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From Globalisation to Geopolitics: The Changing Dynamics of World Order and their Implications for the EU

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EXECUTIVE SUMMARY AND RECOMMENDATIONS

The last decade has seen a change in the dominant narrative of the dynamics driving both the thinking about, and practice of, world order. Put simply, we now talk predominantly about geopolitics and security and only secondarily about economic globalisation. The centrality of the language of globalisation that dominated the last quarter of the 20th century and the first decade of the 21st have given way to a focus on the geopolitics of great power competition and strategy and all that implies for how we now manage world order. This is not simply an academic debate. It casts massive policy shadows over the everyday practice of world politics which impacts millions of people in their daily lives. This, hopefully, is a non-controversial argument. It is developed in the first part of this research report.

But the argument is not developed in the academic abstract. Rather it is embedded in the empirical context of the behaviour of the United States and its president, as well as the other great powers, as we move from that brief era of unipolar US hegemony that prevailed for a couple of decades after the end of the Cold War into the immediate era where our understanding of world order now needs to be fundamentally re-imagined. This report's argument is controversial. It resists the easy clichés of popular imagery. It argues we are not living in, or moving toward, the age of 'the Second Cold War', 'the new bipolarity' or 'a multipolar world'. These epithets are used too loosely. There is no managed transition from one formal order to another. We are in a turbulent interregnum of transformation, but with no promise of immediate resolution

Yes, there is a binary element to the 'post-liberal' order. And yes, it is reflected in a growing contest between the USA and China. But it is, at best, an ill-disciplined, bifurcated order with permeable boundaries. There is no tight ideological bi-polar divide comparable to that of the Cold War. Players (both North and South) other than the two great powers are also now significant actors. States no longer cleave automatically to one of these two great powers. Non-great powers – especially from the now very salient, if confusing, 'Global South' – are just as likely to hedge in their relationships between the great powers on an issue-by-issue basis as they are to bandwagon or balance, instinctively or ideologically, with one or the other majors.

This picture was emerging prior to the return of Donald Trump to the Presidency of the USA in 2025. But the 47th president has brought an uncertainty and rapidity of change to world order greater than initially imagined by even the most pessimistic of observers. Much 'taken for granted' thinking about the norms, practices and institutions of world order have been shaken to their core. The current era is best characterised as a 'back to the future' moment in which Donald Trump and Xi Jinping (as revisionists) and Vladimir Putin (as a spoiler) – and other so-called strongman leaders – play old fashioned transactional great power geopolitics as they go about the business of trying to consolidate their respective spheres of influence.

Part three of this report contextualises the current position of the EU and its most influential member states such as Germany. It examines EU responses and options for dealing with the crisis in the transatlantic relationship specifically, and its global economic and political relations more generally. It addresses the implications of the presence and behaviour of Donald Trump as the newest member of that band of 'strongman leaders' that have changed how we conduct international relations at the end of the first quarter of the 21st century. This report demonstrates that while it is a time of peril for the EU, all need not be lost if the necessary collective policy moves can be made to reform itself internally and confirm itself as a major actor internationally. But this is not a given. The report concludes with a set of generalised policy recommendations to bolster the EU's position and encourage its leading member states to take ownership of the situation.

RECOMMENDATIONS-CUM-SUGGESTIONS FOR EUROPEAN POLICY MAKERS OPERATING IN A POST-LIBERAL, GEOPOLITICAL ERA

Based on an understanding of the changing nature of global order developed in this report what follows is a series of suggestions-cum-recommendations as to how Europe needs to adjust to the dynamics of the evolving order if it to be an influential, rather than a marginalised, actor in that order. They are commonsensical messages rather than specific policy proposals.

1. European leaders and policymakers should recognise how dramatically things have changed.
    - Simply put, *the old order is dead*.
    - Most of Europe understands this, but some still hold to the mythical belief that a return to a *status quo ante* is possible. It is not.
2. Europe leaders and policy makers should recognise that the transatlantic relationship has also fundamentally and irrevocably changed.
    - Again, most of Europe's leaders know this even if they read the changes differently.
    - Accept that the EU was humiliated in the trade negotiations.
    - A new *modus vivendi* with the USA needs to be found. This must be one in which Europe recovers its lost dignity and self-respect in the relationship. It requires solidarity and sacrifice
    - Europe needs to seek alternatives to US services and trade goods.
3. Europe – in the absence of serious reform of the existing international order – must be cautious not to swap dependency on the USA for greater dependency on China.
    - The relationship with China is extensive. It must be pursued, but cautiously.
    - Existing problems, especially of trust and dependency, remain.
4. Europe must continue – indeed begin – economic reform (à la Draghi) on the one hand and enhancing its *hard* (security and military) power on the other.
5. Europe must keep its normative commitment to improving world order.
    - Europe must commit to, and work, for a (reformed) rules-based order, an open global economy and traditional liberal values of democracy, free speech (European style, not US style), religious tolerance and human rights.

