

After the military-economic wars in 2025, a new G2 world order: US-China

Throughout history, great empires have had courtiers and subjects, whom they have subjected to "contributions to the crown" in times of crisis. In the present era, the hegemon (the American empire) repeats this pattern. If we look at some events of recent years, the sabotage of the Nord Stream 1 and Nord Stream 2 gas pipelines in September 2022 in the Baltic Sea interrupted the supply of Russian gas to Germany, causing an energy crisis in Europe and the current economic crisis, and benefited American gas companies by exporting shale gas at prices several times higher than Russian gas. Ukraine, with its new president, Volodymyr Zelensky, is requesting membership in NATO. This provoked Russian opposition due to fears of NATO expansion (Russia maintains that during the 1990 negotiations, Western leaders promised that NATO would not expand "one inch" eastward) and control of Crimea due to its naval base, as well as Russian support for separatists in eastern Ukraine; and the invasion occurred on February 24, 2022. In retaliation, sanctions were imposed on Russia, including: a ban on supplying technology for oil and gas exploration, a ban on granting loans to Russian oil companies and state banks, and travel restrictions on influential Russian citizens close to President Putin and involved in the annexation of Crimea (it is estimated that frozen assets and interest amount to \$450 billion. This December, the seizure of frozen assets deposited in *Euroclear Bank* to finance Ukraine was debated; this would constitute a violation of trust and legality within the global financial system: sovereign assets belong to the Central Bank and not to governments). As we can see, sanctions and international trade instruments (tariffs) have been used as weapons in "economic and trade wars." *The Bank of England* is still illegally holding Venezuela's gold reserves worth \$1.9 billion, a dispute that began in May 2020. The 2025 balance sheet of these wars reveals winners and losers, which is analyzed in detail in the article attached below. The result also reflects President Trump's vision: *the new G2 world order*.

Given its international relevance and the debate surrounding it, we are transcribing the following article published in *Project Syndicate*.

NOTE: The yellow highlighting is ours..

Three Shocks that Shook the World in 2025



PS, Dec 22, 2025

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*A new, harder, colder world order was erected **on the grave** of European ambition in 2025. The year's enduring lesson is that in an age of existential contests, strategic dependency is the prelude to **irrelevance**.*

ATHENS – This was the year that the remaining pillars of the late-20th-century order were shattered, exposing the hollow core of what passed for a global system. Three blows sufficed.

The first was Russia's impending victory in Ukraine over Europe's combined leadership. For almost four years, the European Union and NATO engaged in a perilous double game. On one hand, they committed rhetorically to a Ukrainian victory they were unwilling to bankroll. On the other hand, they exploited this never-ending war to advance a new political and economic domestic consensus: **military Keynesianism would be their last-ditch stand against Europe's deindustrialization**.

In a continent where debilitating political constraints forbade significant deficit-funded green investments or social policies, the war in Ukraine provided a powerful rationale for funneling public debt into the defense-industrial complex. **The unspoken truth** was that a forever war served a critical function: **it was the perfect engine for Keynesian pump-priming of Europe's stagnating economy**.

The contradiction was fatal: If the Ukraine war ended with a peace deal, it would be hard to sustain this economic pump-priming. Yet to achieve a victory that would justify the spending was deemed too expensive financially and too risky geo-strategically. Thus, Europe settled on the worst possible strategy: **sending just enough equipment to Ukraine to prolong the bleeding without altering its course**.

Now that Russia is set to prevail (a predictable result that US President Donald Trump merely brought forward), the EU's best-laid plans lay in ruins. Europe has no Plan B for peace because its entire strategic posture had become dependent on the war's continuance. Whatever grubby peace deal the Kremlin and Trump's men ultimately impose on Ukraine will do more than redraw a border. **Whether Russia remains a threat to**

Europe or not, Europe is about to lose the pretext for its nascent military-industrial boom and thus foreshadows a new austerity.

The second shock was that [China won the trade war against the United States](#). The US strategy, initiated under Trump's first administration and intensified under [Joe Biden](#), was a pincer move: tariff barriers to cripple Chinese access to markets, and embargoes on advanced semiconductors and fabrication tools to cripple its technological ascent. In 2025, [this strategy met its Waterloo, and Europe was again the primary collateral damage](#).

China responded with a masterful two-part response. First, it [weaponized its dominance over rare earths and critical minerals](#), triggering a supply-chain seizure that paralyzed not so much American, but European and East Asian green manufacturing. Second, and most injuriously for America's standing as the global tech leader, China mobilized its "whole-nation system" toward a single goal: [technological autarky](#). The result was a staggering acceleration in domestic chip production, with SMIC and Huawei achieving breakthroughs that rendered the US-led Western embargo not just obsolete, but counterproductive.

This is probably the shock with the longest-lasting repercussions. In 2025, the US proved incapable of slowing China's rise and, instead, unwittingly propelled its tech sector toward full independence. And Europe, [having dutifully imposed on China the sanctions dictated by the White House](#), was left with the worst of all worlds: increasingly shut out of the lucrative Chinese market for its high-value goods, yet receiving none of the lavish subsidies and on-shoring benefits of the now rescinded US Inflation Reduction Act. By choosing to act as a strategic subcontractor to the US, the EU accelerated its own deindustrialization. [This was not a loss in a trade war; it was a geopolitical checkmate, and Europe featured only as the losing side's pawn](#).

The third shock was the [ease with which Trump won his tariff war with the EU](#). At the end of their meeting at one of Trump's golf clubs in Scotland, choreographed by his men to maximize her humiliation, [Ursula von der Leyen](#), the president of the European Commission, [struggled to portray a surrender document as a "landmark agreement."](#) Tariffs on European exports to the US [jumped](#) from around 1.2% to 15% and in some cases to 25% and 50%. [Long-standing EU tariffs on US exports were canceled](#). Last but not least, the Commission [committed to \\$600 billion of European investment in US industry on US soil](#) – money that can come only from diverting mainly German investments to chemical factories in Texas and car plants in Ohio.

This was more than a bad deal. [It was an unprecedented capital extraction treaty](#). It formalizes the EU's transition from an industrial competitor to a supplicant. Europe is to be a source of capital, a regulated market for US goods, and a technologically dependent junior partner. To add insult to injury, this new reality was codified in a binding commitment, to which [all 27 EU member states have now agreed, stripping the bloc of any pretense of sovereignty](#). Part of the capital Trump needs to consolidate his [vision of a G2](#) world structured around the Washington-Beijing axis is now contractually obligated to flow from Europe westward.

These three shocks form a synergistic trilogy. Europe's defeat in Ukraine has revealed its strategic blind spots and punctured its military Keynesian project. Trump's acquiescence to Chinese President Xi Jinping has triggered a flood of Chinese exports to the EU. The shakedown in Scotland has cost Europe its accumulated capital and any lingering hope of parity.

In the G2 world, the imagined global village is a gladiatorial arena where the **EU and the United Kingdom now wander aimlessly**. A new, harder, colder world order has been erected on the grave of European ambition. The year's enduring lesson is that in an age of existential contests, strategic dependency is the prelude to irrelevance.



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