Third nations can piece together a ruptured world order

With escalating great power disruption and rising geopolitical rivalry, third nations now feel the pressure to navigate a new world order. These states are neither on the frontline of geopolitical conflict nor do they want a ruptured international system. They did not shape the current world order, yet they are watching it grow increasingly unsettled.

There is fracture in the system of global norms built over the past eight decades. Washington, once architect of the rules-based order, now seeks to rewrite the world order to its own advantage. It has delivered a US shock to the global economy as disruptive as the China shock. As globalisation and multilateralism unravel, third nations must move beyond behaving as price takers to exercising proactive economic diplomacy.

One way to advance foreign policy objectives is through economic instruments — the practice of economic statecraft. In Washington, this is traditionally viewed as a means of working US geopolitical will in the world. For smaller nations, the goal is more modest — to avoid becoming collateral damage in major power competition.

To achieve this goal smaller nations will need to pursue three strategic pathways — alignment, acquiescence or mitigation.

Alignment means taking a side in a binary geopolitical decision. If two major powers are imagined as points connected by a straight line, placing a third nation at either endpoint represents perfect alignment with that power. Other locations along that line represent generalised alignment through strategies like balancing, hedging and bandwagoning. But specific instances of generalised alignment will only be optimal when the geopolitical environment is zero sum, so that gains for one side imply losses for the other.

Generalised alignment bundles together choices on trade, technology and security into a single setting across what would otherwise be multiple degrees of freedom. An alignment setting should be relatively long-lived. Extreme short-term alignments with constant shifts are meaningless.

Unlike alignment, acquiescence can be understood as a specific form of appeasement. Acquiescence surfaces when a third nation must deal with a major power whose broader national objectives are unclear or whose leadership is unpredictable.

In these cases, third nations can use cheap-talk signalling or high-visibility but low-substance actions. These might include symbolic awards or projects named in honour of a foreign leader. The purpose is to draw a positive response from the major power and stabilise the third nation's foreign policy environment without making enduring strategic commitments. While alignment is long lived, acquiescence is immediate and short-term.

Mitigation represents the most novel and proactive approach for third nations. If alignment places a state somewhere along a straight line between major powers, mitigation involves stepping off that line altogether so that the third nation seeks to reshape the causes of external shocks rather than simply reacting to them.

As in the case of climate policy, mitigation sits alongside adaptation. Adaptation minimises the impact of shocks by, for example, developing a more resilient workforce or building more robust production infrastructure. Mitigation targets the root causes of these shocks, reshaping the system to prevent disturbances from emerging in the first place — by forging new multilateral frameworks for instance.

Mitigation shifts the focus from power hierarchy to incentive compatibility. Rules-based trade does not logically require a benevolent hegemon, only coalitions of the willing where no member has a unilateral incentive to deviate from the agreed rules. Recourse to leadership by major or middle powers is not a logical necessity but instead indicates weaknesses in institutional design.

Two examples of mitigation already in operation are ASEAN and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). ASEAN is a coalition of 11 nations that emphasises 'ASEAN centrality' — the idea that the region itself determines its own outcomes rather than succumbing to external hegemonic power. Since 1967, ASEAN has served as a platform for pathfinder groupings committed to rules-based trade.

CPTPP was reconstructed from the original Trans-Pacific Partnership after US withdrawal in 2017. This grouping proves that high-standard trade agreements can exist and grow even absent US leadership.

The Regional Comprehensive Economic Partnership (RCEP) provides a different example of flexible topology in coalition building. While RCEP is the world's largest free trade agreement — comprising ASEAN, China, Japan, South Korea, Australia and New Zealand — observers have remarked that RCEP standards have not been as ambitious as those of newer-generation trade deals. Nonetheless, ASEAN's leadership and China's economic heft have combined to make RCEP an economically pragmatic and attractive trading bloc.

ASEAN, CPTPP and RCEP represent pathfinder multilateralism, drawing on coalitions of the willing who seek to practice the rules of globalisation and multilateralism — cooperation, a level playing field and peaceful dispute resolution. These groupings are open to expansion, provided that new entrants follow the same agreed-upon rules.

The reality of today's world order, where major powers are less constrained by international law and national sovereignty, points to the emergence of a G-minus world — an international system without the participation of an uncooperative major power. While the United States remains a significant market, the world already trades far more within itself than it does with the United States. A global economy without the United States would be poorer in general. But with incentive-compatible trade and security groupings that are prepared to expand under the rules of pathfinder multilateralism, a G-minus world can continue to grow.

Third nations are no longer restricted to passive roles assigned by traditional theories of realism, where smaller nations suffer what they must. Through mitigation — drawing on agile and networked coalitions — nations can build resilient and robust regional or interest-focused groupings decoupled from the whims of major powers. By prioritising incentive compatibility and decentralised governance over size and power, third nations can successfully navigate and productively reshape a disrupted world order.

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