# The Strategic Irrationality of Catastrophically Disabling the U.S. Economy

*A comparative global-impact analysis against pandemic and 2008-style financial-crisis benchmarks*

Author: Jeetesh Khodiyara
Date: 25 May 2026

**Document framing**

| Item | Details |
|---|---|
| Thesis tested | It is not in the rational long-term interest of any superpower or geopolitically significant region to catastrophically disable the U.S. economy. |
| Evidence standard | Factual claims are supported by cited sources. Analytical judgements are identified as judgements. |
| Scenario boundary | The paper avoids fictional attack scenarios, imaginary actors and operational detail. It analyses consequences using observed economic structures and historical benchmarks. |

## 1. Abstract

This paper evaluates a strategic thesis: no superpower or geopolitically significant region has a rational long-term interest in catastrophically disabling the U.S. economy. The analysis compares that hypothetical outcome with two observed global shocks: the COVID-19 pandemic and the 2007-09 global financial crisis. It then ranks major regions by likely impact and explains how damage would circulate between them.

The thesis is strongly supported, with one qualification. Several states may rationally prefer a less dominant United States: less able to impose sanctions, shape trade rules, contain rivals, or set technology and financial standards. That is different from wanting the U.S. economy to fail. A constrained United States can create relative advantage for competitors. A disabled U.S. economy would damage the global system those competitors still use.

The United States is not only a rival state. It is also one of the world's largest customers, a major capital market, the centre of the dollar system, a technology ecosystem, a trading partner and a security anchor. Personal consumption expenditure represented 68.1% of U.S. GDP in Q1 2026, and PCE was running at about $21.86 trillion at a seasonally adjusted annual rate in March 2026 (Federal Reserve Bank of St Louis, 2026a; Federal Reserve Bank of St Louis, 2026b). U.S. imports of goods and services reached about $4.33 trillion in 2025 (Bureau of Economic Analysis, 2026a). These data do not mean that all global trade depends on U.S. consumers. They show that the United States is one of the world's largest demand engines.

The comparison is precise. A pandemic can be worse in direct human-health terms because it kills people, strains health systems and can leave long-term health effects. A 2008-style crisis is the strongest observed benchmark for financial-system failure. Catastrophic U.S. disablement would be different because it could combine demand loss, financial contagion, dollar stress, asset-market losses, supply-chain disruption and weaker U.S. strategic capacity at the same time.

The conclusion is that most major powers have a rational long-term interest in U.S. constraint without U.S. systemic failure. Catastrophically disabling the U.S. economy would not produce a clean transfer of power. It would produce recursive global contraction: damage in one region would weaken others, and those later shocks would feed back into the United States, China, Europe and the wider world.

## 2. Limitation: this is not a macroeconomic model

This paper is a strategic systems analysis. It is not a formal financial-stress simulation. The regional ranking is therefore a reasoned judgement. It should be treated as a high-confidence directional assessment, not a precise forecast of GDP losses, unemployment rates or exchange-rate moves.

The most robust conclusion is qualitative: catastrophic U.S. disablement would be recursive, global and self-damaging for any major region that depends on trade, finance, commodities, security or dollar liquidity.

## 3. Conclusion

It is not in the rational long-term interest of any superpower or significant region to catastrophically disable the U.S. economy. The United States is too deeply embedded in global demand, asset markets, dollar funding, supply chains and security architecture for its collapse to produce meaningful gain.

The pandemic benchmark shows how quickly a partial interruption to consumption, mobility and confidence can become a global crisis. It remains the stronger benchmark for direct human suffering and health-system damage. The 2008 benchmark shows how quickly financial-system shocks can spread through banks, funding markets, trade finance and asset prices. Catastrophic U.S. disablement would plausibly combine both: a demand shock, financial shock, dollar shock, asset shock, trade shock and strategic-confidence shock.

The regions most directly damaged would be the United States, Mexico, Canada, ASEAN export economies, Taiwan/South Korea/Japan and Europe/UK. China would be severely affected, especially through recursive overcapacity and weaker alternative markets, even though it has stronger state buffers than many economies. The Gulf, Latin America, India, Russia, Africa and Oceania would experience different combinations of commodity, capital-flow, remittance, security and second-order demand shocks.

The decisive point is recursion. Damage to one region becomes a new shock to another. U.S. demand loss weakens China and Mexico; China's weakness hits Australia, Africa, Latin America and Europe; commodity weakness hits Russia and the Gulf; financial stress tightens dollar funding; European fiscal stress weakens defence capacity; emerging-market stress raises migration and political risk. These effects then feed back into U.S., Chinese, European and global recovery prospects.

The most accurate strategic formulation is therefore this: rival powers may rationally seek a less dominant United States, but they do not rationally seek an irrevocably disabled U.S. economy. The preferred outcome for U.S. rivals is U.S. constraint without systemic failure. The preferred outcome for allies and integrated trading partners is U.S. stability with greater regional resilience. The preferred outcome for the world economy is diversification away from excessive U.S. dependence without a disorderly collapse of the U.S. node itself.

## 4. Claims, scope and method

This paper does not claim that every country wants a strong United States. It does not claim that U.S. power is always benign, permanent or irreplaceable. The narrower claim is structural: a sudden and persistent failure of core U.S. economic functions would harm allies, rivals and neutral regions alike.

