



ARGAMAN



Global Trends and their Implications for Israel: Changing Balance of Power and Technological Transformations

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Chapter 3

Global Trends and their Implications for Israel: The Changing Balance of Power and Technological Transformations

Nitzan David Fuchs¹

Executive Summary

The United States remains the strongest military and economic power globally, but its predominant status is being challenged across multiple arenas, and it is neither able nor willing to manage the international system on its own. Powers such as China and Russia contest key elements of the current order, while rising powers like India seek to define their place within it. The international system is becoming increasingly competitive and fragmented.

While populations in developed countries are aging and shrinking, regions such as Africa and Southeast Asia are experiencing rapid population growth. Economies outside the Atlantic basin are expanding at a fast pace and benefiting from the relocation of manufacturing capabilities to their territories, while Atlantic economies increasingly shift toward financial and service sectors. Knowledge and technological capabilities are diffusing from the Atlantic basin to the rest of the world, alongside a critical dependence of Western value chains on advanced technological products from non-Western countries.

1 This chapter represents a joint product of the project's research fellows and was written by Nitzan David Fuchs.

China seeks to position itself as a global center and to reshape the American-led international order to suit its interests, though it remains unclear whether it can challenge U.S. hegemony beyond East Asia. Challenges to American dominance also come from Russia and Iran, both of which aim to strengthen their regional and global standing. The United States has been and remains the world's most powerful military force, by a wide margin over any rival. However, Washington struggles to forge a new consensus around a coherent strategy for the international system. European powers find it difficult to translate their economic strength into geopolitical power, while the continent undergoes significant demographic and social changes, marked by population aging and Muslim immigration that threatens the character of European societies.

In the Middle East, we are currently witnessing a weakening of the Shiite Islamist camp as a result of the damage to Iran and its proxy forces by Israel during the Iron Swords War. In the resulting vacuum, Sunni Islamist actors, including Turkey, Qatar, and the new regime in Syria, have emerged strengthened, while the traditional Gulf-Arab monarchies compete for leadership and seek to maximize their influence in the emerging order. The coming years are likely to feature the continuation of this contest, alongside Iranian efforts to rebuild its power and the ongoing, quieter struggle within the monarchist states against Islamist currents within their own societies.

A global arms race is underway, with particular emphasis on autonomous weapons systems, cyber capabilities, missiles, and artificial intelligence, alongside substantial investment in relevant industrial production capacity. States are increasingly taking steps to enhance their strategic autonomy. This competition also drives the development of new infrastructure linking major powers to global markets, such as competing initiatives in the Middle East, including China's Belt and Road Initiative (BRI) and the India–Middle East–Europe Corridor (IMEC).

Artificial intelligence is expected to transform the economy, society, culture, and politics. Alongside it, new breakthroughs in robotics, biotechnology, and industry are driving growing demand for advanced semiconductors and energy infrastructure. The power that succeeds in deploying reliable artificial intelligence on the battlefield and in fully harnessing its potential through effective force development will gain a significant military advantage.

In Western societies, a deep political polarization has emerged between socialist-progressive, anti-traditional forces and national-conservative, traditionalist forces. This polarization complicates consensus-building on core issues and leads to inconsistent policymaking, particularly in the United States. Antisemitism is on the rise; however, there are also many in the West who recognize that anti-Israel and antisemitic actors also oppose Western civilization itself and view Israel as a model of a nation-state that preserves its identity and bravely defends its existence.

For Israel—a small, technologically advanced state in a strategic location—these trends present both threats and opportunities. Israel will need to increase its strategic value to the United States to ensure that the alliance remains resilient across changes in U.S. administrations. At the same time, scenarios may arise in which the U.S. must concentrate its resources on a limited number of theaters, making it essential for Israel to strengthen its independence in producing critical weaponry. The American need for capable allies, coupled with the desire to limit its direct military commitments, presents an opportunity to transform the Israel–U.S. relationship toward a more balanced, mutually supportive partnership.

The technological shift will strengthen Israel’s standing as a leading innovation nation. Israeli knowledge and experience in fields such as cyber, air defense, and artificial intelligence can serve as valuable assets in the global technology race. Israel should also leverage this expertise and these developments to forge new alliances. Its geographic location places it in a favorable position, allowing it to become a regional hub for energy and transportation. The arms race further increases the export potential of Israeli weapons technologies.

Geopolitical Shift – From Unipolarity to Multipolarity

A Soft Multipolar System

Rival powers such as China and Russia are challenging the pillars of the previous order and the international system is becoming increasingly competitive, fragmented, and dynamic. Despite the continued presence of the United States, the system operates without a clear hegemon with both the capability and the will to manage it. In this new world, power balances are becoming more fluid and complex. Alliances and partnerships form and dissolve frequently, while the influence of rising powers—or even regional powers—continues to grow.

Diffusion of Power from West to East

In broad terms, one can say that over the past 500 years, the North Atlantic basin has risen as the center of global power. Political power, economic power, technological power, and, of course, military power all concentrate in this region, which was the origin of some of the world's great empires: the Spanish, Portuguese, Dutch, and, of course, British. The rise of the United States to the status of a major power at the end of the 19th century, and later a superpower in the 20th century, did not change the status of the North Atlantic but only the distribution of power within it: the U.S. became the new center of gravity in the region. Today, it is common to refer to the Atlantic countries as “the West.”

Over the past 40 years, we have witnessed a shift of the global center of power from the North Atlantic to the Indo-Pacific region. At the same time, we see the rise of major powers and regional powers willing to act independently and, at times, contrary to the current superpower—the United States. This situation can be described as a “soft multipolar” system. It is “soft” because the U.S. still maintains economic, military, and political superiority over each of its rivals. However, the system is multipolar due to the weakening of American hegemony and the willingness of leading states to align together against the U.S.

