes he can drive a wedge between them; Putin may indeed do a deal with the US to develop natural resources in the Arctic Circle, but if he does it will be because it is in Russia's interests to do so. But the likelihood of Russia being seduced by the Americans away from China is small if it exists at all.

Communist China and Capitalist America; one an autocracy the other a democracy; two totally different strong-man leaders; the two biggest economies and militaries on the planet; both vying for dominance when there is only room for one. This is truly a clash of the Titans. But the geostrategic reality is that physical and political mortality notwithstanding, Xi and Putin will be in office long after Donald Trump has left it in less than three years' time.

IRAN: DANCING ON THE HEAD OF A PIN?

Iran's circumstances have changed significantly over the past year. It made a significant miscalculation on 7 October 2023 when it backed Hamas, its Palestinian proxy, to commit a criminal atrocity against Israel. Last year, the Twelve Day War saw a joint US-Israeli blitz on Iran's nuclear installations. But it is US economic sanctions in relation to Iran's flouting the international agreement containing its nuclear development programme which have had the greatest effect. They have degraded and diminished the economy to the point where small-scale poverty protests at the end of 2025 quickly became a nationwide uprising presenting an existential threat to the Ayatollah and his regime. Public repression has been brutal with as many as 30,000 civilian casualties as a result.

At the time of writing, with Trump's "big, beautiful armada" naval strike group on station in the Mediterranean and the Persian Gulf, negotiations between the US and Iran are ongoing regarding neutralising Iran's nuclear capability and severing its support for its regional proxies (Hamas, Hezbollah and others). No resolution has yet been found.

While many countries in the region and beyond will be glad to see the back of this harsh and destabilising regime were that eventually to be the outcome, creating a political vacuum in the vast land mass spanning the Gulf and the Caspian, adjacent to the most volatile region on the planet is a considerable risk. Iran is a key ally of both Russia and China; it has been instructive that both have remained publicly silent and seemingly inactive during all these momentous events. Will that prove an illusion?

NON-STATE ACTORS: A REVIVAL

The focus above has been on state-on-state tensions and potential conflict. But the dangers posed by international terrorist groups and hostile or disruptive non-state organisations which preoccupied western governments, their military and intelligence establishments for almost the first two decades of this century, not only persist but in some cases are resurgent. A recent report from the Royal United Services Institute points to Al-Qaeda being “50 times bigger than at the time of 9/11”, and much smarter about the use of AI and social media not only to coordinate their activities but to attract and radicalise an army of potential new members among children and teenagers who can be groomed into future fighters and terrorists.

As well as the Middle East and parts of Asia, strong anti-western Jihadi influences are alive in Sub-Saharan Africa. In Mali the Al-Qaeda linked JNIM organisation has all but surrounded and blockaded the country’s capital, Bamako. At Christmas, President Trump ordered air strikes against Islamic militants in Nigeria. Such groups have infiltrated and infused themselves into countries including Kenya and Chad.

It was the second President Bush who declared victory in the War on Terror. Such movements may have had their activities suppressed but relief appears temporary; it would be quite wrong to assume they have been permanently subjugated or liquidated.

GEOPOLITICAL SUMMARY

Seen through the perspectives of opposing sides, it is difficult not to conclude that while his commitment and intent are in many ways admirable, Trump’s strategic delinquency risks undermining the principles of what he is ostensibly seeking to achieve. Treating those who should be his allies with contempt, splitting defensive alliances and undermining the rules-based order all create instability. It weakens the position of the free world. America might end up Greater in his terminology, but it is difficult to see how it is safer. His victory might be Pyrrhic.



CHAPTER 3

UKRAINE, A GRINDING CONFLICT

At the time this paper is published, Russia's "Special Operation" in Ukraine will have already been only six months short of the entire duration of World War One. As of mid-January 2026, it had been under way for longer and with far fewer tangible results than the entire period spanning Hitler's invasion of the Soviet Union in July 1941 to Stalin's victorious armies entering Berlin in April 1945 ahead of the Nazi capitulation the following month. This has turned into a relentlessly grinding conflict, neither side giving quarter yet neither able to make meaningful progress, in President Putin's case to conquer all Ukraine, and in President Zelensky's to retake the occupied lands and eject the Russian invaders from all sovereign Ukrainian territory.

Taking office for his second term in January 2025, newly inaugurated President Trump declared "I can end this war in a day. I have the power to do it". He was very wrong. Thirteen months, several international summits, many lesser meetings, a verbal public assault on Zelensky in the White House and much international and intercontinental shuttle diplomacy later employing a variety of interlocutors, hostilities are uninterrupted. This despite Trump and his envoys maintaining since late 2025 that they are "90% or even 95% of the way" to achieving an initial ceasefire. At the time of publication in mid-February 2026 as talks move from Abu Dhabi via Geneva to Miami, the hope is that a deal may be reached by June.

PEACE: THE DIVIDING LINES

That outstanding 5% or 10% to peace is no fine margin; it is proving anything but a cheerful hop-skip-and-a-jump to a conclusion. It represents a so-far unbridgeable chasm between Moscow and Kyiv. With mutual loathing between Presidents Putin and Zelensky, two fundamental negotiating factors divide the warring parties: 1) what each will accept as future security arrangements for Ukraine and 2), the future status of the currently occupied and unoccupied Russian-speaking territories in the deep south and south-east of the country (i.e. the Crimea and the three other oblasts collectively known as the Donbas) accounting for more than a fifth of the Ukrainian landmass that is effectively subject to partition. Failure to reconcile both will mean the war persists; its duration, as before the talks, will be defined either by a decisive military break-through by one side of the other, or, related, the extent to which either can continue to prosecute what has turned into an almost static war of grinding attrition if the financial, materiel and human resources, and the political will and popular support, reach a tipping point of exhaustion.

TRUMP'S CONFUSED, CONFLATED AND CONFLICTED INTERESTS

But there are further complications. Trump has declared Ukraine a European problem to solve. At Davos he implied that Ukraine is not America's direct concern, almost as though he is doing everyone a favour acting as intermediary; so wrong: America is a legally-bound, very interested party.

Trump has deliberately sidelined European countries from the peace negotiations. He continues to keep his cards close to his chest and it remains to be seen whether his initial proposals that included US mineral extraction rights in SE Ukraine as a means of the US recouping some of the cost of four years' support for Ukraine still stand. Bearing in mind the US role as a guarantor of Ukraine's borders and sovereignty as defined in 1994, it would be immoral having stood by and done nothing to prevent the annexation of Crimea in 2014 (Obama) and encouraged the Russian invasion in 2022 (Biden: a "limited Russian incursion may be acceptable"), if the United States under Trump were to strip Ukraine of its natural resources as a form of reparation for an event that America had a legal duty to prevent.

\$300 billion of Russian assets held overseas are frozen under the sanctions regime, of which at least \$250 billion are in Europe held in Euroclear in Belgium. Legally, under international law, those assets remain the property of their owners whether they are the Russian state, its business oligarchs or the multi-layered Russian kleptocracy who have washed dirty money into international investments (the assets can only be appropriated by a third party if that party and Russia are formally at war, which in the case of all members of NATO, they are not). Putin will insist upon all sanctions being lifted and the assets returned as a condition of a peace deal. The same will apply to the criminal indictment against him personally at the International Criminal Court. Both present significant moral, legal and political challenges for European leaders, and the integrity of supranational human rights legislation and legislatures.

