

Katja Creutz, Tuomas Iso-Markku, Kristi Raik and
Teija Tiilikainen

The changing global order and its implications for the EU

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Abstract

The forms of global political transition contradict each other. The Western leadership of the world seems to be in decline, with the US political hegemony being challenged by the rise of China and other emerging powers, and with global power structures evolving towards multipolarity. At the same time, however, there are increasing signs of a diffusion of state power. It involves a growing group of non-state actors challenging state power in very different forms and different capacities.

This report focuses on the axis of state power considered the most important in terms of its global implications: the relationship between the US and China. This relationship is studied with the aim of assessing how the mutual interdependencies are evolving, and what the goals of the two actors look like in respect of their own global role. The implications of this power transition in the key fields of global governance – also covering the simultaneous diffusion of power to non-state actors – forms another relevant topic under review in the global context.

Lastly, the report analyses how the EU contends with these forms of power transition and safeguards its own influence in this changing environment. The project also addresses the international role and influence of one of the northernmost EU members, Finland. It investigates how the changes in the global and regional setting should be understood from the Finnish point of view and how Finland should act in order to consolidate its international role.

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Tiivistelmä

Maailmanjärjestyksen murros koostuu keskenään ristiriitaisista trendeistä. Lännen johtoasema heikentyy Kiinan ja muiden nousevien valtojen haastaessa Yhdysvaltain poliittisen hegemonian ja globaalin valtajärjestyksen muuttuessa moninapaisemmaksi. Samalla globaalissa valtajärjestelmässä on vahvoja piirteitä valtiollisen vallan diffuusiosta, eli hajaantumisesta. Ilmiö pitää sisällään kasvavan määrän ei-valtiollisia toimijoita, jotka haastavat valtiollisen vallan eri tavoin ja voimavaroin.

Tämä raportti tarkastelee globaaleilta vaikutuksiltaan keskeisenä pidettävää valtiollisen vallan akselia: Yhdysvaltain ja Kiinan välistä suhdetta. Tarkoituksena on arvioida, mihin suuntaan tähän suhteeseen sisältyvät keskinäisriippuvuudet ovat kehittymässä ja minkälaisia tavoitteita nämä kaksi suurvaltaa asettavat omalle roolilleen globaalissa valtajärjestelmässä. Valtajärjestelmän murroksen vaikutukset globaalihallinnan eri aloilla muodostaa toisen tärkeän tutkimuskohteen, jossa huomioidaan myös vallan hajaantumisen ja ei-valtiollisten toimijoiden merkityksen kasvu.

Lopuksi raportissa tarkastellaan, kuinka globaalin valtajärjestelmän monimuotoinen murros vaikuttaa EU:hun ja kuinka unioni turvaa oman vaikutusvaltansa muuttuvassa toimintaympäristössä. Raportissa arvioidaan myös Suomen kansainvälistä roolia ja vaikutusvaltaa tässä kontekstissa. Tutkimuksessa pohditaan, kuinka muutokset globaalissa ja alueellisessa järjestyksessä tulisi hahmottaa Suomen näkökulmasta ja kuinka Suomen tulisi toimia lujittaakseen omaa kansainvälistä rooliaan.

Tämä julkaisu on toteutettu osana valtioneuvoston vuoden 2016 selvitys- ja tutkimussuunnitelman toimeenpanoa (www.tietokayttoon.fi).

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Sammandrag

Den föränderliga världsordningen karaktäriseras av motstridiga trender. Västländernas globala ledarskap håller på att försvagas i och med att Kina och andra växande makter utmanar Förenta Staternas politiska position, och den globala ordningen blir mera multipolär. Samtidigt finns det starka tecken på en diffusion av den statliga makten. Fenomenet medför en ökande mängd icke-statliga aktörer som i olika former och med varierade resurser utmanar den statliga makten.

Denna rapport studerar den centrala mellanstatliga maktaxeln: förhållandet mellan Förenta Staterna och Kina. Den granskar i vilken riktning det ömsesidiga beroendet i detta förhållande håller på att utvecklas och hurdana målsättningar dessa två stormakter sätter för sin egen roll i den globala ordningen. Betydelsen av maktstrukturens förändring studeras vad beträffar olika politikområden av det globala styret och genom att också iakttä maktens diffusion och den ökande betydelsen av icke-statliga aktörer.

Slutligen granskas hur den mångsidiga förändringen av det globala maktsystemet påverkar EU samt hur unionen säkerställer sitt eget internationella inflytande i den förändrande omgivningen. Rapporten analyserar också Finlands internationella roll och inflytande i denna kontext. Det begrundas hur förändringen i den globala och regionala ordningen borde gestaltas ur Finlands synvinkel och hur Finland borde agera för att förstärka sin egen internationella roll.

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List of Abbreviations

AIIB	Asian Infrastructure Investment Bank
BRI	(China's) Belt and Road Initiative
BRICS	Brazil, Russia, India, China, South Africa (bloc of countries)
C40	Cities Climate Leadership Group
CARD	Co-ordinated Annual Review on Defence
CEDAW	Convention on the Elimination of All Forms of Discrimination Against Women
CETA	EU-Canada Comprehensive Economic and Trade Agreement
CICA	Conference on Interaction and Confidence Building Measures in Asia
CSDP	Common Security and Defence Policy
EBCG	European Border and Coast Guard
EGS	European Global Strategy
EII	European Intervention Initiative
EMU	Economic and Monetary Union
EP	European Parliament
EPP	European People's Party
EUGS	European Union Global Strategy
FARC	Fuerzas Armadas Revolucionarias de Colombia (Revolutionary Armed Forces of Colombia)
FSM	Financial Stability Mechanism
FTA	Free trade agreement
ICANN	Internet Corporation for Assigned Names and Numbers
ICC	International Criminal Court
ICSID	International Centre for Settlement of Investment Disputes
ILO	International Labour Organization
IMF	International Monetary Fund
ISIL	Islamic State of Iraq and the Levant
ITU	International Telecommunications Union
NAFTA	North American Free Trade Agreement
NDB	New Development Bank
OBOR	One Belt, One Road (see BRI)
OSCE	Organization for Security and Co-operation in Europe
P5	Permanent members of the United Nations Security Council (China, France, Russia, the United Kingdom, and the United States)
PESCO	Permanent Structured Cooperation

RCEP	Regional Comprehensive Economic Partnership
S&D	Socialists and Democrats
TPP	Trans-Pacific Partnership
TTIP	Transatlantic Trade and Investment Partnership
UNESCO	United Nations Educational, Scientific and Cultural Organization
WTO	World Trade Organization

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1. INTRODUCTION

Global power structures are experiencing a deep transition, which takes various forms. The phenomenon of globalisation is driven by technological development and the demands of key economic and financial actors. Their functional logic is not compatible with the Westphalian world, which revolves around state power and the notions of sovereignty and territoriality. Globalisation, which for many decades was argued to be the dominant force with an ability to challenge the key role of the state as the leading actor in world politics, has recently faced a powerful return of the state, and the battle about actorship in world politics seems to be far from over.

The forms of global political transition also contradict each other in many respects. When it comes to the traditional structures of state power, the Western leadership of the world seems to be in decline, with the US political and military hegemony being challenged and global power structures evolving towards a more multipolar direction. An increasingly assertive China is demonstrating a willingness to consolidate its leadership not only in Asia-Pacific but also in Central Asia and many other parts of the world. China, together with other rising powers, is strengthening its grip on post-war institutions of global governance built on Western values. It is a common understanding that the liberal world order, originating in Western political leadership, is gradually eroding.

At the same time, however, there are increasing signs of a diffusion of state power – a phenomenon that affects the balance of power between states in a multifaceted manner. It firstly involves a growing group of non-state actors challenging state power in very different forms and different capacities. It also implies the empowerment of individuals, which is taking on stronger dimensions as the new information technologies seem to enable powerful individuals, at times, to seize the global agenda and affect the direction of global politics. It has become obvious by now that it is not necessarily the open societies of the Western states that are the most vulnerable to the trends of this diffusion of state power. States with more authoritarian regimes are in some cases even more vulnerable to changing forms of actorship due to their poor capacity to tolerate political opposition and alternative forms of power.

The diffusion of state power and the increasingly complex global power structures challenge the existence of global power hierarchies with a more general scope. The idea of a multipolar world must thus be understood in a very general sense, with its more detailed meaning determined by issue area. The distinction between the domestic and international spheres is becoming even more blurred as the number of non-state actors and actors with a global arena is increasing.

The present report concludes the findings of a multi-annual research project focusing on key trends in world politics and their implications for Europe and Finland. To this end, the project addresses the transition taking place in the key structures of state power in parallel with the diffusion of state power. By first drawing conclusions about the key forms of change taking place in the global system of power, the project aims at analysing in particular how the EU has been affected by these forms, both in terms of its international actorship and its internal rules and cohesion.

When it comes to the transition *within* the system of states, the project focuses on the axis of state power considered the most important in terms of its global implications, namely the relationship between the US and China. Different dimensions of this relationship are studied with the aim of assessing how the mutual interdependencies are evolving, and what the goals of the two actors look like in respect of their own global role. The implications of this power transition in the key fields of global governance – also covering the simultaneous diffusion of power to non-state actors – forms another relevant topic under review in the global context.

The study then analyses how the EU contends with these forms of power transition and safeguards its own influence in this changing environment. Finally, the project addresses the international role and influence of one of the northernmost EU members, Finland. It investigates how the changes in the global and regional setting should be understood from the Finnish point of view and how Finland should act in order to consolidate its international role in economic as well as political terms.

1.1. Presentation of research questions and key concepts

The present research project builds on the assumption according to which global power structures have become increasingly complicated.

The common perception about two opposing trends, globalisation with the diffusion of state power, and the return of geopolitics implying a strengthening of state power, is too simplistic.

First, there are cases where a state can be empowered by the forces of globalisation. This applies to Western powers as well as to emerging powers such as China or Brazil, whose economic rise depends on a functioning globalised economy.

Second, the emergence of non-state actors, usually linked to the dynamics of globalisation, does not imply a group of like-minded actors with coherent interests in respect of state power. This highly heterogeneous group consists of actors such as powerful intergovernmental organisations for instance, whose power builds on the strength of its constitutive member states, as well as those whose powers depend on declining state power, such as transnational criminal networks or terrorist groups.

The first assumption of this study consequently has to be that we are living in a world with a set of highly diverse actors whose mutual relations differ in character. The concept of a *multitplex* world has been used by Amitav Acharya, according to whom the non-state actors challenging state authority and international security form a highly diverse crowd with complex goals and roles. “In many cases the groups are challenging the state; in others they are cooperating and colluding with state structures; in some, the state is a passive by-stander while they fight one another.”¹

The key argument behind theories of a multifaceted structure of world politics is that even if states are still the key actors, they are currently far from being the only important actors defining the agenda and outcomes of world politics. Actors ranging from multilateral enterprises to intergovernmental or non-governmental organisations, international terrorist groups and

¹ Acharya 2018a, 15.

various types of networks can be equally influential by having even a relatively long-standing position in certain cases.

The emergence of a more heterogeneous structure of actors implies, first and foremost, the lack of an overarching power hierarchy. In other words, references to a world of poles, meaning power hierarchies between states in a unipolar, bi- or multipolar world, capture only a part of the factual power structures and may even be misleading in their simplicity. According to some scholars, one could conclude that the significance of state power varies between different fields of international relations. Joseph Nye, for instance, argues that whilst state power is still the dominant structure within the field of military power (US hegemony) and economic power (multipolar structure), in the rest of the political fields the power structures are much more heterogeneous.² Others, however, take the view that state power is equally exposed to the set of different actors throughout the global political agenda.

The geographical scope of these power structures is also assumed to vary, which compounds the complexity. The idea that world politics is organised in line with a set of universal power structures is being increasingly challenged in arguments emphasising the different geographical range of existing power structures. Factors affecting world politics may be regional or even local. According to the ongoing discussion about the post-Cold War American hegemony, even this dominant power structure, which is frequently perceived as universal, is argued to have had a much more limited scope. John Ikenberry and Joseph Nye, for example, argue that American hegemony was never a truly global order, but was rather limited to a group of like-minded states, whereas Henry Kissinger points out that no truly global world order has ever existed.³

Hence, when this study addresses the relationship between the US and China as one of the key axes of the global balance of power, it is not assumed, however, that the relationship that emerges will affect world politics accordingly, irrespective of the more detailed context or policy field. The concept of a multiplex world means in this respect that the outcomes of power relations – even in the most important great-power relationship – are dependent on the overall set-up of actors with the more nuanced structure of power resulting from it.

Before moving onto the presentation of the research questions in more detail, the key concepts behind the present study, and the way the authors understand them, will be addressed in the subsections that follow.

The concept of power

In very basic terms in the social sciences, power refers to the ability of an actor to get another actor to do something it wouldn't otherwise do.⁴ According to this conceptualisation, power is an attribute an actor possesses, and which works through interactions. This is a concept commonly used in the study of international relations when approaching state power through the various instruments a state possesses, be they economic, political or military. The balance of power between different states is thus usually defined by comparing their key resources.

As well as the various instruments at a state's disposal, the *manner* of affecting an actor in international relations also varies based on the distinction between hard power and soft

² Nye 2015, 97; Ikenberry 2018, 17.

³ Nye 2015, 11; Ikenberry 2018, 11; Kissinger 2014, 2.

⁴ Dahl 1957.

power.⁵ This distinction stems from the level of coercive action involved, as soft power refers to an ability to affect an actor without the use of force or coercion. Soft power consequently includes the use of positive attraction or persuasion to achieve foreign policy objectives. All the above-mentioned instruments may be involved in the exertion of soft power which, however, tends to revolve around economic, political and even cultural instruments rather than military ones.

Still relying upon the aforementioned concept of power, the use of power in international relations can be divided into different categories based on how *direct* the use of power between different actors is. In the case of the indirect use of power between actors, one often refers to the role of formal or informal institutions as intermediaries between the actors. In such cases of a more indirect relationship between the actors, the use of power can take the form of affecting the rules or agenda of the institutions.

There is, however, another definition of power crucially different from conceiving of it as working in an interaction and taking the form of an attribute possessed by an actor. This alternative definition approaches power as being constitutive of social actors, thereby seeing it to function at a deeper level of social constitution. If the first form of power is understood as *power over* an actor, this second form conceptualises power as *power to* an actor.⁶

In international relations, power can thus be seen to work within those very basic rules and norms that are constitutive of actors and their identities and interests. Those who have access to these rules and can affect them in one form or another can be seen to have power. Viewed in this way, power is working, for instance, in the structures maintaining state sovereignty or territoriality, or in the norms shaping state identities and interests in a state-centric or confrontational direction. With such a concept of power, it is much more difficult to identify power relations, and the set-up of the most powerful actors undoubtedly looks different from that brought to the fore by the first concept.

This report is based on the assumption that power works both in interaction and in social construction, so the two concepts are not mutually exclusive. State actors exert power in international relations, and are also outcomes of the use of power. Both perspectives need to be considered when analysing the complexities of power relations in world politics.

The concepts of order and governance

When studying changing power structures in world politics, the concept of international order and its relationship with the notion of an international system is also significant. How does the present study relate to the ongoing debate about the end of the liberal world order, and how should the concept of global governance be defined in relation to the concept of international order?

A good way of describing 'order', and distinguishing it from a system or structure, is to define it as signalling something purposive.⁷ According to J. G. Ruggie, orders should be understood as the coming together of power and legitimate social purpose, such that these elements are fused to project political authority into the international system.⁸ International orders should thus be understood as broad sets of ideas, or ideational structures or narratives rather than

⁵ Nye 2015.

⁶ Wendt 1998, 105.

⁷ Duncombe & Dunne 2018, 26.

⁸ Ruggie 1982, 380.

physical embodiments. According to John Ikenberry, liberal internationalism, for instance, offers a vision of order in which sovereign states – led by liberal democracies – cooperate for mutual gain and protection within a loosely rules-based global space.⁹ Kissinger defines world order as the concept held by a region or civilisation about the nature of just arrangements and the distribution of power applicable to the entire world.¹⁰

For the purposes of the present study, an international order is therefore understood as having a dual relationship with state power. A dominant international order is firstly a reflection of global power structures in that it reflects the vision of the just order held by the leading powers. The reasons for questioning the liberal world order thus lie in the weakening political and military power of the West, and of the US in particular.¹¹ However, as Ikenberry states, international orders seem, to some extent, to have a life of their own, independent of the power of their immediate authors. The liberal international order, for instance, has taken various forms in the course of history, with varying direct connections to the US power.

Secondly, as the vision of a group of states, a particular international order is also supportive of the power of its promoters, and hence the liberal world order naturally strengthens the role of the Western world. This argument is eloquently defended by Charles A. Kupchan, who shows how the nature of different hegemonies reflects not only their material premises but also the normative dimensions of order.¹² He further argues that normative preferences as well as social and cultural orientations affect the character of hegemony and work in tandem with material incentives to shape hegemonic rule. Norms informing hegemonic world orders are said to be derivative of the hegemon's own domestic order. They are the sources of order and strength in the hegemon (or in the metropole as Kupchan puts it) and are deemed appropriate to serve the same function in the international sphere.

The changing international balance of power studied in this project is therefore important also with respect to the transformation of the international order. One of the main questions addressed in this study is consequently how the key tenets of the liberal international order are currently viewed by the key actors, and how the diffusion of state power affects its forms and universal scope. It is an important question, not least due to the observation made by Kupchan according to which a transformation between two international orders can be expected to be more peaceful the smaller the ideological distance between the old and new orders. Whilst a transformation from a Western into a Chinese order clearly has its risks in this respect, there are many things in the current international set-up that function in favour of a regionalisation of the system being the next phase after the Western more universalist tendencies.¹³ This would soften the clash between the two different orders and steer the current international system towards regional systems of power.

The concept of global governance refers here to the institutional embodiment of the current international order with all the key norms and institutions it entails. As a concept, global governance is built on two constitutive ideas. The first is the idea according to which an international order consists of cooperation and common rules and norms between the key global actors rather than a plain balance of power. And second, that global governance reflects the idea of multilateralism according to which institutionalised cooperation between international

⁹ Ikenberry 2018, 12.

¹⁰ Kissinger 2014, 9.

¹¹ Ikenberry (2018, 18–19), however, rightly points out that changes in power structures are not the only reason for a particular international order being challenged, as the coherence and broader legitimacy of another also affect its political role.

¹² Kupchan 2014, 24–26.

¹³ Kupchan 2014, 58–60; Acharya 2018a, 99–131.

actors comprises a vast majority of actors affected by the policy field, and not just the most powerful ones. Various parts of global governance duly vary when it comes to their more specific actor structure, and the extent to which non-state actors are involved.

Research questions

The first question to be addressed in this study deals with the key forms of the ongoing global transition of power. The first of these key forms deals with the relationship between the two most important state actors, China and the US. The question concerns the extent to which China is currently able to challenge the US in terms of economic, political and military power and, on the other hand, to what extent it aims to do so. The relationship between these two leading great powers is approached as one of the most important axes of power globally, with implications for the international system at large. In parallel with this study, another study was carried out addressing the relationship between China and Russia on the one hand, and the US and Russia on the other. Both of these studies have been funded by the Finnish Government Plan for Analysis, Assessment and Research, and the conclusions of this report will draw on both of them.

Following the conceptual background of the study, changes in power relations between states form only a part of the global transition, and hence the forms of the diffusion of state power will also be addressed as another important dimension of the ongoing global power transition. After shedding light on both of the key forms of power transition at a general level, their effects on the current international order with its institutions and governance will be analysed.

The second research question addresses the implications of the forms of transition for Europe and the EU in particular. The way in which the contours of change affect the EU as an actor in the international arena will be analysed, as well as its internal rule and cohesion. This part of the study assesses the consequences of the trends outlined in the first part, starting with the EU as a whole, and subsequently by analysing some key fields of its external relations and internal policies. The EU's actorness is approached at a more conceptual level by trying to find out how the Union's hybrid actorness – being itself a mix of state and international organisation – has affected its ability to accommodate to the transition. The analysis is then extended to the more practical implications in the key policy fields, such as the common security and defence policy and the Union's relations with Russia.