Demographic Trends

This shift, which we may call “from West to East,” stems from three parallel trends: demographic, economic, and technological. The most significant demographic changes are currently occurring in the developing world. While the populations of developed countries are aging and even shrinking, regions such as Africa and Southeast Asia are experiencing rapid population growth. Europe, which in the 1950s was one of the most populous continents in the world, is being overshadowed by Sub-Saharan Africa. By the mid-21st century, the United States is expected to be the only Western country among the ten most populous nations in the world.

The Economic Trend

Accompanying the demographic trend is an economic trend, which is also influenced by

it. Economies outside the Atlantic basin are growing rapidly, partly thanks to impressive population growth. Among these economies are India, China, Ethiopia, Vietnam, Indonesia, and Guinea. This challenges the economic dominance of Atlantic countries, particularly the United States.

A clear example of the shift in global economic power is this data: in 1999, the G7 countries (the U.S., Canada, the U.K., France, Germany, Italy, and Japan) alone accounted for almost 60% of the global economy. By 2020, their share had fallen to 40%.² Whereas in the mid-20th century the G7 could steer the global economy on their own, at the turn of the 21st century, they must cooperate with other economies. A first indication of this shift was the establishment of the G20 following the financial crisis in East Asia.

An important component of the economic growth of the non-Western world is the shift of production capabilities outside the Atlantic region. While in the mid-20th century most industrial production was concentrated in the Atlantic region, especially in the U.S., today the bulk of industrial

production occurs outside it, particularly in East Asia.³ Steel production, shipbuilding, metal extraction, plastics manufacturing, oil refining, and the petrochemical industry—all major activities are now centered outside the Atlantic. The dominance of Atlantic countries has shifted to the service sector in general, and financial services in particular, leaving them dependent on non-Western countries for most of their industrial needs. For example, China is the main producer of magnets for industrial and consumer uses and the primary supplier of rare elements for microelectronics.⁴

The Technological Trend

The third trend is the technological trend: the diffusion of knowledge and technological means from the Atlantic basin to the rest of the world, and the critical dependence of Western value chains on advanced technological products from non-Western countries.

In the past, Atlantic countries enjoyed a vast technological advantage, not only in the military sphere but also in industry and science. Today, not only has this gap

² Author's calculations, based on World Bank data.

³ East Asia is responsible for approximately 40% of total global industrial production. The European Union and North America are each responsible for approximately 16% of industrial production (author's calculations, based on World Bank data).

⁴ Philip Andrews-Speed and Anders Hove, *China's Rare Earths Dominance and Policy Responses*, Oxford Institute for Energy Studies, June 2023; Damien Ma and Joshua Henderson, "The Impermanence of Permanent Magnets: A Case Study on Industry, Chinese Production, and Supply Constraints", *Macro Polo*, 16 (November 2021); Zongyuan Zou Liu, "How to Secure Critical Minerals for Clean Energy Without Alienating China", *Council on Foreign Relations* (blog), 25 May 2023, <https://www.cfr.org/blog/how-secure-critical-minerals-clean-energy-without-alienating-china>.

narrowed, but in certain fields, non-Atlantic countries have become leaders. China is a prominent example: the Chinese lead in areas such as batteries, electronic payments, and even the deployment of advanced communication networks. Countries like China, Russia, and Iran are working to narrow the qualitative military gap in technologies such as electronic warfare, drones, and missiles. While China initially developed its industrial base through imitation, today it leads innovation on its own. Chinese researchers are at the forefront of research in fields like artificial intelligence, quantum computing, and biotechnology.⁵

By the mid-21st century, the United States is expected to be the only Western country among the ten most populous nations in the world

Western countries have also become dependent on non-Western countries for value chains of advanced products. For example, China supplies most of the silicon needed for solar cells and is a major provider of rare elements for chips, magnets, and other devices. Russia supplies the nickel required for electric vehicle batteries and titanium for aerospace systems. South Africa and the Democratic Republic of Congo

provide platinum and cobalt, which are essential for magnets and batteries used in a wide range of applications, from wind turbines to mobile phones.

The Rise of Non-Western Powers

All three trends—technological, economic, and demographic—converge toward a historic geopolitical shift in the international system. This geopolitical change is reflected at the state level in the rise of non-Western powers, which exert pressure on and challenge the international order established after World War II. Not all of them do so out of hostility toward the West; some are trying to find their place within this order. A good example is India, perceived as a natural ally of the Western camp. India sees itself as a rising power and seeks recognition as a major power. The fact that India does not have a permanent seat on the UN Security Council, while countries like France and the United Kingdom do, highlights a gap between the structure of the Security Council and the actual distribution of power in the world. Naturally, as India continues to grow in the Indo-Pacific region, it will seek a role with greater influence in the existing order—or may work to undermine it by promoting an alternative order, especially in the Indian Ocean basin.

⁵ Jamie Gaida et al., 'ASPI's Critical Technology Tracker: The Global Race for Future Power', Policy Brief (ASPI International Cyber Policy Centre, 1 March 2023); Ashwin Acharya and Brian Dunn, 'Comparing U.S. and Chinese Contributions to High-Impact AI Research' (Center for Security and Emerging Technology, January 2022), <https://doi.org/10.15193/20210028>; China Power Team, 'Is China a Leader in Quantum Technologies?', China Power, August 14, 2023, <https://chinapower.csis.org/china-quantum-technology/>.