The path to an enduring peace is far more complex than was the process of going to war.



CHAPTER 4

NATO: AUTOCRACY, ALLIANCE OR ANARCHY?

A couple of years ago, I wrote in this series that NATO was rediscovering its sense of purpose and direction. How quickly such sentiment has evaporated! Today, NATO is in crisis.

A STUDY IN REVIVAL AND RELAPSE

It was NATO's first Secretary General, Britain's Lord Ismay, who pithily but shrewdly summed up the new alliance's purpose in the aftermath of WW2: "It is there to keep the Russians out, the Americans in and the Germans down". For 40 years, entirely successfully, it did exactly that (not that the Germans needed keeping down: a partitioned country with nearly half communist and under Soviet control, and the other part a new federal democracy constitutionally constrained militarily and still officially under occupation by the US, UK and France, a series of centrist coalition governments maintained an almost pacifist outlook).

Post Cold War: losing focus

The Soviet threat evaporating, the post-Cold War period since 1990 saw NATO lose its principal *raison d'être* and focus. As national military and especially political perspectives reflected the changed geo-political circumstances, NATO began to lose its way. Milking the "peace dividend" and using defence as a source of cash to be diverted to other social spending priorities, many European NATO governments actively wound down their defence spending relentlessly and recklessly. They cut military resources and programmes to the point that in Europe, military capability, capacity and competence were severely and dangerously diminished.

The conception of old-fashioned state-on-state conflict was deemed highly unlikely; the new threat was from non-state insurgent and terrorist groups requiring a different approach. Political and treasury thinking switched from essentially an expensive static garrison/heavy force strategy facing off against the Iron Curtain to cheaper, light, low-intensity, "out-of-area" operations possibly anywhere in the world. The military had to adapt to the new circumstances. With the US accounting for nearly three-quarters of NATO's aggregate defence spending as recently as a decade ago and in reality contributing much more in terms of military literacy, capacity and capability, Europe and Canada left themselves open to the charge of "free-loading" on the back of America's vast financial and military resources.

In 2019 President Macron declared NATO to be "brain dead". If Macron overstated the case, nevertheless in 2021, in what was explicitly a NATO joint operation of nearly two decades' duration, President Biden's unilateral and peremptory decision to cut and run from Afghanistan with zero reference to America's partners gave NATO its closest near-death experience. NATO's disarray in 2021 was undoubtedly a factor weighed up by Putin in his calculations about invading Ukraine in 2022.

Ukraine: NATO's kick in the pants

Ukraine neither was, nor is, a NATO member. But it is a protectorate of both the US and the UK (Russia too) under the 1994 Budapest Memorandum in which both gave security assurances and border/sovereignty guarantees. Whether a member or not, given the premise for the invasion and knowledge of Putin's strategic intent in Eastern Europe, Ukraine was NATO's wake-up call. If there was near-unity about the **need** to respond, there was little in evidence about **how best** to do so. Approaches quickly divided; it half-heartedly rose to the occasion. Its unlikely source of clear vision, leadership, energy and conviction was provided by Britain's Boris Johnson who managed to put spine into President Biden and who fomented much the best and most trusted relationship of all the western allies with President Zelensky (Putin branded the UK as an outright "enemy" and Boris the "most anti-Russian leader").

It was Russia's invasion of Ukraine which finally prompted a political and financial response to defence spending. As an illustration of change, some helpful summary NATO statistics:

| | 2021 | 2025(e) |
|---|------|---------|
| NATO membership (countries) | 30 | 32 (1) |
| Countries meeting min 2% of GDP defence spend | 6 | 32 |
| Europe & Canada defence aggregate % of GDP | 1.63 | 2.27 |
| Europe & Canada defence spend \$bn (2) | 359 | 559 |
| US defence spending \$bn (2) | 824 | 845 |
| US Contribution % of total | 69.7 | 60.1 |
| UK defence spending as % of GDP | 2.3 | 2.4 |
| NATO Defence spending as % GDP; UK ranking | 3 | 12 |

Notes: 1) Finland joined from 4 April 2023; Sweden from 27 March 2024; 2) 2021 Exchange rates and prices. Source: NATO, January 2026; data valid as at 03/06/2025.

In 2021, the six of the then 30 members meeting the 2% of GDP minimum commitment on defence spending were Estonia, Greece, Latvia, Poland, the UK and the US. The US defence figures quoted are its national totals, not just that spent for the defence of the NATO area; it is the one western country with the ability to project and deploy military power anywhere around the globe in simultaneous locations; it has significant resources allocated to the Indo-Pacific region and the Gulf.

The Trump Detonation

Every leader of every NATO country should have known Donald Trump's views on the Alliance. He was vociferous in his first term when he cheerfully read the riot act to them or their predecessors about the pitfalls of financial delinquency or freeloading. He said that if the Russians marched through the Polish Corridor, there was no guarantee America would turn up. That was even before Russia invaded Ukraine. Nobody believed him or if they did, it was not taken sufficiently seriously.

2025, however, was momentous: faced with Trump's outburst on the campaign trail in 2024 that "Russia can invade who the hell it wants if those countries don't pay their bills. You gotta pay your bills!", followed by his explicit demand that every member commit to 3.5% of GDP on "core" defence, plus another 1.5% on defence related infrastructure and resilience, they knew this time it was no empty threat. Terms were agreed at the June 2025 NATO Summit in the Hague for such targets to be met by 2035 with a mid-term review of progress in 2029. Spain refused and secured an exemption, capping its future expenditure at 2.1%; in October 2025, Trump not unreasonably said, "They [Spain] have no excuse not to do this, but that's alright. Maybe you should throw them out of NATO". They remain a member.

Germany is attacking the task with urgency. Having amended the national financial stability Debt Brake Law limiting the annual federal budget to a deficit of no more than 0.3% of GDP, the Bundestag voted a defence related exemption in 2025 allowing a €100bn defence and infrastructure investment catch-up programme. Chancellor Merz and the impressive Boris Pistorius, his defence minister, are literally laying down the law with the defence industry and the machinery of government responsible for procurement: aggressively deploying one of the longest words in the German language, the new "*Bundeswehrbeschaffungsbeschleunigungsgesetz*" legislation will streamline procurement. Speaking to the Financial Times last summer, Pistorius said, "We need to get faster. We need to become more effective. We need to throw rules overboard when it comes to procurement and planning. This mindset change is in full swing". If only the same could be said of the UK, more of which later.

On the front line with Russia in Europe where there is no time to waste, Poland (4.5%), Lithuania (4.0%), Latvia (3.7%) Estonia (3.4%), Norway (3.4%) and Denmark (3.2%) already exceed or are very close to meeting the 3.5% of GDP core defence target set for 10 years hence. Finland is spending 46% of its defence budget on equipment, more the double the 20% minimum. But the reality is that these countries are economically small or tiny; even Poland falls short of annual GDP exceeding \$1 trillion. Not one of the three Baltic States possesses any modern jet fighters because they are too expensive to buy and maintain. In terms of mutual defence, the communal heavy lifting can only be done by the 'trillionaire' countries: Germany (\$4.8tn); the UK (\$3.8tn); France (\$3.2tn); Italy (\$2.4tn); Spain (\$1.8tn); Turkey (\$1.4tn) and Holland (\$1.2tn). To which add Canada's \$2.2tn. Today, with the exception of the UK and Turkey, those countries must find a full 1.5% points extra of GDP to meet the 3.5% core defence target in 2035 (as above, Spain has already refused). The European economies are struggling to generate growth; France, Italy and the UK are hamstrung by weak national balance sheets and large government deficits even before meeting the additional commitment.

