Transcript — Why US-China Relations Will Define the Next Generation (2026 Forecast Preview)

Christian Smith: Hello, and welcome to this podcast from Geopolitical Futures. I'm Christian smith. What does 2026 hold for global geopolitics? It's a question that seems tougher to answer than normal at the moment, but it's the question that the team at Geopolitical Futures has tried to answer in its newly released annual forecast titled Re Anchoring the World. At its heart is the belief that Global geopolitics in 2026 will be driven by the US China relationship, a relationship which will eventually lead to a much needed accord between the two countries and a relationship that will define the next generation of international relations. Now, the full forecast, which details what to expect in each of the world's regions, is at geopoliticalfutures.com for subscribers. But today on the pod, we wanted to give you just a bit of a flavor of the overarching global forecast on the US And China and what it means for two of the world's other major India and Russia. I'm joined, of course, by Geopolitical Futures chairman and the architect of that forecast, George Friedman.

George Friedman: Hello.

Christian Smith: First, though, George, let's not dodge the geopolitical question of the moment, I suppose Greenland. Now, we're recording this on Tuesday before President Trump has gone to the World Economic Forum at Davos on Wednesday, and there we expect apparently some developments to potentially happen. So bear that in mind. But George, look, you've been writing about geopolitics for a long time, but on Monday this week you released a piece, and I would encourage our listeners and viewers out there to go ahead and have a read of that on geopoliticalfutures.com you wrote that what's going on in Greenland at the moment in the US And Washington and in Europe, that it has you a bit flummox, perhaps. Why is that?

George Friedman: I'm a lot flummoxed on that. The basic importance of Greenland is clear strategically and in terms of minerals, the American interest in being sure that it's secure is completely understandable. The American desire to own Greenland now is really at the edge of comprehension because we can certainly do all these things before. The decision to put tariffs on any European country that opposed the American acquisition of Greenland is beyond understanding. One, because the United States has suffered from these tariffs as well as its targets. Secondly, it puts in danger of fundamental reality the relationship of the United States and Europe. However it evolves, it is a fundamental thing. So at that point, I said, and I wrote to my readers an apology. I make a confession. I do not understand why he did this. Now My work is based on understanding what nations must do, what they cannot do, what their capabilities are, and to forecast based on that. That particular action by Trump went beyond anything I could understand. And therefore, I had to tell my readers that I don't understand it, and I don't understand it. And if the letter that is circulating of what he wrote to the President of Norway saying that because he didn't get the Nobel Prize, this is why these things are happening, then I'm really out there where this is beyond my understanding. I don't know who should be called in at this moment, and I won't say it. On the other hand, I can't figure it out. So that was my last 24 hours, 48 hours, because social media is going kind of crazy on this, and every one of my readers has written me letters on this. And this is a fundamental issue. Now, you know, we normally many. Every president has. Is an eomaniac. The idea that you can be a president of the United States requires such a massive ego. But all other presidents have managed to hide them. When you take a look at, for example, President Clinton, it sometimes it was more visible. But the degree to which the ego of Trump is revealing itself is extraordinary and not quite understandable. So that's what I've been working on for a while.

Christian Smith: I mean, you've written in the last couple of weeks about the strategic importance of Greenland. We talked about it on the podcast a couple of weeks ago as well, before we talked about Iran. And I think, generally speaking, because of the kind of public nature of this discussion now, most people on both sides, the Atlantic, who pay attention to these things understands the sort of strategic basics of what's going on here. I mean, what is the danger, do you think, from an ally perspective, of targeting allies over this? In terms of tariffs, we're now seeing threats of 200% tariff on French wines, which is devastating, if you like wine, but probably not the end of the world. What is the danger of this in the medium to long term?

George Friedman: Well, obviously, economic entanglement between the US And Europe is deep as well as security entanglement. To break one is to break the other to some extent. But we have to remember that there's a Supreme Court case pending. The claim has been made that Trump does not have the legal right to do tariffs without congressional approval because it's a tax. And that's in the hands of. So it's not clear that he can even do this. It's not even clear to me that he meant to. To do this but simply wanted to have a bargaining tool, but it was a bargaining tool that was beyond the pale of bargaining in my mind. And being it, if there was simply a bargaining tool, well, okay, I can back off and say, fine, let's have the bargain. But given the intensity with which she defended that position and given the intensity which the Europeans are responding, it can cause a serious gap. Now, the Europeans must have a relationship with the United States. United States must have a relationship with Europe. In some way, this is not going to be the end of it, but it puts serious strain on it. At the same time as in the United States, it creates a legal crisis potentially, and certainly, I suspect, in many ways hurts him politically in the United States.