In contrast, China does challenge the global hegemony of the United States. In the Chinese worldview, it is the center, organizing the international system around itself in harmony simply by virtue of being the center. Beijing's goal is to make China the global center—economically, politically, and technologically—recognized by other countries.⁶ Practically, this means that Beijing tries to adapt the American-led international order to its needs rather than create a competing order. For example, China works through the UN and the World Trade Organization to promote political decisions that serve its interests, without attempting to replace these organizations.⁷

There are also “classic” aspects of the US-China competition. The two powers compete for technological leadership across various fields, including artificial intelligence, biotechnology, and advanced semiconductors. Each of these technologies has military applications that could shift the balance of military power in favor of one of the powers.⁸ They also work to secure their respective value chains from

each other, leading to a reorganization of global supply chains based on geopolitical considerations rather than purely economic efficiency. Additionally, they compete for influence—in East Asia, Africa, Europe, or the Middle East. Tensions between these two powers have intensified in recent years, manifesting in flashpoints such as Taiwan, the South China Sea, and the war in Ukraine.

Russia's aggressive policy is also driven by its perception of itself as an empire, with a natural right to territories in Eastern Europe, the Caucasus, and Central Asia

It should be noted that China's ability to continue challenging the United States will depend on the future direction of its economy. China's impressive economic growth over the past four decades has not only provided it with resources for diplomatic and military activities but also serves as a source of attraction in itself, as it is seen as evidence of the success of the “Chinese model.” However, in recent

6 Salvatore Babones, 'Taking China Seriously: Relationality, Tianxia, and the “Chinese School” of International Relations', in *Oxford Research Encyclopedia of Politics*, by Salvatore Babones (Oxford University Press, 2017), <https://doi.org/10.1093/acrefore/9780190228637.013.602>; Tingyang Zhao, 'Rethinking Empire from a Chinese Concept “All-under-Heaven” (Tian-Xia,)', *Social Identities* 12(1) (January 2006), pp. 29–41, <https://doi.org/10.1080/13504630600555559>.

7 Ted Piccone, *China's Long Game on Human Rights at the United Nations*, Brookings Institution, September 2018.

8 James Andrew Lewis, "Technology and Power", Center for Strategic and International studies, 3.30.2022, <https://www.csis.org/analysis/technology-and-power>; Christian Brose, *The Kill Chain: Defending America in the Future of High-Tech Warfare*, First edition, New York: Hachette Books, 2020.

years, questions have begun to arise about whether this growth will continue and what direction the Chinese economy will take. A description of all the factors and problems threatening China's economy is beyond our scope, but broadly speaking, China faces an imbalance between supply and demand, weak private consumption, and an inefficient manufacturing sector.⁹ While there is no doubt that China will remain a major power, it is far from certain that it will be able to challenge American hegemony outside East Asia.

The challenge to American hegemony also comes from Russia and Iran, which seek to strengthen their regional and global positions.

Since the early 2000s, Russia has sought to restore its status as a global power and regain influence over the former Soviet space. In the Kremlin's view, NATO's eastward expansion and the emergence of "color revolutions" in its backyard constitute a serious threat to Russia's interests. Russia's aggressive policy

is also driven by its perception of itself as an empire, with a natural right to territories in Eastern Europe, the Caucasus, and Central Asia.¹⁰ Over the years, Moscow has taken a series of aggressive steps that have only intensified over time—the invasion of Georgia in 2008, the annexation of Crimea in 2014, and, finally, the invasion of Ukraine in 2022. Moscow has also sought to leverage its status as a leading nuclear power, and amid the escalation of the invasion of Ukraine, it exploited Europe's energy dependence as a tool of political pressure.¹¹

Against growing American pressure, Iran has turned toward closer cooperation with Russia and China, hoping to reduce U.S. influence in the Middle East. Despite Israel's strategic strikes on proxy forces, missile capabilities, and its nuclear project, Tehran is expected to seek to restore these capabilities. These capabilities serve not only as deterrents to protect the regime from external interference but also as a means to achieve regional hegemony under a nuclear umbrella.¹²

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- 9 Michael Pettis, "The Only Five Paths China's Economy Can Follow", Carnegie Endowment for International Peace, 27 April 2022, <https://carnegieendowment.org/chinafinancialmarkets/87007>; Michael Pettis, "Can China's Long-Term Growth Rate Exceed 2–3 Percent?", Carnegie Endowment for International Peace, 4.6.2023, <https://carnegieendowment.org/chinafinancialmarkets/89466>; Nicholas Borst, "China's Balance Sheet Challenge", *China Leadership Monitor*, 75 (Spring 2023), <https://www.prclleader.org/borst-spring-2023>.
- 10 Stephen Kotkin, "Russia's Perpetual Geopolitics: Putin Returns to the Historical Pattern", *Foreign Affairs*, June 2016.
- 11 Marc-Antoine Eyl-Mazzega, "The Ukraine War and European Energy Dependence and Reconfiguration of Energy Relations", IEMed. Mediterranean Yearbook 2023
- 12 Michael Doran and Can Kasapoğlu, "Overmatch", Hudson Institute, 11.2.2022; International Institute for Strategic Studies, *Iran's Networks of Influence in the Middle East*, IISS Strategic Dossier, London: The International Institute of Strategic Studies, 2019.

The State of the Western Powers

The picture of the Western powers is not uniform. The United States has been and remains the strongest military power in the world, with a wide gap over any rival. However, Washington struggles to build a new consensus around a coherent strategy for the international system, creating uncertainty and even frustration among its allies, which in turn undermines American influence. This is particularly true in the Middle East, where the U.S. political establishment has been divided over its approach to Iran and to Saudi Arabia and the extent of American military commitment to the region.