In the final part of the study, the conclusions drawn in the first two parts will be analysed from the point of view of Finland and its international position in economic, political and security political terms. The key question to be addressed is how the changing global balance of power and the more multifaceted set-up of actors and power hierarchies will affect Finland's possibilities to safeguard its key interests in the international arena. The EU plays a crucial role in filtering some of the effects of global change, so the developments on the regional stage will form a key pillar of this analysis.

2. THE CHANGING INTERNATIONAL SYSTEM

2.1. Introduction

The early post-Cold War period, in which ideological rifts were deemed to have been overcome for the benefit of liberalism and democracy, turned out to be temporary rather than ‘the end of history’.¹⁴ The optimistic prophecies that characterised much of the global economic and political thinking in the 1990s indicated a bright future, where economic and political liberalisation would go hand in hand and end up curbing geopolitical rivalry. This vision nevertheless came up against a broad range of challenges, starting from the interventionist policies of the 1990s to the economic and financial crisis of 2008–2009. The revival of trust in international institutions and rules in the 1990s, which was demonstrated, for example, by the creation of the International Criminal Court (ICC) and the launch of the Responsibility to Protect doctrine, had to slowly yield to the complexities of the new millennium.

Today, the rules-based international order is increasingly being challenged. The United States is no longer in the driver’s seat, and the European Union is struggling with both internal and external challenges. The relative decline of the West has opened a window of opportunity for major powers seeking to benefit from the situation. China has, along with Russia, been at the forefront in challenging the US-dominated liberal international order, and both are keen to change the world order so that it better reflects their values and interests. The effects of globalisation have bred contestation at national and local levels in both the South and the North, calling into question interdependence and progressivism in favour of identity politics and protectionism.

The transition of political power between states has been accompanied by another dominant power trajectory, namely the diffusion of power from states to non-state actors. This vertical power shift has influenced the global governance agenda, necessitating a multidimensional and multilevel approach to global issues. At the same time, the governance of global affairs is confronted by the need to adjust to power politics with the rise of alternative powers and their priorities at a time that is characterised by a reduced consensus on foundational norms for the international community.

The aims of this chapter are twofold: first, it explores the transitions in power that have occurred at the global level both when it comes to shifts between states, and away from them. The former task will be instructed particularly by the rise of China and its relations with the United States. Second, the chapter analyses the effects of the aforementioned power trajectories upon global governance from the perspective of contesting agents and developments, as well as a number of issue areas.

¹⁴ Fukuyama 1992.

2.2. Transitions of political power

The relative decline of the West

The international order is currently witnessing a period of transformation in which the profoundness of the change and the end-results are still open. Two separate but interconnected developments have soured the age of liberal internationalism, namely developments within the West itself and the rise of non-Western states. The global architecture around multilateral institutions, economic openness, security cooperation and democratic solidarity was constructed by the West. To a large extent, it has always relied on American leadership, and the broader 'crisis of authority'¹⁵ that characterises the international system has deepened even further since the election of President Trump. The US administration has been reluctant to attest to liberal hallmarks, both rhetorically and in practice, which has led to uncertainty about the future of multilateralism, and ultimately the international liberal order itself.

The 'America first policy' has not totally disrupted the international liberal order thus far, but the combined effect of single events, such as the withdrawals from the Trans-Pacific Partnership, the Paris Climate Agreement, the Joint Comprehensive Plan of Action, and the UN Human Rights Council point to the fact that the international liberal order is in the descendant. The significance of the United States is noticeable even in its retreat, as its non-participation in global politics and economics is a crucial determinant of the global order.¹⁶

The challenges faced by the international liberal order are broader than the retreat of the US. Democracy is weakening globally as there is widespread decline in political and civil liberties around the world.¹⁷ Traditional democracy champions are not maintaining standards; promising developments in some states, such as Turkey, Poland and Myanmar have deteriorated; and autocratic states with Russia in the vanguard have taken advantage of the system failure through methods such as disinformation campaigns, as well as cultural and financial ties with far-right parties.¹⁸ Europe is struggling with Brexit, the rise of far-right parties, migration, and the consolidation of populist leaders in several member states. The presumption is that the waning of the Anglo-American-dominated world order and the respective rise of the rest will profoundly change liberal internationalism, or even pave the way for illiberalism, as the design of a future world order remains uncluttered.¹⁹

China's model: from economic to global power

China has replaced Russia as the prime contender for US power at the international level. This rise is based on China's indisputable economic power. It constitutes the second largest economy in the world after the United States, and it has been one of the foremost beneficiaries of globalisation, which has enabled it to greatly alleviate widespread poverty in only a few decades. After China's accession to the World Trade Organization (WTO) in 2001, Chinese exports have increased almost tenfold in 15 years, making it the biggest exporting country.²⁰

¹⁵ Ikenberry 2018, 10.

¹⁶ Foot & Walter 2011, 1.

¹⁷ Abramowitz 2018.

¹⁸ Ibid.

¹⁹ Duncombe & Dunne 2018.

²⁰ Mattlin 2017, 8.

The Chinese model of development, which unlike the liberal model is not based on a combination of economic and political liberalisation but on restricted capitalism accompanied by political suppression, has duly proven highly successful.

Figure 1: Goods export from Japan, Germany, US and China 1995-2017



Source: Nordea and Macrobond

China uses its economic weight to connect with the world, and its importance as an external funder is increasing. It has lent a total of more than 350 billion USD between 2000 and 2014, and its infrastructure loans in particular have created dependencies in many regions of the world, but with fewer political conditions than loans from the IMF or the World Bank. The level of debt owed to China is so high at times that countries are unable to repay the loans, which China then exploits in other ways, such as writing off debt for strategic concessions. One example of this 'debt-trap diplomacy' is Sri Lanka, whose debt to China was so extensive that it handed over Hambantota Port – a strategically situated port at the intersection of multiple trading routes – to the Chinese for 99 years. East African Djibouti represents a similar case, where China is predicted to take over the country's main port due to unpaid debts.

The lending function has been institutionalised in the establishment of the Asian Infrastructure Investment Bank (AIIB) and the New Development Bank (NDB), both of which finance development and infrastructure projects. The creation of new international financial institutions has been complemented by China's Belt and Road Initiative (BRI, formerly known as One Belt, One Road [OBOR]), which aims to increase the connectivity between Europe and Asia, both via land and sea. Over 80 countries and international organisations have signed agreements

under the initiative, displaying increasing willingness to participate in the BRI, despite the initiative being China's most publicised tool for outward power projection.²¹

Yet, at this stage, China is neither able nor willing to become the "leading economic power by default".²² China's commitment to open markets is ambiguous as it advances free trade when it comes to its exports, while restricting the access of imports to Chinese markets. The growing rate of China's self-sufficiency in production, as well as its hesitance towards allowing international investments in certain sectors, leaves other countries less likely to benefit from its economic growth.²³ China clearly places its own financial security ahead of international financial stability as it constitutes a crucial element of its domestic political stability.²⁴

Another salient feature of Chinese economic power is the strong interdependence between China and the United States. Over 7% of US debt is owed to Chinese creditors, and American companies have ploughed huge investments into China, which has led not only to increased financing and export channels, but to greater Chinese productivity due to technological spill-over inside China.²⁵ Despite the tight economic links between the two biggest economies in the world, the unbalanced trade in combination with prospects of slowing growth in world trade has caused fractures in the trade relations between China and the US, resulting in the imposition of mutual trade restrictions verging on a full-blown trade war.

China's economic leverage is reflected in its political ambitions and influence at the global level. The country does not shy away from admitting that it seeks to establish itself as one of the world's leading powers by 2049 "in terms of composite national strength and international influence".²⁶ It is noteworthy that China does not seek to replace US hegemony with its own, but rather to create an international system in which its values and interests are better taken into account.²⁷

The path towards great-power status also requires military capability, as this element of power has traditionally constituted one of the hallmarks of great-power standing. The trend in military power increasingly suggests that China is the closest in potentially becoming the peer competitor of the United States also in military terms in the long run.²⁸ China's economic growth has allowed it to continuously increase its military spending during the last twenty years,²⁹ and it rates second in the world after the United States in military expenditure. However, in absolute terms, the gap in military expenditure and the existing arsenal (including nuclear weapons) is still extremely wide in the US's favour.

²¹ Raik, Aaltola, Kallio & Pynnöniemi 2018, 35.

²² Mattlin 2017, 26.

²³ Koivu 2017, 6.

²⁴ Mattlin 2017, 26.

²⁵ Koivu 2017, 7.

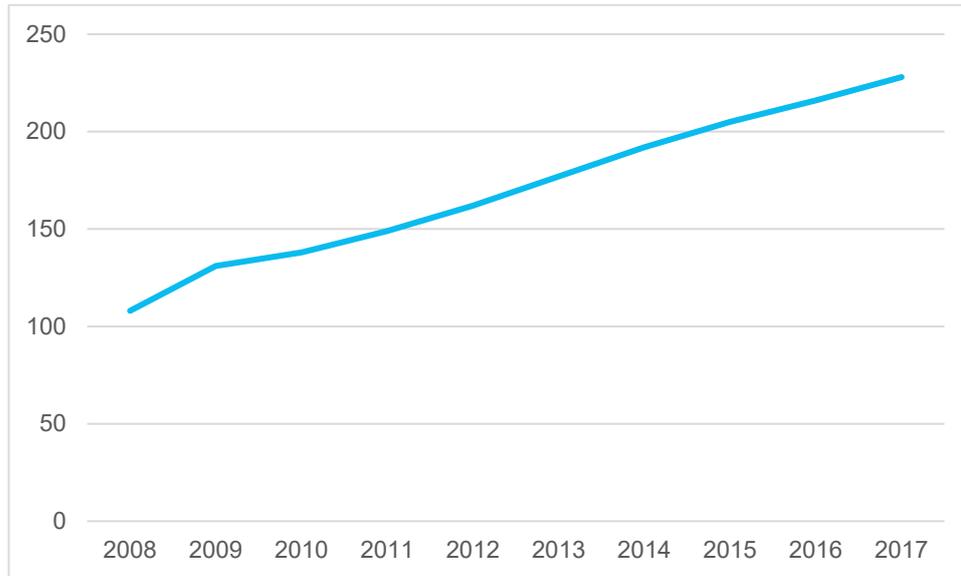
²⁶ Xi 2017, 25.

²⁷ Naarajärvi 2017, 3.

²⁸ Marcus 2018.

²⁹ SIPRI 2018.

Figure 2: China's military expenditure 2008-2017, bn USD



Figures are SIPRI estimates, in USD at constant 2016 prices and exchange rates. Source: SIPRI, Data for all countries 1988-2017 in constant 2016 USD

The modernisation of China's armed forces has proceeded faster than expected due to defence cooperation with Russia, as well as development of the domestic defence industry.³⁰ This is visible, for instance, in China's naval powers, in which the country has made huge investments during recent years. The country's naval powers have traditionally been considered weak as China lacks 'a blue-water navy',³¹ namely a maritime force that is capable of operating in the deep waters of open oceans, and which is paramount when it comes to displaying credible power in distant seas. Lately China has, however, demonstrated robust naval power in maritime parades and exercises in the South China Sea and beyond. The importance of maritime power stems from Chinese commercial interests in securing shipping lines,³² but is also due to energy security, territorial claims, foreign policy and the projection of regional leadership.³³

Although the rise in military expenditure can be explained in part by international missions to protect maritime rights, peacekeeping and humanitarian relief efforts, the bulk of the expenditure has been devoted to developing an army with increasing capabilities, also offensively.³⁴ What is more, the official Xi Jinping military development doctrine is geared towards turning the People's Liberation Army into a "world-class force" by 2050.³⁵ The message from Beijing is clear: China is increasingly militarily influential, a fact that chimes with the country's aim to become a leading global power within the next few decades. The military strategy stresses regional dominance, however, rather than global dominance. The South China Sea is the

³⁰ Sinkkonen 2018, 5.

³¹ Naarajärvi 2017, 4.

³² Sinkkonen 2018, 7.

³³ Mukherjee 2018.

³⁴ Office of the Secretary of Defense 2018.

³⁵ Xi 2017, 16.

arena where China has sought to effectively challenge US dominance by, for example, questioning freedom of navigation and strengthening its territorial claims.³⁶ Its military capabilities are nonetheless moving in the direction of a global power projection.³⁷

There are nevertheless factors that downplay the role of China in becoming a leading world power. One such feature is China's non-alliance policy. It has few close partnerships, and the country lacks strategic support on a par with the US, which has over 60 treaty-based alliances. A world leader requires alliances with other states and institutions in order to advance broader geopolitical visions,³⁸ but many countries in the region see China as a threat rather than an ally to be supported. The long-standing Chinese position nonetheless rejects the importance of allies, and the country has pursued a policy of strategic partnerships instead. The aim of these partnerships is to build mutual trust and co-operation, focusing on converging interests and win-win situations.³⁹ Since the end of the Cold War, China has employed the strategic partnership policy with an increasing range of states in the world in order to secure Chinese core interests and to foster a more China-friendly international environment.

But there are limits to partnership diplomacy; it has not been considered an adequate tool in managing the diplomatic relations of a major power striving to become great.⁴⁰ As a result, the non-alliance policy has increasingly been questioned and there are signs of deeper cooperation with some countries. For example, although it is unlikely that China's relationship with Russia would eventually transform into a real military alliance, China's strategic partnership with Russia is the most comprehensive and includes a general plan for bilateral military co-operation.⁴¹ The global ramifications of this bilateral cooperation remain limited, however.

A second conspicuous stumbling block on China's route to becoming a global power is the country's internal, autocratic model, which stands in clear opposition to the liberal and open West. The decision taken during the Communist party conference in 2017 to abolish the two-term limit on the presidency, effectively keeping Xi Jinping in power indefinitely, has generated scepticism among Western states towards the Chinese model. As an authoritarian state, China struggles with soft power; its political system is considered unattractive, in addition to which its concepts and ideas are difficult to grasp for Western societies.⁴² Still, China's international appeal is in the ascendant. For example, China is challenging the position of the United States as the most influential and popular development model in Africa,⁴³ and global attitudes are also demonstrating a shift in popularity from the US to China.⁴⁴ In 2017, President Xi Jinping declared in his speech for the first time that the great national transformation based on socialism with Chinese characteristics may constitute a path to modernisation for other developing states as well. Although this was not an official endorsement of the export of its political model, China seems to have abandoned its low-profile policy of self-promotion.

Chinese strategies towards a multipolar world

China's role in the world order is evolving and different understandings prevail over whether the country is aiming for a retention of the status quo or a revision of the international system.

³⁶ Aaltola, Saloniemi-Pasternak, Käpylä & Sinkkonen 2018, 95.

³⁷ Brands 2018.

³⁸ Raik et al. 2018, 19; Naarajärvi 2017.

³⁹ Zhongping & Jing 2014, 8.

⁴⁰ *Ibid.*, 15–16.

⁴¹ Sinkkonen 2018, 3.

⁴² Sørensen 2017.

⁴³ Lekorwe, Chingwete, Okuru & Samson 2016.

⁴⁴ Vice 2017.

What is nonetheless clear is the occurrence of a foreign policy shift in China: President Xi Jinping has taken the country from its policy of 'keeping a low profile' (*taoguangyanghui*) to increasing proactivity with an explicit 'striving for achievement' (*fenfayouwei*).⁴⁵ The stated aim of national rejuvenation is, according to President Xi Jinping's speech in October 2017, to first achieve socialist modernisation, followed by making China a leading global power by the time of the centennial of the People's Republic of China in 2049.

China's continuous development still requires a stable international environment, particularly where other major powers are concerned.⁴⁶ Its further development is thus grounded in greater international participation in international institutions, as noted by former President Hu Jintao in 2007 when he stated: "China cannot develop in isolation from the rest of the world".⁴⁷ In recent years, China has indeed expressed its preparedness to 'participate more proactively' in reshaping global governance and resolving international crises. It appears willing to take the lead in a number of issues, such as climate change and free trade. To this end, China has employed a dual strategy in its pursuit of becoming a global power. On the one hand, it has activated itself within the existing international institutions, and sought to create alternative institutions of governance marked by Chinese dominance, on the other. This so-called 'pick-and-choose' strategy has been condoned by the West, with some states even seeking to participate in Chinese governance institutions.

China has traditionally been apprehensive about international institutions because they have been unhelpful, or even hostile towards its agenda and goals. In recent years, it has reversed its position, however, and activated itself in the UN by actively contributing to international peacekeeping, for example. It is the second largest contributor to the UN budget after the US, and the political momentum has led China to push its own agenda in the global organisation harder than before. The establishment of new international institutions has also been pivotal for China. In the field of international economic governance, China has established the AIIB, and the New Development Bank together with the BRICS. In addition to economic reasons, such as gaps in Asian infrastructure investment, the institutions project Chinese power and the country's search for more influence in international economic governance as changes within the Bretton Woods organisations have been slow. In the field of security, China has elevated the role of the old Conference on Interaction and Confidence Building platform in Asia (CICA), which indicates the country's desire to dominate the security dialogue as well as to keep security co-operation in the hands of "Asians themselves".⁴⁸ This reinvigoration of an old platform can also be seen as a measure of institutional balancing and an act directly challenging the US-dominated security order in the region.⁴⁹

Power competition and contested global leadership

The United States and China are the two most significant states in the international system.⁵⁰ But the future of global leadership is not only dependent on Chinese foreign policy. What the

⁴⁵ de Graaff & van Appeldoorn 2018, 117.

⁴⁶ Cheng 2015, 17.

⁴⁷ Hu 2007.

⁴⁸ Feng & He 2017, 41.

⁴⁹ Feng & He 2018, 181.

⁵⁰ Foot & Walter 2011, 1.

US does and how it reacts to China plays an equally important role, especially as it has become clearer during recent years that China is on a fast track towards becoming the global peer competitor of the US in many dimensions of power, despite predictions to the contrary.⁵¹

The United States recognises that China is the other most influential country in the world. Its strategy towards China is nevertheless torn; on the one hand, it wishes to keep the door to Chinese markets open but, on the other hand, this openness should not allow China to strengthen its global position to such an extent that it replaces the US-dominated international order.⁵² The US has long upheld a policy of continuity where it has sought to embrace China within international multilateral institutions, while at the same time strengthening its own position in East Asia in order to limit Chinese expansion. This so-called constructive engagement approach was aimed at the two countries sharing responsibility for global governance. The Obama administration even launched the concept of G-2, which China nonetheless failed to embrace.⁵³

With the Trump administration, the US policy on China has changed from strategic optimism to strategic pessimism.⁵⁴ China is increasingly seen as a revisionist power and a 'strategic competitor',⁵⁵ as Washington recognises that China, together with Russia, now poses a threat to US interests.⁵⁶ The predominant dangers are China's autocratic model of governance, which threatens democratic governance around the world, and the modernisation of the Chinese military, which according to the US can take place only at the expense of the sovereignty of other states in the region.

Despite some inconsistencies in the US position on China, it appears clear that the US is reluctant to cede its own power through institutional reform in international organisations.⁵⁷ Similarly, the US has resisted Chinese alternative institutions, such as the AIIB. The US is still the most important country in military, economic and political terms, but its recent hesitancy to back the rules-based order effectively calls into question its desire to be the foremost global power. As Europe seems unable to persuade the Trump administration of the benefits of multilateralism, China, Russia and India are seizing the opportunity to demonstrate leadership as the US seems to be abdicating its global leadership role bit by bit,⁵⁸ leaving the EU to assume the mantle of "the sole liberal idealist".⁵⁹

The future of global governance will increasingly rest with states other than the US, which means that they need to step up to the plate to manage global problems. While the transatlantic relationship is experiencing difficulties, the Sino-Russian relationship is deepening and is poised to fill the leadership gap. But it remains to be seen which actors, if any, are capable of making use of the relinquished power; the disunity of rising powers may well hinder them from replacing the US as global leaders or acting together with it, and the EU seems hesitant to carry the torch for the international liberal order. As a result, the multipolar world may turn out to be truly multipolar, a world in which no single power wants to take the lead.⁶⁰

⁵¹ Nye 2011, 185–186.