The fiscal challenge

It is widely accepted that the new 3.5+1.5=5% of GDP formula gets NATO's defences to where they need to be commensurate with the risk and *assuming the alliance remains intact and the money is invested efficiently*. However, if the Americans were to leave, allowing for only a proportion of the US defence spending being directed at Europe, nevertheless it would require Europe and Canada to be spending closer to 7.5% of GDP to plug the gap. If 2% is already a stretch for most, 7.5% is by a factor of three-and-three-quarters a bigger financial problem.

The NATO procurement programme faces another enemy: inflation. Leaving aside the overwhelming history of procurement mismanagement in which projects frequently run significantly over time and over budget, underlying defence inflation seems in some instances to be far outstripping national headline inflation rates focused on 2%pa. A couple of examples: if a recent report in the FT is accurate, the latest German Leopard 2A8 main battle tank (2024/5 variant) is being charged at approximately €30m per unit, compared with the pre-2024 2A7 model priced at around €11m per unit. True, 2A8 has the latest generation reactive armour and a host of 'situational awareness' systems, but is it three times as lethal and has it a survival rate three times as great to warrant being three times the price? Even dumb artillery shells are estimated to have trebled in price in the last four years. Customer governments are likely to find themselves purchasing far fewer units than originally planned for the same nominal outlay.

Making a military drama out of a political crisis

Inter-allied, fully integrated military planning and cooperation remain robust and well-rehearsed for any act of aggression by Russia in Europe and the North Atlantic. Its combined military resources are more than a match for Russia so long as the United States remains fully committed to Europe. Without the US, in their current state the combined forces of Europe and Canada are potentially catastrophically weak.

The existential risk to Europe of losing American participation, whether deliberately or carelessly, is not simply the loss of the financial and military muscle provided by the US. Europe and Canada between them are almost entirely deficient in the foundational integrated command and control and cyber systems essential to the prosecution of modern warfare and the provision of defence. A complete satellite and cyber architecture would have to be designed and created from scratch without which all the bright shiny kit, the aircraft, ships, missile systems etc are useless. Even starting today, it is a 10-year project at the very minimum even in the most optimistic circumstances.

Nearly a quarter of the way through 2026, NATO is in a serious, self-inflicted bind. NATO's fundamental weakness is political. The friction between Trump and his European and Canadian fellow members of NATO is obvious. The question is what to do about it.

“Let’s stick together”

If European leaders and Canada’s Mark Carney were at sixes-and-sevens prevaricating beforehand, Trump’s NSSUSA publication and his Davos speech have hardened opposing opinions and widened divisions. All recognise the need for Europe to take more responsibility for its own security (British General Sir Nick Carter, a former Chief of the Defence Staff, said in a Munich Security Conference research paper “Europe needs to be a defence power house”); that is now not the debate (though the means by which each gets there most certainly is). The essence of the debate today is whether to embrace America or reject it, and if it is rejected, how to replace it.

Despite differences of opinion over the sovereignty of Greenland and how to deal with China, Keir Starmer is very much in the “keep Donald Sweet” camp; the international overarching figure leading the “stronger and safer together” group is NATO Secretary General Mark Rutte; at the 2026 global security conference in Munich, German Chancellor Merz was appealing for transatlantic unity and cohesion while urging Europe to do more in its own security interests. However much the frontier states might dislike/despise Trump as a person (and not all do), they know that in the immediate future their national security is at great risk without America; for them, alienating America to the point it refuses to respond to Article 5 poses an existential threat; it is literally self-defeating and is therefore militarily and politically illogical.

“Bring dynamite and a crane, blow it up start all over again”

On the other side, leading the secessionist hawks but with very different motivations, are France’s Emmanuel Macron and Canada’s Mark Carney. Threatened by Trump with Canada’s appropriation as the 51st State of the United States and with an obvious mutual disrespect for each other, Carney’s position is understandable. Macron is motivated by European power politics and confused by an over-estimation of his own abilities as a great statesman.

The “Middle Power” hawks are all for forging their own path, using the language of schism to disintermediate Donald Trump; President Macron was on predictably inflammatory form at the Munich Global Security Conference. It is self-evident that Europe needs to be more self-reliant and in control of its destiny. But the self-defeating risk of the go-it-alone strategy is that disintermediation becomes immediate alienation: were Trump’s reaction to be to walk away completely from European defence before Europe is ready to fill the gap, Europe’s security would be severely compromised. A key plank of Western security is the nuclear deterrent. NATO has three nuclear powers: the US, the UK and France. The UK’s Trident programme is entirely dependant on the US for the missiles themselves and their guidance systems. France’s is its own nationally developed system. Without the US nuclear deterrent in Europe, effectively the UK’s becomes redundant, handing significant defence leverage to France.

As well as having a deficiency in hardware, it is Europe and Canada’s over-reliance on US command and control systems that is critical, the absence of which would render many key fighting platforms and systems virtually useless e.g. 1) European countries which own the Lockheed Martin F-35 stealth fighter are entirely reliant on licenced US avionics software to get the aircraft off the ground and to keep it aloft; as a combat platform, its navigation, intelligence gathering and weapon guidance systems rely exclusively on links with US satellites. 2) British-made Storm Shadow long-range missiles as used in Ukraine are redundant without direct access to the US-supplied guidance and targeting system which controls the missiles’ trajectory. It is not impossible that a vindictive Trump could order such systems to be immobilised either as a punishment or as a negotiating lever.

But not all military minds agree with unity. Recently, British General Sir Richard Shireff, a former Deputy Supreme Allied Commander Europe for NATO (and in 2016, author of a highly insightful if clunky novel “War With Russia 2017”, the preface of which foretold with uncanny accuracy of what would happen in Ukraine, albeit five years later) went on the offensive. In a Radio 4 interview he argued forcibly and bluntly that with the US now being an “unreliable ally”, the only alternative for EU countries, the UK and Canada is to fully integrate their armed forces. The idea is certainly not new, at least in EU circles even if historically for very different reasons. Shireff’s is a pragmatic proposition while posing a simple challenge to those who doubt its military wisdom and logic: why would you not? If only it were that simple.

The UK has its new 2025 Strategic Defence Review (more of which later). Its explicit central plank is “NATO First”. Its whole structure and modus operandi, particularly for the Army, is centred around its leadership of NATO’s Allied Rapid Reaction Corps with the flexible, variable-geometry of fast-reacting light forces provided by UK 1st Division. The UK’s only “warfighting” division (3rd Division) that includes integrated all-arms heavy capability (armour, infantry, artillery) is too small to fight alone in a full-scale state-on-state conflict; in the European theatre in wartime it forms part of the US III (third) Armoured Corps order of battle. Our entire defensive architecture is structured around a US-led NATO.