6. European leaders and policymakers should recognise that the world is neither bipolar nor is it (yet) multipolar.
   - Europe is not a third leg of a tripolar world. Polarity implies an order and discipline that does not exist. There are no *fixed* poles.
     - Europe should learn to work in a world with a fuzzy, bifurcated divide.
   - Europe needs to recognise that *hedging,* rather than allied *band wagoning*, will become the policy position of non-great powers.
7. Institutions should look to play a key role in building *new* (multiple) forms of multilateralism
   - This multilateralism should be institutionalised where possible, but informal where necessary.
   - Brussels, not a major individual European capital, should lead on this
8. European leaders and policymakers need to develop networks of extra-European partners in the face of growing great power belligerence. Specifically:
   - European policymakers should participate in, indeed lead where appropriate, coalitions of the willing.
   - Europe should show respect towards the notion of the Global South, if not as a set of (in)formal institutions, then at least as a functioning idea of collaboration.
   - The days of simply dismissing the Global South as empty rhetoric must be over.
   - Europe should address the fact that much of the Global South still thinks the EU has not yet shed the last vestiges of colonial mentality and cultural superiority.
     - Europe should not see itself, in the ill-chosen words of Federica Mogherini, as a ‘cultural superpower’.
   - Europe should support issue-specific coalitions on core policy questions, such as climate and sustainability, across the North-South divide and absent the USA where necessary.
   - Along with ratifying agreements with Mercosur and Mexico and finalising the ongoing trade negotiations with Indonesia and Australia, the EU should open negotiations with the CPTPP with a view to a formal relationship.
9. Now that an initial deal has been done, both the UK and EU must work harder on the implementation of the post-Brexit ‘reset’.
   - Remaining resentments about Brexit must be shelved, on both sides.
   - There is no credible European defence without the UK.

INTRODUCTION

According to an overused cliché, we are at an 'inflection point' for world order. Nationalism, and a virulent, sometimes violent, identity politics, have regained ground at the expense of a short-lived 'globalist moment'. The structures of multilateral institutional decision-making have been challenged to breaking point and a growing cadre of authoritarian and 'strongman leaders' intent on imposing their political will on international relations have emerged. But while the interregnum of the post-Cold War US unipolar moment has passed, contours of a new order are unclear. Not only is it no longer unipolar, neither is it bipolar. But that does not mean it is axiomatically multipolar. Rather it is a *fuzzy, fungible and ill-disciplined binary order* with permeable boundaries and shifting allegiances.[1]

"Power is shifting to a larger number of actors."[2] Of course the USA and China are the dominant state players, but other actors – notably, Russia, India and powerful 'middle powers' such as Japan, South Korea, Brazil, Türkiye, Saudi Arabia and increasingly Indonesia – are also significant. Moreover, change is not just politico-economic, the digital revolution and the rise of Artificial Intelligence are also having unanticipated consequences for how states and societies interact.

The USA, under the presidency of Donald Trump, and in a shifting balance with the other great power, has replaced China as the most challenging 'revisionist state'. Along with Russia, the USA has become something of a 'spoiler state'. Their 'strongman leaders' have become the principal agents driving bilateral, transactional non-cooperative international diplomacy.[3] Trump now exhibits all the characteristics of an authoritarian strongman redesigning state interests for personal power and profit. The presence of strongmen in international diplomacy is inseparable from the modern geopolitical mindset. It renders unlikely a resurrection of liberal order. Reform depends on *dialogue*. But there is a crisis of multilateral cooperative dialogue, and this crisis will remain while strongman-led geopolitical power politics is the order of the day. These leaders have abandoned diplomacy for transactional, asymmetrical, invariably intimidatory power politics that inhibits collective action problem-solving.

Accordingly, this report provides a short-term perspective on this current state of international affairs. It proposes to do three things: Part One describes and analyses the shift in thinking about the theory and practice of world order. It identifies **the replacement of the narrative of *economic globalisation* as the dominant organising principle of international relations by the now hegemonic narrative and practices of *geopolitics***. The implication of this geopolitics narrative has been pivotal to contemporary international relations in the 21st century.

1 For an elaboration of this argument see see Richard Higgott and Simon Reich 'The Age of Fuzzy Bifurcation: Lessons from the Pandemic and the Ukraine War', *Global Policy* 13, no. 5 (2022), https://onlinelibrary.wiley.com/doi/10.1111/1758-5899.13141. A book on the subject is in progress.