The paper also does not claim that catastrophic U.S. disablement would be worse than a pandemic in every respect. It would not necessarily be worse in mortality or direct health damage. The claim is economic and geopolitical: if persistent, U.S. disablement could be more systemically destabilising because it would hit demand, finance, the dollar, asset markets and security confidence together.

In this paper, 'catastrophically disable the U.S. economy' means a severe and persistent breakdown in five functions: household demand, business cash flow, banks and credit, dollar-market confidence and the government's ability to stabilise the economy. In plain language, the U.S. no longer works normally as a buyer, employer, borrower, lender, tax base, financial market and global stabiliser. It does not mean a normal recession, tariff dispute, sanctions episode or cyclical slowdown.

The paper avoids fictional scenarios. It does not invent an attack, imaginary actors or operational details. It analyses likely consequences using observed economic structures and historical benchmarks. The regional ranking is a reasoned judgement, not a mathematical forecast. It uses four criteria.

**Table 1: Impact-ranking methodology**

| Criterion | Plain-English question | How it affects the ranking |
|---|---|---|
| Direct U.S. demand exposure | How much does the region sell to, earn from or depend on U.S. demand? | Includes exports, services, tourism, remittances, supply-chain sales and final-demand exposure. |
| Dollar and asset-market exposure | How badly would the region be hit if U.S. markets and dollar funding came under stress? | Includes banks, funds, borrowers, governments, firms and investors exposed to U.S. asset prices, dollar liquidity or Treasury-market disruption. |
| Recursive exposure | How badly is the region hit when other regions weaken too? | Includes later slowdowns in China, Europe, commodity exporters, emerging markets and supply-chain partners. |
| Security and fiscal exposure | How much does the region depend on U.S. strategic capacity or crisis response? | Includes defence coordination, sanctions enforcement, trade institutions, emergency liquidity and policy credibility. |

## 5. Why the United States is a load-bearing global economic node

A load-bearing node is a part of a system that many other parts rely on. If it fails, the damage spreads beyond the first point of failure. The United States is a load-bearing node in demand, trade, supply chains, finance, the dollar system and security coordination.

In demand terms, U.S. personal consumption was 68.1% of GDP in Q1 2026. In March 2026, PCE was $21.86 trillion at a seasonally adjusted annual rate (Federal Reserve Bank of St Louis, 2026a; Federal Reserve Bank of St Louis, 2026b). The exact monthly flow depends on seasonal adjustment and annualisation, but the scale is clear: U.S. household demand is one of the largest revenue pools in the world.

In trade terms, U.S. goods imports were $3.44 trillion in 2025 and services imports were $895.4 billion, giving total goods-and-services imports of about $4.33 trillion (Bureau of Economic Analysis, 2026a). These imports include business purchases as well as household-facing goods. Even so, U.S. demand supports exporters, logistics providers, manufacturers, advertisers, digital platforms and financial firms around the world.

In supply-chain terms, the United States sits inside a large connected trade system. The WTO reported global goods and services trade of $34.65 trillion in 2025, and the IMF April 2026 reference forecast projected global growth of 3.1% in 2026 before any such U.S. shock (World Trade Organization, 2026; International Monetary Fund, 2026b). The Organisation for Economic Co-operation and Development (OECD) estimates that global value chains account for about 70% of international trade because services, materials, parts and components often cross borders several times before final sale (OECD, 2026).

In financial terms, foreign investors held $35.35 trillion of U.S. securities as of 30 June 2025, including $19.86 trillion in U.S. equities and $13.84 trillion in long-term debt securities (U.S. Department of the Treasury, 2026). A fall in U.S. earnings, Treasury confidence or equity values would therefore affect pension funds, sovereign wealth funds, insurers, banks and households outside the United States.

In dollar terms, Bank for International Settlements (BIS) global liquidity indicators show that dollar credit outside the United States stood at about $14 trillion at the end of Q3 2025 (BIS, 2026). The Federal Reserve has also described the dollar's leading role in international funding, investment, payments, trade and reserves (Bertaut et al., 2025). A catastrophic U.S. shock would therefore stress not only U.S. demand, but also dollar funding, collateral, hedging, bank liquidity and trade finance.

**Table 2: Why U.S. disablement would be systemic rather than only domestic**

| U.S. role | Evidence | Why failure would be systemic |
|---|---|---|
| Demand engine | PCE was 68.1% of U.S. GDP in Q1 2026 (Federal Reserve Bank of St Louis, 2026a). | A severe interruption to U.S. consumption would remove a large source of global revenue. |
| Import market | Goods and services imports were about $4.33 trillion in 2025 (Bureau of Economic Analysis, 2026a). | Exporters and supply-chain partners would lose a major end market. |
| Supply-chain node | Global value chains account for about 70% of international trade (OECD, 2026). | The shock would travel through components, intermediate goods and logistics. |
| Asset-market destination | Foreign holdings of U.S. securities were $35.35 trillion in June 2025 (U.S. Department of the Treasury, 2026). | Foreign balance sheets would suffer from U.S. asset losses. |
| Dollar-funding platform | Dollar credit outside the U.S. was about $14 trillion at end-Q3 2025 (BIS, 2026). | A dollar squeeze would hit non-U.S. borrowers, banks and trade finance. |

## 6. Comparison with a pandemic and a 2008-style financial crisis

The thesis is clearer when compared with real global shocks. COVID-19 and the 2007-09 global financial crisis were both global, both involved U.S.-centred channels, and both created cross-border feedback loops. Neither is identical to catastrophic U.S. disablement. Together, they show why the hypothetical would be broader if it were persistent.