Playing politics and protectionism

The EU has already formulated a self-reliant solution: the EU’s Re-arm Europe Plan/Readiness 2030 strategy. Within it, **Security Action For Europe**, ‘SAFE’ is the defence equipment procurement facilitation scheme launched in March 2025. SAFE is a centralised supranational €150 billion loan facility able to be drawn down by individual member states for their own national defence investment. There are numerous conditions. One of the most important is that the equipment to which the loans apply must be “mostly made in the EU”: externally-sourced components of the final product are limited to a maximum 35% of its total value. Another is that regardless of which country’s contractors own the design and development rights, all must be novated to the EU for qualifying products. SAFE is designed not only to be physically protective, but also commercially protectionist, politically intended to favour the big prime defence contractors in Germany, France, Italy and Holland and to disadvantage the contractors of non-EU participants or competitors including the UK and the US.

Asymmetric SAFETY

Automatic participation in SAFE is limited to countries who contribute to the EU budget. There are two classes of third party which can be admitted: EU accession candidates on the pathway to full EU membership, and those including the UK, Canada, Japan, Norway, South Korea and Turkey which had an existing formal Security & Defence Pact with the EU at the time SAFE was formalised. Third parties are only allowed access on payment of both an entry fee and an ongoing participation fee. Canada has joined. Talks with the UK were abandoned in November 2025 over several disagreements: the maximum 35% component value limit disadvantaging UK contractors in the purchase of existing kit supplied by joint ventures; IP novation; and the UK declining to pay the minimum €6.5bn access fee insisted upon by France. Philosophically, as part of his political agenda of ‘resetting’ the UK’s post-Brexit relationship with the EU, Sir Keir Starmer is still keen to join SAFE; his not-at-any-price resolve will surely be tested.

Directly related to SAFE is the EU's €90 billion loan fund to Ukraine to help it purchase military hardware for its war effort, keeping it afloat for two years; two-thirds of the money available is to be spent sourcing kit either from what remains of Ukraine's domestic industry, or from EU member states. Demonstrating the extent to which France is prepared to play post-Brexit politics, President Macron is refusing to allow British-manufactured Storm Shadow missiles to be sent to Ukraine which are purchased by Kiev with EU loans to which the UK has not contributed any of the interest servicing cost. Macron has reportedly set the minimum ongoing UK tariff at €2.5bn. Storm Shadow, also known as SCALP in France, is manufactured in both the UK and France by Anglo-French aerospace Joint Venture MBDA; they are identical missiles, incidentally having US-originated guidance systems and reliant on US satellite telemetry for accurate targeting. Regardless of the combat demands of the Ukrainians for lots more (especially given Berlin still refuses to supply Taurus missiles, the German equivalent) and the capacity constraints of the individual British and French production lines, Macron will ensure that only the French-manufactured missiles will be available to President Zelensky in the absence of a British payment.

Coalition of the Willing: the emperor with no clothes

But if anything defines the potentially catastrophically weak position in which Europe currently finds itself, it is the ongoing security of Ukraine and in particular the "Coalition of the Willing", the potential post-conflict peace-keeping force. With confusion over who was/is leading it (Starmer or Macron?), it took more than 6 months to determine the basics: who was in ("willing"); to what extent (financially and militarily: token efforts or genuine commitments); how far forward or how far back from danger; are conditions attached to any member's participation; for how long will they be willing. But above all, it is the terms of reference and the rules of engagement which may yet be fatally flawed. The aim of the Coalition of the Willing is a post-conflict peace-keeping force in Ukraine. By definition, peace-keepers must be scrupulously neutral (in the case of Austria and Ireland, legally and officially they are); However, that is clearly not the case given the composition of the membership being made up of countries morally, politically, financially and militarily supporting Ukraine; in Russian eyes, the Coalition may be construed as hostile and, far from being peace-keepers, could be regarded as combatants and fair game. Given most members are drawn from NATO countries and given Russia's strategic aims remain unaltered, would Putin go so far as to define the deployment of the Coalition as an act of aggression tantamount to a declaration of war?

Such is the parlous state of Europe's under-strength militaries and their denuded arsenals that the CotW is inoperable without a cast-iron US back-stop. The terms of US support are still vague (the word "proposed" gives it away). Amid the pledges to Ukraine of CotW financial support, military training packages etc, it was paragraph 4 of the official French communique issued on 6 January which should offer Ukraine little or no confidence:

"Binding commitments to support Ukraine in the case of a future armed attack by Russia in order to restore peace. We agreed to finalise binding commitments setting out our approach to support Ukraine and to restore peace and security in the case of a future armed attack by Russia. These commitments may [editor's emphasis] include the use of military capabilities, intelligence and logistical support, diplomatic initiatives, adoption of additional sanctions."

Ukraine wants cast-iron guarantees. It thought it had them in the Budapest Memorandum of 1994. But like any insurance contract, the devil is in the detail that allows the underwriter to wriggle out of its obligations. A binding commitment is immediately rendered nothing of the sort when it is qualified by that weasel word “*may*”. “*May*” implies an alternative; alternatives mean decisions; a decision requires discussion for a result; a result demands consensus; consensus in the EU is often the lowest common denominator. Put as a straight question to the CotW, “will you fight?”, Paragraph 4 implies an equivocal “maybe”; the only unequivocal inferred answer is “no”.

These are microcosms of the political minefield and the internecine sniping awaiting the utopia of a fully-integrated pan-European-and-Canadian defence system. But leaving aside vested national interests, there are fundamental principles which must be confronted as prerequisites that extend beyond military capability and the pooling of resources. In essence it revolves around sovereignty.

NATO-ex US integration: the cart before the horse

The European Union is not by any definition a wholly-formed nation state. At best it is a half-baked confection. It has three people simultaneously styled “President” and fifty years later it still cannot answer the simple question originally posed in the 1970s by US Secretary of State Henry Kissinger, “when there is a problem, who in Europe do I call?”. The EU is an internal market requiring the free movement of goods and people within its bounds; it is an outward-facing customs union in which all member states have already surrendered national sovereignty. It has 27 members in total of which 21 are in the eurozone, bound by a single currency, a common monetary policy and exchange rate. There is no fiscal union to complement monetary union, even in the eurozone, to create a homogenous economic system. Debt union remains a pipe dream until fiscal union is achieved and with it a central treasury and issuing authority and with a centralised budget. Based on the simple but foundational principle of stable, enduring democracies that there can be no taxation without representation, fiscal union is impossible without first achieving political union.

The evolution of the EU points towards increasing centralisation of power under the aegis of the European Commission, essentially the Bloc’s appointed executive or civil service. The Council of Ministers formed of the heads of government from each country has seen its authority eroded as successive iterations have conceded powers (and therefore sovereignty) directly to Brussels: trade; pharmaceuticals procurement and regulation; atomic power regulation; agricultural and fisheries policy etc. Least relevant and yet what should be the most important is the European Parliament, today little more than a talking shop and rubber stamping authority. Overarching, the supreme court, the European Court of Justice, dispenses a form of Napoleonic statute law with little accountability and to which all member states’ national courts are subsidiary.