2 Tobias Bunde et al., eds, *Multipolarization – Munich Security Report 2025* (Munich Security Conference, 2025), https://securityconference.org/en/publications/munich-security-report-2025/.

3 See Richard Higgott and Taelyn Reid, 'Strongman Leadership and the Limits of International Cooperation", *Global Policy* 14, no. 3 (2023), pp. 451-63; Gideon Rachman, *The Age of the Strongman: How the Cult of the Leader Threatens Democracy Around the World* (Penguin Books, 2022) and Ruth Ben Ghiat, *Strongmen: how they rise, why they succeed, how they fall* (Profile Books, 2020).

Part Two examines how the USA has driven change in the 'new geopolitics' of the 21st century. The hegemony of economic globalisation now seems only ever to have been but a brief interregnum. The behaviour of China (and Russia) and especially the United States under the second Presidency of Donald Trump have ended world order as we have known it since the end of the Cold War. The period 1990-2020 looks something of a transition between the long 20th century and a late onset 21st century. Part Two examines recent changes in the structure and management of the geopolitical and geostrategic orders.

Part Three look at how these changes pose strategic challenges of both a politico-security and politico-economic nature for the European Union and how its leading EU member states, especially Germany, can address them. While noting that many challenges were present prior to the return of Donald Trump, his second administration has unleashed a level of uncertainty unknown since the early days of the Cold War. The very pillars of the transatlantic relationship – security and defence, trade and investment and shared democratic values – are in question. Trump sees them (indeed everything) as negotiable. Vacillation over support for Ukraine and recurring bouts of sycophancy towards Russia have caused a rethink in Europe about the very nature of the transatlantic relationship. It has done so in three ways:

(i) The *security discourse* now reflects a new truth. For the first time since the creation of NATO in 1949, Europe knows it can no longer unambiguously rely on the US in the event of conflict in Europe. Article 5 of the NATO treaty is no longer inviolable.
(ii) The *economic discourse*, disrupted by shifting US crude and bullying economic statecraft, offers an indefinitely uncertain transatlantic economic relationship.
(iii) The *political discourse* is now driven by a US vision of *competing value systems* and democracy (captured by USVP Vance's speech to the 2025 Munich Security Conference) and *differing transatlantic views on the utility of multilateral collective action problem-solving at the international level*.

Policymakers in Brussels, the EU national capitals and London have their work cut out. The case for intensified collaboration of both an economic and geopolitical-security nature within Europe is now greater than at any time since Brexit and it is in the hands of the leading EU Member states to make it work. Part Three asks to what degree Donald Trump is the inhibitor, or accelerator of, revived security cooperation in Europe.

Part Four considers the changing nature of the world economic and political orders through the lenses of the impact of evolving Trumpian economic statecraft and the rise of new actors – especially middle powers and the Global South/BRICS. The Conclusion is followed by a set of annotated recommendations for European readers.

PART 1: BACK TO THE FUTURE: FROM GLOBALISATION TO GEOPOLITICS[4]

(i) Autumn for globalisation and Springtime for Geopolitics:

The 'end of globalisation' is one of the more over-blown contemporary predictions. But the global economy is diversifying, not disintegrating. While the integrated complexity of the global economy and the desire of many states to preserve its core elements is far too advanced for it ever to come completely undone, there is evidence that a high watermark might have been reached. Global trade is becoming less open and less free under the weight of the growing populist challenges (from the left and the right) that wrongly confuse economic globalisation with political globalism. Global trade as a percentage of GDP appears to have plateaued. While it rose from less than 12% of global GDP in 1980 to 26% prior to COVID, no expectation of further growth is anticipated between now and 2030.[5]

We have seen a juxtaposition in the changing fortunes of neo-liberal economics and geopolitics as dominant narratives of world order. Understanding of the neo-liberal economic vision boosted globalisation in the short term but damaged it over the longer term. It did so by over-hyping its virtues and downplaying its negative distributional disadvantages and accompanying political costs, especially in the industrialised West. As we now know, uncritical reflection on the negative externalities of globalisation by its boosters – the generation of inequality, and especially the insouciance of its global cosmopolitan elite beneficiaries towards the declining material fortunes and rising economic anxieties of the industrial working classes in the developed world – heralded major negative political consequences for democracy.

This paved the way for the rise of anti-globalism replete with its opposition to open liberal trade and multilateral institutions.[6] Accompanied by growing negative, often xenophobic and anti-immigrant identitarian politics, anti-globalism paved the way for the resurgence of a nationalist and sovereignty-driven discourse of geopolitics. *Geopolitics has replaced globalisation as the most powerful ideational metaphor in the lexicon of international politics*.