Christian Smith: George, just while we're talking about it, you mentioned the correspondence with the Norwegian president and the point about the Nobel Peace Prize. I mean, is that just. Is all of this in some ways just trolling? You know, Trump loves trolling. He did this AI video of Gaza. Do you think that's what it is.

George Friedman: The question of that letter? I don't know. But at the same time, if the president of the United States goes very further with this, he's facing massive domestic American repercussions. His standings in the polls have deteriorated sufficiently that most people think him an ineffective president, somewhat over 50%. At the same time, I think most Americans will see this as confirming their suspicions that Donald Trump goes to extremes that they did not like. So there is a repercussion not only between Europe and the United States. This has political consequences in the United States, particularly at a time when his extreme actions, for example, in the state of Minnesota with the ICE people, have alienated many of his voters. He still has substantial support, but not majority support. And with the elections looming in 2026, many political questions are there. So the issue of how he is acting and has more than global or less than global implications, it also has deep implications in American politics.

Christian Smith: George, last question on this. A lot of people have asked the question, does this approach to Greenland and the lack of respect for sovereignty and territorial integrity, does that give more license to the likes of Russia and Ukraine or China and Taiwan, say, to do the same thing, to say, look, we want this and we're going to take it.

George Friedman: Russia has already done that. They said, I want Ukraine, I'm going to take it. The Chinese are already doing it. So it's the Americans following the Chinese and the Russians, not the other way around. The idea that this is somehow legalized or legitimize these claims ignores the fact that These claims are commonly being made by various countries of each other. So I would say that that's going to another extreme of what the power is of the American presidency.

Christian Smith: Right, Very good. Now, look, let's talk about something real for once. On with the GPF forecast 2026. Last year's. The 2025 forecast was. Was titled A World without an Anchor. I mean, just remind us, because I think it's kind of important to remember that before we move on to this year's one, remind us what last year's one was about.

George Friedman: Well, in a strange way, the Cold War anchored the world. Each nation could be either an ally of the United States, an ally of the Soviet Union, or neutral. These things did not change rapidly. And so the world was, in a sense, anchored to me. The Cold War ended in Ukraine when the Russian army failed to occupy all of Ukraine, driven back from Kiev and now standing there trying to hold on to a very small wedge of Ukraine, it demonstrated that it could not invade Europe, which was the fundamental figure of the Cold War. And therefore two things happened. The US Russian standoff which defined the world is now obsolete. Russia is nowhere near as powerful as the United States is nowhere near that. And at the same time, it creates a situation where all the other countries must redefine their relationships. We talked about Europe. The European relationship with the United States was based on the Russian threat, the Soviet threat, that if they invaded, this created NATO and everything else. Okay, with the Russians having shown their military limits, profound military limits. There's many discussions that, oh, after this, they'll invade this country, that country, whether they couldn't take even half of Ukraine. They're not going to be able to do these other things. So now the world is without an anchor. The anchor that both frightened the world and placed everything in its place. The Cold War is clearly over. This means that we are now in an unstable position globally. Not in the sense that wars are going to break out and so on and so forth. But many nations don't know where we're going, and therefore it will re anchor itself. And we think that that's what's going to happen. The world will re anchor itself this year.

Christian Smith: And how will it do that?

George Friedman: Well, there are two great powers in this world who have both military capabilities on a potentially global basis and massive economies. That's the United States and China. Russia is no longer a global power. It does not have the military capability of acting throughout the world. And its economy is extremely weak and getting much weaker. It's far below, you know, it's ranked 19 or 10 or something in the general rankings. US is 12 with Europe if it ever united actually being 2 slightly larger than China. So we have this thing going on. What is the relationship between the United States and China? This is the fundamental issue. During the Cold War, the U.S. and the Soviets were hostile to each other and maneuvered around the world on that basis. The United States and China have been hostile to each other as well. At the same time, very economically involved, entangled. Okay, so the question is, is the relationship between the US and China, these two great powers, going to be hostile as it was during Cold War, or is there going to be a different one? I expect it to be different for various reasons.