European leaders went into emergency session after Trump’s Davos sermon and the explicit threats over Greenland. The answer was inevitable: “More Europe”. But the EU’s besetting sin as it centralises is that in the absence of political union and complete reform of its governance, it draws further and further away from electorates. They are effectively disenfranchised: not literally in the sense of being unable to vote, but that in the absence of direct representation and their votes counting already for little and likely in future to be even less, the sense of distance and abandonment grows inexorably. The reaction is populism and political polarisation.

Both are a democratic expression and reaction but the resulting instability and unpredictability are viewed with deep suspicion by the EU establishment to the extent of trying to suppress both. This only feeds the Trump/Vance/Rubio narrative of a politically-motivated subversion of democracy in Europe. The EU has only itself to blame; the remedy is in its hands.

Who calls the shots?

If Kissinger asked the “who to call?” question, from the perspective of a fully-integrated pan-European-and-Canadian defence and military perspective, the same issue can be posed in one simple and very literal question: “who calls the shots?” On whose authority would a such a military force go to war? Who determines the rules of engagement? Who would the military leadership report to and be accountable to? Who would direct strategy? Would participating nations give up all sovereignty over their own country’s troops? Could a member state be forced to adopt conscription even if its national legislature did not agree? What about idiosyncratic national interests? Imagine that Argentina invaded the Falklands again; would an EU member such as Spain be able to veto the UK making a unilateral and independent armed response? Would the partners allow it if it meant taking forces from Europe and depleting continental security on what might be regarded as a frivolous pretext?

We have already witnessed national partisanship over Anglo-French missiles going to Ukraine: in another instance in which a member state was engaged in out-of-area operations in its own interest, could the EU prevent the deployment of kit operated by that country but manufactured by a JV that includes European partners (e.g. the UK might want to deploy Typhoon jets to the Gulf but the EU or a single member disagrees, could they veto the operational deployment because the ‘Eurofighter’ has a significant percentage of EU components?).

Until all these fundamental questions are posed and answered completely satisfactorily, it would be both reckless and foolhardy to relinquish control of a sovereign national asset such as the military.

The weakest link

NATO with the US fully committed is a formidable military alliance. But built on the principle of unanimity it is only as strong as its weakest link. The essential test is the robustness of Article 5, the call to arms for all members which may be triggered by any single member which is under attack. That has only been invoked once: by America in the aftermath of 9/11, leading to the War on Terror. America’s allies responded. The cost in blood and treasure was high. But however uncomfortable and however provocatively put (it caused great and entirely justified indignation in the UK given our significant commitment and casualties), there is a kernel of truth to President Trump’s assertion that some were less enthusiastic in their support. While present, their efforts tended towards the token compared with their potential. And, of course, it was America which unilaterally brought the Afghan operation to the unhappiest of endings when Biden simply shut up shop and walked out, leaving his allies with zero option but to do the same.

Putin and Xi fully understand this weakness in the NATO constitution. Their political aim is to break that unanimity to undermine or negate an Article 5 response being successfully implemented. The leaderships of Hungary and Rumania are friendly with Russia; Turkey has a complex relationship with Moscow etc.

Crystal ball gazing

But what of the future? In 2027 there is every possibility that France's far-right National Rally party might gain the presidency. As the Politico website indicates it raises the likelihood of French schisms in the approach to both Ukraine and Russia: the NR "old guard" embodied in Marine Le Pen are anti-NATO, sympathetic to Moscow and antipathetic to Ukraine; the "new brooms" under Jordan Bardella are more pro-west and pro-Ukraine. In Germany, the pro-Russian, anti-Ukrainian far-right AfD leads the national polls; on the far-Left, the Leninist nationalist BSW is anti-NATO and anti-Ukraine. Facing a polarising nationalist electorate and seeking to mitigate against the domestic political threat, over the past year it is amazing how quickly it has become mainstream centrist political thinking in Germany to re-establish constructive relations with Moscow, with the underlying motivation of resuming access to copious volumes of cheap gas.

As for the UK, it is quite possible that the next UK government could be Reform and Nigel Farage our Prime Minister: as recently as 7th January, Farage was on record as saying he would vote against sending UK troops to Ukraine for the very reasons I have identified as the weaknesses in the Coalition of the Willing; however, Putin is the leader Farage most "admires in the world (as an operator not a human being)", and is also on record that the West provoked the war in Ukraine. But even before we get to 2029 and the next election the political dynamic might change if Keir Starmer is replaced as Prime Minister: a more Left-leaning leader might have very different ideas about UK defence, the UK's relationship with NATO and in particular his/her own approach to Donald Trump.

Divergent paths

Under its current composition, managing the strategic threats posed to NATO by China and Russia has provoked deep divisions. There are likely to be more tensions to come. Depending on the outcome of the peace negotiations for Ukraine, as discussed previously Putin will seek to have sanctions against Russia lifted and the personal indictment issued by the International Criminal Court against Putin himself for war crimes struck off. Trump is clearly sympathetic; he has it in mind to rehabilitate Putin and Russia: the G7 would be restored to the G8; Putin has been invited to join Trump's Board of Peace etc. Facing the possibility of war with Russia in the foreseeable future and the existential threat posed to a number of frontier countries given Putin's strategic vision remains undimmed, how are European leaders supposed to respond to this? Take tea with him? Smile for the cameras with him? Turn their back on him? Refuse to sit with him? The potential ramifications are deeply consequential.

China too. Trump's America is looking to insulate itself from China economically and hemi-spherically. In contrast European leaders including Germany's Merz, France's Macron and the UK's Starmer have been beating a path to Xi's door seeking economic and commercial favour. Progressing through the phases of Anglo-Sino relations spanning 15 years (George Osborne's "Golden Era" and the Foreign Office's informally named "Operation Kow-Tow", through the latter-day Conservative administrations' "Ice-Age", now to Labour's "Thaw") today the UK government under Keir Starmer ostensibly applies the "Three Cs" approach to treating with China: Cooperate, Compete, Challenge, in that order. The sceptic would say there is significant cooperation, we barely compete and there is little evidence of challenge.

The security services rate China as a Tier 1 National Security threat, the biggest one facing the UK (the military regards Russia as the biggest threat; both assessments from their different perspectives can be correct and are not mutually exclusive). In the recent row over political espionage, Starmer and his National Security Adviser, Jonathan Powell's refusal to brand China either a "foe" or an "enemy" caused a criminal prosecution against two alleged spies to collapse. It is striking how, across the political spectrum of the press both here and in the US (including the liberal, anti-Trump New York Times), the phrase "on China's terms" is now being widely used in the context of European countries striking new, accommodating agreements with Beijing.

The Grey Zone threat

NATO is a military alliance but a political construct. Its constitution is its strength but also its weakness. It knows what is required when confronted with a clear-cut attack. What it is least adaptable to is dealing with grey-zone, hybrid and asymmetric warfare, the type prosecuted daily by our adversaries: cyber-attacks; espionage; political assassination; intimidation; blackmail; infiltration into all strata of the economy, establishment and society; industrialised money-laundering; subversion; interference in electoral processes; the weaponization of immigration to create political instability; the appropriation of disputed or unclaimed territories; the list goes on.