Toward China, there is a more established consensus, but even here it is unclear what the proper approach to the Eastern rival should be: should the United States compete with China while seeking to avoid direct confrontation, or should it define a goal of “victory” over China—aiming to avoid military conflict but still challenge the Communist Party, for example, by attempting to undermine the regime?¹³

The European Union and the European powers struggle to translate their economic strength into geopolitical influence, whether due to the decline of their military capabilities or the lack of consensus on key issues and absence of unified political leadership. Moreover, the continent is undergoing significant demographic and social changes,

including an aging population, Muslim immigration that challenges the character of society—both culturally and in terms of potential terrorist threats—and increasing political polarization, with right- and left-wing parties gaining at the expense of centrist parties.

Japan, despite its aging population, is actively pursuing military strengthening and maintains an active foreign policy in East Asia. Japan’s substantial economic power allows it to challenge China’s influence in the region, and it works to build a coalition capable of restraining Beijing. While these efforts are coordinated with the United States, Japan often takes the lead, with the U.S. following its example. For instance, the East Asian Quad initiative originated in Japan, as did the “Free and Open Indo-Pacific” (FOIP) strategy adopted by the Biden administration.

The Return of Military Power as a Central Factor in Shaping International Relations

We are in the midst of a global arms race, with an emphasis on autonomous weapons systems, cyber capabilities, hypersonic missiles, and artificial intelligence. Countries are dedicating increasing resources to developing military technology and strengthening their capabilities. This trend applies not only to the Middle East but also to East Asia and Europe. As long as the war in

13 Matt Pottinger and Mike Gallagher, “No Substitute for Victory”, *Foreign Affairs*, June 2024.

Ukraine and the rise of China act as triggers, it is likely that this trend will continue into the third decade of the 21st century.

The return of military power to the forefront of international relations poses a serious problem for the West. As noted above, much of their industrial production capacity has shifted to other regions, particularly East Asia. Today, when European countries or the U.S. need to prepare for war on an industrial scale, they lack a strong manufacturing base capable of supporting such efforts. The war in Ukraine exposed shortages not only in the West's ammunition stockpiles but also in its ability to produce munitions and weapons systems. As part of the new arms race, significant investments are being made in relevant industrial production capabilities, including the training of the workforce required for an industrial mobilization.

From Neoliberal Globalization to Top-Down Organized Globalization

As military power becomes central, economic considerations are often pushed to the margins of the agenda, yielding to national security concerns. The COVID-19 crisis and Russia's use of natural gas and oil as leverage exposed the risks of overreliance on globalization and on long supply chains that include unfriendly countries (e.g., China). Today, states are taking steps to enhance their strategic autonomy, particularly in critical sectors such as pharmaceuticals, food, and semiconductors. The hyper-globalization of the 1990s, characterized by the free flow of goods, technologies,

and capital, is giving way to a form of globalization shaped by geopolitical considerations, coalition dynamics, and the presence of active conflicts as threats to the movement of goods. The global economy is becoming increasingly fragmented.

It should be emphasized that this does not signify the end of globalization, but rather a new phase of it. No country is trying to produce everything on its own or to halt exports to international markets. At the same time, while the rise of new powers challenges the existing international order, it also encourages the creation of new infrastructure connecting these powers to global markets. Initiatives such as the Belt and Road Initiative (BRI), the India–Middle East–Europe Corridor (IMEC), or the North–South route linking Iran and Russia are all intended to increase connectivity for new economic hubs, whether in China, India, or Central Asia.

Balance of Power in the Middle East

The actors in the Middle East can be divided into four broad ideological camps: Sunni Islamism—including strong states like Turkey and Qatar, alongside various movements and organizations across the region, such as the Muslim Brotherhood, ISIS, and al-Qaeda; Shia Islamism—led by Iran, encompassing movements and organizations in multiple regions, such as the Houthis in Yemen, Hezbollah in Lebanon, Shia groups in Iraq, and parts of the Shia communities in the Gulf states; Arab monarchial or authoritarian traditionalism—led by Saudi Arabia and the

United Arab Emirates, including Bahrain, Kuwait, Oman, Jordan, and Egypt; Modern democratic nationalism—Israel is the only state fully embodying these three values, though different elements of these values are present throughout the region.

As a result of the Iron Swords War and the weakening of Iran and its proxy forces, Shia Islamism is being undermined. In the resulting vacuum, the other three camps compete for influence. This struggle is taking place primarily in Syria, but also in Lebanon and Gaza. The coming years are expected to be marked by the continuation of this contest, including Iran's efforts to restore its power, alongside an ongoing quiet struggle within the traditionalist states against Islamist currents within their own societies.

The rise of Turkey— The weakening of the Shia axis, and particularly the fall of the Assad regime in Syria, has strengthened Turkey's position and reinforced its ambition to lead the Sunni Muslim states in the region. President Erdoğan seeks to enhance Turkey's great-power status, with a vision that harks back to the Ottoman Empire. In the coming years, Turkey's objectives in Syria may include: Eliminating Kurdish autonomy in northeastern Syria and disarming the Kurds to prevent any threat to Turkey; Returning Syrian refugees from Turkey to Syria; Participating in Syria's reconstruction, which could channel significant funds to Turkish companies and the Turkish economy through aid directed to Syria (e.g., from

Qatar and European countries); Involvement in the rebuilding of the Syrian army, including selling weapons, providing training and instruction, constructing military bases, and maintaining a Turkish military presence inside Syria; Establishing a maritime boundary between the two countries for oil and gas exploration in areas effectively controlled by Turkey.