### 6.1 Pandemic benchmark

COVID-19 was a health, mobility, labour, confidence and demand shock. The World Bank describes it as the largest global economic crisis in more than a century (World Bank, 2022). In the United States, real GDP fell at a 31.4% annualised rate in Q2 2020 (Bureau of Economic Analysis, 2020a). Unemployment rose to 14.7% in April 2020, the highest rate and largest monthly increase in records going back to 1948 (Bureau of Labor Statistics, 2020). Nominal PCE fell $1.89 trillion, or 13.6%, in April 2020. Real PCE fell 13.2% (Bureau of Economic Analysis, 2020b).

The pandemic shows how severe a partial interruption to spending and mobility can be. But pandemic spending did not fall to zero. Many households shifted spending from services to goods, from offline to online, from travel to home-based demand and from restaurants to groceries. Restrictions were gradually lifted. Governments and central banks provided support. The Federal Reserve created facilities to keep credit flowing to households, employers, financial markets and state and local governments (Brookings Institution, 2023).

A catastrophic U.S. disablement would be different if the core problem were persistent loss of U.S. economic function or confidence. In that case, there may be no simple reopening mechanism. A pandemic can be worse in direct human-health terms. Catastrophic U.S. disablement could be worse as a persistent economic and geopolitical systems shock because it would impair demand, finance, the dollar, asset markets and security confidence together.

### 6.2 Bank-run and 2008-style financial-crisis benchmark

The 2007-09 global financial crisis is the best real benchmark for bank runs and financial contagion. Federal Reserve History describes it as a deep and prolonged crisis known as the Great Recession (Federal Reserve History, 2013). The Reserve Bank of Australia describes the crisis as a period of extreme stress in global financial markets and banking systems from mid-2007 to early 2009, triggered by a U.S. housing downturn and transmitted through global financial linkages (Reserve Bank of Australia, 2026).

The U.S. unemployment rate peaked at 10.0% in October 2009 after standing at 5.0% in December 2007 (Bureau of Labor Statistics, 2012). Trade also fell sharply. WTO analysis reported that world merchandise trade volume declined by 12.2% in 2009, while world output measured by GDP fell by 2.3% (World Trade Organization, 2010).

A bank run is mainly a failure of financial plumbing: banks, credit markets and payments. It can freeze funding, force fire sales and interrupt credit. Catastrophic U.S. economic disablement would be broader. It would damage banks and credit markets, but it would also damage the income flows that make those markets work: company sales, wages, tax receipts, asset values, dollar funding and confidence that customers will keep buying.

## 6.3 Relative impact assessment

The comparison should not be read as a claim that one shock is worse in every dimension. The correct judgement is conditional. COVID-19 remains the stronger benchmark for direct mortality and health-system pressure. The 2008 crisis remains the strongest observed benchmark for bank-solvency, leverage and market-liquidity failure. Catastrophic U.S. disablement would be more dangerous as a combined economic and geopolitical systems shock.

**Table 3: Relative impact against pandemic and 2008-style benchmarks**

| Dimension | Pandemic and 2008-style benchmarks | Catastrophic U.S. disablement: relative assessment |
|---|---|---|
| Human and health impact | Pandemic: highest direct health harm, including deaths, health-system strain and long-term effects. 2008: severe social harm through unemployment and foreclosures, but not a direct health shock. | Not necessarily worse than a pandemic in human-health terms. The thesis is economic and geopolitical, not a mortality claim. |
| Demand and revenue shock | Pandemic: very severe but partial. 2008: demand contracted through credit tightening, wealth losses and falling confidence. | Potentially more severe if persistent because it directly impairs U.S. consumption, business cash flow and one of the world's largest import markets. |
| Financial contagion | Pandemic: markets were stressed but large fiscal and central-bank support contained much of the damage. 2008: core channel was bank solvency, funding markets, leverage, asset-price falls and trade-finance stress. | At least comparable to 2008 on financial channels if U.S. asset markets, banks, dollar funding and Treasury-market confidence are impaired. |
| Policy exit path | Pandemic: clearer exit path through reopening, adaptation, vaccines, income support and central-bank liquidity. 2008: clearer financial tools such as liquidity facilities, bank-capital support, guarantees and restructuring. | Harder to resolve if the problem is persistent loss of confidence in U.S. economic function, not only temporary shutdown or bank liquidity. |
| Global and geopolitical recursion | Pandemic and 2008 both spread globally, but each had a clearer primary channel: health and mobility in COVID-19, finance in 2008. | Broader systems shock because demand, finance, dollar liquidity, commodities, supply chains and U.S. strategic capacity weaken together. |

For the thesis, this comparison matters. A rival might want the United States to be constrained after a pandemic-like or financial-crisis-like shock. It would not rationally want the U.S. node to fail in a way that combines both types of shock and damages the demand, dollar, asset and security functions that other regions still use.

# 7. How the damage spreads and circles back

The most important idea in this paper is recursion. Here, recursive means that the damage does not move once and stop. It circles back.

A simple chain would be: U.S. demand falls, exporters lose sales, and those exporters slow down. A recursive chain is worse: U.S. demand falls; exporters lose sales; those exporters cut jobs, investment and imports; commodity producers and banks then suffer; those regions buy less from the U.S., China, Europe, India and Japan; and that global weakness then feeds back into the United States through asset prices, supply chains, exports, credit markets and security commitments.