These attacks are both insidious and pernicious; such bad actors compromise our own national security and that of our allies and neighbours, constantly but subtly eroding it by chipping away without going so far as to provoke an event that triggers Article 5. When Russia was physically testing the boundaries last year with its drones sent directly in to Poland, and ensuring the closure of several international airports in Northern Europe with aggressive drone and cyber activity, or allowing its military jets deliberately to infringe NATO airspace, it was deliberately pressing the buttons and gauging the response. Poland invoked Article 4, the clause that says, "we have a problem, please can we have a chat amongst ourselves" and that was about the sum of it. Russia will have been delighted to read reports that Spain, a member of NATO's Air Policing mission in the Baltic, refused a Lithuanian request to shoot down Russian MiG-31 jets which violated Lithuanian air space for a full 12 minutes on September 19 2025.

Call my bluff

NATO is explicitly a defensive organisation. Its potential adversaries are aggressive actors. That aggression already manifests itself in many guises. Do they know us better than we know them, or the other way around? This is a high-stakes game of geo-strategic bluff and counter-bluff. The military and intelligence assessment is that a war with Russia in Europe is more than likely and that NATO needs to be ready to meet the threat. Some say war may be as soon as three years' time, others between five and seven. Whichever, there is no time to waste. China's military is on notice to be ready to take Taiwan by force if necessary by next year, 2027. The worst risk to global security is that Russia and China, possibly others too, act in concert, with conflicts erupting in Europe and Asia simultaneously, sucking all countries into an all-consuming world war.

Moral hazard in a Trumpian world

What is obvious is that a peace agreement in Ukraine that has any hint of being secured on Russia's terms will be not only a strategic defeat for Ukraine but a moral defeat for NATO and the rules-based order. Trump will crow that he has brought yet another conflict to a conclusion and ended the bloodshed. That may literally be true and in his view how it was achieved is irrelevant so long as the two sides have stopped slaughtering each other. Putin will spin it to the Russian people as a great victory.

In reality, invoking Joe Biden's terminology, evil will have prevailed and triumphed. It might be realpolitik, but the world will be a more dangerous place, humanity will be the poorer and morality diminished as a result.

Parting shot—keep quiet, comrade, and carry on

Finally, concluding this section on NATO, other than China's General Secretary Xi commenting to Putin that the world has become less stable in the past couple of months, Russia and China have remained publicly silent about events in the past few weeks. Much the best thing when your opponents are tearing themselves apart of their own volition is to keep quiet and let them carry on.



CHAPTER 5

THE UK: STUDIED OBFUSCATION

In June 2025, the Labour government committed that all the recommendations of the independently authored Strategic Defence Review would be met in full. In the same month at the NATO summit in The Hague, Keir Starmer endorsed NATO's explicit targets that every member state would spend **3.5%** of GDP on "core" defence plus a **further 1.5%** on the supporting infrastructure for national security and resilience, **both by 2035**. His official press release at the time was subtly different: the UK "expects" to meet the 5% target "by the parliament after next". Assuming full, 5-year electoral cycles, the parliament after next begins in 2035 and ends in 2040.

A CONFUSION OF INTENT, MATHS AND DURATION

According to the official NATO returns, the UK spent an estimated 2.4% of GDP on defence in 2025. By the government adding the annual expenditure on the intelligence and security services to the returns (it may come as a surprise to know they were not), 2.4% will automatically rise to 2.6%. Of much greater concern is the commitment to the 3.5%+1.5% of GDP formula by 2035 as demanded by NATO. Consider the October 2025 government press release announcing the appointment of our first full-time National Armaments Director (NAD): "The appointment comes at a crucial time, following the Prime Minister's commitment to the biggest sustained increase in defence spending since the end of the Cold War, with spending rising to 2.6% of GDP by 2027 *and an ambition to reach 3% in the next parliament* (editor's italics)". The next parliament ends in 2034. Reinforcing that this was no mere slip of the tongue, that same reference to "3%" being an "ambition" was repeated in the Office for Budget Responsibility official spending forecasts published alongside Rachel Reeves's November 2025 Budget.

If the outstanding half percentage point of GDP on core defence is a matter of conjecture over whether and when it will be met, if at all, other factors are also eating into what remains of the MoD departmental budget. These include necessary items such as an extra £7-9 billion needing spending on upgrading military housing, and the compounding financial effect of last year's pay rises to service personnel; both are necessary for recruitment and retention. Then there are the expensive unforced errors: approximately £2 billion set aside for compensation and resettlement costs for the Afghan data breach by the MoD, and the MoD's share of the £37 billion 100-year financial settlement covering the transfer of title of the Chagos Islands to Mauritius with a lease-back on the strategically important island of Diego Garcia. We may yet be on the hook for President Macron's joining fines and ongoing quarterage fees if we join SAFE and the Ukrainian loan pool which together could add a further €9 billion.

In October 2025, only six months into the 2025/26 fiscal year which runs to April, it was reported that the MoD budget was in danger of being £2bn or 5% overspent. Despite the government's public support for our armed forces, behind the scenes the order went out from the MoD to the Services that £2bn of cost savings had to be found.

STRATEGY IMPLEMENTATION: A LINEAR AND LEISURELY PROGRESSION

The appearance of the new Chief of the Defence Staff before the parliamentary Defence Select Committee in January was revealing. Air Chief Marshal Sir Richard Knighton, former Chief of the Air Staff, is bringing structure, direction and purpose to our armed forces leadership. The service chiefs now report directly to Knighton, rather than CDS being more akin to a board chairman-cum-primus-inter-pares. His emphasis is on himself and the service chiefs focusing their energies on UK defence strategy then delegating responsibility for implementation, rather than being distracted from the big picture with inter-service rivalry and each fighting the corner of their own services for resources. This new approach includes bringing together the intelligence branches of the three services into a coordinated unit.

Knighton, an experienced but tough “Whitehall Warrior”, was careful not to be drawn into revealing the contents of a private meeting between the Chiefs and the Prime Minister before Christmas (with the warning to MPs, “do not put words into my mouth”). However, it was not difficult to infer from his answers, or lack of them, to specific questions that this had been a full and frank exchange of views about the lack of political understanding with regards to defence concepts, policy implementation and the poor resourcing for the sector.

The implementation of the 2025 Strategic Defence Review (SDR) is behind schedule—publication of the Review itself was delayed by the government by four months. Its progression is logical but leisurely and depressingly linear. Cases in point: as well as the Review being late, so was the key appointment of the new National Armaments Director (NAD), tasked with bringing coherence and direction to procurement. The SDR required a Defence Investment Plan (DIP) from NAD to be published no later than 4Q 2025. In his evidence in January, Knighton was forced to concede that the DIP will be lucky to see the light of day before the end of March. The reason is frustratingly simple: the government is not in control of events. Rachel Reeves’s Spending Review has defined the nominal spending limit for the MoD and there is no more money out of scope; events are dictating rapid political responses with operational requirements which were never envisaged e.g. sending more jets to the Gulf in the Iranian crisis and naval, air and extra military assets to the Arctic (“Arctic Sentry” the new initiative to help protect Norway and Greenland, possibly even from the Americans!). With a finite financial pool but unanticipated operational expenditure (tactical) eating into the contingency budget, establishing as the balancing item of what is left for capital investment in kit (strategic) is akin to nailing jelly to a wall. Logically, this is the wrong way about.