Christian Smith: And look, we're trying to give a bit of an overview of this forecast here. So we don't want to give everything away, I suppose. But I mean, explain a couple of those reasons why China and the U.S. and you know, it's one of those questions that has been on analysts minds for more than a decade of is this a Thucydides trap and are we about to face a situation where the US and China just have to confront each other? Talk us through why that's not the case.

George Friedman: Well, first the Chinese economy surged starting in 1981 foundation of that surge was access to the American economy. They could export lower priced goods to the United States and they did so massively. A second dimension of the Chinese growth was American investment in China. There was a great deal of investment going on. So China was and continues to be very dependent on its access to the United States. The United States is 25% of the world's economy. If you don't have access to that 25% and you've built your economy around trading with the things the Americans need, both in terms of consumer goods and in terms of components of technology and so on and so forth. If you can't have that access, there's no one place, let alone a collection of places where you can go. So the Chinese have an inherent dependence economically on the American economy. And right now because of the tariffs, there's in deep economic problems. There's significant unemployment in China, which was not the case before. Its financial system is in trouble. Its growth rate has gone below 5%. Now it used to be in its heyday, 15%, then quieted down to 5%. Now it seems to be hovering about 3% growth rates. So the Chinese are in serious trouble. They need access to the American market. At the same time, the US economy is seeing a fundamental rise not an inflation figure so much as affordability. As it said, many of the goods that were shipped from China were lower cost, giving access to consumers to various products. For example in medicine, in pharmacology, they were very critical in supplying it. The price of that has gone up and as that price goes up, pressures build inside the United States too. The problems economically in the United States is less than the problems in China. But still they're there. Therefore, from an economic point of view, the two countries have an accommodation. Question is, how do you accommodate yourself and be dependent, mutually dependent on each other, while maintaining a hostile military posture? And that's what has to be worked out.

Christian Smith: Take a moment to follow and rate us on your preferred podcast platform. For video versions of the show and much More, subscribe on YouTube eopoliticalfuturesgp. Click the link in the description below to gain access to our full 2026 forecast re anchoring the world, complete with geopolitical predictions, maps and graphics from our global team of analysts. And you're going to have to read the forecast to understand in particular how the two may find a compromise in some ways on Taiwan. But let's just have a look at what an accommodation might actually look like. So when you say an accommodation, they've got to come into a military in a economic copy accommodation, what would that look like? What would this sort of state of the world be?

George Friedman: Well, to start that story, you have to really take a look at the Arab oil embargo after the Israeli after the Israeli Arab wars, the Arabs cut off oil sales to the United states during the 1970s. This wrecked the economy. It was in very dire trouble when we didn't have the oil, the gas stations didn't have oil, gasoline to provide, and so on and so forth. So what the Arabs did was use their economic power over the United States to punish the United States for supporting Israel. This went away in the end. But when you have a hostile military relationship, the economic side becomes a weapon that can be used. So for example, if China stops sending all of the goods that they are sending to the United States, or they did before, in the event that a war broke out between the United States and China, the American economy would be deeply affected by that because we've become deeply dependent on low priced products that they send. In the same sense, if the Chinese went to war with the United States in some other way, they would also be affected because they need it. So in other words, the discussions that are going on now are in two dimensions. The first dimension is the economic tariffs that issue. There's a second discussion going on about how we reach military accommodation. How do we prove to each other that we're not hostile? Well, one of the small ways to do it is each side reports to the other when they're going to have military exercises, and then they know this exercise is not the preface to an attack, and that calms the situation. You may reach military accommodations. They're somewhat more difficult than economic ones. But we cannot be dependent on a country which we may go to war with, nor can China be dependent on a country economically for which I go to war with. So alleviating the military tensions and shifting the economics back to something to sustain both countries is essential. So it's more than an economic discussion. It's a general discussion about US Chinese relationships. And it seems to me that at this point they're talking seriously. There are various indicators, but certainly the Chinese ambassador to the United States has said very positive things about the future of US And Chinese relationships, where he's usually criticizing the United States. Xi has stopped saying very bad things about the United States. Trump hasn't been saying very bad things about China. There are deep negotiations going on at multiple levels on multiple issues issues. And when you look at the issue, there is no reason for the United States and China to be hostile and many reasons not to be. So we would look at a world that's very different from the Cold War world, where the two major powers were hostile to each other and define the world. The new anchor, to some extent at this point, looks to me as one in which the two power major nations of the world will be in some way, if not collaborating, not getting in each other's way, but even the possibility of collaboration is possible. So this would be a radical shift in the geopolitical system everywhere, though all the players would be in different positions. And my forecast, our forecast in our company, is that sometime this year, there's a high probability of an accommodation being reached between the two countries because they need it.