**Table 4: Main recursive transmission channels**

| Loop | Plain-English meaning | Why it matters |
|---|---|---|
| Trade loop | Fewer U.S. purchases mean fewer foreign sales. Those countries then buy less from others. | Global value chains represent about 70% of international trade, so one demand shock can hit several production stages (OECD, 2026). |
| Dollar loop | When dollars become harder to get, borrowers outside the U.S. struggle to repay debt and settle trade. | Dollar credit outside the U.S. was about $14 trillion at end-Q3 2025 (BIS, 2026). |
| Asset loop | If U.S. markets fall, investors around the world lose money. That can reduce spending and lending abroad. | Foreign holdings of U.S. securities were $35.35 trillion in June 2025 (U.S. Department of the Treasury, 2026). |
| Commodity loop | Lower demand can hurt oil, gas, metals, shipping and industrial inputs. | Commodity exporters then cut imports, investment and public spending, which weakens manufacturing regions. |

| Loop | Plain-English meaning | Why it matters |
|---|---|---|
| Policy loop | Governments try to protect domestic firms with subsidies, tariffs, capital controls and bailouts. | Each policy may be rational locally, but many countries doing this together can reduce openness, trust and efficiency. |
| Security loop | U.S. foreign-policy capacity falls while allies need more defence support. | Defence needs can rise at the same time as recession reduces tax receipts. This raises risk and weakens investment confidence. |

These loops explain why the collapse of a system anchor is not the same as the rise of a rival. China would face weaker alternative markets, more protectionism and more overcapacity. Russia might gain tactical openings, but would face commodity and partner-demand risks. Europe might gain urgency for strategic autonomy, but its fiscal capacity would weaken. Similar trade-offs apply to India, the Gulf and the Global South.

## 8. Regional impact ranking and detailed analysis

The following ranking orders regions by expected overall impact, not by geopolitical importance alone. It is intentionally objective rather than China-centred. China is globally significant, but the most exposed first-wave regions are North America and export-heavy supply-chain hubs.

**Table 5: Regional impact ranking**

| Rank | Region | Overall impact | Core rationale |
|---|---|---|---|
| 1 | United States | Extreme | Origin of the shock. Direct hit to consumption, jobs, company revenue, credit, tax receipts, assets, banks and strategic capacity. |
| 2 | Mexico | Extreme | Deep U.S. final-demand and supply-chain integration; autos, electronics, medical devices, logistics, remittances and border labour markets. |
| 3 | Canada | Very severe | Deep U.S. integration across energy, autos, forestry, agriculture, machinery, services and finance. Stronger buffers than Mexico but high exposure. |
| 4 | ASEAN export belt | Very severe | Vietnam, Thailand, Malaysia and Singapore exposed to U.S. goods demand, electronics, apparel, furniture, logistics and China+1 supply chains. |
| 5 | Taiwan, South Korea and Japan | Very severe | Semiconductors, autos, electronics, batteries, industrial machinery, capital goods and U.S. security dependence. |
| 6 | Europe and UK | Severe | Large transatlantic trade and investment ties; exposure through services, finance, pharmaceuticals, machinery, autos, defence and China/Russia spillovers. |
| 7 | China | Severe | Large U.S. trade exposure and overcapacity risk. Stronger state buffers, but high recursive exposure through weaker alternative markets. |
| 8 | Gulf and wider Middle East | High but variable | Oil demand, sovereign wealth portfolios, aviation, tourism, construction and regional security. Energy prices depend on demand versus supply risk. |
| 9 | Latin America and Caribbean excluding Mexico | High in exposed subregions | Remittances, tourism, commodities, U.S. investment, dollar funding and China slowdown. |
| 10 | India and South Asia | Moderate-high | IT services, pharmaceuticals, business-process outsourcing, remittances, capital flows and dollar funding. Larger domestic-demand cushion than export hubs. |
| 11 | Russia and Eurasia | Moderate economically, high strategically | Low direct U.S. trade, but exposure through energy prices, China and Europe. May gain tactical openings from U.S. distraction. |
| 12 | Africa | Moderate direct, high vulnerability | Lower direct U.S. trade, but high exposure to commodities, FDI, aid, remittances, China, Europe and dollar funding. |
| 13 | Australia, New Zealand and Oceania | Moderate | Lower direct U.S. exposure. Larger indirect exposure through China, commodities, global risk appetite and Indo-Pacific security. |

### 8.1 United States - origin and largest direct casualty

The United States ranks first because the shock starts at home. Catastrophic disablement would damage household demand, business revenue, payrolls, banks, consumer credit, tax receipts, public borrowing, state and municipal finance, commercial real estate and asset prices. Since U.S. personal consumption represents more than two-thirds of

U.S. GDP, the direct domestic impact would be much larger than a decline in exports or a sector-specific financial panic (Federal Reserve Bank of St Louis, 2026a).

Washington would have to focus on domestic stabilisation, bank liquidity, income replacement, corporate rescues and social order. That would limit alliance management, defence procurement, sanctions enforcement, trade diplomacy and crisis response. Foreign recessions would then feed back into the United States through weaker exports, lower multinational earnings, reduced foreign investment and disrupted supply chains.

## 8.2 Mexico - the most exposed non-U.S. country

Mexico is likely the most directly exposed non-U.S. country. U.S. goods trade with Mexico totalled an estimated $872.8 billion in 2025, including $534.9 billion of U.S. goods imports from Mexico (Office of the United States Trade Representative, 2026a). Sectors at risk include autos, electronics, appliances, medical devices, food, manufacturing labour, logistics and border services.