Geopolitics privileges the spatially determined location of territory, human identity and ethnicity as the key drivers of international relations. Theories of geopolitics articulating a form of inter-state social Darwinism, emerged at the end of 19th century European colonial competition. In its most recent form geopolitics is, for one of its leading contemporary analysts at least, a 'discipline'

4 This section draws its inspiration in part from an earlier paper by Richard Higgott, *The Decline and Rise of Hegemonic Narratives: From Globalisation and the 'Asia-Pacific' to Geopolitics and the 'Indo-Pacific'* (LSE IDEAS, 2024), https://www.lse.ac.uk/ideas/publications/Research-Reports/The-Decline-and-Rise-of-Hegemonic-Narratives.

5 Adam Tooze, *Oxford Economics/Haver Analytics*, Chartbook Newsletter (2025).

6 On the important distinction between globalism and globalisation see Joseph Nye, 'Globalism versus Globalisation', *The Globalist*, 15 April 2002, https://www.theglobalist.com/globalism-versus-globalization/.

reflecting a distinctive intellectual approach.[7] It is a *statist approach to international relations that privileges geography as seen through the lenses of (and the search for) state power.* But the contemporary discourse is as much more metaphorical and technological than that of its 19th century predecessors.[8] For Brands, and other neo-realist scholars, the most common understanding of geopolitics is about 'great power competition' and the 'balance of power'. The *balance of power* may be seen as the meta theory at the heart of geopolitics and its practice. Growing great power rivalry has seen a surge in geopolitical analysis after a relatively brief post-Cold war, quasi-liberal unipolar era dominated by the more liberal narrative of economic globalisation.

(ii) Geopolitics and Fuzzy Bifurcation

The difference between the 20th century Cold War great power competition and now is that the US and China are economically interdependent in a way the US and the Soviet Union never were. Similarly, notwithstanding the democracy versus authoritarianism divide championed by Joe Biden, neither the US (any longer) nor China are leaders of tight ideologically coherent blocs of secondary powers. There is no tidy match of democracies aligning with the USA and authoritarian states aligning with China. The world may be bifurcated but it is neither bipolar nor disciplined. Rather it is best described as 'fuzzy'.

By way of brief example of this fuzziness consider the case of the so-called Global South in the contemporary order. Many states – especially but not only from the Global South – now pursue interest-based transactional foreign policy, hedging on an issue-by-issue basis rather than, with only a few exceptions, cleaving solely, for one reason or another, to one great power or more. The foreign policies of countries of the Global South, if not formally articulated as such, practice a form of non-alignment as a significant aspect of their international relations. Sometimes they bandwagon; sometimes they balance with one or other of the great powers. But increasingly they hedge or, if they are aspirational (as in the case of the EU in technology), they strive for a degree of strategic autonomy.

As Part Four will argue, taking the Global South for granted has not worked well for either the USA or Europe, especially as the ideational power of the western democratic model has suffered, and continues to suffer, erosion. This erosion has been accompanied by an equally significant decline in the international acceptance of US global leadership. Critiques of the Global South – that it lacks precision and rigour – ignore the fact that it captures the *zeitgeist* of the age that gives the concept currency as a projector of voices of resistance in the face of the traditional bipolar and unipolar hierarchies of international relations.

7 See Hal Brands, 'The Field of Geopolitics offers both Promises and Perils', *Foreign Policy*, 28 December 2023. https://foreignpolicy.com/2023/12/28/ geopolitics-strategy-eurasia-autocracies- democracies-china-russia-us-putin- xi/#cookie_message_anchor.

8 See Casten Nickel, 'What do we talk about when we talk about the return of geopolitics?' *International Affairs* 100, no. 1 (2024), pp. 221-39, https://academic. oup.com/ia/issue/100/1?login=false.

(iii) Geopolitics and the Security Dilemma

In the context of growing strategic rivalry, geopolitics is not just about geography. It has become a metaphor for international political security relations with a focus on bilateral and transactional great power security competition. As such, it has little room for multilateral collective action problem-solving. Current thinking and practice are not without major implications, especially for the security and stability of the international order under what is known as the 'security dilemma'. Traditionally, and simply understood, realist theories of security assume that in an anarchic world state action to increase own security, professed defensive intentions notwithstanding, can often lead to a spiral of security anxiety among other states. Moreover, this kind of analysis of great power politics could also have a self-fulfilling impact on the longer-term militarisation of geopolitical strategy.