⁵² de Graaff & van Apeldoorn 2018, 125.

⁵³ Kaczmarek 2018.

⁵⁴ Jost 2017.

⁵⁵ US National Defense Strategy 2018, 1.

⁵⁶ US National Security Strategy 2017.

⁵⁷ Layne 2018, 107.

⁵⁸ Stewart 2018.

⁵⁹ Raik et al. 2018, 64.

⁶⁰ Tapio 2018, 130–131.

2.3. Diffusion of power

The rise of non-state actors

The competition for power exceeds nation states, and there are more players dealing with issues at the global level than before. Globalisation, privatisation and the fragmentation of states have all brought to the fore a number of actors that are detached from the state, but that still affect international affairs.⁶¹ These non-state actors may operate at the sub- or supranational level, but they have all been empowered by the loss of national power, as well as the information revolution.⁶² Technological advancement and decreased costs of computing and communication have lowered the threshold for engaging in world politics.⁶³ The challenging effect of non-state actors upon the state-centric world order is widely accepted, but the degree to which actors beyond states are complementing or replacing the state-centric international order remains contentious. Either way, a qualitative shift in actorhood has occurred; non-state actors no longer remain outsiders to global politics, and concomitantly states exercise less control over world affairs.

The range of non-state actors defies neat categorisation, and they may be classified in terms of their means and motives in international politics, based upon their ties with the state, or on the basis of their impact in specific issue areas, such as climate change or human rights. There are longstanding non-state actors that have amplified numerically or regained importance, but new groupings have also emerged. Transnational corporations, religious movements and civil society organisations belong to the former category, whereas more loosely structured network organisations, such as terrorist or criminal organisations, are characteristic of the new information era. In addition, epistemic communities, intergovernmental organisations, insurgent movements, global cities and even individuals are a resolute part of today's crowded landscape of international players. Their relevance for international relations varies, however, "according to size, constituency, formal recognition and political impact".⁶⁴

Much attention in global politics has been devoted to the category of violent non-state actors, which includes terrorist and criminal networks and organisations, warlords, militias and paramilitary forces, as they have all come to present significant challenges to the nation state, and even to a certain degree to the international system. Warlords in Afghanistan, terrorist networks such as Al Qaeda, Boko Haram or ISIL in the Middle East and Africa, as well as drug cartels in Mexico, all pose a significant threat to the state as the leading political unit exercising a monopoly over the use of force. They operate in spaces where state governance may be absent or lack legitimacy,⁶⁵ at times with political and military agendas as well as governance structures. In spite of the variety of violent non-state actors, they ride on the deficiencies of the state as a provider of collective goods, such as security, healthcare and education, which in turn may have implications for the international security environment and lead to larger geopolitical competition if they align with comparable groups or rogue states.

But it is not only actors beyond the state that challenge the state-centredness of international relations. Different levels of the state are increasingly prominent, as witnessed by California's lead in climate change issues, or the humane role played by sanctuary cities, such as San Francisco, that seek to protect all of their residents. The loss of power at the national level

⁶¹ Clapham 2006, 3.

⁶² Sassen 2004.

⁶³ Nye 2011, 114.

⁶⁴ Arts 2003, 5; Morss 1991.

⁶⁵ Williams 2008.

has opened the door for sub-state actors in multiple ways, be it constituent units of federal states, regions or so-called global cities.⁶⁶ For example, when states fail to act with respect to global problems, global cities go further than trying to influence national foreign policies: they directly assume the responsibilities of the state. This is a visible trend in the fight against climate change, which has seen networks such as C40 develop, but it also figures in other areas, such as human rights. By way of illustration, networks of American cities are seeking to implement the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW), as the US has failed to ratify the convention thus far. American cities have also pledged to follow the 2015 Paris Climate Agreement irrespective of the withdrawal decision by the federal state. Transactions between localities can thus create strategic transnational networks that partly sidestep nation states.⁶⁷ Cities and cyberspace have become more concrete spaces for social struggles than the national political system, which excludes certain individuals and groups from national politics.⁶⁸

Diversity in power and its exercise

Non-state actors have manifested themselves as players in global governance that cannot be set aside from decision-making procedures in specific issue areas, irrespective of whether they are acting on their own or in collaboration with states. States and international institutions rely on non-state actors for expertise, provision of services, compliance monitoring as well as stakeholder representation.⁶⁹ It is generally accepted that non-state actors exercise different forms of power, but their authority to preside over fundamental change in global politics is, however, still contested.⁷⁰

Much of the power that non-state actors exercise is traditionally either decisional or discursive, and to a lesser degree regulatory.⁷¹ They have the capacity to influence decision-making and to change discourses, but to make rules only to a lesser degree. Non-state actors contribute to decision-making with their knowledge,⁷² but they also bring legitimacy, support and reputation to the table, providing that they have access to policy-makers.⁷³ Their leverage varies in different policy stages ranging from agenda-setting to norm implementation, but they have been crucial in promoting new issues to the international agenda.⁷⁴ This holds true for several issue areas, such as environmental issues, human rights, and disarmament, where examples such as the Anti-Personnel Landmine Convention and the Montreal Protocol on Substances that Deplete the Ozone Layer can be found, not to mention the adoption of the Rome Statute for the International Criminal Court. Non-state actors also play an important role in norm implementation, where civil society organisations in particular act as watchdogs. This monitoring function exercised by non-state actors is both important and effective, as governments and institutions do not wish to be seen as non-compliant.

Norm creation has traditionally been the prerogative of states, but the trend towards hybrid and even private rule-making is strengthening. Non-state actors, such as corporations or international standard-setters, increasingly participate in norm creation, relegating states to the

⁶⁶ Sassen 2004.

⁶⁷ Sassen 2004, 662.

⁶⁸ Ibid.

⁶⁹ Tallberg & Jönsson 2010, 1.

⁷⁰ Arts 2003, 10.

⁷¹ Arts 2003.

⁷² Haas 1992.

⁷³ Arts 2003.

⁷⁴ Finnmore & Sikkink 1998.

role of law-takers, not law-makers.⁷⁵ Despite the enormous diversity in private regulation, as it covers a continuum from self-regulation to industry-specific standards, it is considered fast and effective in comparison to norm-making by states. The diminishing number of multilateral conventions in the new millennium also attests to this.⁷⁶

The exercise of the various forms of power requires access to decision-makers, which may often take more formalised forms than lobbying in the corridors. The role of non-state actors, most notably civil society organisations and transnational corporations, may at times be formalised into existing intergovernmental structures. Non-state actors may possess voting rights, as is the case in the International Labour Organization (ILO), they may have observer status or even participatory rights before international organisations, or even directly vindicate their rights as is the case with companies before the International Centre for Settlement of Investment Disputes (ICSID). The access of non-state actors to international institutions has steadily increased from the 1980s onwards,⁷⁷ reflecting the transnational turn in global governance.

The future of non-state actors in a multipolar world

The world order is facing two notable developments at the same time, both of which may profoundly affect the future governance system, namely the rise of non-Western powers and the diffusion of power to non-state actors. Each development is the opposite of the other: one serves to strengthen state power in the international system, as many of the rising powers are not democracies and stress state sovereignty, while the other moves power away from the traditional state activity sphere.⁷⁸ One of the foremost questions in the operating environment of states will then be how this contradiction will play out in world politics.

The assumption that the rise of autocratic states, such as China and Russia, undermines transnational governance and its actors is based on the differing nature of political systems. The expectation is that the restricted operating environment will undermine transnational governance and its actors,⁷⁹ whereas liberal democracies that build upon a separation of state and society leave space for transnational relations among non-state actors.⁸⁰ For example, experience shows that in the UN human rights machinery, China has pursued policies aimed at excluding civil society from resolutions, as well as harassed and ousted members of civil society from participation in human rights monitoring. The civil society space is also shrinking more generally worldwide; governments in all regions are increasingly resorting to legal and administrative measures in order to weaken and discredit civil society organisations.

However, the re-strengthening of states cannot undo the power diffusion, which has widened and deepened in recent years. New forms of governance and sites of authority are emerging because of dissatisfaction with existing structures and actors.⁸¹ State-based solutions are simply unable to be specific and effective enough. The functional logic thus supports the prevalence and breadth of non-state actors in world politics; they are capable of bringing something to the table that states fail to do. As a result, the world order will continue to consist of

⁷⁵ Noortmann & Ryngaert 2010.

⁷⁶ Pauwelyn, Wessel & Wouters 2012.

⁷⁷ Tallberg & Jönsson 2010, 5.

⁷⁸ Florini 2011.

⁷⁹ Breslin & Nesadurai 2018, 191.

⁸⁰ Risse 2013, 437.

⁸¹ Breslin & Nesadurai 2018, 198.

“two worlds of world politics”, namely one interstate system, whose epitome is states, and another multi-centric system composed of diverse collectives and authorities.⁸²

The fact that power is eluding nation states has triggered claims that the state is disaggregating from fragmented decision-making,⁸³ or that the state has outlived its role in making the world function.⁸⁴ However, theories and practices of global interaction are changing in ways whereby the power shifts are not construed as a ‘zero-sum game’ where one actor replaces another.⁸⁵ Innovative and hybrid governance frameworks have been created that seek to diminish the dichotomy between states and non-state actors.⁸⁶ The state may not disappear as such, but its operative logic is changing. The different functional parts of the state, such as courts and legislative bodies, are assuming more responsibilities and connecting with their counterparts abroad, duly creating issue-specific transnational networks.⁸⁷ Another embodiment of the reinvention of the state is the increasing importance of public-private partnerships, which also features at the global level, especially in issues of health and the environment. This hybrid form of authority points to collaborative governance between public and non-state actors, the aim of which is to recast the intergovernmental system in order to produce outcome-oriented collective action with non-state actors that extends beyond lobbying or consultation.⁸⁸ There are also ideas about global interaction that combine the heightened importance of new actors, such as cities, with the crucial role of technology by declaring connectivity as the new paradigm for ordering.⁸⁹

2.4. Global governance

The complexities of global governance

Global governance refers to the collective management of shared problems at the international level. It is an ongoing process involving both public and private actors, through which diverse interests are being accommodated either in formal or informal arrangements.⁹⁰ It comprises all governance-related activities, rules and mechanisms that exist at different levels.⁹¹ Hence, global governance is not equivalent to top-down-level hierarchical authority; rather, it is characterised by the lack of world government, as ‘governance’ indicates that a state-based approach is insufficient for solving global problems.⁹² ‘Global’ here should be understood as multi-scalar; it takes place not only at the global level, but also at the national and sub-national level.⁹³ Global governance thus challenges the state-based international system in terms of actorness and arenas as well as forms for resolving collective problems.

The main distinctive feature of global governance is the proliferation of actors capable of having a say in resolving collective problems transnationally.⁹⁴ Next to states, there are a range

⁸² Rosenau 2006, 218.

⁸³ Alston 1997, 441.

⁸⁴ Khanna 2016.

⁸⁵ Slaughter 1997, 184.

⁸⁶ Thiel & Maslanik 2017, 12.

⁸⁷ Slaughter 1997, 184.

⁸⁸ Andonova 2010, 25–26.

⁸⁹ Khanna 2016.

⁹⁰ Commission on Global Governance 1995.

⁹¹ Karns & Mingst 2010, 4.

⁹² Keohane & Nye 2000, 208.

⁹³ Sassen 2003, 5.

⁹⁴ Dingwerth & Pattberg 2009, 42.

of actors that influence not only what is governed, but also how and where.⁹⁵ These non-state actors include traditional international organisations, but more notably different forms of non-state authority, such as transnational corporations, non-governmental organisations, industry associations, and international experts and epistemic communities. Their rise indicates that state-based solutions to collective problems are inadequate, and that governance can be handled more efficiently in alternative fora and through other mechanisms. To this end, a parallel development is the emergence of new forms and fora of governance in conjunction with the proliferation of non-state actors.⁹⁶

In addition to traditional intergovernmental organisations, new forms of international and global cooperation are proliferating. Formal international organisations have been slow to adapt to the ongoing power shifts, in addition to which they have been inefficient in managing global problems.⁹⁷ To overcome these problems, states and other actors have resorted to informal organisations and networks, such as the G20 or BRICS. Diversification and informality have also spread to law-making processes, which feature soft law, industry standards and multi-stakeholder initiatives. Consequently, the range of actors that participate in global norm-making is broadening, and the distinction between law and non-law is becoming blurred. The demands for effective governance have also generated new spaces for governance beyond the territorial state, where functional logic drives new coalitions of actors and interests.⁹⁸

Another defining characteristic of global governance is the constant increase in governance problems and their level of severity. New policy issues are emerging on the international agenda and international cooperation is needed on various topics relating to the protection of global commons, such as outer space, cyber space, biotechnology, artificial intelligence, the maritime domain, and the Arctic.⁹⁹ Yet institutions have not been able to adapt to these new challenges. Another feature complicating the governance of global problems is their interconnectedness, where one problem exacerbates another. Conflicts generate migration and diseases; climate change causes famine and instability, which in turn breeds conflict. The urgency of global problems has also intensified in recent years. Climate change, for instance, affects the survival of the whole planet, as may the use of weapons of mass destruction, as well as the loss of biodiversity and ecosystems. Pandemics also threaten populations worldwide, and the lack of regulation on artificial intelligence is said to pose a global danger. However, most of the global problems can only be managed, not resolved as such.

Besides the inherent complexities of actors, fora and issues of global governance, the weakening of the rules-based international order has further complicated the governance of collective policy issues. The UN-led network of international organisations as well as international rules and norms grounded in political and economic liberalisation, still forms a central part of global governance structures,¹⁰⁰ but is under considerable pressure. Its central tenets, such as the practice of multilateralism and the idea that national interests have been best promoted by international cooperation,¹⁰¹ are being called into question. Staunch supporters, such as the United States and its European allies, who have traditionally promoted the international order and its values, appear divided over its future as the new millennium has gradually exposed the weaknesses of the system. Issues of legitimacy, equity and self-confidence have slowly eroded the current order in spite of the fact that no clear competing international system

⁹⁵ Breslin & Nesadurai 2018, 188.

⁹⁶ Ibid.

⁹⁷ Creutz 2017, 4.

⁹⁸ Breslin & Nesadurai 2018, 199.

⁹⁹ Stewart 2014.

¹⁰⁰ Rosenau 1995, 13.

¹⁰¹ Mazarr 2018, 3.

exists.¹⁰² Arguably, the Western states pushed liberalisation and their transformative agenda too far, generating dissatisfaction not only among rival states, but also among their own electorates.¹⁰³

Norms, institutions and agents of contestation

Global governance is under strain because of its complex nature and many components, but also due to uncertain times. Global institutions and the norms they uphold are increasingly being challenged from multiple directions and by multiple actors, while strong leaders put their “nations and values first”.¹⁰⁴ The principal challengers are liberal states themselves, rising and resurgent states, regionalism and non-state actors. Yet it seems that while states are strengthening there is no concomitant increased commitment to deal with global problems. No state can, however, withdraw completely from global issues and developments, and all must bear some minimum responsibility for global well-being.¹⁰⁵ The extent to which actors are prepared to undertake (responsible) governance for the global good remains unclear, however.

States

To start with, global governance is suffering from the withdrawal of the United States from global governance institutions and structures. The main founder and supporter of many global institutions is thus creating uncertainties as regards their operation and credibility, if not directly undermining them. The United States has withdrawn from several international fora and multilateral agreements, with President Trump even declaring globalism a threat to the United States.¹⁰⁶ The US has duly left the Trans-Pacific Partnership, the 2015 Paris Climate Agreement, UNESCO, the Human Rights Council, and the Joint Comprehensive Plan of Action with Iran. The Trump administration has also threatened to withdraw from the WTO system. Moreover, it has denounced the ICC, and plans to leave all treaties giving international courts mandate over the US. In line with this declaration, the United States withdrew from the Optional Protocol on the Vienna Convention on Diplomatic Relations, an international legal tool the country has itself relied on in defending its own diplomats and embassies.¹⁰⁷ Hence, there is a clear decline in the US global leadership, and the long-held American suspicion of international legal institutions and multilateralism as a practice has intensified.

Although the United States seems to be standing behind its commitments in the security sphere, and the real departures in economic and financial governance seem small to date, as demonstrated by the conclusion of a renegotiated NAFTA, a waiting game is ongoing.¹⁰⁸ However, the urgency of many governance issues, such as climate change, makes waiting unsustainable. Moreover, much of multilateralism relies on the financial support of the United States; the country is in absolute terms by far the biggest funding donor to multilateral institutions, the bulk of which goes to the UN system.¹⁰⁹ Although the political commitment to multilateralism has already suffered a blow, substantial cuts in funding for multilateral institutions

¹⁰² Chatham House 2015.

¹⁰³ Dworkin & Leonard 2018.

¹⁰⁴ Vasconcelos Vilaça 2018, 53.

¹⁰⁵ Klabbers 2018, 13.

¹⁰⁶ White House 2018a.

¹⁰⁷ Bellinger 2018.

¹⁰⁸ Aaltola et al. 2018, 59, 129.

¹⁰⁹ McArthur & Rasmussen 2017, 4.

would further jeopardise the bedrock of the international order. Thus far, the United States still has “the largest single aggregation of power”,¹¹⁰ and cannot be overlooked.

There have been states, as well as other actors, that have been willing to step into the breach and pick up the pieces after the American withdrawal. Rising and resurgent powers have attempted to fill the governance void, which has emerged partly because of the American withdrawal, but also because new collective problems have arisen for which no institutions and rules ostensibly exist. This complicates global governance not only because of the increased number of actors wishing to participate, but also because these rising actors contest (at least some elements of) the current international order. The rising powers nevertheless lack a common vision of a prospective world order; many of the BRICS states suffer from economic and political distress,¹¹¹ there are tensions between China and India, while Russia, which is less active in global governance than China, seems mostly engaged in creating instability.¹¹² Although rising and resurgent powers do not share a concrete understanding of an alternative world order capable of replacing the international liberal order, they find common ground in their disapproval of liberal values, as well as efforts to weaken state sovereignty.¹¹³ Another shared factor is the aim to discredit American authority.

There is seemingly a convergence of interests in global governance and its policy issues between China and Russia. Both share a conviction of great-power status and a sense of entitlement to a special position in international politics.¹¹⁴ Both states are also members of key global institutions and even possess privileged membership, for example, in the UN Security Council, through which they are able to exercise decision-making power, at least in issues of international peace and security. Formally they stress, together with the rest of the BRICS, namely India, South Africa and Brazil, the primacy of the UN and the importance of international law. This is visible in the fact that both China and Russia allocate their largest share of multilateral funding to UN peacekeeping operations.¹¹⁵ Indeed, a noticeable aspect of Chinese engagement in the UN is its investment in peacekeeping, which has recently been characterised by rapid ascendancy. The country has increased its financial and personnel support for classic UN peacekeeping operations at times when the United States has declared its reductions. In fact, the Chinese contribution in troops to UN peacekeeping has exceeded the combined contributions of all of the other P5 members since 2012, including high-risk missions such as those in Mali and South Sudan.¹¹⁶

As regards the Chinese and Russian commitment to the international legal system, the countries expressly limit themselves to a classic understanding of international law, which is grounded in respect for “the independence, sovereignty, unity and territorial integrity of each nation”.¹¹⁷ They reject interference in the allegedly domestic affairs of states by criticising interventionist policies, be they in the form of condemning resolutions by the Human Rights Council, military intervention under the banner of the Responsibility to Protect doctrine, or judicial intervention under the ICC. The concrete results of their non-interventionist policies have been numerous vetoes in the Security Council concerning, for example, Syria and the

¹¹⁰ Haass 2008, 45.

¹¹¹ Acharya 2017, 275.

¹¹² Kaczmarek, Katz & Tiilikainen, 2018, 56.

¹¹³ *Ibid.*, 51.

¹¹⁴ *Ibid.*, 50.