President Erdoğan seeks to enhance Turkey's great-power status, with a vision that harks back to the Ottoman Empire

Turkey's military power is growing, as are its defense industries, which produce large and advanced platforms for the Turkish navy, air force, and ground forces. In the maritime domain, there is an intention to build, for the first time, an aircraft carrier (beyond the helicopter and UAV carrier already in service). Together with the naval force being built on an unprecedented scale, this will enable Turkey to conduct air operations at great distances from its own territory. Another layer in Turkey's force buildup is the strengthening of its long-range missile capabilities. Turkey intends to expand its inventory of missiles with a range of up to 800 km and to accelerate its program to produce missiles with a range of 2,000 km—ranges that would cover all of Israel, Tehran, Moscow, and large parts of Western Europe.

This force buildup also reflects Erdoğan's intention to expand Turkey's influence into

more distant regions, such as the Horn of Africa—in countries like Djibouti and Somalia—as well as in Libya and Qatar, where Turkish forces are already present. Additionally, Turkey is expected to work toward consolidating control over the eastern Mediterranean basin, driven in part by the desire to dominate areas where gas and oil fields may be discovered. Turkey is even prepared to increase tensions with Cyprus and Greece over this issue.

The decline of Iran – Iran’s power is currently at a historic low. Beyond the severe damage inflicted on its proxies, nuclear facilities, missile systems, and senior command echelon, Iran is undergoing a deep economic crisis that intensifies the polarization between the people and the regime. The Iranian rial has plummeted against the U.S. dollar, and inflation is high. Iran is experiencing a severe energy crisis, and in various locations, including Tehran, electricity is unavailable for many hours each day. Factories are closing, students are missing school, and homes cannot be adequately heated during the winter.

However, Iran is expected to draw lessons from the recent war and, to the extent that it is able, will seek to rebuild its proxies through rearmament with weapons, financing, training, guidance, and intelligence. Iran will try to find alternative ways to rearm Hezbollah after the upheaval in Syria severed its main supply corridor. It is working to undermine governmental stability in Jordan, is intervening in

developments in Sudan, and—should it detect weakness in the stability of the Egyptian regime—will act to encourage Muslim Brotherhood elements.

The only Iranian proxies along the “Resistance Axis” that have strengthened over the past year are the Houthis, due to their success in launching drones and short-range missiles toward Israel and firing on ships in the Red Sea. Today, the Houthis see themselves as a leading force in the Arab world, capable of exerting pressure even on Saudi Arabia and the United Arab Emirates. Naturally, the Houthis rely on Iranian technology, financing, and guidance.

The Gulf states are striving for wealth without relinquishing their identity—Saudi Arabia and the United Arab Emirates are leading efforts to transition from oil-based economies to more diversified economies based on advanced technology, industry, finance, and tourism. This aims to reduce their dependence on oil revenues, which is expected to become a diminishing energy source. This is particularly evident in Saudi Arabia, with its ambitious development plan, “Vision 2030.” Over the past ten years, Dubai has become a global financial hub, and its geographic and political convenience attracts businesspeople to establish themselves there. The UAE and Saudi Arabia are building sovereign wealth funds to hold investment portfolios that will generate profits once oil revenues decline.

The greatest strategic challenge for Saudi Arabia and the United Arab Emirates is security, since a significant security threat could unravel all this economic and social flourishing. Consequently, in recent years, they have adopted a policy of rapprochement toward Iran and renewed relations with Turkey. Moreover, these transformations are driven from the top by a small circle of people, so if anything happens to the leadership, the entire course could change.

The Involvement of External Powers in the Middle East

The Middle East will continue to be a theater of competition among the major powers, with a focus on the U.S., Russia, and China, though it is not the primary arena for any of them. In recent years, the U.S. has sought to reduce its direct military involvement in the region in order to shift strategic attention toward China. The chaotic American withdrawal from Afghanistan left a very negative impression and signaled a desire not to engage in major wars. However, since the Iron Swords War, the U.S. has demonstrated significant diplomatic involvement in the Middle East, deploying forces to assist Israel and deter Iran and its proxies from attacking Israel, and even striking the Houthis in Yemen and Iran directly. Beyond this, the U.S. remains the strongest military power in the region and also leads various economic and political initiatives.

The fall of the Assad regime dealt a severe blow to Russia's influence in the region,

forcing it to withdraw forces from Syria. Russia is trying to preserve its bases in Tartus and Latakia and maintain a certain foothold in Syria, but it is unclear whether the new Syrian regime will allow it to retain them over the long-term. In addition, Russia remains preoccupied with the continued war in Ukraine.

China focuses primarily on economic and commercial domains rather than military ones, although it also conducts arms sales to various Middle Eastern countries, including those that purchase large quantities of weaponry from the United States, such as Saudi Arabia and the United Arab Emirates. In any case, whereas in recent years we have seen a perceived "withdrawal" of the United States from the Middle East, the current war has returned the U.S. to a senior and leading role over Russia and China. It is reasonable to assume that the United States will continue to play this leading role in the coming years, albeit without a change in its strategic focus on China and with very limited willingness to employ direct military force.

Conflict Zones in the Middle East

Syria is a devastated state after more than a decade of civil war, culminating in the fall of the Assad regime. Although the organization Hayat Tahrir al-Sham (HTS), led by Ahmed al-Sharaa, has emerged as the strongest force, a major question mark hangs over its ability to impose its rule over the entire territory of the country.