It is not impossible that current geopolitical analysis, in its search for threats and enemies will not simply analyse, but in fact exacerbate politico-strategic competition and conflict between the great powers, especially the US and China. Hard-edged geopolitical analysis, fuelled by the zealotry of its advocates in a time resurging of security analysis, last seen at the height of the Cold War, will feed into a security dilemma that can act as an incubator of extreme prescriptive policy positions by others. Indeed, the analysis of geopolitics for large elements of both the academic and applied security studies community – notwithstanding an accompanying, if invariably vague, discourse of deterrence – holds to the illusion that wars of prevention can be won (sometimes even without fighting) and without escalation.

While geopolitical security analysis at its best does of course heighten *awareness of risk*, it can also *exacerbate risk and insecurity*. It can boost the prospect of 'threat inflation': whatever China does is *ipso facto* a security threat. In Pentagon jargon it is 'the pacing threat' for the USA. But there is a fine line between deterrence and provocation. This is not to suggest that there is no evidence of the forward leaning, aggressive nature of China's policy practice under Xi Jinping. Of course, there is. China is an authoritarian country with a poor human rights record that also has regional and global aspirations for an instrumentalist, strongly China-focused, post-liberal, revision of world order.[9] These aspirations were illustrated in the communiqué and analysis emanating from the August 2025 Shanghai Cooperation Organisation summit in Beijing.

9 People's Republic of China, RC, *A Global Community of Shared Future: China's Proposals and Actions*, The 33rd State Council Information Office of the People's Republic of China, 26 September 2023.

PART 2. GEOPOLITICS, GREAT POWER COMPETITION AND STRONGMAN LEADERS

As Part One has argued, the underlying assumptions of world order are no longer valid. The assumption that the costs of retaining US hegemony would be low and the benefits high have not proved durable for at least four reasons:

(i) The costs of hegemony are much higher than expected.
(ii) The other great powers, especially China and Russia, actively resisted and, along with a growing number of other states, continue to resist assumptions of US primacy.
(iii) US military preponderance is proving more fragile than was thought. It does not always win.
(iv) The lead the US was initially given by economic globalisation have been squandered and China has capitalised on it.

These trends were observable *prior to* Trump's first presidency. Putin's speech at the 2007 Munich Security Conference and the global financial crisis of 2008 were the early signifiers. Barack Obama's administrations were lukewarm in their responses to crises: as in the non-responses to the use of chemical weapons by Assad in Syria and the Russian annexation of Crimea. Obama's much vaunted 'pivot to Asia', excluding support for the TPP, was a policy without substance. But the trends have been exacerbated by Donald Trump. Part Two identifies the nature and the implications as they were articulated in Part One.

(i) Geopolitics and Spheres of Influence

Geopolitical great power competition has returned in the early decades of the 21st century. While the trends were clearly emerging as China grew stronger and Russia became more revanchist, Donald Trump's arrival has been the accelerator, especially in his desire to be a 'strongman' leader comparable to Putin and Xi, the two leaders he most admires. Like them he wants to revel in a personalist world order with a preference for realist driven great power competition, rather than the liberal infused assumptions of multilateral collective action problem solving. Activity by others is viewed through the lenses of great power competition and as a challenge to US interests.

The advent of the second Trump administration reflects this combative discourse but with a twist. Trump's ideal of competition is now accompanied by a desire for *a great power division of labour* underpinned by assumptions of transactional bilateralism and great power control of their own *sphere of influence* in a manner not dissimilar to bygone eras when great powers traditionally assign to each other prerogatives, rights and responsibilities, ensuring a stable order via the control of lesser players in their spheres. Stacie Goddard in a recent *Foreign Affairs* article calls this would-be system 'great power collusion – managed by strongmen who work together – to impose a shared vision of order on the rest of the world'. As she notes,

> "With astonishing speed, Trump has shattered the consensus he helped create. Rather than compete with China and Russia, Trump now wants to work with them, seeking deals that, during his first term, would have seemed antithetical to U.S. interests."[10]

Nowhere is this better illustrated than in his approach to the resolution of the Russian invasion of Ukraine with his variously suggested, shifting, and increasingly irrelevant 'deals' for resolution of the war and other elements of his foreign policy agenda. But when viewed through the lenses of spheres of influence, his policies seem far less frivolous than at first sight. The desire to take control of the Panama Canal, annex Greenland, incorporate Canada as the 51st state and even rename the Gulf of Mexico make sense in the completion of a US-controlled Western Hemisphere. The tacit implication here is that Trump is prepared to accept a geopolitical view of world order in which control is shared with two other regional great powers/strongman leaders.