¹¹⁵ McArthur & Rasmussen 2017, 7.

¹¹⁶ Pauley 2018.

¹¹⁷ BRICS Sanya Declaration 2011, §9.

ousting of the al-Assad regime. Western interpretations of human rights are resolutely rejected, and it has even been claimed that China and Russia are fighting a war on human rights.¹¹⁸ The sovereigntist agenda is gaining ground again.

But whereas Russia has bred instability and remained important primarily in the field of arms control, China is ultimately the country that is projecting itself as capable of taking over responsible global leadership.¹¹⁹ In policy issues relating to climate change, free trade and conflict resolution, China has declared and demonstrated leadership. The country has gradually activated itself within global institutions and especially in the UN; it has increased its participation in peacekeeping missions, filled top positions, as well as increased its economic leverage in the world organisation with US fund withdrawals. At the same time, its anti-human rights project has peaked, which many states seem prepared to disregard in exchange for having a new sponsor for international cooperation.¹²⁰ China is now seen as the “staunchest supporter of globalization and the classical liberal idea that trade brings peace and mutual prosperity”.¹²¹ It is worth noting, however, that although China is the second largest contributor to the UN’s regular budget as of 2019,¹²² China and Russia provide per capita financing below many small and mid-sized states, and hence lag way behind the US in the overall funding scheme of multilateral institutions.¹²³

China’s divisive track record as regards fundamental components of the international liberal order, and international law in particular, can be traced back to its domestic viewpoint on private and public law values.¹²⁴ China has to a large extent adopted Western values when it comes to trade, commerce and foreign investment, but when it comes to public law values such as sovereignty, authority and social ordering, it takes a different route. This division is also visible in international dispute settlement where China has prioritised arbitration over third-party dispute settlement in non-commercial issues. Overall, China seems to prefer politics over law, and bilateralism rather than third-party application of the law. Instead of establishing institutions and enforcing clear-cut legal rules, China embraces a “highly political, contextual and flexible way of ordering international relations”.¹²⁵ This approach, which has been dubbed ‘relational governance’, takes precedence over rules-based governance and Western-based individualism.¹²⁶

Regionalism

Another challenge to global solutions within the current institutional and normative framework stems from the rise of regions. Today there are hundreds of regional and sub-regional organisations and networks that play a role in managing transnational affairs. UN peacekeeping, for instance, relies heavily on support from regional organisations, most notably the African Union. Many of the rising powers, such as Brazil, South Africa, China and Japan, have invested in regional arrangements in order to consolidate their leadership as well as to manage their diverse economic and political interests.¹²⁷ Regionalism has enabled non-Western states

¹¹⁸ Piccone 2018; Lynch 2018.

¹¹⁹ Kaczmarek et al. 2018.

¹²⁰ Gowan 2018, 4; Lynch 2018.

¹²¹ Vasconcelos Vilaça 2018, 53.

¹²² United Nations General Assembly 2018.

¹²³ McArthur & Rasmussen 2017, 5.

¹²⁴ Vasconcelos Vilaça 2018, 62.

¹²⁵ *Ibid.*, 67.

¹²⁶ *Ibid.*

¹²⁷ Behr & Jokela 2011, 45.

to voice their concerns about hegemonic policies in global politics as it provides a more immediate political environment, which is more accessible than global institutions.¹²⁸

This trend may be strengthening due to the inability of international institutions to deal adequately with global problems and issues of representation. The slow pace of reform may trigger the creation of alternative international institutions.¹²⁹ For instance, the delay by the US Congress in approving the IMF quotas made Asian states seek regional options. In the same vein, the Asian financial crisis of 2008–09 triggered Asian states to seek options outside global institutions, which led to the creation of the AIIB and the BRICS bank, whereas in Europe, the EU created the financial stability mechanism (FSM). Although the Asian Infrastructure Investment Bank has a regional focus, it demonstrates China's rising power and constitutes in itself a counter-hegemonic project.¹³⁰ For the first time in history, there are international financial institutions in which the US does not participate.

Although regionalism has always formed a crucial and complementary part of the international system and global governance,¹³¹ it may end up increasingly challenging the coherence and stability of the system and its global institutions.¹³² Trade is one policy issue where regional trade agreements have been particularly strong and can even end up undermining the primacy of the global institution of the WTO.¹³³ Another example can be found in global refugee governance, where Australia together with its Pacific Islands neighbours, for example, has created its own mechanisms for dealing with refugees and migrants. Another debilitating factor of regionalism is that region-to-region cooperation has not generally been considered effective in resolving problems of global governance.¹³⁴ Climate change, for example, illustrates how regional approaches are inadequate for managing many global problems. Moreover, regional projects have developed unevenly, which raises concerns about equity for global governance.¹³⁵ It may also give rise to competing regional blocks that increase global fragmentation.

Non-state actors

Global governance both thrives on and is affected by the diffusion of power; non-state actors, such as corporations and civil society organisations, are an inherent and vital part of global governance today, despite their diversity. They do, however, challenge the state-based international system on several counts mainly by pointing to the undemocratic and illegitimate nature of the global governance architecture, but also by demanding more global governance. Transnational stakeholders consequently contest the current global governance framework both in terms of substance and process.

The rise of non-state actors and governance institutions has not altered the fact that international institutions remain the core sites of global governance. They are important from the perspective of bringing together states and non-state actors for regular interaction and information exchange.¹³⁶ It is also within these that non-state actors demand broadened participation and a more pluralised and inclusive global governance in all policy fields and across

¹²⁸ Acharya 2018b, 22, 155.

¹²⁹ Acharya 2016, 457.

¹³⁰ Ikenberry & Lim 2017.

¹³¹ Behr & Jokela 2011, 1; Acharya 2018b, 30.

¹³² Kahler 2016, 3.

¹³³ Acharya 2016, 456.

¹³⁴ Behr & Jokela 2011, 51.

¹³⁵ Kahler 2016, 4.

¹³⁶ Risse 2013, 435.

all regions, as many global governance institutions lack support from those whom they seek to govern.¹³⁷ Civil society organisations in particular are seen as guarantors of connectivity between world society and governance institutions.¹³⁸ They seek to change global governance in the direction of more democratic governance by working for more direct citizen involvement.¹³⁹ Although non-state actors such as civil society organisations are not inherently legitimate themselves and at times may even seek to delegitimise global governance institutions, their legitimating power is apparent.¹⁴⁰

But non-state actors may not only contest governance institutions and their decision-making by focusing on governance forms and processes. They may also initiate change by calling for more and increased global governance¹⁴¹ in the form of new regulations or institutions. This has been particularly visible in policy fields such as human rights, atrocity crimes and cyberspace,¹⁴² but also within climate change, where non-state actors have been vociferous in calling for the intensification of climate action.

There are also situations in which non-state actors not only act as part of global governance networks, but increasingly take on functions and services in environments where governments or international organisations either will not or cannot operate,¹⁴³ including the provision of public goods. The weakening of many states has led to problems in exercising full domestic sovereignty in terms of possessing a monopoly over the use of force and being capable of enforcing decisions.¹⁴⁴ A large number of states have difficulties in enforcing central government decisions throughout their national territory, in addition to which the central government may be violently challenged. In extreme cases, no state apparatus exists at all. Although limited statehood does not affect their status as international legal sovereigns, it means that non-state actors may be involved in the provision of goods and security, such as clean water, public security and health.

Besides legitimate actors, such as NGOs, religious movements, or development organisations, there are also non-legitimate non-state actors that may take advantage of power vacuums or ungoverned spaces, and exercise territorial and political authority over areas where the state is weakened. Non-state actors – even violent ones – can at times prove more capable than the national government when it comes to providing political stability and citizen security,¹⁴⁵ especially in border areas between different states, but also in countries where non-state actors have traditionally enjoyed considerable power, such as Nigeria. This is noticeable, for example, in the Afghanistan-Pakistan border regions, in Somalia, Southern Lebanon and Colombia-Ecuador.¹⁴⁶ This patently contradicts the international community's common assumption that the provision of public goods should be in the hands of the government because the exercise of political authority by non-state actors would be inherently bad.¹⁴⁷ However, the current security environment is more complex and nuanced than that, as ISIL, Hezbollah and FARC have demonstrated.

¹³⁷ Tallberg & Jönsson 2010, 2.

¹³⁸ Stephen & Zürn 2014, 14.

¹³⁹ Bexell, Tallberg & Uhlin 2010.

¹⁴⁰ Scholte 2007, 310.

¹⁴¹ Acharya 2016, 457; Stephen & Zürn 2014, 8.

¹⁴² Acharya 2016, 457.

¹⁴³ Kelly 2007, 92.

¹⁴⁴ Krasner & Risse 2014, 549.

¹⁴⁵ Idler & Forest 2015.

¹⁴⁶ Idler & Forest 2015.

¹⁴⁷ *Ibid.*, 4.

Private authority is thus both complementing and re-configuring state authority.¹⁴⁸ The limits of transnationalism should, however, be kept in mind. Non-state actors are hardly able to manage geopolitical competition or to resolve climate change, poverty or mass atrocities.¹⁴⁹ There remains no viable alternative model of political organisation to the sovereign state, which will maintain its position as the main player in world politics.¹⁵⁰ Sovereign power continues to attract separatist movements worldwide in addition to which both consolidated and authoritarian states will guard their turf and limit the ability of non-state actors to have a say in addressing global problems. What is nonetheless clear is the need to open up the international system to broader representation,¹⁵¹ in order to achieve a more legitimate, if not democratic, and accountable governance system.

Sectoral overviews

Human rights

Human rights governance is one of the issue areas in which actorness, formality, and institutional fora have constantly evolved. Multi-stakeholderism is a prevalent feature, and several institutional innovations have taken place in recent decades, some of which even embody cosmopolitan elements. At the same time, power shifts have markedly affected human rights governance, and not always for the better.

The normative and institutional development in human rights was immense in the 1990s following instances of widespread human rights violations and even genocide. While several multilateral conventions were being concluded to protect the rights of vulnerable groups, the most notable development was seen in issues of responsibility. The creation of two ad hoc international criminal tribunals for the former Yugoslavia and Rwanda that were built on individual criminal responsibility was followed by the adoption of the International Criminal Court statute in 1998. This court's mandate permeated state sovereignty in numerous ways, leaving major powers outside of its structures in spite of widespread acceptance by mid-sized and small states. There were also other normative innovations taking place at the turn of the new millennium that attempted to re-conceptualise state sovereignty, with the Responsibility to Protect doctrine being articulated and ultimately approved by consensus by all UN member states in the 2005 World Summit Outcome document. Soon thereafter, the UN Human Rights Council was created to ensure an improved human rights machinery, despite its meagre policy options limited to naming and shaming.

The normative and institutional proliferation has been accompanied by the inclusion of non-state actors in human rights governance in multiple ways. The creation of the Universal Periodic Review at the UN Human Rights Council allows civil society organisations to exercise leverage in monitoring state behaviour; the UN Global Compact is a voluntary initiative between the UN and businesses; and John Ruggie's UN Guiding Principles on Business and Human Rights of 2011 represent yet another effort to guarantee that universal human rights principles do not go unimplemented in a world where power is increasingly being shared between states and non-state actors. The relevance of private actors for human rights protection is also visible in the proliferation of corporate social responsibility, namely private business self-regulation.

¹⁴⁸ Green 2014.

¹⁴⁹ Plesch & Weiss 2015, 202.

¹⁵⁰ Chatham House 2015, 7.

¹⁵¹ *Ibid.*, 8.

This ostensibly greater commitment to human rights across the whole field of actors has, however, become a matter of concern partly due to power shifts between states. China and other rising states are not only critical of interference in the domestic affairs of states, but have more openly challenged existing international human rights law of late by introducing their so-called own human rights agenda.¹⁵² In addition, China and Russia have sought to reduce financing for UN human rights programmes, particularly in peacekeeping missions. The withdrawal of the US from the Human Rights Council has further highlighted the negative effect of power shifts upon effective human rights protection. The signs of declining commitment to the existing norms and institutions of human rights are accumulating,¹⁵³ and the future of human rights governance structures may be increasingly uncertain. There is an ongoing backlash against the expansive human rights agenda, which seeks to dislodge human rights from the centre of the international order.¹⁵⁴

Cyberspace and internet governance

Cyberspace is a relatively new issue area of global governance that has become increasingly important and generated fierce controversies, not least due to election tampering and cyberattacks. The regulation of cyberspace is fragmented in the sense that a universal comprehensive regulatory framework is lacking. Instead, governance is marked by different sets of rules, institutions and actors that are loosely connected.¹⁵⁵ The regime complex includes intergovernmental organisations, such as the International Telecommunications Union (ITU), as well as general and specific international legal rules, but also corporate decisions, industrial standards and independent commissions, such as the Global Commission on the stability of cyberspace. Whereas the technical function of connectivity is rather coherently regulated, the broader range of cyber governance issues is not.¹⁵⁶ Although a global approach to cyber governance would be needed due to the increasing complexity of cyberspace as well as risk mitigation, it remains unclear as to what sort of rules should be created and through which fora.

There are many divisions hindering the formation of mutual understanding on cyberspace regulation. In fact, internet governance, which forms a central part of cyberspace, reflects broader global power struggles.¹⁵⁷ Rising states seek to seize more power at the cost of the United States, as well as to shift regulation in a sovereignty-based direction where national interests reign. The foremost rift exists between liberal and authoritarian approaches to controlling internet content.¹⁵⁸ The question of who should control internet regulation – the UN specialised agency, ITU, or the more private and multi-stakeholder organ, ICANN – has been a central concern. In the 2012 Dubai World Conference on International Telecommunications, the Western states lost out to authoritarian and developing states, which posited that regulation should be grounded in state-based politics at ITU in contrast to the market-dominated development of the internet and cyberspace.¹⁵⁹

States are faced with the dilemma that while they want to benefit from the internet, their societies might need to be protected from what flows out of it.¹⁶⁰ But equally, the internet may be

¹⁵² Stephen 2018, 7.

¹⁵³ Ibid.

¹⁵⁴ Dworkin & Leonard 2018, 6.

¹⁵⁵ Nye 2014, 7.

¹⁵⁶ Ibid.

¹⁵⁷ DeNardis 2014.

¹⁵⁸ Nye 2014, 9.

¹⁵⁹ Walden 2013, 261; Nye 2014, 7.

¹⁶⁰ Nye 2014, 7.

used for censorship and surveillance.¹⁶¹ For authoritarian states, the desire for state control of the internet derives from the need for regime stability. The US and the EU, in particular, are worried about Chinese illiberalism spreading to cyberspace. The Great Fire Wall is China's system for exerting control over both internet content and access to it, and China seeks to take its so-called cyber sovereignty model global. Many states are signing up to elements of the Chinese position, whereas the US is mostly missing in action.¹⁶² This heightens the risk of the further fragmentation of cyber governance.

Not only states but also non-state actors are competing for power in managing cyberspace. While ideological rivalry exists between states, private actors seem more inclined and able to cooperate.¹⁶³ Indeed, cyberspace governance is to a large degree multi-stakeholder, involving private corporations as well as new global institutions. This is also reflected in the unique feature of ITU, which includes the private sector in decision-making.¹⁶⁴ The distinctive characteristics of cyberspace, namely that it transcends territorial and legal boundaries and remains partly controlled by private actors, makes states dependent on cooperative models of governance.

International security

Security governance is an issue area that is still dominated by states even though non-state actors have become important players in the policy field since they both challenge and contribute to international security. Whereas the United States is still by far the foremost military power in the world, China's rise is reflected in its increasing role in conflict resolution. Within the primary international security institution, namely the Security Council of the UN, power shifts have affected the handling of specific threat situations, but have also created concerns about legitimacy. At the same time, the perception of what constitutes a threat to international peace and security has constantly expanded, as inter-state wars are increasingly rare and civil wars proliferate. In addition, terrorist networks, transnational organised crime and potential lone wolves pose serious threats to international security, but so do pandemics, the proliferation of weapons of mass destruction, and widespread human rights violations.¹⁶⁵

When dealing with these threats, international security institutions suffer from great-power competition as well as rivalling perceptions of sovereignty and interference. This is evidenced by the stalemate in the UN Security Council on the Syrian and Ukrainian conflicts, and the diplomatic deadlock in the OSCE following the Russian aggression against Ukraine. The veto rights of the permanent members of the Security Council have effectively hindered intervention measures in conflicts that the great powers have interests in, and which would require state sovereignty to be sidestepped. The number of vetoes cast has steadily increased since the early 1990s, and in the last ten years the Middle East has divided great powers the most; Russia and China have blocked the adoption of resolutions pertaining to Syria, whereas US vetoes relate to the Palestinian question.¹⁶⁶ The decisions and actions on Syrian chemical weapons as well as calls for temporary ceasefires to allow safe passage of humanitarian aid nevertheless provide a glimmer of hope.¹⁶⁷

¹⁶¹ DeNardis 2013.

¹⁶² Hass 2017.

¹⁶³ Keller 2015.

¹⁶⁴ Walden 2013, 271.

¹⁶⁵ See e.g. UNSC Res. 2177 (2014) declaring the infectious disease Ebola a threat to international peace and security in accordance with Art. 39 of the UN Charter.

¹⁶⁶ UN Security Council 2018.

¹⁶⁷ Stephen 2018, 6.

But in spite of deadlocks in high-politics conflicts, the Security Council continues to play a meaningful role in civil conflicts in Africa, which make up the majority of the items on the Council's agenda.¹⁶⁸ In particular, China has increased its investment in peacekeeping despite its traditional reluctance to interfere in other states' affairs either by voting on peacekeeping resolutions or by financing such operations.¹⁶⁹ It provides 2,441 personnel and is the second largest financial contributor to UN peacekeeping.¹⁷⁰ Maintaining international stability is important for China not only because of soft power projection, but also for economic reasons in keeping trade and commerce routes open.¹⁷¹ Its participation in highly intrusive and complex missions nevertheless reveals a contradiction between reality and rhetoric when it comes to China's commitment to the equal sovereignty of states, and non-intervention.¹⁷²

The Security Council also plays a key role in the fight against international terrorism¹⁷³ and non-proliferation issues – topics that great powers have so far united on. But systematic and widespread human rights violations divide the permanent members, with China and Russia rejecting interference in the internal affairs of states. Thus, for example, the Security Council has been able to decide on tough sanctions for North Korean regime members in response to the country's nuclearisation and missile testing, whereas it has failed to adopt any measures in response to North Korea's human rights situation.

Power shifts between states have nevertheless not only affected the handling of thorny conflicts threatening international peace and security, they have also highlighted the outdated composition of the Security Council. Countries such as Brazil, India, Japan, Nigeria, South Africa and Germany have strengthened their calls for reform of the Security Council's composition in order to expand their power. Saudi Arabia even formally rejected its seat in the UN Security Council in 2013 due to the lack of reform. However, neither the working of the Security Council, nor the governance of international security more generally, will improve as long as the great powers by their own actions disregard or cast doubt on the foundational rules on the use of force. The illegal annexation of Crimea by Russia in 2014 has been followed by Chinese claims to disputed islands in the South China Sea, and the US bombing of Syria in 2017 in contravention of international law.¹⁷⁴

Global security governance is complemented by regional organisations that have played an important role in conflict resolution. On the one hand, they have urged the Security Council to act, while on the other hand, they have been the ones empowered to act on behalf of the Council, as was the case, for example, with the African Union in the UN's mission to Somalia. In addition, they may be the most appropriate actors in regional conflicts, as demonstrated by the renewed relevance of the OSCE with regard to the Ukraine conflict. Private actors are on the rise as security providers as well. Private security and military companies hunt down pirates, protect UN operations, and guard persons and properties even in the theatre of war.¹⁷⁵ As a result, states have been forced to consider how to keep the privatisation of security within the boundaries of both national and international law. This has necessitated innovative forms of governance, such as the International Code of Conduct for Private Security Providers multi-stakeholder initiative, which is built around the participation of states, private security companies and civil society organisations. Security governance has become increasingly pluralised

¹⁶⁸ Ibid.