Al-Sharaa is expected in the coming years to focus on consolidating and stabilizing his rule in the country, dismantling the various militias and integrating them into a single army, and creating a unified Syria instead of a state of cantons. Another major focus will be the economic sphere—rebuilding Syria, whose infrastructure has been completely destroyed in the fields of energy, communications, water, roads, and housing. To that end, the new regime will need to attract substantial foreign investment. Despite his jihadist worldview, al-Sharaa understands that he must present a “moderate face” toward Western countries and even toward some Arab states, and demonstrate restraint and openness in order to gain legitimacy, resources, and support for rebuilding Syria. In any case, continued clashes are expected between the Sunni majority that dominates the Damascus area and the various minorities elsewhere in the country—the Druze, the Alawites, and the Kurds. As a result, the Syrian arena remains fluid and is subject to ongoing struggles over external influence by all regional actors.

In Lebanon, as a result of Israel’s strikes against Hezbollah, the new government seeks to disarm what remains of the organization and to establish its authority in the south and east of the country. However, it is unclear how successful this effort will be, and Israeli involvement—backed by the United States—will be a decisive factor. Here too, Lebanon constitutes an arena in which regional and international powers compete for influence.

Iraq will continue in the coming years to suffer from internal tensions and power struggles among different factions within the Shiite community, particularly between supporters of Muqtada al-Sadr and the pro-Iranian militias that are controlled and supported by Iran. In addition, the civil wars in Yemen, Libya, and Sudan are expected to continue.

The use of force is an inherent and inseparable part of the rules of the game in the Middle East

As a general rule, the use of force is an inherent and inseparable part of the rules of the game in the Middle East. We see extensive violence between states, but also within many states, where regimes—or opposition movements seeking to replace them—massacre civilians without hesitation. Almost anything is permitted within this framework of violence, and there are virtually no red lines when it comes to repressing rebelling civilians, or even those who are not rebelling. It is enough for civilians to be perceived as a potential threat to the regime, or to belong to a different sect, for their lives to be in danger. The majority of the population in these Arab and Muslim states accepts these rules of violence with understanding or silent consent. Some even admire the use of force and glorify acts of cruelty and war crimes—against one another, and certainly against Jews and the State of Israel.

The Technological Shift: The AI and Cyber Revolution

Artificial intelligence is expected to transform the economy, society, culture, and politics. Alongside it, new breakthroughs are emerging in robotics, biotechnology, and industry. Autonomous systems are already shaping the battlefield and are expected to become increasingly lethal and sophisticated over time. Both the United States and China are investing vast resources and effort in developing such capabilities. In biotechnology and medicine, genetic editing (such as CRISPR) holds the promise of genome-level cures, while tissue printing may enable the production of transplantable organs. In manufacturing industries, the integration of sensors, advanced robotics, and artificial intelligence is driving dramatic changes in industrial production.

The artificial intelligence revolution does not free the world from the need for fuels, electricity, or—of course—semiconductors. It adds a fourth resource: information. Data are essential for training advanced algorithms, improving them, and refining their performance. For this reason, information has become a strategic resource for states and corporations alike. Many countries, such as China and France, are promoting legislation aimed at “nationalizing” the data generated within their borders. As a result, companies’ ability to extract and transfer data out of countries is increasingly restricted.

The need to process vast amounts of data and perform rapid computations is

also reflected in the growing demand for advanced semiconductors. Computer chips are the fundamental component of most information and electronic systems today, from “smart weapons” to mobile phones and cars. In a world in which everything is becoming “smart” and saturated with processors, investment in semiconductor manufacturing and the innovation associated with it is critical to securing the future of states. Today, the core of the confrontation between China and the United States lies in the development and production of advanced chips. The United States is seeking to restrict China’s access both to manufacturing technologies and to cutting-edge semiconductors. As a result, the importance of countries that possess critical industrial technologies—such as Taiwan (TSMC) and the Netherlands (ASML)—has increased on the international stage, and they are subject to growing geopolitical pressure to align with the United States in the “chip war.”

Geopolitical Implications of the Technological Revolution

The geopolitical implications of these changes are enormous. The first country to successfully develop new technologies or implement them effectively will gain significant advantages. First, artificial intelligence, robotics, and automation will play an increasingly important role in the military domain – as decision-support tools, autonomous platforms operating in swarms, or advanced offensive cyber tools. A power that can deploy reliable AI on the battlefield

and harness its potential through proper force structuring will achieve a substantial military advantage.

Second, technological leadership will allow a country to "set the rules" for new markets. Ownership of key digital platforms or critical communication infrastructure will provide economic and political advantages. On the labor and cultural levels as well, technologies like artificial intelligence and automation are expected to transform the job market and lifestyles, increasing the importance of capital relative to labor and enabling individuals to operate as leaner, more independent enterprises. The countries and companies at the forefront of these changes will shape their very nature.

Third, the development of advanced technologies requires enormous investments of capital, time, knowledge, and talent. For this reason, the countries that first develop new products are likely to establish oligopolies in emerging markets, benefiting from advantages of scale, experience, and high barriers to entry. We already see this happening in the world of search engines and social networks.

For this reason, it is only natural that technological competition has become part of the broader geopolitical struggle—a competition that can be called the "war of tomorrow"—aimed at achieving or maintaining leadership in strategic technological fields. Countries are harnessing their resources to support

companies in these sectors, and in some cases, they intervene directly, for example, by funding research and development. The United States, China, the European Union, and India dedicate substantial budgets to R&D, focusing on areas such as artificial intelligence, robotics, biotechnology, aerospace, advanced materials, and quantum computing.