(ii) Spheres of Influence and the Strongman Problem

The renewed interest in the geopolitical concept of spheres of influence as a post-liberal organising principle only makes sense if we see it as a reflection of the changing role of international leadership and, especially, the growing desires and impacts of 'strongman leaders' as the driving force of international relations in the 21st century. Leadership has reverted more to authoritarian strongmen acting individually, instrumentally and transactionally as they have abandoned the professional and normative niceties of multilateral diplomacy in favour of bilateral transactional power and intimidation. It is increasingly individual leaders who are the agents of diplomacy, dialogue and cooperation.

States never speak, nor do they think, cooperate or feel anger, joy or pain – only people do. States only interact with each other *via persons speaking on their behalf*. Yet, when we talk of actors in international relations and diplomacy, we often do not do this. Rather we engage in *anthropomorphosis*. That is, we endow states, and *the* state, with human properties they do not possess. *But human, socio-psychological deficiencies in global leaders are a major cause of our current troubles.* Many leaders *as people* are, by personal socio-psychological disposition, ill-suited to diplomacy and the advancement of a wider international cooperative dialogue.

Many strongman leaders exhibit destructive personality traits not conducive to diplomacy. Such traits can include, if not full-blown narcissism, then at least strong elements of self-absorption, self-admiration, overconfidence, a high but fragile sense of self-esteem in which arrogance, power, and loudness, rather than humility, empathy and calmness seem to predominate. In such circumstances, the state can become an extension of a leader's personality. It becomes a style, rather than a form, of government based not on expertise and judgment but on loyalty. Indeed, expertise and experience become suspect. Deal-making assumes zero-sum relative gains as opposed to positive-sum absolute gains. Of course, not all strongman leaders exhibit these

10 For a discussion see Stacie Goddard, 'The Rise and Fall of Great Power Competition: Trump's New Spheres of Influence', *Foreign Affairs*, May/June 2025, https://www.foreignaffairs.com/united-states/rise-and-fall-great-power-competition

characteristics. And not all the characteristics are present in all strongman leaders. But these characteristics, where and when they exist, are not conducive to diplomacy and cooperation. This requires an ability to listen and compromise.

Moreover, strongman leaders are usually nationalists with international ambitions rejecting secularism and liberal universalism and rather championing identity politics seeking to fuse religion, nation and 'the leader'. Think Putin and the new Russian Orthodox church. Think Trump and his words to the Evangelicals: "Christianity will have power." And most see a role for themselves in renewing the nation: Think Modi and 'the new India'; Erdogan and 'the new Turkey'; Xi and the 'great rejuvenation'. No other type of leader is so transparent in prioritising self-interest over public good. Strongman leadership casts major policy shadows over contemporary foreign policy making and international interaction. For example, what *The Financial Times* calls Donald Trump's 'mob behaviour', *The Economist* calls his 'Don Corleone' approach to diplomacy and others call his 'Gangster Diplomacy' has seen him rid himself of many restraints with regards to accountability and the rule of law at home and the rules-based order abroad.[11]

The current US leadership increasingly rejects any restraints to be found in the norms of institutional multilateralism. Trump's 'America first' policy is zero-sum in intent and practice. Notable has been the weaponisation of economic diplomacy in his tariff strategy. In addition, the USA has quit the Paris Agreement and UNESCO membership, and will quit the World Health Organization. The US has 'paused' funding to the World Trade Organization for 2025 and Trump's 4 February 2025 Executive Order instructs Secretary of State Marco Rubio to examine all US international treaty obligations, all International Organisation memberships, and recommend which to terminate, including the United Nations. It is difficult to see how the WTO will survive Trump's tariff madness. Positive sum liberal (trade) diplomacy disadvantages the USA, says Trump. Hence his rejection of the Most Favoured Nation principle in favour of explicit bilateral trade reciprocity.

(iii) Four Trends

In addition to the dominant trend identified in this report – the challenge to globalisation and the return of geopolitics – the international system can be summed by the inclusion of four other strong trends driven by the USA and other 'strongman leaders'. They are:

(a) The consolidation of a new mercantilism. What The Economist calls 'homeland economics'.[12] This is driven by growing domestic industrial policy. In today's usage, industrial policy has gone beyond its traditional role as an instrument of trade protection and subsidy, to include other increasingly significant governmental regulatory practices aimed at securitising a state's international activities. This is a phenomenon not only

11 For a discussion see Richard Higgott and Malgorzorta Zachara, 'New Directions in the Theory and Practice of Diplomacy: The Utility and Limits of the Gangster Analogy in Donald Trump's Diplomacy', forthcoming.

12 'Are Free Markets History? The Rise of Homeland Economics', *The Economist*, 7 October 2023. https://www.economist. com/weeklyedition/2023-10-07.

to be found in the USA, but also increasingly in Europe where, in stirrings of US-style industrial policy, the EU is developing its own approaches to economic security. On both sides of the Atlantic this is seen as a necessary response to the state-based capitalism baked into the Chinese Communist Party's DNA.