¹⁶⁹ Fung 2016.

¹⁷⁰ As of 31 December 2018, see United Nations Peacekeeping 2018.

¹⁷¹ Institute for Security & Development Policy 2018.

¹⁷² Suzuki 2011.

¹⁷³ Stephen 2018, 6.

¹⁷⁴ Schmitt & Ford 2017.

¹⁷⁵ Francioni & Ronzitti 2011.

as various types of actors besides states not only generate security threats, but also procure and provide security.¹⁷⁶

Trade

Trade is the policy field in which power shifts are most noticeable.¹⁷⁷ It is influenced especially by tensions between developing and non-developing states, as well as the creation of trade agreements that form an alternative to the WTO. The deteriorating US-China relationship affects global trade relations overall and may even imperil the existence of the WTO altogether.

The greatest beneficiary of globalisation and accession to the WTO has been China, whose economic upsurge has made it central to international trade and one of the core powers along with the US and the EU. Yet trade relations between the two largest economies in the world, namely the US and China, are characterised by disappointment with the fact that Chinese membership of the WTO has not changed China's own market rules to a satisfactory degree. The US has accused China of "policies inconsistent with free and fair trade, including tariffs, quotas, currency manipulation, forced technology transfer, intellectual property theft and industrial subsidies".¹⁷⁸ In response, China is playing by the WTO rulebook, and advancing its interests increasingly before the organisation's dispute settlement bodies, in contrast to the Trump administration's protective and retaliatory measures against China. The WTO remains caught in the middle of the trade war between the US and China, which it failed to prevent to begin with. US discontent with the organisation's dispute settlement mechanisms as well as the WTO's incapacity to deal with Chinese subsidies may end up taking the confrontation from the multilateral trading system to power politics.¹⁷⁹ Whether this will lead to a revision of the WTO itself or not remains contested, and strongly rejected by the rising powers.

But China is not the only rising power challenging the multilateral trade system. Other larger states, such as Brazil, Russia and India have become increasingly important due to their market sizes, trade volumes and institutional activity.¹⁸⁰ Together with several developing states, these rising powers have resisted further international regulation on Western priorities related to investment, services and intellectual property. Instead, rising powers desire regulation on agriculture and other more traditional trade sectors. The disparity between Western states and many of the rising powers that reserve a central role for the state in organising the economy¹⁸¹ is constantly being accentuated. The disagreement over further trade rules impedes multilateral trade negotiations and will hamper trade growth in the long run.

In response, many states, both Western and rising, have sought to conclude free trade agreements (FTA), the increase in which has been exponential.¹⁸² In recent years, the trend has shifted towards mega FTAs, such as the Transatlantic Trade and Investment Partnership (TTIP), the Trans-Pacific Partnership (TPP), and the Regional Comprehensive Economic Partnership (RCEP). These agreements would enable deepening trade liberalisation rules with a large number of countries, ultimately setting trade governance on different tracks. Such practices may constitute a threat to the global trade regime and its principles of universalism

¹⁷⁶ Caparini 2006, 264.

¹⁷⁷ Stephen 2018, 3; Stephen & Parizek 2018.

¹⁷⁸ White House 2018b.

¹⁷⁹ Beattie 2018.

¹⁸⁰ Stephen 2018, 4.

¹⁸¹ Stephen 2014.

¹⁸² Aggarwal & Evenett 2013.

and non-discrimination.¹⁸³ The risk of trade governance fragmentation is real despite the immediate preferential trade benefits.

2.5. Chapter conclusions

In light of all the political contestation of institutions as well as norms that form the bedrock of global governance, it is unsurprising that the international liberal order is said to be in crisis. Still, there are factors that increase the current order's resilience and make it likely that it will survive in one form or another. One salient feature of the international liberal order has been the high degree of institutionalisation, which has contributed to its longevity.¹⁸⁴ The UN, the Bretton Woods institutions, and the WTO all comprise the many layers of rules and institutions that make it difficult for rising states to overturn the present order. Moreover, the classical mechanism of overturning international orders, namely great-power war, seems unlikely due to the even distribution of nuclear weapons among the great powers. Additionally, liberal democracy has spread to such an extent that it is deeply rooted in the global system.¹⁸⁵ The complexity of the international order makes it difficult for contesting powers to categorically reject it; in some issue areas cooperation may be feasible, whereas in others it can more easily be opposed.¹⁸⁶

The construction of the new international order will be characterised by pluralisation of agency.¹⁸⁷ The rise of non-Western states, particularly China, is pivotal for power politics and global governance. China is increasingly at the heart of many global problems together with the US. In many issues, China has portrayed itself as a protector of Western values, such as internet freedom and free trade. What is more, its global leadership efforts gain traction as a result of US withdrawal. China uses a policy of diversion by criticising the West for online mass surveillance or human rights violations, while its own actions are highly questionable. Despite using familiar parlance, China plays by a different playbook and its objectives seem to differ from the norm. The world order in which non-Western states hold a more prominent place is likely to be more sympathetic to the concerns of developing states, as well as respectful of sovereignty and security,¹⁸⁸ as already witnessed in issue areas such as cyber governance.

The implications of China's rise and the uncertainty surrounding the international order created by the Trump-led US are often understood as leading to multi-polarity. Indeed, an increasing number of powerful states are on the rise, pointing to the formation of a multipolar world order. A polar world order is nonetheless based on stable and fixed alliances, which fails to correspond to the present situation, where power constellations vary and overlap depending on the policy issue.¹⁸⁹ Countries are not divided between different bloc-like poles where alternative poles are categorically rejected. Instead, "different actors can have legitimacy and take leadership in different issue areas".¹⁹⁰ For example, traditional comprehensive alliances have weakened, as witnessed by Japan and the United Kingdom joining the AIIB,

¹⁸³ Stephen 2018, 4.

¹⁸⁴ Ikenberry & Lim 2017, 5.

¹⁸⁵ Ibid.

¹⁸⁶ Ibid.

¹⁸⁷ Acharya 2018b.

¹⁸⁸ Acharya 2018b, 31.

¹⁸⁹ Breslin 2017, 496.

¹⁹⁰ Ibid., 503.

or the EU seeking global leadership with China in trade and environmental issues. The international system will be increasingly diffuse and several authorities will be in place.¹⁹¹ The power of non-state actors to engage in effective governance also demonstrates that the multipolar world actually thrives on “multiple sites of authority”.¹⁹² Another important site of agency in the construction of the new world order will be regionalism, which may both complement and fragment the international system.

For the Western defenders of the international liberal order, this not only means that the commitment to international fora must be increased, but also that one must realise the deep opposition to interventionist rules and policies that has hitherto been at the heart of the order. Norms must be re-evaluated; a choice must be made between resisting or embracing alternative approaches to handling collective problems.¹⁹³ How the Western states deal with contesting powers will be of the utmost importance; it should be recognised that all states must do their share of global governance irrespective of how the West feels about their interests and preferences. To reconcile this conundrum, one needs to accept the differences and compromise. The question is to what extent the supporters of the international liberal order should adjust their positions, and on what issues compromise is feasible.

At the international level, re-evaluation and accommodation have already taken place to a certain extent. For example, the Responsibility to Protect doctrine has been geared towards capacity-building and international assistance, instead of maintaining its original content aimed at enabling international military interventions with humanitarian purposes.¹⁹⁴ Western states themselves have even turned away from hard-core interventionism. Similarly, expectations about what the ICC can achieve have also become more realistic. What is needed is nevertheless a discussion on what a potentially revised world order wants to achieve and by what means,¹⁹⁵ on top of the issue of who gets to participate in decision-making – even if a clear single ordering moment might be missing.¹⁹⁶

¹⁹¹ Ikenberry 2011, 280; Breslin 2017.

¹⁹² Breslin 2017; see also Womack 2016; Acharya 2018b.

¹⁹³ Dworkin & Leonard 2018; Chatham House 2015.

¹⁹⁴ Creutz 2018.

¹⁹⁵ Chatham House 2015.

¹⁹⁶ Breslin 2017.

3. THE EU IN THE CONTEXT OF THE CHANGING GLOBAL ORDER

3.1. Introduction

Ongoing shifts in the global distribution of power and uncertainty about the future shape of the global order are making it ever more complicated for the European Union and its member states to defend their values and interests in the world. At the same time, the EU's unity is more crucial than ever. As competition between major powers, most notably the US and China, increasingly dominates global politics, the EU needs to define and pursue a common strategy. Unity is also needed in order to counter deliberate efforts by other actors, especially Russia and China, to divide Europe.

External challenges interact with internal ones: increased global uncertainty about the liberal order is reflected in the EU's internal developments. The EU's ability to define and promote its strategic goals in the global arena is weakened by the departure of the UK and increased political polarisation in the remaining member states. The rise of populist radical right-wing parties in many European states undermines the value basis of the Union and has concrete policy implications, having contributed, for example, to the difficulties to formulate a shared approach to migration.

This chapter looks firstly at the EU's position in the changing global order and its attempts to cope with contradictory changes such as the rise of power politics and simultaneous diffusion of power. It then turns to major internal challenges and the EU's responses to these, notably the rise of populism, the Eurozone crisis and the migration crisis. The third section examines some key areas of the EU's external relations and foreign and security policy, focusing on trade policy, defence cooperation and relations with Russia.

3.2. The EU's worldview and position in the changing global order

The notion of rules-based order has a central place in the EU's vision of itself – as formulated by Tocci, multilateralism and the rule of law “constitute the very moral and ideational bedrock of the European project”.¹⁹⁷ The EU has tried to project the same liberal worldview beyond its borders, in its neighbourhood and in the world at large. The EU's view of international order is liberal in its emphasis on institutions and shared norms that constrain state behaviour and foster cooperation. Furthermore, it is liberal in the sense of relying on respect for freedom, the rule of law, and the openness of society and government. Both of these aspects are currently under strain due to the rise of non-Western powers and the return of power politics.

From the post-Cold War era to the return of power politics

The EU's international actorness developed rapidly during the post-Cold War era. It was shaped by the spread of liberal norms in Europe as well as globally, and a relatively favourable

¹⁹⁷ Tocci 2017, 9.

regional security environment. The 1990s was a period without major challenges to the Western US-led hegemony and the liberal political and economic model. The reunification of Europe was a major strategic goal shared by the EU and the US. In the 1990s, and a good part of the 2000s, the EU pursued deepening and widening, built on European norms and values as a largely unquestioned ideal. The launch of the Eastern enlargement process, Common Foreign and Security Policy (1993) and Common Security and Defence Policy (1999) had a strongly value-oriented and idealist flavour. The EU's agenda was driven by the belief in the supremacy and attractiveness of its own model.

Since the optimism of the 1990s and early 2000s, the EU has been surrounded by a gradually deteriorating security environment, while building up its own security and defence policy in an effort to address the growing concerns. The major trends over the last quarter of a century have moved the EU from expansion to introversion, from exporting security to importing insecurity, from transforming the neighbourhood and even the world to protecting itself, and from idealism to pragmatism. In the face of external events often evolving along undesired paths, the EU has had to scale down its belief in its own ability to shape developments in its neighbourhood and beyond. The shift towards pragmatism and self-protection has entailed adaptation to the revival of the relevance of military power.

In recent years, the return of geopolitical tensions and the rise of zero-sum competition among major powers has made it increasingly difficult, but also more important for the EU to strengthen its foreign and security policy. These are particularly challenging developments for the EU, which is not well-suited to be a major actor in a world of power politics; indeed, historically, its very purpose has been to tame power politics. The EU is not a state and not a major power in the traditional sense, not least due to its very limited ability to project military force. The EU's nature as a unique entity that 'vacillates between a state identity and that of a different actor' has inspired a rich academic discussion where this uniqueness has been seen as a source of both weakness and strength.¹⁹⁸ From a realist perspective, it has been characterised as a small or medium power.¹⁹⁹

Despite the EU's efforts to move towards a post-Westphalian or post-sovereign conception of external affairs,²⁰⁰ foreign and security policy remains a realm where member states hold onto their sovereignty. The common foreign and security policy of the EU is complementary to the policies of its individual member states. The EU's foreign policy performance has often been constrained by the lack of political unity, strategic thinking, and common strategic culture.²⁰¹

The rise of new actors, notably China, gives increased prominence to (geo)political competition between major powers along the lines of realist IR theory. World politics seems to be moving towards a multipolar order. The global shift to increased great-power competition overshadows the possibility for the EU to be a 'different kind of actor' in world politics. The rising powers, and perhaps increasingly some Western actors as well, uphold rather traditional understandings of statehood and sovereignty. In order to be able to respond to the global tensions and protect its interests, the EU is expected to act, by its partners and its own citizens, in a more state-like manner, showing unity and developing the full range of foreign policy resources, including military capability. Within the EU, the debate on a post-sovereign Europe has been replaced by calls for European sovereignty, portrayed as part of the EU's

¹⁹⁸ Tiilikainen 2014, 131; Whitman 2011.

¹⁹⁹ Toje 2011.

²⁰⁰ Spence & Batora 2015.

²⁰¹ de France & Whitney 2013.

response to the new global challenges.²⁰² Yet these calls are not easily accommodated to the above-mentioned wish of member states to retain their formal sovereignty, especially in the field of foreign and security policy.

Europe's internal divisions are exploited and deliberately exacerbated by major powers such as Russia and China. While the impact of China is more subtle and largely based on its increasing economic presence in Europe, Russia is intervening more directly via hybrid measures such as disinformation and support for radical populist groups, instrumentalising existing social and political divisions in order to deepen cleavages within and between EU member states. The US has traditionally supported European integration and unity (albeit not without disruptions, such as the division into 'new' and 'old' Europe instigated by President George W. Bush during the Iraq war). However, the strategic value of a united Europe as an ally of the US has been called into question by President Trump. Even before the Trump era, there were signs that US attention was increasingly focused on China and Asia, while the relevance of Europe was declining.

Networks, values and resilience

The state-centric trend of the return of realist geopolitics is challenged by another dimension of change: the implosion of connections and diffusion of power. Borders are porous and state sovereignty is in many ways an illusion, as we are connected together by flows of people, goods, money, data and energy. Expanding networks of actors are enabled by new forms of physical connectivity that link together different parts of the world. Some go as far as to argue that this makes territories and borders irrelevant²⁰³ – a claim that is hard to sustain in light of territorial conflicts over Crimea and the South China Sea, to name just a few. Yet it is hard to deny that governing has become more difficult, and an increasing variety of actors can shape global events.²⁰⁴ States are embedded in webs of interdependencies like never before. The chessboard and the web co-exist, as Anne-Marie Slaughter puts it.²⁰⁵

These two dimensions of change are in conflict with each other, and yet they are simultaneously challenging the liberal, rules-based order. The norms and institutions that have regulated international relations since the end of the Second World War are under strain. The geopolitical tensions between great powers are not taking us back to the 19th century, but they are playing out in new ways in today's networked world. Europe, among others, is puzzled about how to address the new uncertainties and reassess its own place in the world.

The EU has embraced, at least rhetorically, the global trend of diffusion of power and the vision of a less state-centric global order. The idea of global networks that encompass and empower various non-state actors seems to make more space for a quasi-state actor such as the EU and has indeed been endorsed in the European Global Strategy (EGS). The strategy conveys an explicitly network-based understanding of world politics and the EU's role in it. The EU sets out to act as an "agenda-shaper, a connector, coordinator and facilitator within a networked web of players".²⁰⁶ The EU is a network actor by its very nature, with its member states and citizens tied together by a uniquely dense web of connections and interdependencies. A great number and broad variety of actors are involved in its policy-making through a multi-level system of governance. The EU's own vision of its place in the world presents this

²⁰² Fogarty 2018.

²⁰³ E.g. Khanna 2016.

²⁰⁴ National Intelligence Council 2017; see also Naim 2013.

²⁰⁵ Slaughter 2017.

²⁰⁶ European Union 2016, 43.

feature of the Union as a 'unique advantage' that should enable Europeans to shape global developments in the era of an 'unprecedented degree of global connectivity' and 'exponential spread of webs'.²⁰⁷

The EU's vision of global networks is tied to the values of freedom, openness and the rule of law.²⁰⁸ In the EGS, civil society actors are singled out among other partners, and the EU makes a commitment to protect and empower human rights defenders in particular. However, the EU's rhetoric on values has acquired a more inward-looking and defensive dimension. The EGS stresses 'adherence to our values' and the need to 'foster the resilience' of democracies in the member states. It rejects the earlier tendency to juxtapose values and interests, and formulates the promotion of 'our values' globally as an interest of the EU. Although the EGS is still a distinctly liberal strategy, the pendulum has swung from outward-looking idealism in the direction of defensive realism.²⁰⁹

Upheavals in the neighbourhood, including wars in Libya, Syria and eastern Ukraine, provoked a debate on whether EU foreign policy should become more realist and 'geopolitical' in order to accommodate to the rise in power politics.²¹⁰ The EU had often neglected security problems in the neighbouring regions, which transformed into direct threats to the Union itself. The European Neighbourhood Policy duly shifted from its earlier emphasis on supporting transformation (political and economic reforms) and extending European norms and values towards increased attention to security.

The new approach shifts the focus to improving the 'resilience' of neighbours and helping them build up the necessary capabilities for improving their security. Yet perhaps the change is not so radical after all – the continued importance of norms and values is reflected in the EU's understanding of resilience. The EGS claims that a "resilient society featuring democracy, trust in institutions, and sustainable development lies at the heart of a resilient state". The EU continues to shy away from hard security issues in nearby regions and tries to develop a distinct approach to regional security, now defined through the notion of resilience.

Defending the rules-based order

Globally, the EU has been left as the only major actor still firmly committed to the rules-based order. With the declining ability and willingness of the US to sustain international norms and institutions, it is not clear who, if anyone, will take on the role of global leadership. Calls for Europe (or Germany) to do this have been met with caution and doubt.²¹¹ More optimistic voices argue that the rising powers may become constructive pillars of a new and different, but still rules-based world order.²¹² Alternatively, the rise of new powers that do not share Western understandings of order has given rise to the notion of multipolarity, but also 'nonpolarity', 'no one's world' or a 'multi-order world' – a world without a clear leader or a shared order.²¹³

There is, however, a number of mid-sized powers and smaller actors that share the EU's commitment to multilateralism, and that look to Europe for partnership, if not leadership in

²⁰⁷ European Union 2015.

²⁰⁸ Raik 2018.

²⁰⁹ Tocci 2017, 55, 61.

²¹⁰ Youngs 2017.

²¹¹ E.g. Leonard 2017; Carnegie Europe 2017.

²¹² Stuenkel 2016; Acharya 2016.

²¹³ Haass 2008; Kupchan 2012; Flockhart 2016.

efforts to preserve and, where necessary, reform the current order. The EU can reach out to like-minded countries such as Japan, Canada, Australia and South Korea that also have a strong interest in preserving global rules on trade, human rights and climate, for instance. To some degree, a shared interest in multilateralism can also be found in countries such as India, Brazil and South Africa, although these belong to the BRICS group, which aims at counterbalancing the West.

Furthermore, the EU can build on its understanding and experience of network agency and make a more comprehensive strategic effort to think and act as a network power in a densely interconnected world. This means a proactive approach to engaging partners inside and outside Europe, including state and non-state actors that share the EU's interests. Faced with the return of great-power competition and exclusive forms of nationalism, the EU should foster and make use of open networks, but also defend its key networks and make them more resilient.

One can distinguish between various types of network strategies, such as networks aimed at strengthening one's own resilience, networks built for carrying out specific tasks, and networks developed for addressing large-scale global problems.²¹⁴ All of these are relevant with a view to pursuing the EU's foreign policy goals, such as countering hybrid threats (a case of strengthening resilience), managing conflicts in the neighbourhood (a case of specific tasks) or curbing climate change (a prime example of a large-scale global problem). In order to make progress in any of these fields, the EU needs to coordinate among a number of actors inside and outside the Union and address the importance of connectivity among these actors. The EU cannot place itself above other actors and exercise leadership in a top-down manner, but it can pursue a well-connected position within networks in a manner that enables it to shape events and influence others. The strategic use of networks can help the EU counter power politics and sustain rules-based order together with actors that share similar interests.