In an article I wrote last summer, I said that the “MoD is where dynamism goes to die”. It applies to broader government too. Absent is the single-mindedness of the Americans, the serious commitment of the Poles, the new-found willingness to rip up the rule books by the Germans and the passionate urgency, risk-taking and ingenuity of the Ukrainians. The prevailing civil service culture is hide-bound and plodding. It needs to change. The new Defence Growth Board, designed to generate economic growth through domestic defence orders and exports, looks uncontroversial if clunky at first sight. It is co-headed by the Chancellor and the SoS for Defence; the newly-created National Armaments Director position is the one who formulates strategy; NAD and the CDS are jointly responsible for implementation. As is becoming clear, no single person is in charge; nobody in the chain is empowered to drive behavioural change and is held accountable for measurable delivery or who is likely to lose their job for a failure to deliver. Already it is losing momentum. The ability to deflect blame for poor delivery or delays in process is in-built. It is obvious already in the delays behind the DIP publication.

A YouGov poll conducted in the UK before the Security Conference found 68% of respondents have a positive view of NATO, with only 11% against. However, 63% would not like to see taxes rise to boost defence spending, and 65% reject the idea of cutting other government spending priorities to fund defence. It seems that while we all want to be safe, two thirds of us do not want to pay any more to ensure that safety; logically, the inference that it is someone else's responsibility. If successive governments have been accurately accused of "freeloading", this YouGov survey implies it is a more popularly held stance.

UK ARMED SERVICES: UNDER-RESOURCED AND OVER-STRETCHED

I analysed in great detail the state of the UK's armed forces and defences in last year's document. There is no need to repeat it. The situation is as bad. 2026-2028 are hopefully the nadir years for UK defence capability. All three services are chronically under-resourced and operationally over-stretched.

Ajax: 15 years and £6.5bn later, it is possible to deliver an incompetent tank

The Army's Future Soldier strategy is in a state of flux as it is forced to adapt to a new style of warfare rapidly developed in the Ukrainian conflict, one dominated by drones. Its medium armour and armoured reconnaissance strategy focused on the Ajax family of Armoured Fighting Vehicles is on the verge of collapse with no Plan B. The resulting possible abandonment of variants such as Ares (armoured personnel carrier), potentially also limits the flexibility of options available for the armoured infantry battalions currently equipped with the soon-to-be-phased-out Warrior armoured fighting vehicles.

Ajax was conceived in 2010 and the contract awarded to General Dynamics; 15 years later, no unit is fully operational with Ajax. There have been many variations and deviations in specification from the original concept to keep pace with rapidly evolving changes in warfighting. The weight of the vehicle and its centre of gravity are no longer compatible with a chassis that was never designed for the resulting product. What is left is best summed up as a very high-spec machine, packed with smart "situational awareness" software as well as more traditional hardware, that is paradoxically incompetent for the task (it's a bit like the unkind caricature of a genius academic: highly intelligent but no common sense); it makes its crews sick with excessive vibration and renders them deaf through the constant din. It is so complex that when in need of repair there is very little crews or front-line operating units are able to effect, vehicles must be sent to rear-area specialist workshops and in some cases returned to the manufacturer in Merthyr Tydfil. Merthyr is a mere thousand miles and a sea-crossing from where the fighting is likely to be in the Baltic States. It remains to be seen whether Ajax is salvageable or if it turns into a white elephant with £6.5 billion of irrecoverable sunk costs.

The Ajax debacle reveals two besetting MoD traits. First, lack of accountability: at a Defence Select Committee hearing investigating why all Ajax vehicles had had to be withdrawn from a major exercise last autumn, nobody was willing to accept responsibility for the failings—someone else's fault. The second is risk aversion: the MoD's position is that "our first priority is safety"; Ajax is not a death-trap for its crews; the issue is that it leaves some (not all) soldiers feeling queasy and may compromise their hearing. The question was not, "is Ajax an effective combat vehicle capable of doing the job with the greatest lethality to the enemy?". In 2024, the MoD paid out £164 million in health-related compensation claims; that tells us all we need to know. What price motion sickness pills and effective ear-defenders for Ajax crews? Risk aversion is all-pervasive.

“I see no ships”

The Royal Navy is running desperately short of effective, operational combat assets. It no longer has the critical mass to fulfil its tasks. Aside from the nuclear deterrent, on paper the Navy’s most powerful units are the nuclear-powered Astute Class hunter-killer SSBN submarines, of which we have five with two under construction and behind schedule. Currently, only HMS Anson is immediately sea-worthy (last July, with Anson in port, the Royal Navy had no SSBNs at sea at all; one boat, HMS Ambush, has not been to sea in over three years). Pending the new Type 26 frigates arriving from 2028-2035 (the first, HMS Glasgow will be operational four years later than expected) and the Type 31 general purpose frigates whose introduction is slipping from the late 2020s to the early 2030s, the Navy is chronically short of surface frigates and destroyers for patrolling, carrier protection and general anti-submarine and air defence work. We have two aircraft carriers but they rely on other air forces to maintain full operational capacity with F-35 Lightning II jets.

Undernourished and losing so much weight its ribs are showing

The Royal Air Force is beginning the phasing out of its ageing Tranche 1 Typhoon fleet of fast jets with no planned replacements, shrinking the Typhoon force potentially by a third. In future, the RAF will have its tactical nuclear capability restored through a new F-35 unit, but unlikely before the end of the decade. Across all its operational activities, the RAF is suffering acute over-stretch.

FISCAL SCORE AT FULL TIME: WARFARE 1 V WELFARE 5

This is an unhappy period. Hopefully it is the “dark before the dawn”. That dawn may yet be some way off.

For all the current government’s fine words about national security, the fundamental problem is one of affordability. Within the Chancellor’s own fiscal constraints (meaning not picking a fight with the bond markets about the government deficit and the level of debt), affordability is about hard political choices and spending priorities. This government **will** spend more on defence: data published after the November 2025 Budget by the House of Commons Library and the Office of Budget Responsibility show that in the fiscal year 2025/26, the UK will spend £62.2 billion on defence (but not more, remembering the reported £2bn of in-year cuts already having to be made to keep within budget); by 2030/31, that figure is projected to be £70 billion, an uplift of £7.8 billion. Contrast that with welfare spending: £333.0 billion budgeted in 2025/26, rising to £406.2 billion in 2030/31, an uplift of £73.2 billion. Over five years, the *uplift* in welfare spending is the equivalent of the total 2030/31 defence budget; that the increment in welfare spending half a decade hence is projected to be ten times the incremental expenditure to keep us safe and our armed forces competitive tells you everything you need to know.

In the aftermath of the February 2026 Munich Security Conference, it has been reported that the British Prime Minister is “considering significant increases in defence spending”; not so much an increase, this seems to be an acceleration to meet the “ambition of 3% of GDP” by the end of this parliament in 2029 instead of five plus years beyond. It is better than not doing it. However, as I argued strongly in the Daily Telegraph in January 2026, such is the combination of the depletion of our armed services and the military threat facing European countries by Russia, that boldness and urgency are required: the UK needs to be spending at least 3.5% of GDP on core defence by the end of the decade.

