

THE UNITED STATES—STILL LEADER OF THE PACK



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Italian Prime Minister Giorgia Meloni recently remarked, “The US innovates, Europe regulates, and China replicates.” The Chinese, however, are now doing more than simply replicating as DeepSeek and their electric vehicles (EV) are proving. As the world becomes increasingly multipolar, the question arises: will the United States still lead the pack?

INNOVATION AND TECHNOLOGICAL LEADERSHIP

The US remains the epicentre of technological innovation, with companies like Apple, Google, Microsoft, OpenAI, and SpaceX shaping the outperformance of US markets. Tech now represents 34% of the S&P 500, compared to just 8% of the Euro Stoxx 600. The seven largest US tech firms are 20 times larger than their EU counterparts and generate 10 times more revenue.

Despite ranking third in the 2025 Global Innovation Index behind Switzerland and Sweden, the US remains the most commercially dominant innovator. The government’s pro-growth, pro-innovation stance further reinforces its edge.

However, China is now innovating too. Ford CEO Jim Farley recently described China’s EV industry as “the most humbling thing I’ve ever seen” noting that “their cost, the quality of their vehicles is far superior to what I see in the West.” Chinese vehicles now feature superior in-vehicle technology, with companies integrating AI companions, facial recognition, and seamless digital ecosystems. China also controls much of the world’s battery production and rare earth elements, which are critical inputs for both the tech and defence sectors.

ECONOMIC POWER, GLOBAL TRADE, AND THE DOLLAR’S ROLE

The US dollar remains the global reserve currency, anchoring international trade and finance while US monetary policy sets the tone for global markets.

Interestingly, stablecoins, particularly USDT (Tether), which is pegged to the US dollar, may help reinforce the dollar’s reserve status in the digital age. USDT is now one of the largest holders of US Treasury debt, effectively recycling global crypto liquidity back into US financial markets. The GENIUS Act ties USD-backed stablecoins directly to short-term Treasury bills, with the goal of financing US deficits and strengthening dollar supremacy in a tokenised financial future.

The US stock market alone accounts for 43% of global market capitalisation, dwarfing Europe and other regions. Foreign investors remain overweight in US assets, a testament to confidence in its long-term growth trajectory, but also a risk. The US also contributes 25% of global GDP, despite representing only about 4% of the world’s population.

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Trade tensions with China and reshoring trends are reshaping global supply chains. Yet China’s dominance in infrastructure remains formidable: it controls six of the eight largest ports in the world, making it difficult to simply shift production elsewhere.

At the same time, we are witnessing a geopolitical polarisation, with countries like India, China, Russia, and Brazil in increasing alignment and distancing themselves from traditional Western influence. This shift could reshape trade flows, capital allocation, and strategic alliances, posing long-term challenges to US hegemony.

THE FUTURE: AI, ENERGY, AND EMERGING FRONTIERS

AI is arguably still in its first innings. The scale of investment required to realise its full potential is enormous, but it will demand returns. Energy, as the derivative of AI’s expansion, requires massive infrastructure from data centres to power.

US firms are likely to remain in the vanguard commanding premium valuations that may seem expensive by traditional metrics but reflect their strategic importance. The question for investors remains: Is this priced in?

Looking ahead, the US is well-positioned to lead in tokenisation of assets, robotics, digitalisation, crypto infrastructure, driverless cars, and the pursuit of zero-cost energy. These sectors are not only capital-intensive but also innovation-driven, areas where the US excels.

While the US remains a dominant force, its leadership is increasingly challenged by shifting geopolitical, technological, and economic dynamics. China’s rise, especially in EVs, infrastructure, and critical materials, poses a serious challenge. The growing alignment of emerging powers away from the US adds another layer of complexity.

Yet the US’s strengths, innovation, economic scale, cultural influence, and institutional depth, continue to set it apart. Meloni’s quote still rings true: innovation is America’s edge.



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