The scale of global challenges requires the EU to adopt a selective approach to the task of preserving rules-based order. The grand rhetoric on global order needs to be translated into work on priority areas that are particularly vital for Europe (such as regional security) and where the EU has relatively strong influence (such as trade). Some of the priority areas are examined later in this report (section 3.4).

3.3. Internal trends in the EU

The EU's unity and even its survival have been tested by a number of crises during the past decade. The rise of populist parties, the Eurozone crisis and migration crisis have contributed to political polarisation within and cleavages among member states. The EU has overcome these shocks and has taken a number of measures to cope with each crisis. Furthermore, it has introduced reforms aimed at improving its ability to handle similar challenges in the future. On the other hand, dissatisfaction in the political margins has grown and polarisation increased. The measures taken to reform the Eurozone have been criticised by many experts as insufficient. The migration issue has proved to be even more difficult to tackle.

The prevailing view in Europe is that the EU is needed more than ever to address these and other common challenges. A strong majority of EU citizens continue to support European

²¹⁴ Slaughter 2017.

integration. Global instability plays a role in the EU's internal cleavages, but it also necessitates joint European responses.

Political polarisation and Euroscepticism

The rise of populism and authoritarianism is a global trend that has not left Europe untouched. External trends have been interwoven with internal crises within the EU, with a visible effect on the European political landscape. EU-related matters have become politicised to a stronger degree than in the past – in other words, they have become both more visible and more contested in national political debates. The Eurozone crisis in particular had a clear impact on public opinion: between 2007 and 2012, the EU's image diminished while the popularity of Eurosceptic parties increased in many member states.²¹⁵

In Southern Europe, criticism towards the EU was above all levelled at austerity policies and economic hardship and translated into increased support for radical left-wing parties. In Northern parts of Europe, by contrast, Euroscepticism was mostly linked with the agenda of the populist radical right, including an anti-immigration and anti-globalisation stance. Furthermore, in many Eastern member states, there was also a notable surge in the populist radical right, although in these countries it did not oppose the EU as such but called for a stronger role for nation states within the Union.

The populist parties, Eurosceptics and radical right make up diverse and only partly overlapping groupings that lack a common agenda. The rise of the populist radical right in many member states, either in an anti-EU or merely EU-critical form, is a particular cause for concern, as it poses a challenge to the core values that underpin both the national political systems and the integration project. The populist parties build their agenda on dividing society into two antagonistic groups, the 'pure people' versus the 'corrupt elite', and claim to represent the will of the 'ordinary people'.²¹⁶ They tend to oppose not only the elite, but also liberalism, pluralism and cosmopolitanism.

The Brexit vote of June 2016 was the most fateful expression of polarisation and the rise of Euroscepticism. Contrary to initial fears of contagion or a domino effect, it actually contributed to stronger unity among the EU27 and higher levels of public support for the EU.

One of the most crucial tests of the popularity of the radical right was the French presidential election of 2017, in which the liberal pro-EU candidate Emmanuel Macron eventually beat the populist, nationalist, anti-EU contender, Marine Le Pen, with 66% of the vote. At the same time, populist right-wing parties have been in power in Hungary and Poland for several years, where they have gradually introduced restrictions on the rule of law and freedom of expression. These developments undermine the functioning of the rule of law in the EU as a whole, and pose a fundamental challenge to the EU's external identity and credibility.²¹⁷ A coalition of populist parties came to power in Italy in June 2018 and was soon on a collision course with the European Commission over budgetary rules. Furthermore, right-wing populists belong to coalition governments in Greece, Finland and Austria.

The populists have had an impact on politics, especially at the national level, but far less at the EU level. Political fragmentation and polarisation have made governing more difficult, and it has become harder to put together effective government coalitions. Respect for political

²¹⁵ Iso-Markku & Jokela 2017, 27–28.

²¹⁶ Mudde 2004.

²¹⁷ Grabbe & Lehne 2017.

adversaries has been replaced to some extent by fearmongering and hate-speech. Migration has gained a prominent place on the agenda, underscoring divisions within societies, even though the situation with regard to arrivals of new asylum-seekers stabilised in 2017–2018. The positions of many centre-right mainstream parties, and in some cases also the centre-left, have moved closer to the populist radical right regarding migration issues and overall positioning vis-à-vis the EU.

Mainstream parties have taken different approaches vis-à-vis the populist contenders. In some countries, notably Germany and Sweden, the radical right has been excluded from power. Such a 'cordon sanitaire' approach has its downsides: it can lead to weak or dysfunctional governments, feed a sense of lack of alternatives among the electorate, and allow the populists to portray themselves as victims. The inclusion of the radical right in government may soften its positions, as happened in the case of Finland, with the result that the Finns Party split into two.²¹⁸

Populist and Eurosceptic parties have also been represented at the EU level, but their influence there has been limited. Decision-making in the European Parliament is largely dominated by the two largest political groups, the European People's Party (EPP) and Socialists and Democrats (S&D). The populist parties have not formed a single group in the EP, but have been scattered among several mutually competing groups. If populists of different shapes make gains in the next European Parliament elections in 2019 and organise themselves more efficiently, their influence may increase, possibly even with a paralysing effect on EP decision-making.

Economic crisis and reform of the Eurozone

The global financial crisis reached Europe in 2008 and subsequently evolved into a crisis of the Eurozone. These developments exposed significant differences among the member states' economies, notably with regard to competitiveness, productivity and financial sustainability. The crisis was preceded by a period of high growth and a significant convergence of per capita income levels, due to particularly strong growth in the Eastern and Southern member states. The financial crisis revealed that a substantial part of the convergence was unsustainable. In many countries, increased spending was financed largely by growing debt, while cost competitiveness weakened. This led to exceptionally deep recessions.²¹⁹

The crisis involved a rapid increase in public debt, especially in the case of Greece. In addition to Greece, Ireland and Portugal were able to continue to serve their public debt and finance deficit only with the support of other member states (and the IMF). Spain and Cyprus also needed financial assistance. Furthermore, Italy was under considerable market pressure.²²⁰ The assistance programmes involved harsh requirements to cut public expenditure, which came with painful social costs and political ramifications, such as increased distrust towards power holders, and the rise of Euroscepticism and populism.

The crisis put a severe strain on the banking sector. In many cases, banks incurred heavy credit losses and had to be bailed out by governments in order to sustain the stability of the financial system. It became evident that the dependencies between financial institutions and sovereigns posed high risks to public economies and taxpayers.

²¹⁸ Iso-Markku & Jokela 2017.

²¹⁹ Lehmus, Tiilikainen & Vihriälä 2017, 72.

²²⁰ *Ibid.*, 75.

This led to important political steps to create new stability mechanisms for extreme financial crises that endangered the Eurozone as a whole. EU institutions gained enhanced capacities to supervise and demand corrections to member states' budgetary policies. The European Stability Mechanism established in 2012 was to provide a permanent solution by replacing the initial ad hoc rescue packages. The regulation and supervision of banks and other financial actors was tightened considerably through the creation of the Banking Union, which includes the Single Supervisory Mechanism, responsible for banking supervision, and the Single Resolution Mechanism, dealing with problem banks.

These measures meant a de facto increase in mutual responsibility and solidarity among Eurozone members. At the same time, the issue of solidarity was a major dividing line between the northern and southern member states. Germany and other northern members emphasised national responsibility, conservative budgetary policies and more stringent control over compliance with agreed rules. Many southern member states, by contrast, prioritised the need to strengthen mechanisms of mutual solidarity and complement the monetary union with a political and fiscal union.²²¹

The need to bridge this division resulted in compromises and cautious reforms. The discussions on Eurozone reform gained new momentum with the election of Emmanuel Macron as president of France in 2017. However, the North-South divide persisted, blocking any major steps towards institutional deepening or the introduction of new fiscal means.

Insofar as deepening integration of the Eurozone did take place, it meant increased differentiation within the EU. The Euro summits were institutionalised under a permanent presidency, and the Eurogroup practices were consolidated at the ministerial level. Further reforms have been envisaged in order to unify the external representation of the Eurogroup in the IMF. Ways to strengthen democratic control of the Eurozone in the framework of the European Parliament and through cooperation between the EP and national parliaments have also been discussed.²²²

Possible more far-reaching reforms of the Eurozone would further increase differentiation between Eurozone members and non-members, posing a challenge to the EU's unity. Hence, questions about maintaining the Union's normative and institutional unity will have to be addressed in the context of further steps to strengthen the Eurozone.

The migration crisis

The number of people seeking international protection has increased worldwide due to conflicts and instability. The war in Syria has been the single most significant cause of increasing numbers of refugees arriving in the EU, but migration pressure is also high from several other countries of the wider Middle East and Africa. The causes of migration vary, but the focus in the context of the EU's migration crisis has been on people applying for asylum.

In 2015, an unprecedented number of asylum-seekers entered the EU, causing the so-called migration crisis.²²³ The large number of arrivals overwhelmed the established system of receiving and processing asylum applications. Furthermore, the refugee crisis exerted heavy pressure on the Schengen system, which allows free movement of people within most of the

²²¹ Ibid., 86.

²²² Ibid., 92–93.

²²³ The total number of asylum applicants in the EU in 2015 was over 1.3 million, which was more than double in comparison to 2014.

EU without internal border controls. During the crisis, several Schengen countries reintroduced temporary border controls.²²⁴

The migration flow was very unevenly distributed among the member states. The majority of migrants entering the EU did not stay in the country where they first arrived. Germany has been, by far, the most popular destination country, whereas some member states have received almost no asylum applicants at all.

The actual number of arrivals has only partly correlated with the political implications of the crisis, such as the salience of the issue on the national political agenda, the rise in popularity of the radical right, and positions on EU migration policy. The Visegrad countries, with the exception of Hungary, have received very small numbers of refugees, and yet the issue of migration has been prominent in their domestic politics, and the radical right-wing agenda has gained in popularity.

All over the EU, the migration crisis has been one of the reasons behind the increased popularity of radical right-wing parties in many member states. National immigration policies have been tightened in many countries, including Germany and the Nordic countries, which were initially more open.

The tightening measures aimed at preventing migrants from entering the EU or staying there have been criticised by international organisations and civil society organisations for contravening human rights and international commitments. Hungary in particular has been accused of violating human rights with its dismal treatment of refugees. When Hungary became a major transit state in 2015, it launched a number of controversial measures to deter refugees from staying in the country, including government-funded anti-refugee campaigns stoking fear and hatred, preventing refugees from obtaining asylum, and minimising any help.²²⁵

The EU's responses can be broadly divided into external and internal measures. The Union has been fairly consensual and efficient when it comes to the external measures, and has focused on working with third countries for better control of migration flows through border, asylum and readmission policies. In particular, the EU-Turkey resettlement agreement concluded in March 2016, combined with tighter border control, led to a considerable reduction in migration flows along the Eastern Mediterranean route. While politically effective, the Turkey deal is also problematic from the perspective of international law, similarly to several other measures taken by the EU and the member states in order to reduce migration.

Another important measure has been the strengthening of the European Border and Coast Guard (EBCG). The EBCG has received stronger operational capabilities, a supervisory role over the national capacities of member states, and a stronger role in expulsions and readmission. In addition, an emergency mechanism has been introduced, which foresees the possibility of intervention by the EBCG in a situation where a member state is unable to cope with controlling the EU's external border. However, the intervention has to be approved by the member state in question.²²⁶

Internally, the EU's progress in developing a common approach has been far more limited. The development of a common asylum policy, including reform of the Common European Asylum System, has been hindered by deep cleavages between member states. In particular,

²²⁴ Austria, Denmark, France, Germany, Norway, and Sweden.

²²⁵ Den Hertog & Innola 2017.

²²⁶ Den Hertog & Innola 2017, 118–120.

the issue of relocation schemes has been a major source of controversy among the member states. Countries that have received the largest numbers of asylum-seekers per capita, notably Germany and Sweden, as well as front states such as Italy and Greece, have been strongly promoting relocation in order to divide the burden more evenly among the member states. The Czech Republic, Hungary, Slovakia and Romania have been fiercely against relocation.²²⁷ Their opposition was, however, overturned in the Council, where the relocation plan was adopted without consensus.²²⁸ Thus, the East-West division within the EU resurfaced strongly in the context of migration.

3.4. The EU's external relations and security

The above-described external and internal challenges to the liberal order have had a visible impact on different areas of the EU's external relations and security and defence policy. The EU needs to identify priority areas in its efforts to shape the global and regional order. The priority areas examined below are trade policy, security and defence policy, and relations with Russia, but this is by no means an exhaustive list. The chosen areas include one core field of EU competence, which has become globally more controversial (external trade) and two crucial issues for Europe's security (defence capabilities and relations with Russia).

Trade policy

Europe's relative weight in the global economy is gradually declining. Yet for the time being, the EU's unity in trade matters makes Europe a global heavyweight in this area. Trade policy is an area of the EU's exclusive competence where the Commission has the leading role in developing and implementing common positions. Member states have delegated the task of negotiating trade agreements to the Union. EU trade policy has been strongly oriented towards free trade and has developed in the framework of economic globalisation, regulated by institutions such as the WTO, IMF and World Bank.

In recent years, economic globalisation has faced a backlash from several directions, which has changed the ramifications of EU trade policy. First, there has been significant criticism inside Western societies (in both Europe and the US) against the negative implications of globalisation in areas such as job security and environmental standards. Second, the trade policy of the US has shifted under President Trump in the direction of protectionism, undermining multilateral rules and even taking steps towards trade wars. Third, the most important rising power and global contender vis-à-vis the US and the West, namely China, is undermining certain aspects of free trade with its own protectionist measures, although it also benefits from and wishes to maintain the stability and predictability provided by the existing global order.²²⁹ All in all, and for a number of reasons, the multilateral trading system based on the WTO has been facing serious challenges.

The EU has sought to respond to the changing environment by defending and extending rules-based free trade, on the one hand, while taking measures to protect its citizens against the negative effects of globalisation, on the other. As formulated by President of the European

²²⁷ Den Hertog & Innola 2017.

²²⁸ European Commission 2015.

²²⁹ Koivu 2017.

Commission Jean-Claude Juncker, “we are not naïve free traders”.²³⁰ Due to the difficulties faced by the multilateral framework, the EU has invested in a network of bilateral agreements.

During 2017–2018, the EU stepped up negotiations on free trade agreements with a number of countries, including Japan, Singapore, Vietnam, the Mercosur countries (Brazil, Argentina, Paraguay and Uruguay) and Mexico. Increased global uncertainty caused by changes in US policy made the EU a more attractive negotiating partner and helped to speed up talks with a number of partners. The EU’s position as an economic giant and guardian of rules-based global trade is a significant asset. The new agreements allow the Union to counterbalance aggressive measures by the US and increase predictability. However, the EU’s relative weight is decreasing and the rise of protectionism is making the global environment less favourable for Europe. The current window of opportunity to move ahead swiftly with extending the network of free trade agreements between the EU and its partner countries might not be open for long.²³¹

The failure of the TTIP agreement underscores changes in the global environment. Initially, the agreement was seen by both sides as a way to ensure that the EU and US would be able to shape the rules of global trade amidst the rise of China and uncertainty about its intentions. The agreement provided an opportunity to strengthen Europe’s position, which has been lost for the time being. On the other hand, the new inward-looking and at the same time aggressive approach of the US has helped to strengthen the EU’s attractiveness as a trading partner in the eyes of many other countries.

At the same time, the EU’s trade policy has also shifted towards a slightly more protectionist mode. This shift is a reaction to both internal pressure from public opinion in Europe and external changes, most notably protectionist measures taken and/or threatened by other major players starting from the US and China. Furthermore, Brexit changes the political balance in the Union and reduces the weight of member states with a strongly pro-free trade agenda such as Germany, the Netherlands and the Nordic countries. The influence of countries with a more protectionist agenda, notably France and some other Southern European member states, has grown.

One of the biggest challenges for the EU is addressing the imbalance in its trade relationship with China. The latter imposes several restrictions on foreign companies wishing to enter the Chinese market, while the EU market is conversely very open, and the presence of Chinese companies in Europe has grown rapidly. This imbalance has placed the question of how to protect the European market high on the political agenda. The increasing Chinese presence raises questions not just about fair treatment of companies, but also about China’s geopolitical goals and implications for the rules-based order.

Negotiations over the TTIP with the US and CETA with Canada exposed the increase in bottom-up opposition to globalisation and free trade among EU citizens. Opponents of these agreements and of free trade more broadly still represent a minority; opinion polls indicate that the TTIP was supported by a majority of citizens.²³² However, there is a broader concern about the negative implications of globalisation for job security, social equality, environmental and food standards. These issues have gained a visible place on the EU agenda (‘l’Europe qui Protège’). Human rights, work conditions and environmental protection are included on the agenda of free trade talks. In order to respond to critics and alleviate suspicions, the EU

²³⁰ Juncker 2017.

²³¹ Turtiainen 2018.

²³² Turtiainen 2018.

has also increased the openness of its trade negotiations. All in all, EU trade policy has become more focused on protecting European interests, while accommodating to the decline of multilateralism and universal values.

Security and defence

Since 2014, the EU has experienced a number of internal and external shocks, which have boosted efforts to strengthen common security and defence policy. The annexation of Crimea and the rise of ISIL in 2014 exposed the threats emanating from instability in the Eastern and Southern neighbourhood. A couple of years later, the Brexit vote weakened the EU as a security actor, but at the same time removed some of the earlier obstacles to stronger defence cooperation in the EU framework. As the EU will lose its most significant military power due to Brexit, closer cooperation among the remaining member states becomes all the more necessary in order to reduce fragmentation and put the existing resources to more effective use. Furthermore, Donald Trump's election as president of the US introduced a period of unprecedented uncertainty over the transatlantic security arrangements, prompting Europeans not just to do more for their own defence but to actually "prepare to be left alone".²³³

During the 2000s, the EU's security and defence policy concentrated almost exclusively on external crisis management. In recent years, the European debate has broadened from the CSDP to defence cooperation (the latter being broader than the CSDP), and from the management of external crises to protection of the Union, its member states and citizens.

The shift began even before the shocks mentioned above. In December 2013, the European Council proposed measures for increasing the effectiveness, visibility and impact of the CSDP; enhancing the development of capabilities; and strengthening the defence industry.²³⁴ This agenda indicated a gradual move towards a more comprehensive view of European defence and the EU's role in it.²³⁵ The process also helped to establish the European Commission as a central player in the defence field, notably in matters related to the defence industry, market and research.

Defence cooperation gained a prominent place in the implementation of the EU's Global Strategy. In November 2016, the Council agreed on a list of implementation proposals,²³⁶ and the Commission unveiled its Defence Action Plan.²³⁷ The Global Strategy lists three core tasks for the EU security and defence policy: responding to external conflicts and crises; building the capacities of partners; and protecting the Union and its citizens.

The task of protecting the EU and its citizens is a significant new addition to the agenda. The practical meaning and content of this task is to be developed further. There is broad consensus in the EU that, at least for the foreseeable future, the Union will not aim to take over NATO's task of territorial defence. The terms of the debate have changed, however. Traditionally, the trans-Atlanticist EU member states, especially the UK and Baltic and Central European countries, were suspicious about any move by the EU towards collective defence, fearing that this would undermine NATO and weaken the US commitment to European security. On the other hand, some of the EU's militarily non-allied countries, namely Ireland and

²³³ Ischinger 2018.

²³⁴ European Council 2013, 1–10.

²³⁵ Tiilikainen 2016.

²³⁶ Council of the European Union 2016a.

²³⁷ European Commission 2016a.

Austria, were concerned that extending the remit of the EU's security and defence policy to 'defence proper' would question the fundament of their defence policy solution.