Christian Smith: In many ways, it's sort of the opposite of a Western. I suppose there is enough room in the town for the both of us.

George Friedman: Well, the point is that during the Cold War, when Russia was very powerful, it had a fundamental interest in protecting its Western flank. By occupying Europe, The United States had a fundamental interest in them not occupying Europe and having access to the Atlantic. And that could not be easily solved. This relationship between two powers can in some sense be solved. So if you look back, there used to be a great struggle between Britain and France, occasional wars, and so on and so forth. But in the long run, they accommodated each other for most of the time. There were sometimes outbreaks. But these two great imperial powers that occupied much of Africa, much of Asia, the Western Hemisphere for a very long time, these two powers finally reached an accommodation based on economic necessity. So it's not unprecedented, but it's not easy. But I think it's moving in that direction.

Christian Smith: I'd like to point out that I didn't try a Western accent there as well, given that you're in Texas, obviously, George, but I didn't think that would go down too well with you there and me trying to do that. Let's talk about we have talked about Russia, but let's talk about Russia a little bit more because this new world, for want of a better term, and the term new world is being thrown around a lot at the moment. But this term new world will also mean a lot for Russia. Of course, as you said at the start, they are not the power they used to be. How will they be able to deal with this sort of bipolar world of which they're very much not a part?

George Friedman: Well, first, it's important to recognize that Russia is not a global economic power by any means. In fact, even internally, it's having weaknesses in its economy in various ways. So it's in that way no equal to China or the United States. It's part of that game. Secondly, it's not a global military power. It does have the power to start a global nuclear war, which it's not likely to do because it'll be destroyed as well. But from its ability to project conventional warfare after the Ukrainian catastrophe, where the Russians invaded and now four years later, are still fighting without success, Russia does not appear to be a major regional power even. But to the extent that it is a power, it is a regional power, not a global power.

There's no way that it's going to project its forces as the Chinese could, potentially as the United States does frequently. And the Russians simply don't have that ability. Yes, they can engage in various subversions, send their intelligence services in various places, but they are not a global power. They've lost their eastern flank. Central Asia no longer belongs to them. They've lost south caucuses. They are now allied with the United States. These were parts of Russia and recently in Chechnya, where they put down a great rebellion. It was a terrible fight. That rebellion seems to be possibly coming to life again. So internally in Russia there are problems. So they're simply not in the league of the United States or China, and therefore they're not a great global power. They're significant regional power, possibly, but no more than that.

Christian Smith: I mean, speaking of the region then and looking ahead, I mean, one of the main warnings that seem to have been coming out of European generals in particular in recent years is that the idea that, you know, Russia could well try and attack a Baltic state in particular Lithuania, Latvia, I mean, what do you make of that? Obviously Russia hasn't done a great job in Ukraine, but you know, Lithuania, Latvia, Estonia, they're small countries, wouldn't take long to get from one side to the other. Do you think that, that that is a real risk or do you think that that this forecast, with the US less interested Europe will be able to manage it?

George Friedman: Well, the fact is that the Russian army is not very effective. It's not very effective in using things like satellites and integrating them in their operations. It's not that effective in developing new nodes of operations. And they're still fighting years later on a very narrow front and very limited front. So the idea that having done this poorly in a neighboring country, which it should have overrun in a few months, it now is going to choose to project forces in other directions assumes that it has a force that it can project. And if it had that force, it would have used it in Ukraine, because in Ukraine for four years they have fought and they have thrown everything they have into it. So the idea that they're hiding an army now at this point we should remember they're drafting 50 year old men and recruiting mercenaries in Africa because their force are full. So there is a kind of strange psychology about Russia which is that it is this major power able to project force elsewhere. If it had that power, Ukraine would be long in its hands, they would have used it. So I don't take very seriously that plus the fact Lithuania now has German armor present, which may not be enough to stop a Russian invasion, let's say that certainly will trigger massive NATO involvement. Poland has become a very strong military power and then they would have Poland on their flanks as well as Lithuanians. And these Poles would certainly counterattack because they'd be afraid. So the configuration of forces is a reality that can be, is not the reality that was we thought in place four or five years ago. It's a very different reality. And we assign to Russia in ways that powers that it does not have and strategies they cannot achieve. So the idea that is very much circulating all over the place that now having failed in Ukraine is going to succeed in Lithuania because it's Smaller. Well, that's not a reality, given the other elements, like the German forces and so on.