Naturally, technological competition affects the relationship between the public and private sectors, particularly how governments interact with firms within their borders. Given the strategic importance of technological developments, companies in relevant fields—from established multinational corporations to startups—find themselves as actors with strategic influence. Their importance stems not only from their products but also from their presence at critical civilian and security nodes. Companies like Amazon and Microsoft control a significant portion of global cloud infrastructure and play a crucial role in national cybersecurity. Firms such as DJI and SpaceX develop civilian platforms and services that also serve military purposes. DJI drones became a critical force in the Russia–Ukraine war, and SpaceX's satellite internet supports the Ukrainians in their command and control systems.

It should be noted that in the military domain, technological changes do not alter the fundamentals of warfare. Maneuver and firepower remain the core components of

military victory. Surprise, concentration of effort, and territorial control continue to guide commanders, even on the modern battlefield. As the war in Ukraine demonstrates, combined arms maneuvering remains an essential capability for any army, enhanced by the use of drones, artificial intelligence, and precision weaponry.

The Energy Shift—Changes in the Global Energy Sector

Today, the world remains almost entirely dependent on fossil fuels, with all renewable energy technologies supplying only about 2.2% of global energy consumption. However, significant investment is being made in research and development to improve existing renewable technologies for profitability and to develop new energy sources. The coming decades may therefore bring a shift in the energy mix of many countries, with major geopolitical implications, even if it is not a complete transition. The technological powers, led by China and the U.S., are competing for control over the technologies and resources that will shape the future energy market, while countries that produce energy through traditional means must adapt to this new reality.

The Technological Aspect of Energy Transition

In practical terms, the growing competitiveness of new energy technologies, combined with the sharp rise in electricity demand, requires unprecedented investments in

infrastructure. Estimates indicate that by 2050, there will be substantial growth in energy infrastructure investments, particularly in renewable energy. The structural changes in the market can be divided into three main aspects: the digital revolution and its impact on electricity demand, technological developments in energy production, and changes in the global energy mix.

The digital revolution, and particularly the growth of the technology industry, serves as a major driver of growth in the energy market. Data centers and cloud infrastructures, which power the development of artificial intelligence and advanced computing, place unprecedented demands on electricity supply systems. Tech giants like Google, Amazon, Meta, and Microsoft have become key players in the energy market, investing billions of dollars in electricity generation infrastructure and in the development of new technologies for managing power grids.

On the technological front, significant developments in the energy sector are driving changes in the global energy mix. In the nuclear field, small modular reactor (SMR) technology promises to provide stable electricity at low costs, offering important advantages in operational flexibility and risk management. The energy storage market is also expected to grow, with advancements in battery technologies, alongside developments in hydrogen (green or blue), enabling hybrid solutions to improve the reliability and efficiency of renewable electricity supply systems.

Progress in battery technology is also necessary to increase the range and lifespan of electric vehicles.

Non-uniform Changes in the Energy Mix Between Developed and Developing Countries

Changes in the global energy mix manifest differently across countries.¹⁴ In developed countries, the expected growth in electricity demand is relatively moderate. In contrast, developing countries are experiencing rapid increases in electricity consumption. This rising demand will require massive investments in infrastructure, including power lines and power plants.

The dynamic also creates new competition. The most prominent of these is the competition for strategic resources needed by the renewable energy industry.¹⁵ Renewable energy production requires a variety of metals, such as lithium, cobalt, and rare earth elements. These are available in only a few countries, some of which are non-Western (like Chile, Bolivia, or the Congo) or even hostile to the West, such as China.¹⁶ Dependence on these metals makes the supply chain of the renewable energy industry vulnerable to geopolitical shocks.

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The Geopolitical Impact of the Energy Transition

The transition to advanced energy technologies is gradually shifting the focus from traditional oil-producing countries to nations leading in technology and industry. China, having invested heavily in the development of advanced energy technologies, is positioning itself as a dominant player in the future market. Its control over supply chains of critical raw materials, combined with advanced production capabilities in batteries and solar panels, provides it with significant leverage and influence. In the first year of the second Trump administration, it has taken steps to reduce this dependence on China for raw materials.

The relations between the West and the traditional energy producers in the Middle East are also undergoing change. The anticipated decline in oil demand in developed countries is forcing these traditional oil

14 Jason Bordoff and Meghan L. O'Sullivan, "Green Upheaval", *Foreign Affairs*, 30 (November 2021), <https://www.foreignaffairs.com/articles/world/2021-11-30/geopolitics-energy-green-upheaval>.

15 Liu, "How to Secure Critical Minerals for Clean Energy Without Alienating China".

16 André Månberger and Bengt Johansson, "The Geopolitics of Metals and Metalloids Used for the Renewable Energy Transition", *Energy Strategy Reviews* 26 (November 2019): 100394, <https://doi.org/10.1016/j.esr.2019.100394>.

producers to seek new markets and diversify their economies. The Gulf states are responding with strategic investments in advanced energy technologies and closer cooperation with China, which is expected to remain an important oil consumer in the coming decades. The result is a more complex relationship between the West and the Gulf countries, with historical economic and security cooperation being challenged by competing economic interests.

The technological competition in the energy sector is also becoming a central arena in the geopolitical struggle between the great powers. The United States has launched a program for developing advanced energy technologies, with the stated goal of maintaining its technological edge over China. The European Union has announced a similar program, focusing on energy storage technologies and smart grid management. The objective is clear: to ensure technological independence and reduce reliance on foreign players in this critical sector.