“Imbalance”: the silent economic subversive

In the chapter about Trump’s National Security Strategy, I said that there were some instructive elements other countries would be wise to heed. In the case of the UK those are the economy and energy. Ours is an economic system permeated with imbalances. We are developing an over-reliance on the public sector particularly for marginal employment; we have too many people of working age who are economically inactive and too many who depend on benefits for their income; the private sector is heavily over-reliant on services and is under-invested and under-represented in manufacturing, from both of which flows a constant current account deficit and an imbalance between imports and exports; we have a gross imbalance in the taxation system under which the over-reliance on a very small proportion of asset-rich and well-paid people to pay a disproportionate percentage of income and capital taxes is a structural weakness and a threat to sustainability; we are pursuing an energy strategy that by 2030 will rely 85% on variable renewable sources and only 15% from fully “reliable” sources (domestic nuclear and imports). In Trump’s own way, he is addressing all of these national resilience factors in the USA. In the UK, Labour clearly has no intention of effecting fundamental repair. That challenge is for whichever government comes next in 2029.



CHAPTER 6

FUNDING UK NATIONAL SECURITY: “DOING OUR BIT” IN THE NATIONAL INTEREST

As I argue above, we need to be spending 3.5% on core defence by 2030. So, how can we, the investment community, help?

CALL TO ARMS! PUBLIC SECTOR NATIONAL DEFENCE LOAN

The first is helping fund the government's defence equipment procurement programme: it is the government which places the orders and pays the bills.

Last year, I proposed a new institutionally funded National Defence Loan totalling £120 billion (i.e. in round figures, two years' defence spending). Taken up twice by the Daily Telegraph it has become part of the national conversation. All additions to total government debt fall under the critical eye of the bond market vigilantes, so why would this not be seen as an additional financial risk to the government's already over-stretched balance sheet? The answer is that it would be the markets themselves *volunteering* the money *in the national security interest*. It is a valid challenge that government debt, however raised, has a habit of being fungible and dumped in one central pot, what is to prevent it being frittered away elsewhere? The solution is that, as the Germans have demonstrated with the defence exemption to their Debt Brake law, the NDL would be clearly ring-fenced.

A badged, legally hypothecated fixed-term, short duration loan with specific covenants tied to measurable results (and early redemption penalties in the case of missed targets) for defence capital expenditure would a) define the duration limit of the financial commitment, b) explicitly link it to value for money (almost literally how much bang for buck) and c) enable it to be clearly and simply articulated as to why the money is being raised in the national interest.

"Short duration" would be a fixed term of five years. Why five years? Because if the military and intelligence assessment is correct, the UK's armed forces need to be ready to fight a full-scale war in Europe by 2030; we need to inject urgency. The loan itself is the financial carrot: "here is the money on a plate". The fixed-term, short duration term and the performance related covenants are the stick: "use it; use it quickly and wisely; or lose it". Pricing would be based on prevailing five-year Gilt yields; retail investors should be persuaded to participate too, with the usual tax-free benefits attached to Gilts.

Why we should, not why we won't

Hard-headed investors preoccupied with discount rates, cash flow projections, returns on invested capital, opportunity costs, capital asset pricing models, gross yields to redemption, fixed income roll-down and carry trades and all the other financial paraphernalia of our profession will be quick to point to better opportunities with higher returns elsewhere. So why bother? As one big institutional investor commented in the Daily Telegraph to my NDL initiative, "Patriotism does not drive returns: 'It's not what it's called, it's what it offers.'" And another, a government economist: "War bonds may sound patriotic and some people may even be willing to accept a return 0.5 percentage points below a gilt, I guarantee you that hedge funds and pension funds won't."

In their role as providers of loan capital, bond markets are often accorded the title of "Vigilantes". It is a badge worn with pride. The term reflects the perception of their rationalism when it comes to pricing capital and how much they are prepared to lend. It is especially the case when the loans are being extended to governments. However, sometimes bond investors are neither vigilant nor rational. Consider the long run of ultra-low central bank interest rates in the period spanning the end of the Global Financial Crisis and the inflation bubble which began in 2021 after Covid, and when Putin was manipulating the price of gas before his Ukrainian invasion. Far from constraining the growth in government debt, through the acceptance of negative yields they were willing to pay governments to borrow even more! Only five years ago, a third of all government debt globally carried a negative yield. Germany's government was being rewarded for issuing even 30-year bonds on a negative yield, implying a less-than-zero chance of anything preventing the return of their capital three decades hence. Fund managers were justifying to themselves why it was rational to own a 30-year German government bond to its redemption knowing that they would make a guaranteed loss (the argument was that in portfolio construction theory, the certainty was an "anchor point", even if the result was a loss). It is perverse that today, with the possibility of a positive real rate of return on a proposed National Defence Loan with Gilt characteristics, the terms are insufficiently attractive.

Let's strip the patriotism out of the equation and look at the situation in hard-headed, pragmatic financial terms: wealth creation is about compounding total returns including income generation which in turn is a combination of enhancing capital and *protecting it*. In the event of a full-scale conflict the UK will very likely be under physical and cyber-attack: bricks and mortar and infrastructure assets will be degraded or destroyed as will the value of financial assets. Why would you not want to protect those assets as a matter of principle?

Then there is the cost of funding a war to consider. In 1932, the UK was spending 2% of GDP on defence; despite a major rearmament programme beginning in 1936 (and in the 1930s we still had a substantial armaments industry, which is not the case today), war was nevertheless upon us in 1939. By 1944, to keep pace with the need to wage war against the Axis Powers, the UK was spending more than 50% of its GDP (its total economic size, not just half of government expenditure) directly on the war effort. It is irrational to repeat the experience when, for a fraction of the potential outlay whose principal is in any case returnable and on which there would be a rate of interest, the financial sector can mitigate the national security risk and the financial risk to the value of its assets. That is an entirely rational and responsible course of action.

UNLOCKING THE PRIVATE SECTOR

If the first route is funding the government, the second which goes hand-in-hand is extending capital to defence contractors. That might be in the form of loan capital (subscribing to corporate bonds) or investing in permanent equity capital participating directly in company ownership.

It is the Prime Contractors (e.g. BAe Systems, Babcock etc in the UK) which will do the heavy lifting in the big capital programmes: aircraft, ships, submarines, tanks, missiles etc. Share prices in such listed companies have already appreciated significantly and corporately they have well-established recourse to the international bond markets should they need additional capital to fund capacity expansion programmes.

The bigger challenge is the private sector. Much of the innovation in software and hardware is provided through smaller companies, many privately owned. Investment risk can be reduced if products with military use can also have non-military applications (known as 'dual use') and thus have a viable commercial market. But undoubtedly, this is the high-risk end of the investment spectrum, risk being defined as the permanent loss of capital. The key in this sector is unlocking private sources of permanent equity capital. Historically, the Private Equity market has largely been a specialist closed shop confined to a handful of powerful and well-funded PE groups taking the risk, putting up the capital and reaping the rewards from the successes as well as possibly forfeiting returns or even losing their money with the failures. The challenge is how to broaden the access to capital and significantly to deepen the pool and to be willing to share the returns in a manner that is currently not satisfied by such limited vehicles as Venture Capital Trusts or Enterprise Investment Schemes.

It is encouraging that across the investment spectrum, when confronted with the threat of war and the need to mitigate against it, many investors with tight ESG criteria have relaxed or revised their exclusions on defence investments.

Alastair Irvine

Jupiter Independent Funds Team
February 2026



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