Christian Smith: The forecast also includes assessments, as I said at the top, about all of the world's various regions. Let's just to give a bit of a flavor, let's look at South Asia and in particular for this purpose, India. India has, as we've done on the podcast in the past, been subject to tariffs from America in recent months. How will it that, how will it cope with balance, work out in this world? It is one of the fastest growing economies. It's, it's got potentially the most potential. What's its place? How will it manage this?

George Friedman: It's a very important place. But remember, when we're talking about global powers, we're talking about people who can thus have both economic and military reach. The Indians don't have that yet. They may develop it. One of their problems is that China is very nervous about the evolution of India. And if the United States and China reach that understanding, well, the Americans would likely not break that understanding by arming India. You have to remember that the United States at some point was flirting with the Indians, in part, I think, to make the Chinese even more nervous. That might put troops there, but I think India will emerge as a great economic power, a very significant military power you don't want to mess with. But will it be in a position to protect its forces globally? That's another question. So I think its future is bright, certainly more bright than the Russian future is at this moment. But at the same time, I don't think China is ready for any war with it. I don't think anybody else, including Pakistanis, can really take them on. So I think they're secure. They have a very powerful economy, and they're very close to the first tier, but still second tier.

Christian Smith: And, I mean, looking more in the short term as well. Obviously, they've got these American tariffs. What do you think, based on the forecast, what does 2026 hold for them, really?

George Friedman: I think those tariffs are going to start being negotiated as we move into 2026. The question of affordability, as they call it, instead of high prices, is going to be very much on the table at this point. Trump's popularity standing is negative. Those who think he's doing a poor job is at about 57%. Okay. Those that think he's doing a great job is somewhat lower, not quite at 30%, but in the 40s, okay. At best. And the rest don't have an opinion. So the Republicans are in deep trouble. The recent events In Minnesota, which much of the world may not know about, but where an ICE agent killed a woman. And the pictures, the video that showed the killing did not seem to justify that act. It's a very important symbol in the United States. So American politics are evolving as well. Always when a president is elected in a second term, his opponents have great advantages because he's not fulfilled all the promises he's made and so on. In this case, it's somewhat more extreme. The ICE issues, the economic issues and so on are playing against him. So at this point, the question is all the Republican senators and congressmen who are worried about keeping their jobs have slowly, quietly started edging away from simply supporting him. And that's a very significant issue. Secondly, the Supreme Court will be considering many of the things he did this year. They did not consider it last year. It was premature. But this is going to be the year they're going to be considering it. I cannot predict what they're going to be ruling on these things, but there's a great deal of speculation that they held back the first year, but the second year are going to come in with some rulings that really limit what he can do.

Christian Smith: Yeah, I think nobody knows at this stage. They were potentially going to rule on that the day that we're recording this. But in the end, well, it was unknown what they were going to do, but there was a suggestion they might release that judgment, but they haven't done that. So I suppose in that respect, then, George, let's wrap up with this. The situation of some of these tariffs for India, but more generally, the situation that a number of countries find themselves in with regards to America around the world, that may be changing this year, in part because of the internal pressure facing the current administration in the US in part.

George Friedman: But at the same time, the American dependency on imports is a weakness, because if those beat weakness, if that's cut off, as it was during Arab oil embargo, our dependency hurts. So it makes sense for the United States to in some ways limit its dependency on other countries, except close allies. What Trump is doing is pushing it to the point where, even with close allies, he wants to moderate the relationship, apparently. So he needs to find a balance in his own thinking and then correlate it with emerging political realities in the United States. And that's going to be a tough thing for him to do in 2026. We're going to see more storm as resistance to Trump rises, as it always does with all presidents in this period. And Trump's tendency to operate aggressively is going to create political tensions within the United States. And that'll be dominant along with the Supreme Court and what it does.

Christian Smith: Well, George, let's leave it there. Thank you very much. As always. Thank you out there for listening. Please make sure you go to geopoliticalfutures.com to have a look at their forecast because there is a lot, a lot more in there. And it's really, really interesting,

interesting stuff. I will be back again soon with another podcast, but until then, you take care and goodbye. Find all of our expert geopolitical analysis@geopoliticalfutures.com.