(b) 'Democratic backsliding'. Understandings of politics invariably lag the practice of politics. But things continue to fundamentally change across the globe in the face of a growing populist political sentiment and concentrations of capital in the hands of the new technological oligarchy that controls modern AI, communications and social media – what we might call oligarchical populism and the rise of a technocracy.[13]

(c) Declining global trust in the USA. Donald Trump – seemingly by design rather than accident – has squandered 80 years of goodwill both from and toward the USA with his aggressive economic statecraft and deliberate evisceration of the instruments of US 'soft power', such as USAID, the Voice of America and hostility towards traditional allies such as Canada and Europe.

(d) The fractured and permanently changed nature of the transatlantic relationship and the attendant existential crisis in Europe it has (if only in part) provoked. This is discussed in the next section of the report.

13 'How Technocracy Has Become Our Reality | The Listening Post - YouTube', accessed 27 October 2025, https://www.youtube.com/watch?v=7oW_HdegO-U.

PART 3: RESPONDING TO THE NEW GEOPOLITICS: WHAT SHOULD EUROPE DO?

"The West as we knew it no longer exists."
- Ursula von der Leyen.[14]

If the EU, as we have come to know it, is to prosper in the Trumpian era, it must generate a new transatlantic strategy. It must do at least four things:

(i) Grow and strengthen a Europe-wide cooperative military capability.
(ii) Reform, innovate and enhance Europe's internal *economic* resilience.
(iii) Build and consolidate global partnerships beyond the Atlantic – in the Global South in general and the Indo-Pacific in particular.
(iv) Undertake institutional reform to streamline policy implementation; a tired cliché, but ever the more important.

At the end of the Cold War, Europe recognised few perceivable military threats secure in its 'taken for granted' durable transatlantic alliance. Military budgets declined and armed forces shrank as attention turned to other issues. In recent years all has changed, and that change has accelerated exponentially since February 2025. We now live in an age that prioritises geopolitics and mercantilism rather than global economic integration. This can be seen in the way that trade has shifted from a tool of connectivity to a weapon of geopolitical competition.

Europe of the 27 and the UK were not unaware of the pre-Trumpian trends in the international political economy. Indeed, it was in 2019 that Ursula von der Leyen articulated the need for the EU to become a 'Geopolitical Commission'. Never clearly articulated, this was somehow going to continue the traditions of a liberal 'normative' power Europe with its commitment to multilateral problem solving via international institutions, while at the same time toughening up the EU as a geopolitical actor with a defined interest reflected in power. Brussels has never satisfactorily explained how it would do both.

However, it is only since the return of land war to Europe, the coming of Trump 2.0, and his attack on the core elements of the erstwhile liberal order, that an appreciation of the challenges now facing the EU have come into clearer focus. The Ukraine war, noted former High Representative Josep Borrell, changed Europe's mindset: "The EU is no longer there to make peace between us, but to face up to the … [economic and political] … challenges at our borders."[15] While Trump has exacerbated the EU's problems – the EU's trade surplus of US$208 billion in 2023 and US$198 billion in 2024 is explained by him as 'cheating' – it is rather '*the EU's Weak Defence Policy and Stagnant Single Market'* that lies at the real root of Europe's problems.[16]

14 Ursula von der Leyen, 'We have no bros and oligarchs', *Dei Zeit*, 15 April 2019 https://www.zeit.de/politik/2025-04/ursula-von-der-leyen-eu-usa-donald-trump-english/komplettansicht.

15 'Borrell in Kiev: Europe Must Support Ukraine Whatever It Takes', *Groupe d'études Géopolitiques*, n.d., accessed 27 October 2025, https://geopolitique.eu/en/2024/02/12/borrell-in-kiev-europe-must-support-ukraine-whatever-it-takes.

16 Erik Jones and Mattius Matthijs, 'The Biggest Threat to Europe: It is not Trump: It is the EU's Weak Defense Policy and Stagnant Single Market', *Foreign Affairs*, January 2025, https://www.foreignaffairs.com/europe/biggest-threat-europe.

It is in this context that the EU, and particularly its leading states, must come to terms with the US's intention to fundamentally adjust the transatlantic relationship: as a trading partner, as a security partner in NATO and at the political level. Following Vance's 2025 Munich speech, the EU needs to address the often publicly visceral disdain shown by the Trump establishment, towards what the Trump administration sees as Europe's excessively 'woke' and civilisational discourse. This war of words is perhaps the least of Europe's problems. Indeed, it can be argued that US rhetoric even bolsters a sense of European identity and action; as for example in Germany's increasing willingness to provide serious hard cash to accompany its increased rhetorical commitment to Europe's need for change. But practical material responses must be the order of the day. Where would these practical responses come from and what would they look like?