Cultural Changes: Political Polarization and the Rise of Antisemitism

In Western societies, a deep political polarization has emerged between socialist-

progressive, anti-traditional forces and national-conservative, traditionalist forces. The tension between these worldviews creates profound divides and an inflamed public discourse. Politics has become a battleground of "us versus them," making it harder than ever to bridge opposing positions. At the same time, distrust in institutions and traditional media has reached record levels: only 22% of Americans say they have "trust" in the federal government, and 32% say the same about the media.¹⁷ Political polarization makes it difficult for decision-makers in Washington to build a bipartisan consensus on core issues such as the economy, immigration, and foreign policy. Instead, the parties clash with one another, which at best leads to inconsistent U.S. policies that shift with changes in the composition of Congress and the White House, and at worst results in complete paralysis.

Another worrying phenomenon is the rise of antisemitism. A 2024 study by the Anti-Defamation League revealed that about one in four Americans believes in one or more traditional antisemitic stereotypes (for example, that "Jews have too much power in the business world").¹⁸ In the first half of 2024, the United Kingdom recorded 1,978 antisemitic incidents—the highest number

17 Pew Research Center, "Public Trust in Government: 1958-2024", *Pew Research Center*, 6.24.2024, <https://www.pewresearch.org/politics/2024/06/24/public-trust-in-government-1958-2024/>; Megan Brenan, "Media Confidence in U.S. Matches 2016 Record Low", *Gallup*, 19.10.2023, <https://news.gallup.com/poll/512861/media-confidence-matches-2016-record-low.aspx>.

18 Center for Antisemitism Research, "Antisemitic Attitudes in America 2024", *ADL* 2.24.2024, <https://www.adl.org/resources/report/antisemitic-attitudes-america-2024>.

ever documented by the CST (Community Security Trust).¹⁹ Similar trends are evident in other European countries, and hostility toward Jews is gaining momentum on social media. The reasons are varied, including Islamist incitement, delegitimization of Israel in mainstream progressive circles and on the growing edges of the political right. The growing Muslim population in the West, particularly in Europe, also contributes to the increase in antisemitism, alongside the strengthening of anti-Israel attitudes and voices.

About one in four Americans believes in one or more traditional antisemitic stereotypes

However, for many in the West, the Iron Swords War has sharpened their views on Israel and the Islamist world, and many have come to the understanding that anti-Israel and antisemitic actors are also opposed to the democratic West. This clarification is already leading to a trend of distancing from these actors among moderate Democrats and to clearer support for Israel among most Republicans in the U.S. A similar trend is observed in countries threatened by Islamism, such as India.

Threats and Opportunities for Israel

The growing complexity in Israel–U.S. relations requires a reassessment of the

special relationship with Washington. Due to social and demographic changes within the U.S., partisan polarization, and the shift of segments of the American left against Israel, U.S. support for Israel can no longer be taken for granted in the way it has been. Israel will need to enhance its value in the eyes of the U.S. so that the alliance between the two countries remains resilient despite changes in government.

The strengthening of anti-Western powers makes it harder for the U.S. to act freely around the world and could create situations in which the U.S. must concentrate all its resources on a limited number of theaters—or even just one. Israel’s reliance on American military supplies could then prove to be a critical vulnerability, as the U.S. might not be able to supply the material requirements for Israel’s war effort. A lack of American attention could also expose Israel to new threats, primarily the threat to maritime routes. Until now, Israel, like many other countries, relied on American hegemony at sea. Today, there is a real possibility that the U.S. will be unable or unwilling to maintain this hegemony everywhere, especially in the Middle East, where it faces challenges from both state and non-state actors. Israel can no longer take the security of its shipping routes for granted.

In order to reduce the potential damage from this shift, Israel must work to minimize

¹⁹ Community Security Trust, "Antisemitic Incidents Report January-June 2024", CST, 8.8.2024, <https://cst.org.uk/news/blog/2024/08/08/antisemitic-incidents-report-january-june-2024>.

its reliance on American supplies, further diversify its foreign relations, and strengthen ties with other powers, including rising states such as India, not as a replacement for the U.S., but as a complementary strategic safety net.

For Israel, a small and technologically advanced country, the accelerated technological change carries both opportunities and threats. The diffusion of advanced capabilities to sub-state actors and weaker state actors (such as Iran) erodes Israel's qualitative edge and challenges the construction and employment of its military power. Threats from drones, missiles, and advanced cyber tools all require operational responses.

The knowledge and experience Israel has accumulated in areas such as cyber, air defense, and artificial intelligence can serve as important assets in the technological race. Israel must also leverage this expertise and these developments to forge new alliances. Developing a global-level science and innovation ecosystem will allow Israel not only to enhance its security but also to increase its diplomatic and economic influence.

Moreover, the changing energy reality presents Israel with both challenges and opportunities. The geopolitical and economic weight of countries such as Iran and Qatar, with which Israel has tense relations, is expected to decline in the long-term. Israel's geographic location places

it in a favorable position to **forge a role as a regional energy hub**, either through further development of natural gas reserves or by serving as a key link in electricity and transmission networks connecting the Persian Gulf to Europe.

Social changes in the West threaten Israel's room for maneuver and its ability to rely on other advanced countries for support. A growing rift between Israel and the progressive currents in Europe and the U.S. jeopardizes its standing and its relations with traditional allies. Demographic shifts—primarily the increase in the Muslim population in Western countries—also bolster anti-Israel positions and voices. At the same time, for much of the European and American right, despite the presence of anti-Israel currents, Israel serves as an example of a nation-state that preserves its identity and fights courageously for its survival.

Israel faces a challenging and changing global environment. Great power competition, technological change, and the energy transition all present new opportunities for Israel. Its military capabilities are once again valued in Europe, given the looming threat of war on the continent. The U.S. need for strong allies, along with its desire to reduce direct military commitments, both create an opportunity for a fundamental shift in Israel–U.S. relations. Technological change will further enhance Israel's standing as a leading innovation hub.