Mexico's vulnerability is concentration as well as trade volume. Much of its manufacturing model depends on U.S. demand and cross-border supply chains. A severe U.S. demand collapse would cut orders, reduce factory shifts, weaken the peso, compress fiscal revenue and damage domestic consumption. Weaker U.S. employment would also pressure remittances. A damaged Mexico would in turn weaken U.S. nearshoring and supply-chain resilience.

## 8.3 Canada - severe exposure with stronger institutional buffers

Canada ranks very high because of deep U.S. integration. U.S. goods trade with Canada totalled an estimated $719.5 billion in 2025, including $383.0 billion of U.S. goods imports from Canada (Office of the United States Trade Representative, 2026b). Exposure includes energy, autos, machinery, agriculture, lumber, minerals, transport and cross-border services.

Canada has stronger fiscal, financial and institutional buffers than many export-dependent economies, but its structural exposure is high. Energy and auto-sector links would transmit the shock quickly. Financial and housing markets would face pressure from asset repricing, credit tightening and weaker employment. A Canadian downturn would also weaken U.S. access to energy, minerals, food and industrial inputs.

## 8.4 ASEAN export belt - Vietnam, Thailand, Malaysia and Singapore

The ASEAN export belt ranks highly because of direct U.S. import exposure and its role in China+1 supply-chain relocation. U.S. goods imports from ASEAN totalled $453.7 billion in 2025. Vietnam accounted for $193.8 billion, Thailand for $91.3 billion, Malaysia for $59.7 billion and Singapore for $38.1 billion (Office of the United States Trade Representative, 2026c).

Vietnam is the most exposed within this group because its growth model is heavily linked to electronics, apparel, footwear, furniture and manufacturing relocation serving U.S. demand. Thailand and Malaysia would be hit through electronics, machinery, automotive components and industrial inputs. Singapore would be hit through finance, logistics, regional headquarters, shipping, aviation and trade intermediation. ASEAN would also face surplus Chinese production redirected into regional markets.

## 8.5 Taiwan, South Korea and Japan - technology, industrial and security exposure

Taiwan, South Korea and Japan are central to technology and industrial supply chains. U.S. goods imports from Taiwan reached $201.4 billion in 2025, from Japan $146.0 billion and from South Korea $125.2 billion (Office of the United States Trade Representative, 2026d; Office of the United States Trade Representative, 2026e; Office of the United States Trade Representative, 2026f).

Taiwan's exposure is especially strategic because semiconductors, servers, AI infrastructure and electronics supply chains are linked to U.S. consumer and enterprise demand. Japan and South Korea would be hit through autos, electronics, chips, batteries, machinery and capital goods. All three would face greater security anxiety if U.S. strategic

capacity fell. Weakness in this region would also damage U.S. technology supply chains, Chinese component demand, European manufacturing and ASEAN production networks.

## 8.6 Europe and the United Kingdom - systemic exposure through trade, finance and security

Europe is not the most exposed first-wave region, but it is one of the most systemically exposed. EU-U.S. trade in goods and services reached over EUR1.77 trillion in 2025, and the EU and United States together represented 43% of global GDP and almost 30% of global trade in goods and services (Council of the European Union, 2026). U.S. goods trade with the EU totalled an estimated $1.05 trillion in 2025 (Office of the United States Trade Representative, 2026g).

Europe's exposure includes pharmaceuticals, machinery, autos, chemicals, financial services, software, insurance, banking, investment portfolios and defence supply chains. The UK is especially exposed through services, finance, capital markets, defence and investment. U.S. goods trade with the UK totalled $161.8 billion in 2025, but goods data understate the services and financial channel (Office of the United States Trade Representative, 2026h). Europe would need more defence spending and industrial policy just as growth and tax receipts weakened.

## 8.7 China - severe impact with stronger first-wave buffers but high recursive exposure

China is globally significant, but it is not the most directly exposed region in the first wave. U.S. goods trade with China totalled an estimated $414.7 billion in 2025, including $308.4 billion of U.S. goods imports from China (Office of the United States Trade Representative, 2026i). This is large, but less concentrated than Mexico's U.S. exposure and less directly tied to U.S. nearshoring than Vietnam's model.

China has buffers that many countries lack: a large domestic market, state-directed banks, capital controls, industrial policy, foreign-exchange reserves and administrative capacity. But the IMF's 2025 Article IV consultation for China identifies weak domestic demand, deflationary pressures and the risk that exports may be less able to drive growth (International Monetary Fund, 2026a). If U.S. demand falls, China would try to redirect output to Europe, ASEAN, Africa, Latin America and domestic markets while those regions are also weakening. Its rational interest is therefore a constrained United States, not a broken one.

## 8.8 Gulf and wider Middle East - energy, capital and security exposure

The Gulf and wider Middle East are affected mainly through energy, capital markets, aviation, construction, tourism and security. The United States consumed about 20.6 million barrels of petroleum per day in 2025 (U.S. Energy Information Administration, 2026a). Direct U.S. crude dependence on the Middle East Gulf is much lower than before; the region supplied 8% of U.S. crude oil imports in 2025 (U.S. Energy Information Administration, 2026b).