In recent years, the debate has focused on how the EU can and should contribute to Europe's security and defence – not by taking over the core task of NATO, for which it lacks the necessary capabilities and structures, but by complementing NATO in different ways. Cooperation between the EU and NATO has experienced a sea change, from almost no cooperation at all to close political and practical ties.²³⁸

So how does the EU contribute to protecting the Union and its citizens? First, the EU has introduced several new initiatives to advance practical defence cooperation among member states:

- The Co-ordinated Annual Review on Defence (CARD) is to provide a permanent mechanism to coordinate the procurement and capability development plans of the member states. The systematic exchange of information is designed to help member states identify joint needs and possible redundancies, as well as to initiate collaborative projects.
- The European Commission's Defence Action Plan aims to create an open, integrated and effective European defence market and an integrated and competitive European defence industry. This is supported by the newly established European Defence Fund, consisting of two separate elements. First, the 'research window' funds collaborative research projects on innovative defence technologies. Second, the 'capability window' provides support for joint capability development projects conducted by the member states.
- Permanent Structured Cooperation (PESCO) was introduced into the Lisbon Treaty as an instrument for deeper defence cooperation within a smaller group of member states. In December 2017, 25 member states agreed to join PESCO, which entails binding commitments to joint projects for developing defence capabilities and enhancing operational readiness. The participating member states also signed up to "regularly increasing defence budgets in real terms in order to reach agreed objectives".²³⁹ The inclusion of almost all member states in PESCO resulted from a wish expressed by Germany in particular to prioritise the EU's unity in security and defence matters. The inclusive nature of PESCO has raised doubts about its effectiveness, however.

Second, the EU's activities in crisis management and capacity-building, the 'traditional' sphere of the CSDP, contribute to the stability of Europe's neighbourhood and thus indirectly to the protection of the EU and its citizens. CSDP operations and missions can also serve to guarantee stable access to global commons, as exemplified by the EU's long-running anti-piracy operation off the coast of Somalia. The EU has established a Military Planning and Conduct Capability unit, which is an outcome of long discussions over a possible EU headquarters. However, the unit was not called a 'headquarters', and its tasks are limited to the planning and implementation of non-executive military missions, such as training missions. The EU's role in responding to external conflicts continues to be limited due to a number of factors, such

²³⁸ European Union and NATO 2016.

²³⁹ Council of the European Union 2017.

as a lack of political will and mutual trust, diverging strategic priorities, different strategic cultures, and concrete questions related to the funding and planning of operations as well as missing capabilities.

Third, the task of protecting the EU and its citizens also refers to EU activities 'along the nexus of internal and external security',²⁴⁰ involving actors such as the European Border and Coast Guard. The Sophia maritime operation in the Mediterranean provides one practical example.²⁴¹ The main task of this military CSDP operation is to combat people-smuggling in the Mediterranean and thereby contribute to the management of the EU's external borders.

Furthermore, member states agree that the EU can contribute to protecting Europe by countering hybrid threats. According to the EU's own definition, hybrid threats represent a "mixture of coercive and subversive activity, conventional and unconventional methods (i.e. diplomatic, military, economic, technological), which can be used in a coordinated manner by state or non-state actors to achieve specific objectives while remaining below the threshold of formally declared warfare".²⁴² A number of EU policies contribute to important aspects of resilience, including energy, cyber, border and maritime security, thus being relevant for countering hybrid threats. However, linking these policies together from the viewpoint of hybrid security and resilience remains a challenge. The European Centre of Excellence for Countering Hybrid Threats operating in Helsinki is making an important contribution in this regard.

Last but not least, the renewed focus on defence cooperation has revived discussion about the meaning of the mutual assistance clause (42.7 TEU). The French government's request to activate Article 42.7 after the terrorist attacks in Paris in November 2015 serves as an important precedent. At the moment, Article 42.7 foresees action by the member states only, meaning that the exact form of assistance is to be agreed bilaterally between the country in need and each of its EU partners. There is scope for improving the EU's readiness to implement the Article. This could involve defining a role for the EU institutions in the implementation process or the creation of other joint structures. In the context of the implementation of the EUGS, HR Mogherini suggested that the EU could explore how CSDP operations could contribute to mutual defence under Article 42.7,²⁴³ but the Foreign Affairs Council watered down this proposal.²⁴⁴

In addition to the activities undertaken in the EU framework, a number of smaller cooperation formats are ongoing among groups of member states. It is worth highlighting the French-led European Intervention Initiative (EII), launched in June 2018, which aims at more ambitious cooperation among a smaller group of countries willing and able to develop operational readiness and a shared strategic culture.²⁴⁵ The EII provides a way to engage Denmark and the UK, which do not participate in PESCO, in European defence cooperation. It is important to coordinate among the smaller groups and link them to the broader framework of the EU and NATO.

The strategic goal of the above-described activities is to increase the EU's strategic autonomy, and hence Europe's capability to take care of its own security. While Europe has to prepare for being left alone, the commitment by the US to European security remains irreplaceable for many years to come. In other words, maintaining a unique strategic partnership

²⁴⁰ Council of the European Union 2016a, 5.

²⁴¹ Tardy 2016.

²⁴² European Commission 2016b.

²⁴³ High Representative 2016, 16.

²⁴⁴ Council of the European Union 2016a.

²⁴⁵ Participating states: Belgium, Denmark, Estonia, Finland, France, Germany, the Netherlands, Portugal, Spain, the UK.

with the US is necessary for European defence. Building a stronger, more capable EU can hopefully contribute to a more balanced transatlantic partnership in the future.

Relations with Russia

The EU's relationship with Russia is one of the key issues for European security, especially for countries located close to the country. In 2014, EU-Russia relations shifted from cold to frosty due to the conflict in and over Ukraine. The sources of the conflict lie deeper, notably in incompatible understandings of the EU and Russia about the European security order and Russia's status as a great power. The EU-Russia tensions serve as an example of the kind of instability that can arise from increased regionalisation or a multi-order world, where regional centres of power lack a shared normative framework.²⁴⁶

Russia's strategic outlook stresses its aspiration to achieve the status of one of the great powers, motivated by a vision of a multipolar world order.²⁴⁷ Russia seeks to maximise its position in the competition between major powers, where the global dominance of the US and its allies constitutes the key obstacle to Russia's goals. According to Russia's security strategy, the US and its allies seek to 'contain Russia' by exerting 'political, economic, military and informational pressure on it'.²⁴⁸ The geographical scope of Russia's strategic interests is mainly focused on the post-Soviet space and other immediate neighbours, but its aspiration for the status of a 'leading power' requires it to display force in other parts of the world as well.²⁴⁹

The EU is not perceived by Russia as an independent global actor due to its dependence on the US for its own security. However, the EU has played an increasingly important role in the post-Soviet space, which has been a major source of tensions between the EU and Russia. The EU's own understanding of its engagement in Ukraine and elsewhere in the Eastern neighbourhood stresses European norms and values. The core issue for the EU in the Ukraine conflict is to defend the existing European security order.

The case of Ukraine is the most dramatic example of Russia's efforts to impose its vision of Eurasian integration on a number of neighbouring countries, using a range of instruments including military force, economic pressure and extensive propaganda. In Ukraine, Russia violated the core principles of the UN Charter and the OSCE Helsinki Final Act, including sovereignty and the territorial integrity of states, the inviolability of borders, and the peaceful settlement of disputes. This inspired several Western commentators to declare the end of the post-Cold War or even the post-WWII order.²⁵⁰ The Western, including the EU, response to the violations in Ukraine succeeded in taking a principled position in defence of the existing order. At the same time, however, Western actors have failed to bring an end to the violations and restore the territorial integrity of Ukraine (and Georgia and Moldova). The ongoing conflicts in the EU's Eastern neighbourhood cast a shadow over European security at large.

The EU Global Strategy defines Russia as a 'key strategic challenge'.²⁵¹ Russia is by no means the only challenge to the liberal world order, but it is the only major actor actively and

²⁴⁶ See Chapter 2 on power competition.

²⁴⁷ Makarychev 2016.

²⁴⁸ Russian National Security Strategy, Article 12, referred to in Raik et al. 2018.

²⁴⁹ Raik et al. 2018.

²⁵⁰ See e.g. Carnegie Europe 2015.

²⁵¹ European Union 2016, 33.

aggressively seeking to revise the European security order. The EU has responded to Russia's actions against Ukraine via sanctions as well as diplomatic efforts to resolve the conflict. The importance of the norms of territorial integrity and national self-determination has been a key issue in generating member states' support for the sanctions.²⁵² The EU has not been directly involved as an actor in the diplomatic process, however, but it has supported the participation of Germany and France, alongside Russia and Ukraine, in the 'Normandy format' that negotiated the Minsk II agreement.

The Minsk agreements, although not negotiated or formally approved by the EU, gained a central place in the EU's approach to the conflict through the linkage of sanctions to the implementation of the agreements. Minsk II quelled the fighting and defined a set of measures to be taken towards settlement, but it has been subject to conflicting interpretations by the different sides. Expectations with regard to the implementation of the agreements have generally been low, although they have become the main reference point in the diplomatic process.

The Ukraine crisis has exposed the limits of the EU's ability to engage in conflict resolution in a situation where member states' positions differ considerably, while the stakes are high. The limitations of EU diplomacy have also been evident in the case of Syria, where the Union has failed to make a notable contribution to the settlement process. Hence, the Union has been rather helpless with regard to the two most critical and bloody conflicts in its neighbourhood, Syria and Ukraine. Both conflicts have served as reminders of the relevance of military power in international relations, showing the gains, even if only short-term, of considerable use of force in a conflict situation. Russia, relying on its military force and other instruments, has been the key actor in Ukraine and has become one of the key players in Syria more recently.

As noted above, the EU's transformative agenda has run into difficulties more broadly in recent years, while the Union has become preoccupied with protecting itself rather than shaping its environment. However, in the context of the Ukraine conflict, the EU has stepped up its support for domestic reforms in Ukraine.²⁵³ The success of the reforms is crucial for Ukraine's ability to maintain domestic stability and to withstand Russia's aggression. The results have been mixed and fragile, as the old corrupt and oligarchic system has proved quite resilient.²⁵⁴ Again, there is more than Ukraine at stake: this case is seen to provide a strong example for other countries in the post-Soviet space, including Russia. The Kremlin has viewed the 'colour revolutions' in the post-Soviet countries with great suspicion, if not paranoia, and has developed a set of counter-measures.²⁵⁵ The EU's support for reforms is thus more than a technocratic exercise; it has major political and geostrategic implications, which the EU was unprepared to address when launching the Eastern Partnership policy in 2009.

In spite of the high level of tensions, the EU and member states continue to seek positive engagement and cooperation with Russia in areas where common interests can be identified.²⁵⁶ Economic interaction remains high; the impact of sanctions on trade has been limited. The fight against terrorism appears to be a natural shared interest, highlighted in the security strategies of both sides. Cooperation in this field was pursued strongly by France in particular, following the attacks in Paris in January and November 2015. However, hopes of mutually

²⁵² Sjursen & Rosén 2017.

²⁵³ During 2007–2015, Ukraine received 1.6 billion euros of EU assistance in grants, and 3.4 billion euros in macro-financial loans. In March 2014, the Commission launched a new support package of 11.2 billion euros (including up to 8 billion euros of loans from the EBRD and EIB) for the years 2014–2020. See European Court of Auditors 2016.

²⁵⁴ European Court of Auditors 2016; Emerson & Movchan 2016.

²⁵⁵ Saari 2014.

²⁵⁶ Siddi 2018.

beneficial cooperation were soon dashed by Russia's military actions in Syria, which conflicted with the EU and French positions.²⁵⁷

The above-described aspects of the EU's approach to Russia are brought together in the five guiding principles agreed in March 2016: the implementation of the Minsk Agreements, strengthening relations with the EU's Eastern Partners, strengthening the resilience of the EU, selective engagement with Russia, and fostering people-to-people contacts.²⁵⁸ These principles embrace both hard-line views, which emphasise the first points, and more Russia-friendly voices within the EU, which call for active efforts to increase engagement and dialogue. In the foreseeable future, however, the unresolved security issues remain a major obstacle to normalisation of EU-Russia relations. The tensions boil down to the clash between the EU's emphasis on a rules-based global order and multilateralism, and Russia's aspirations for a great-power status in a multipolar world.

3.5. Chapter conclusions

A rules-based order and multilateralism remain at the core of the EU's worldview, but major players such as China, Russia and most notably the US display at best selective commitment to international norms and institutions. The EU's ability to preserve the rules-based international order is of key importance for Europe's security, wellbeing and global influence in the future. The global context highlights the need for European unity.

The external challenges are interwoven with internal ones. The rise of populism, the financial and economic crisis, and the migration crisis are all part of broader global developments. These crises have posed major tests for the EU's unity over the past decade. The internal dividing lines have appeared dramatic during the 2010s, but the EU has shown considerable resilience and ability to cope with internal divisions.

Power is not only being re-distributed among major states, but it is also transferring beyond the state, to transnational networks of a variety of non-state actors. The diffusion of power beyond the state is a trend that the EU might be well placed to accommodate and utilise, both internally and externally. This requires consistent efforts. In order to protect its interests and values in the unstable global context, the EU needs to work with like-minded partners among smaller and medium-sized states across the world, non-state actors and civil society.

The EU also needs to define priority areas that are particularly important with a view to preserving and shaping the international rules-based order. This report has explored some issues where the EU can and should make a difference.

Trade policy is an area where the EU has relatively strong international influence and where it is actively defending and shaping the rules-based order. However, the EU's relative weight in the global economy is slowly weakening. Europe needs to advance swiftly with regard to strengthening its network of free trade agreements across the globe, in order to mitigate the effects of aggressive US trade policy and the rise of China.

In the field of security and defence, the EU is responding to the increased relevance of power politics, great-power competition and unprecedented uncertainty about the transatlantic alliance by stepping up its efforts to strengthen European capabilities and defence cooperation.

²⁵⁷ On French views, see Cadier 2018, 41–55.

²⁵⁸ Council of the European Union 2016b.

This is a slow process, with Europe's strategic autonomy as a distant goal. Meanwhile, the EU is developing close cooperation with NATO and has little choice but to try to preserve its unique partnership with the US. Europe will remain relatively weak in military terms for years to come. It is therefore crucial to work on constraining the use of force in international relations via multilateral cooperation, diplomacy and conflict resolution.

The EU's relationship with Russia is framed by principled differences between the two sides' understandings of the European security order, which are unlikely to be resolved in the short term. These disagreements are most strongly displayed in the conflict in and around Ukraine, but are also visible in Russia's policies vis-à-vis the EU and its member states. Nonetheless, the EU continues to pursue cooperation in areas where shared interests can be identified.

4. THE CHANGING INTERNATIONAL SYSTEM: IMPLICATIONS FOR FINLAND

4.1. Introduction

The main conclusions to be drawn from this study thus far emphasise the fundamental character of the ongoing transition of the international system. The most visible change is undoubtedly the weakening of the Western dominance over this system, which is reflected both in the global balance of power and in the structures of global governance with its norms and institutions.

The reasons for this change are varied, however, and are not only linked to the declining role of the US as the post-Cold War hegemonic power. There is strengthened rivalry between values globally, causing a re-definition of what is at stake and, consequently, constructing new dividing lines in global politics. These new dividing lines revolve around social, economic and environmental issues as well as issues of identity and human security, and have far-reaching consequences, not only for the balance of power between states but also within states. Moreover, they are tightly connected to the emergence of new actors and new coalitions among the existing ones. Actors as different as religious communities and large multi-lateral enterprises are empowered by, and capitalise on, the emerging dividing lines between conservative and liberal values at the global level, allying themselves both with governments and with non-state actors that share their values. The key constituents of state power such as sovereignty and nationalist tenets form another dividing line, pitting nationalist political forces against liberals and numerous forms of civil society actors.

The way in which the dividing lines of world politics extend beyond states also captures the phenomenon of the diffusion of state power, which plays a key role in the global transformation, as emphasised in this report. The key longer-term trend in world politics, where conflicts no longer revolve exclusively or even primarily around strategic commodities, such as territory, or other material resources, such as energy, but increasingly around values and identities also affects the structure of actors and constantly fuels the emergence of new players in the global arena. The latter range from key economic actors to terrorist organisations, as well as different non-governmental organisations focusing on value issues.

In light of the changing constellation of actors and the new sources of conflict in world politics, the concept of power has to be understood in a broader sense. In the study of international relations, power that has mostly been approached as an *attribute* of the state to be measured in terms of economic, political and military capabilities has to be seen as a more multifaceted phenomenon to better capture its dynamic nature in an environment with multiple actors and political dividing lines. Apart from working in social interaction, power also has to be approached as a *discursive practice* working in social construction. This study provides examples of how different formal and informal rules and norms empower new actors and affect their interests and identities. The set-up in global climate policy, for instance, was shown to empower cities or regions and sometimes pit them against their own governments.

The decline of US hegemony and the emergence of a multipolar world thus represents only one part of a broader transition of power, which involves a much larger set of dividing lines and actors. However, as the leading actors with respect to territoriality and military force, and

in the key formal structures of international governance and law, states still matter, and the change in the balance of power between states was also well documented in this report. The report shows how the Chinese power potential has been constantly growing, with its ambitions turning global and Chinese interests being identified all over the world. A characteristic of the current Chinese great-power policy is its willingness to increasingly balance its rivalries, be it by allying itself with Russia to challenge the US or by seeking to establish relationships with smaller groups of EU members to weaken the unity of the EU. This study also confirms the assumption according to which the Chinese willingness to support the current Western-led system of global governance is becoming compartmentalised. China supports those normative frameworks that are compatible with its own values and interests, while challenging others. Whilst China shows more responsibility for the common global agenda than Russia, and asserts an identity of a responsible great power, these two rivals of the Western-led order are unified through common vulnerabilities related to their authoritarian political system. This places limitations on their international engagement, as they have to constantly protect themselves against Western values to ensure regime survival.

One common outcome of all of the ongoing transitions is the weakening of the universal character of the international order and its norms and institutions. In the face of a more diverse set of actors and the changing balance of power between states, an international order of a universal nature becomes increasingly difficult to achieve and uphold. This study, like many other studies,²⁵⁹ suggests that one consequence is most likely a gradual move towards regional orders revolving around regional systems of power and regional institutions. The nature and strength of these regional orders, and their relationship to each other and to global institutions, will therefore be crucial determinants of the shape and stability of the future international order.²⁶⁰

In practice, the character of the regional orders is likely to vary widely from one region to another. Most (although not all) regional orders in the world are likely to be decisively shaped by – or built around – a leading regional power, whose approach towards its respective region and the world at large is therefore of key importance. At best, regional orders are founded on (largely) shared interests, mutually acceptable rules and inclusive decision-making structures. However, regional orders can also be forged through coercion and with the sole aim of serving the interests of the leading regional power.²⁶¹ Mutually beneficial and broadly supported regional orders can make a contribution to global governance, promoting multilateralism both within and beyond their respective regions. However, the growing importance of regional orders can also result in further fragmentation of the international system, increasing regional divergence as well as political and economic competition between the individual regions and their leading powers.²⁶² Especially the borderlines between different regional orders face the risk of being exposed to tension and conflicts. If the trend towards a system of regional orders were to accelerate, it would be of the utmost importance to be able to define the key fields of international cooperation where universal governance and rules will still prevail. These would need to include, but not be limited to, matters of peace and security, the management of global commons and the fight against climate change.

²⁵⁹ Grevi 2018; Acharya 2018a, 99.

²⁶⁰ Grevi 2018, 17–23.

²⁶¹ *Ibid.*, 19–21.

²⁶² *Ibid.*, 24–25

When it comes to the role of the EU, this study shows that the Union has its obvious strengths and weaknesses in facing the comprehensive global transformation. Due to its own hybrid character, the EU is more flexible than state actors in coping with an environment shaped by new political dividing lines and multiple actors. Being a multilayered actor itself, the EU can more easily reach out to non-state actors and create coalitions or cooperation on issues of common interest. The key shortcomings of the EU were firstly found to be related to how its own values are being challenged as the cornerstones of the international order. The different takes of the EU and the United States on values and the future of the international order is what increasingly separates the EU from its key international ally across the Atlantic. At the same time, the EU's core values have been called into question at home as well, bringing about significant divisions both within and between the EU's member states, and thereby challenging the Union's unity and coherence as a political community and actor.