Oil is globally priced, so the Gulf remains exposed to global demand. A pure demand collapse would push oil and gas prices down; a simultaneous geopolitical crisis could raise supply-risk premiums. The likely result is volatility rather than a simple one-way move. Gulf states may gain influence as distressed-asset buyers or emergency capital providers, but lower hydrocarbon demand, lower asset values and regional security uncertainty would damage fiscal plans and megaprojects.

## 8.9 Latin America and the Caribbean excluding Mexico - remittances, tourism, commodities and finance

Latin America and the Caribbean excluding Mexico would be unevenly affected. Central America and the Caribbean are highly exposed through remittances, tourism and U.S. employment. South America is more exposed through commodity prices, China demand, dollar funding and global risk appetite.

A U.S. labour-market crisis would weaken remittances. A U.S. consumption and travel collapse would hurt Caribbean tourism and service economies. Commodity exporters such as Brazil, Chile, Peru, Colombia and Argentina would be hit if weaker global manufacturing and Chinese demand reduced prices for energy, metals, food and industrial inputs. A disabled United States might reduce Washington's regional influence, but it would also bring debt stress, currency pressure, migration risk and weaker investor confidence.

### 8.10 India and South Asia - domestic-demand cushion, services and capital exposure

India and South Asia are less directly exposed than Mexico, Canada, Vietnam, Taiwan, South Korea or Europe, but they are not insulated. U.S. goods trade with India totalled an estimated $149.4 billion in 2025, including $103.8 billion of U.S. goods imports from India (Office of the United States Trade Representative, 2026j).

Goods data understate India's exposure because IT services, business-process outsourcing, pharmaceuticals, professional services, diaspora income, venture capital and public-market flows are important channels. India has a larger domestic-demand cushion and might benefit from lower commodity prices if the shock is demand-led. But weaker Western technology spending, lower services demand, capital outflows, remittance weakness and dollar stress would offset some of that benefit. India's interest is a strong but not overbearing United States.

### 8.11 Russia and Eurasia - low direct exposure, high strategic volatility

Russia has much lower direct U.S. trade exposure than most major regions. U.S. goods trade with Russia totalled an estimated $4.4 billion in 2025, including $3.8 billion of U.S. goods imports from Russia (Office of the United States Trade Representative, 2026k). Russia is therefore less directly exposed to U.S. consumer demand than China, Europe, Canada, Mexico or ASEAN.

Russia's exposure is indirect: energy prices, China demand, European security posture, sanctions enforcement, commodity markets and the fiscal cost of war. A disabled U.S. economy could create tactical opportunities if Washington were distracted and Europe were fiscally stressed. But a global downturn would also pressure oil and gas revenues, weaken Russia's partners, increase financial volatility and possibly accelerate European defence mobilisation.

### 8.12 Africa - lower direct trade, high vulnerability to second-order shocks

Africa has lower direct U.S. trade exposure than Europe, Asia or North America. U.S. goods trade with Africa totalled an estimated $83.4 billion in 2025, including $43.0 billion of U.S. goods imports from Africa (Office of the United States Trade Representative, 2026l). Direct trade data, however, understate vulnerability because many African economies are exposed to commodities, aid, development finance, remittances, FDI, dollar debt, Europe, China and food or energy prices.

A U.S. crisis could reduce aid budgets, raise dollar borrowing costs and weaken Chinese and European capacity to absorb African exports or finance infrastructure. African instability can then feed back into Europe through migration, security, aid pressure and commodity supply. A disabled U.S. economy would not automatically create African autonomy; it could create weaker financing, weaker demand and more predatory external competition.

### 8.13 Australia, New Zealand and Oceania - lower direct exposure, larger China-channel exposure

Australia, New Zealand and Oceania rank lower in direct U.S. demand exposure. U.S. goods trade with Australia totalled $62.8 billion in 2025, and U.S. goods trade with New Zealand totalled $9.7 billion (Office of the United States Trade Representative, 2026m; Office of the United States Trade Representative, 2026n).

Australia's larger risk is indirect. If China slows because U.S., European and ASEAN demand weaken, Australian exports of iron ore, LNG, coal, agriculture and services would come under pressure. New Zealand would face agricultural, tourism and risk-sentiment channels. The strategic effect would be larger than the trade figures suggest because a disabled United States would increase anxiety about Indo-Pacific deterrence, Taiwan, maritime security and China's regional behaviour.

## 9. Testing the thesis: constraint versus collapse

The thesis depends on a simple distinction. Constraint means America is weaker but still works. Collapse means America stops performing functions that the world still needs.

Many actors may prefer U.S. constraint. China may prefer a United States less able to contain Chinese technology and military expansion. Russia may prefer a United States less able to support Ukraine and coordinate NATO. India may

prefer a more multipolar order. Europe may prefer more autonomy from U.S. policy volatility. The Gulf may prefer more leverage between Washington and Beijing. Parts of the Global South may prefer alternatives to dollar dependence and Western conditionality.

Those preferences do not imply an interest in catastrophic disablement. The United States is a rival to some powers, but it is also infrastructure. It supports global demand, the dollar system, reserve assets, capital markets, technology platforms and security coordination.

**Table 6: Constraint versus catastrophic disablement**

| Actor or region | May benefit from U.S. constraint? | Likely interest in catastrophic U.S. disablement? | Reasoned assessment |
|---|---|---|---|
| China | Yes | No, not as a durable interest | Would benefit from reduced U.S. containment, but would suffer from lost demand, overcapacity, weaker alternative markets, commodity disruption and protectionist backlash. |
| Russia | Yes | Probably not as a durable interest | Could gain tactical openings from U.S. distraction, but faces energy, Europe, China-demand and escalation risks. |
| Europe and UK | Sometimes, in autonomy terms | No | Need U.S. demand, finance and security; U.S. collapse would force defence and fiscal burdens during recession. |
| India | Yes, in a multipolarity sense | No | Benefits from U.S. capital, technology, services demand and China-balancing role. |
| Gulf | Yes, in bargaining terms | No | Needs U.S. security, stable oil demand, asset-market stability and global liquidity. |
| Japan, Korea, Taiwan | No material benefit | No | Depend on U.S. demand and deterrence. |
| Mexico and Canada | No material benefit | No | Deeply integrated with U.S. demand and supply chains. |
| Global South | Yes, as leverage | No | Wants more alternatives, not dollar, aid, remittance, debt and commodity instability. |

The strongest version of the thesis is not that no actor would ever try to harm the United States. Some actors may seek short-term disruption or tactical advantage. The stronger claim is that no major power or significant region has a rational long-term interest in causing or welcoming the irrevocable disablement of U.S. economic function.

## 10. Counterarguments

### 10.1 Some adversaries may gain from chaos

The objection: some adversaries may value relative power more than absolute welfare. Russia, Iran or North Korea might tolerate global losses if U.S. distraction creates military or diplomatic opportunities.

Why it does not overturn the thesis: this is plausible in the short term, but weaker as a long-term claim. Commodity revenue, partner demand, sanctions exposure, escalation risk and domestic fiscal capacity still matter. Even actors with low direct U.S. trade exposure can be damaged by the global downturn that follows U.S. disablement.

### 10.2 China could absorb or redirect the shock

The objection: China has stronger buffers than many countries and can redirect trade more effectively than smaller exporters.

Why it does not overturn the thesis: the IMF identifies weak domestic demand and export-dependence risks in China (International Monetary Fund, 2026a). The question is not whether China could survive a U.S. shock. It probably could. The question is whether China benefits from the world economy losing a major demand and financial anchor. The evidence points against that conclusion.

### 10.3 A new reserve or trade system could replace the U.S.

The objection: over a long period, the world could build alternatives to the dollar and U.S.-centred markets.

Why it does not overturn the thesis: a long-term transition is different from a sudden break. Dollar credit outside the United States was about $14 trillion at end-Q3 2025 (BIS, 2026). Foreign institutions held $35.35 trillion in U.S. securities as of June 2025 (U.S. Department of the Treasury, 2026). These stocks cannot be smoothly repriced or replaced overnight. A catastrophic U.S. disablement would likely produce a dollar scramble before orderly diversification.

## 11. References


Bank for International Settlements (BIS) (2026) 'BIS global liquidity indicators at end-September 2025'. Available at: https://www.bis.org/statistics/gli2601.htm (Accessed: 25 May 2026).

Bertaut, C., von Beschwitz, B. and Curcuru, S. (2025) 'The international role of the U.S. dollar - 2025 edition'. Board of Governors of the Federal Reserve System. Available at: https://www.federalreserve.gov/econres/notes/feds-notes/the-international-role-of-the-u-s-dollar-2025-edition-20250718.html (Accessed: 25 May 2026).

Brookings Institution (2023) 'What did the Fed do in response to the COVID-19 crisis?'. Available at: https://www.brookings.edu/articles/fed-response-to-covid19/ (Accessed: 25 May 2026).

Bureau of Economic Analysis (2020a) 'Gross Domestic Product (Third Estimate), Corporate Profits (Revised), and GDP by Industry, Second Quarter 2020'. Available at: https://www.bea.gov/news/2020/gross-domestic-product-third-estimate-corporate-profits-revised-and-gdp-industry-annual (Accessed: 25 May 2026).

Bureau of Economic Analysis (2020b) 'Personal Income and Outlays: April 2020'. Available at: https://www.bea.gov/news/2020/personal-income-and-outlays-april-2020 (Accessed: 25 May 2026).

Bureau of Economic Analysis (2026a) 'U.S. International Trade in Goods and Services, December and Annual 2025'. Available at: https://www.bea.gov/news/2026/us-international-trade-goods-and-services-december-and-annual-2025 (Accessed: 25 May 2026).

Bureau of Labor Statistics (2012) 'The recession of 2007-2009'. Available at: https://www.bls.gov/spotlight/2012/recession/pdf/recession_bls_spotlight.pdf (Accessed: 25 May 2026).

Bureau of Labor Statistics (2020) 'Unemployment rate rises to record high 14.7 percent in April 2020'. Available at: https://www.bls.gov/opub/ted/2020/unemployment-rate-rises-to-record-high-14-point-7-percent-in-april-2020.htm (Accessed: 25 May 2026).

Council of the European Union (2026) 'EU-US trade: facts and figures'. Available at: https://www.consilium.europa.eu/en/infographics/eu-us-trade/ (Accessed: 25 May 2026).

Federal Reserve Bank of St Louis (2026a) 'Shares of gross domestic product: Personal consumption expenditures (DPCERE1Q156NBEA)'. FRED. Available at: https://fred.stlouisfed.org/series/DPCERE1Q156NBEA (Accessed: 25 May 2026).

Federal Reserve Bank of St Louis (2026b) 'Personal Consumption Expenditures (PCE)'. FRED. Available at: https://fred.stlouisfed.org/series/PCE (Accessed: 25 May 2026).