Secondly, the strengthening of great-power politics has constrained the EU's external policies, as the use of military force and increasing geopolitical rivalry have emphasised the EU's traditional weaknesses. These weaknesses can be seen to stem from the Union's hybrid political identity, which vacillates between a state identity and an identity constructed on the notion of being different from a state. This study highlights how most of the recent crises that the EU has faced have brought questions about the Union's identity to the fore, demanding it to find political solutions to disputes over the extent and forms of mutual solidarity, or the lack of respect for common values.

The EU has consequently been forced to respond to the changing global environment by prioritising its own survival: by safeguarding the key pillars of European integration and its own internal unity. Its possibilities to advance its core values internationally have become much more limited, as these values have become increasingly controversial in many parts of the world. Indeed, the rise of great-power politics has led to a confrontation over these values with Russia and China, but also increasingly with the US, as exemplified by the case of the Joint Comprehensive Plan of Action with Iran.

Against the backdrop of the forms of global transition described above, it is likely that the EU will have to continue along this path of protecting its own system and security, which by necessity means deepening the integration and enlarging the competences of the EU in critical policy fields. In many of these policy fields, this process has already been initiated with the aim of strengthening the Union's values and integrity. Examples can be found in the EMU and the efforts to deepen it within the realm of economic and fiscal policies, in various fields of internal and external security ranging from border security policies to defence cooperation and, lastly, in energy cooperation that seeks to decrease the Union's energy dependence.

The EU's main response to a more challenging external environment is duly taking the Union in a more state-like, centralised direction. This trend, however, is likely to face difficulties and generate resistance in several member states. Nevertheless, the phenomenon of differentiated integration, which the pressures towards deepening were generally assumed to fuel, has stayed within clear limits. Thus far, and irrespective of the significant dividing lines on key values that have emerged between EU member states, the EU has not faced major risks of more far-reaching divisions, which would affect its institutional and legal unity. By far the most serious case of disintegration to date, Brexit, has served to strengthen the unity of the remaining 27 member states, rather than serve as an example to political forces elsewhere in Europe to follow suit.

All in all, it can be argued that the selfsame challenges that weaken the EU's values and power in the international context constrain its action internally. The EU is therefore in a highly vulnerable position in navigating between these challenges. At the same time, greater awareness of the EU's importance has started to emerge in its member states and among EU citizens.

4.2. What are the implications for Finland and its international position?

This report has thus far progressed from the global level to the regional one, highlighting the major global shifts and explaining how they manifest themselves at the regional level and, above all, in the internal dynamics and external action of the EU. This section, for its part, turns the focus onto Finland and aims to clarify what the global and regional shifts look like from Finland's point of view. The analysis covers Finland's whole operating area, which extends from the country's immediate strategic environment (most notably the Baltic Sea region, but increasingly the Arctic as well) to the EU and the broader European space, all the way up to the existing and emerging sites of global governance. As in the report as a whole, any analytical distinctions made between the different 'levels' of Finland's operating environment – and the causal relationships established between them – should be treated with caution, as they often remain arbitrary.

Finland, as a small state in terms of population size, economic weight and military capabilities, has decidedly benefited from the Western-dominated and US-led rules-based international order and its European manifestation, the post-Cold War European security order, with the EU and NATO at its heart. This order has helped to create the conditions under which Finland has been able to thrive as a liberal democracy and an open economy. However, the changes in the international system described in this report will profoundly affect and alter the environment within which Finland pursues its economic, political and security objectives.

The implications of these changes for Finland, as for any state, are hard to gauge with any degree of certainty. It is also clear that they will be both complex and multi-faceted. They will reach Finland through multiple channels and unfold in various ways and to varying degrees in different policy areas and at the different 'levels' of Finland's operating environment, ranging from its immediate surroundings to the broader areas in which it has an interest and presence, either as a state, as a member of the EU, or some other community or organisation.

First, a changing global balance of power will affect Finland's immediate strategic environment in various ways. A weakening of the Western-led international order and its rules will put growing emphasis on the role of great powers and leading regional actors. The changing global power structure is already reflected in the reduced possibilities and willingness of the US to invest in European security, as an increasingly assertive and powerful China draws US attention to the Asia-Pacific region. Hence, the long predicted and purported US 'pivot' to Asia is no longer a strategic choice but more of a strategic necessity, as the US increasingly recognises China as a peer competitor.

This change of US policy has been, and will continue to be, maximally utilised by Russia, which has emerged as a major challenger of the Western-dominated rules-based system, both globally and especially in Europe, where its actions and rhetoric have specifically targeted the security order. This has been most evident with regard to Russia's role in the conflict

in and around Ukraine, but has also reverberated in the Baltic Sea region, which has seen a clear rise in political tensions and military activity.

Russia's room for manoeuvre in its neighbourhood, including the Baltic Sea region and Europe as a whole, will certainly grow if the world, as hinted in this report, moves towards regional systems of power. Europe's current security order is, in many ways, an extension of the liberal world order, guaranteed through the long-standing US commitment to defending it both politically and militarily. However, the simultaneous weakening of the international rules-based order globally, and the growing reluctance of the US to stand up for this order in Europe, suggest that Europe may indeed become a more isolated space. As a result, the European security order would increasingly be built around the European Union, while the boundaries of this order would be managed in interaction (that is, cooperation and, potentially, conflict) with the other leading regional actor of the European continent, Russia, which aims at creating and maintaining a regional order of its own.

At a global level, a world order in which the acceptance and scope of international norms and rules becomes more limited – and in which they may eventually be replaced by “minimal rules of coexistence between great powers with different political visions”²⁶³ – also certainly comes closer to meeting Russia's longer-term strategic aims, providing it with ever greater freedom of action and corresponding with its minimalist reading of international law and cooperation.

China's role in the emerging European security order is also important, but for the most part indirect. China shapes the European order in two ways: firstly, it does so by affecting the US strategic approach and US engagement in Europe and, secondly, by influencing the Russian room for manoeuvre. Thus far, the Sino-Russian political dynamics and the deepened bilateral cooperation between the two countries have strengthened Russia's possibilities to assert its powers in its European neighbourhood, with China remaining conspicuously silent about the Russian aggression in Ukraine. However, the different approaches of the two great powers towards the international order at large might create constraints for Russia in the long run. China undoubtedly has the upper hand in the Sino-Russian cooperation and will be able to exert an influence on Russia's international action. If this action were to challenge key Chinese interests with regard to economic stability for instance, China would be likely to try to change the Russian course.

For Finland, the prospect of a move towards an international system based on regional systems of power and order entails certain obvious risks, especially due to Finland's geographic location at the intersection of two potentially competing regional orders, that of the European Union and that of Russia. If the world moves towards tightening geopolitical competition between the emerging regional orders, it will become increasingly important from Finland's – or any small state's – point of view to universally consolidate the role of the key international norms regulating the use of force and confirming the inviolability of the territorial integrity of states and their borders. In an international system largely based on regional systems of power and order, stability can be safeguarded only by agreeing on a set of norms that is non-negotiable, and that serves the core interests of any human communities.²⁶⁴

In view of the arguments presented in this report, it is likely that the US role in European security will be more limited in the future. This puts increasing pressure on the members of the European Union and/or NATO. The European Union has in recent years struggled with

²⁶³ Dworkin & Leonard 2018, 6.

²⁶⁴ For similar arguments, see Dworkin & Leonard 2018.

the growing geopolitical competition (and the prospect thereof), both within and beyond Europe. At the same time, the developments and trends both globally and in Europe have led to more serious attempts by the EU to adapt both its strategic outlook and its instruments to the challenges posed by the more complex and competitive regional and global setting.

Partnerships will be crucially important for the EU in this new environment. The Union will need like-minded states and non-state actors alike as partners to defend and uphold its ideals of multilateral cooperation and a rules-based order, be it in the framework of existing international organisations or, if need be, in smaller constellations. At the same time, partnerships will continue to be essential for the EU in the military realm as well, as the Union's development as a (more) strategically autonomous security and defence actor is a medium- to long-term objective at best. As argued in this report, in terms of security and defence, the EU will have little choice but to try to maintain its unique and currently fragile partnership with the US, which will be more difficult due to the shifting US focus. Here, the EU's character as a multi-level actor might, however, be helpful, as different networks (bilateral, minilateral or multilateral) may provide the opportunity to tie the US into European security in a more flexible and resource-saving manner, which seems more feasible in an era when the main interests and challenges of the US lie outside Europe. Networks may also provide a way to organise the post-Brexit security and defence partnership with the UK, whose future relationship with the EU seems to be very much in the air at the time of writing. At the same time, the EU could ideally play a crucial role as a political hub, coordinating Europe's multifaceted security and defence platforms and cooperation formats.

If the world moves towards increasing great-power rivalry, (competing) regional orders as well as a more fragmented and issue-based take on global governance, Finland's international role will be increasingly dependent on its ability to ally itself with like-minded actors, be they state or non-state actors. The EU is by far the most important community of values for Finland and will play an important role in softening the effects of the global transition and providing stability. The Union will be of crucial importance for Finland in economic, political and security terms, forming a bulwark against the global uncertainties. The Union and its member states will continue to be Finland's key reference group within the international organisations of which they are all members. Moreover, the EU is Finland's most important channel for having a say in the more complex and contested global political arena in both existing and emerging sites of global governance. However, this does not mean that the EU in its current state would be particularly well placed to face the changing international environment or to respond to the needs emerging from the tightening global competition. Instead, as this report indicates, the EU as an actor is grappling with many aspects of the global shifts that profoundly challenge its worldview, which is firmly rooted in the primacy of multilateralism, international rules and universal values. Moreover, the EU as a political community is cross-cut by several deep divisions that run between different groups of member states as well as within European societies themselves.

As a consequence, it is essential for Finland to realise that in order to have the kind of EU that is able to cope with the changes taking place in all key spheres of its international environment, Finland will need to actively work towards creating (and maintaining) that Union. In this regard, four objectives appear to be of utmost importance:

1. to safeguard and, if possible, strengthen the unity of the EU as a political community;
2. to protect liberal democracy and the rule of law within the Union itself;

3. to enhance the EU as an international actor by developing both its foreign policy component and its security and defence capabilities, as well as its other main instruments of external action, and

4. to ensure that the EU maintains its commitment to multilateralism and a rules-based international order by actively promoting them and their value together with other like-minded actors (state and non-state alike).

At best, these objectives can be mutually reinforcing, but there is also the possibility that one will have to prioritise, or even choose between them, at least in the short or medium term. There may, for example, be inevitable trade-offs between maintaining unity and advancing the integration process in key policy fields or, in a similar vein, between maintaining unity and fighting against potential breaches of the EU's values and rules within the community itself, as exemplified by the cleavages that have already emerged between Hungary and Poland on the one hand, and most of the other EU member states on the other. Thus, Finland may have to set its priorities on a case-by-case basis, depending on the situation at hand.

Safeguarding and strengthening the unity of the EU as a political community based on liberal democracy, human rights and the rule of law

As far as the EU's unity is concerned, it has been under strain due to the different crises that the Union has faced in recent years, as well as the divisions within European societies, which have created a fertile breeding ground for populist and Eurosceptic forces. Moreover, external actors – Russia and China in particular, but most recently even the US – have tried to weaken the EU's unity or take advantage of the existing or potential divisions within the Union. While the Brexit process represents the most concrete example of disintegration, fragmentation and disunity within the EU, it has also turned unity into a key objective among the remaining member states. At the time of writing, unity seems to have prevailed over the ambitions to advance the integration process through means of differentiated integration.

However, within the EMU, deepening has already progressed relatively far, acquiring an increasingly institutionalised character. For Finland, this presents the challenge of positioning itself on a different side of the institutional divide compared to one of its most important partners, Sweden. Thus far, Finland has therefore sought to emphasise that the EMU needs to be developed in an inclusive manner. This strategy seems apt also for the future and is currently being emphasised by the tightening cooperation between several small and mid-sized member states from both within and outside the Eurozone – the so-called New Hanseatic League – on questions related to the EMU.

The cooperation within this group of states points to another key trend affecting the EU, namely the increasing importance of minilateral formats, which has been particularly notable in view of Brexit.²⁶⁵ In terms of the unity and coherence of the EU, this trend has both positive and negative potential. On the one hand, minilateral groups can offer new impulses for the EU agenda, make it easier to reach agreements by aggregating member states' interests and giving small and mid-sized member states, like Finland, a stronger say.²⁶⁶ On the other hand, they can also breed feelings of disunity, exclusion and marginalisation, and strengthen the use of informal decision-making processes within the EU, which is traditionally not in the interests of smaller member states like Finland. Moreover, informal groups can be strategically

²⁶⁵ de Gruyter 2018.

²⁶⁶ Lang & Ondarza 2018, 5–7.

used by external actors to create divisions within the EU.²⁶⁷ Hence, while it is beneficial for Finland to strengthen EU-related coordination with its Nordic and Baltic partners, Finland would do well, by and large, to continue its long-term approach of letting the issue in question define its main partners and preferred coalition.²⁶⁸ This way, Finland would build bridges across the EU and contribute to its unity. Such a strategy would also prove beneficial for Finland in an EU in which it is increasingly likely that the core group of member states varies from one policy area to another.²⁶⁹ Furthermore, it would allow for the involvement of influential non-state actors in the policy process, where necessary or useful.

The more the EU's core values become challenged globally, the more vulnerable these values become also within the EU itself. Safeguarding these values and consolidating them further via the systems of both law and politics will therefore be a necessary precondition for the Union's internal legitimacy and external power. Finland consequently has every reason to continue with its consistent policy of supporting – and demanding support for – the cornerstones of the Union's legal and political order. From the perspective of a small member state, the objective and impartial case-by-case application of this order has formed one of the key justifications for the extension and execution of supranational powers, and there is hardly any change in sight concerning the legitimacy and rationale of this approach.

Enhancing the EU as an international actor and its commitment to a rules-based international order

As far as the EU's international role is concerned, Finland has strongly supported most measures taken by the Union to enhance its foreign, security and defence policy capabilities and actorness. Unlike most other member states, Finland has also consistently underlined the role of the EU member states' mutual security and defence commitments in the form of the mutual assistance clause and the solidarity clause. Nevertheless, in terms of security, Finland has relied not only, or even mainly, on the EU, but on a broad network of relationships, including intensified cooperation with Sweden, a close partnership with NATO, closer cooperation with the US both bilaterally and together with Sweden, as well as other mini- and multilateral formats. Moreover, Finland, alongside many other member states, has sought to advance cooperation between the EU and NATO. As argued earlier, these networks will continue to be of great importance and could also help to tie Europe's indispensable partner, the US, to European defence, at least for now. However, as emphasised, the main strategic interests of the US already lie outside Europe, and the US is likely to increase its engagement in Asia-Pacific at the expense of its European commitments. This is a long-term trend to which Finland, alongside other EU/NATO members, will have to adapt. This development also emphasises the importance of European solutions regardless of the framework in question.

Apart from its security and defence policy capabilities, the EU should also invest more in its foreign policy component, which has often suffered from the EU member states' inability and unwillingness to align their positions and work toward common objectives. In order to address these traditional shortcomings, proposals to extend the use of qualified majority voting in the EU's Common Foreign and Security Policy have been put forward recently, but this is unlikely to take place in the short or medium term.²⁷⁰ Instead, it is possible that the EU will simply move towards more flexibility in its foreign and security policy-making, allowing bigger or

²⁶⁷ Ibid.

²⁶⁸ Iso-Markku & Jokela 2014, 29–32.

²⁶⁹ Leonard 2017, 7.

²⁷⁰ Bendiek, Kempin & von Ondarza 2018, 5.

smaller groups of member states to speak and act either formally or informally on behalf of the EU.²⁷¹ From Finland's point of view, such a development entails concerns and risks, as it will put emphasis on informal decision-making, and is likely to underline the role of the biggest and most capable member states. However, as institutional innovations or the emergence of a more strategically unified EU seem unlikely at the moment, Finland may have little choice but to accept the increasing flexibility, as long as it can be effected in a way that increases the EU's possibilities to shape and react to individual foreign policy issues, and avoids creating significant divides within the EU. Finland should, however, try to work towards making the decision-making processes as inclusive as possible.

Trade policy is the area of external action where the EU currently seems to have the greatest potential and power. However, due to the difficulties the global trade regime is facing, the emphasis in this policy area has mostly shifted towards free trade agreements with individual partners. Apart from trade-related questions, these give the EU a potentially powerful possibility to advance a broad agenda of different global issues, including key issues related to climate, environmental protection, human rights and labour standards. However, using trade agreements as a geographically limited alternative to global governance incurs significant risks, as it renders the negotiations increasingly complex and lengthy. This is not in the EU's interests, as its declining share of the global economy and trade, and the current protectionist tendencies in the global economy suggest that the EU needs to act rather swiftly. Thus, the EU will have to strike a balance between its different, and at times competing, objectives. While Finland as an open economy benefits from expanding the EU's network of free trade agreements, the Finnish economy is also highly dependent on both China and the US,²⁷² with whom any comprehensive free trade agreements seem unlikely at the moment. Therefore, it would be in Finland's interests if the EU were able to breathe new life into the global trade regime.

The idea of a rules-based international order is a quintessential part of the EU. The Union's success as an international actor therefore depends on the strength of this rules-based order in the broader global context. The more the power of might dominates on the international stage, with elements linked to politico-military power gaining the upper hand, the more vulnerable the EU becomes both internally and externally. Hence, it is also in Finland's interests to use the EU's potential to promote an international order based on rules rather than on a politico-military balance of power. If the scope of such an order is narrowing, as anticipated in this report, the EU's efforts should be concentrated on those fields of global politics where the existence of universal rules and global governance are of most importance. This applies above all to the prevention of conflicts and consolidation of peace and security as well as the fight against climate change.

4.3. Finland's international strategy in a new environment

In conclusion, it seems that Finland will have to get used to a new and once again more demanding international environment. While it is impossible to predict the exact shape that the international order will take, the major transitions analysed in this report suggest that global politics will be both more complex and more competitive. Even if parts of the liberal international order may prove surprisingly resilient, a return to the kind of Western-led rules-based order that has characterised the post-Cold War era is not on the cards. Particularly for

²⁷¹ Ibid.

²⁷² Ali-Yrkkö, Rouvinen, Sinko & Tuhuri 2016.

a small state like Finland, the ongoing changes in the international order and the resulting uncertainties are a cause for concern. However, this time Finland is not alone, but faces the new situation as a part of an EU that is characterised by deep interdependencies between its members. It is in Finland's interests to further strengthen these interdependencies and contribute to the resilience and vitality of the EU. It is equally in its interests to enhance the EU's ability to take advantage of its own hybrid character by looking for partners among the wide group of state and non-state actors in order to strengthen its power in the policy fields most important for it.

Finland should also be prepared for the possibility of the political situation around its borders becoming even more complicated, if the weakening of the rules-based order advances fast and the world moves towards competing regional orders. This implies that the current confrontation between the EU and Russia will be of a more long-standing character and may even be aggravated as the common normative framework between them becomes narrower. Apart from the EU's unity, cooperation with like-minded countries is key in such a situation, together with the clarification of Finland's own international role and values. It goes without saying that Finland's location in the interface between two regional orders stresses its need to ensure the existence of, and full respect for, at least a minimal level of common rules safeguarding the co-existence of the orders.

Finally, Finland should make efforts to contribute to decreasing the dividing lines and conflict potential between great powers, or the regional orders, making use of the multifaceted structure of actors in world politics. To this end, Finland should also look for possible partners among non-state actors worldwide and contribute to the establishment of networks of like-minded actors in the various issue areas of global politics. If done successfully, this could strengthen positive interdependencies and facilitate the construction of a common agenda among state actors as well.

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Attachment: Publications published in the framework of the project

Alternative Ways of Global Governance: Informal institutions and the role of small states, Katja Creutz, FIIA Briefing Paper 215 (2017).

Trade liberalization at a crossroads: The US and China play key roles, Tuuli Koivu, FIIA Briefing Paper 221 (2017).

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