Federal Reserve History (2013) 'The Great Recession and its aftermath'. Available at: https://www.federalreservehistory.org/essays/great-recession-and-its-aftermath (Accessed: 25 May 2026).

International Monetary Fund (2026a) 'People's Republic of China: 2025 Article IV Consultation - Press Release; Staff Report; and Statement by the Executive Director for the People's Republic of China'. Available at: https://www.imf.org/en/publications/cr/issues/2026/02/17/peoples-republic-of-china-2025-article-iv-consultation-press-release-staff-report-and-574028 (Accessed: 25 May 2026).

International Monetary Fund (2026b) World Economic Outlook: Global Economy in the Shadow of War. Available at: https://www.imf.org/en/publications/weo/issues/2026/04/14/world-economic-outlook-april-2026 (Accessed: 25 May 2026).

Office of the United States Trade Representative (2026a) 'Mexico'. Available at: https://ustr.gov/countries-regions/americas/mexico (Accessed: 25 May 2026).

Office of the United States Trade Representative (2026b) 'Canada'. Available at: https://ustr.gov/countries-regions/americas/canada (Accessed: 25 May 2026).

Office of the United States Trade Representative (2026c) 'Association of Southeast Asian Nations (ASEAN)'. Available at: https://ustr.gov/countries-regions/southeast-asia-pacific/association-southeast-asian-nations-asean (Accessed: 25 May 2026).

Office of the United States Trade Representative (2026d) 'Taiwan'. Available at: https://ustr.gov/countries-regions/china/taiwan (Accessed: 25 May 2026).

Office of the United States Trade Representative (2026e) 'Japan'. Available at: https://ustr.gov/countries-regions/japan-korea-apec/japan (Accessed: 25 May 2026).

Office of the United States Trade Representative (2026f) 'Korea'. Available at: https://ustr.gov/countries-regions/japan-korea-apec/korea (Accessed: 25 May 2026).

Office of the United States Trade Representative (2026g) 'European Union'. Available at: https://ustr.gov/countries-regions/europe-middle-east/europe/european-union (Accessed: 25 May 2026).

Office of the United States Trade Representative (2026h) 'United Kingdom'. Available at: https://ustr.gov/countries-regions/europe-middle-east/europe/united-kingdom (Accessed: 25 May 2026).

Office of the United States Trade Representative (2026i) 'The People's Republic of China'. Available at: https://ustr.gov/countries-regions/china-mongolia-taiwan/peoples-republic-china (Accessed: 25 May 2026).

Office of the United States Trade Representative (2026j) 'India'. Available at: https://ustr.gov/countries-regions/south-central-asia/india (Accessed: 25 May 2026).

Office of the United States Trade Representative (2026k) 'Russia'. Available at: https://ustr.gov/countries-regions/europe-middle-east/russia-and-eurasia/russia (Accessed: 25 May 2026).

Office of the United States Trade Representative (2026l) 'Africa'. Available at: https://ustr.gov/countries-regions/africa (Accessed: 25 May 2026).

Office of the United States Trade Representative (2026m) 'Australia'. Available at: https://ustr.gov/countries-regions/southeast-asia-pacific/australia (Accessed: 25 May 2026).

Office of the United States Trade Representative (2026n) 'New Zealand'. Available at: https://ustr.gov/countries-regions/southeast-asia-pacific/new-zealand (Accessed: 25 May 2026).

Organisation for Economic Co-operation and Development (OECD) (2026) 'Global value and supply chains'. Available at: https://www.oecd.org/en/topics/policy-issues/global-value-and-supply-chains.html (Accessed: 25 May 2026).

Reserve Bank of Australia (2026) 'The Global Financial Crisis'. Available at: https://www.rba.gov.au/education/resources/explainers/the-global-financial-crisis.html (Accessed: 25 May 2026).

The Open University Library (2026) 'Quick guide to Harvard referencing (Cite Them Right)'. Available at: https://university.open.ac.uk/library/referencing-and-plagiarism/quick-guide-to-harvard-referencing-cite-them-right (Accessed: 25 May 2026).

U.S. Department of the Treasury (2026) 'Report on foreign portfolio holdings of U.S. securities at end-June 2025'. Available at: https://home.treasury.gov/news/press-releases/sb0482 (Accessed: 25 May 2026).

U.S. Energy Information Administration (2026a) 'How much oil is consumed in the United States?'. Available at: https://www.eia.gov/tools/faqs/faq.php?id=33&t=6 (Accessed: 25 May 2026).

U.S. Energy Information Administration (2026b) 'The Middle East Gulf was source for 8% of 2025 U.S. crude oil imports'. Available at: https://www.eia.gov/todayinenergy/detail.php?id=67407 (Accessed: 25 May 2026).

World Bank (2022) 'Chapter 1. The economic impacts of the COVID-19 crisis'. World Development Report 2022. Available at: https://www.worldbank.org/en/publication/wdr2022/brief/chapter-1-introduction-the-economic-impacts-of-the-covid-19-crisis (Accessed: 25 May 2026).

World Trade Organization (2010) 'Trade to expand by 9.5% in 2010 after a dismal 2009'. Available at: https://www.wto.org/english/news_e/pres10_e/pr598_e.htm (Accessed: 25 May 2026).

World Trade Organization (2026) Global Trade Outlook and Statistics - March 2026. Available at: https://www.wto.org/english/res_e/booksp_e/gtos0326_e.pdf (Accessed: 25 May 2026).