***In the economic domain*:** Europe has two sets of proposals to be draw on. Firstly, Enrico Letta's early 2024 report for the Council of the European Union on the 'Reform of the Single Market'[17] and Mario Draghi's late 2024 report on 'EU Competitiveness'.[18] Both reports come to the same conclusion: that the EU's major problems stem from its relative economic decline and failure to stimulate investment when contrasted with the USA and Asia (especially, but not only, China). The challenge they both address is how to secure greater competitiveness and greater strategic autonomy by building strong industrial and technological bases. Without them, Europe will secure no meaningful degree of geopolitical independence from the USA or China. More than a year on there is little sign of action on either of the reports. One provocative way for the EU to put some distance between itself and the USA would be for it invest less there. This repatriation of Europe's not insubstantial investment from the US would allow it to invest more in Europe. This would enable the creation of the European capital market (the Savings and Investment Union) that was perhaps Draghi's major recommendation.

But the perennial question for the EU, remains. Where does the EU find the political ability to implement such policies? As is well understood, joined-up policymaking across the Union is always vexatious in the areas of economic and financial reform, with implications of contested sovereignty pooling and all the attendant negative consequences for jobs growth and innovation that failure implies. While aspects of leadership from the European Council, the European Commission and, as noted, Germany have improved in the face of the challenges thrown down by the Trump administration, the member states still lack a unanimous, as opposed to largely majoritarian, common cause.

In the security domain: The situation is similarly challenging with regards to the future of European security now that the prevailing US policy establishment no longer considers a free and democratic Europe to be principal amongst its international interests. The NATO of the Cold War era is no longer pivotal for the Trump administration. As of the 2025 NATO Summit the relationship and its principal aim – the deterrence of Russia – ostensibly at least, remains intact. But without more military support from the US and its favourable agreement, sole European support alone for the Ukraine will not suffice.

17 Enrico Letta, *SPEED, SECURITY, SOLIDARITY, 'PDF'*, n.d., accessed 27 October 2025, https://www.consilium.europa.eu/media/ny3j24sm/much-more-than-a-market-report-by-enrico-letta.pdf.

18 European Commission, 'The Draghi Report on EU Competitiveness', accessed 27 October 2025, https://commission.europa.eu/topics/eu-competitiveness/draghi-report_en.

More generally, can the EU build autonomous strategic thinking now that Trump, in the words of the Carnegie Endowment, '… has turned the United States from the West's most reliable and lucrative asset into its biggest liability – and vulnerability'.[19] Indeed, Trump has overturned old certainties, including the distinction between allies and enemies. Yet while the battle for the liberal democratic soul of the USA seems currently (but hopefully not permanently) lost, this is not yet the same in Europe. Indeed, and notwithstanding the continued strength of populism in some countries, it is possible to argue that the winds from across the Atlantic have stirred Europe in support of some key liberal traditions. *Eurobarometer* data finds that while a gloom has fallen over the European population's historically favourable view of the transatlantic alliance, Europeans are now more realistically transactional rather than naïve about the relationship. The USA is now acknowledged more as an unreliable partner than a steadfast ally. The arrival of Donald Trump is seen as the driver of this negative change in the survey data.

In addition to rethinking the transatlantic relationship, Europe needs to rethink its other major relationships in this age of great power standoff – especially in the trade domain. It needs to diversify from the United States. The EU already has trade agreements with seventy-six countries. Ratifying agreements with MERCOSUR and Mexico should be imminent and finalising negotiations with Indonesia and Australia should be prioritised. The EU should also explore joining the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) (the UK joined in December 2024) and complete the trade deal with India and agreements with several ASEAN states, notably Indonesia. A CPTPP partnership could help the EU offset some of the most egregious elements of US-China trade conflict. Moreover, these approaches are not at odds with the EU's longer standing values and strategy as a cooperative organisation builder. Indeed, in June 2025, Ursula von der Leyen has proposed to EU leaders the launch of a Europe-led initiative to establish a structured trade cooperation with the CPTPP.

China needs special and individual attention from the EU. Complex trade relations with it are a fact of life. The EU's legitimate grievances when it comes to Chinese subsidies and unfair trade practices will not go away. And when it comes to EU access to green technology, rare earth and other critical minerals, alongside climate change mitigation, China is not substitutable. There is also the suspended Comprehensive Agreement on Investment (CAI), the unblocking of which is unlikely, but that should be part of any exercise in rebuilding trust between the EU and China. But a simple alignment with China against the US on the trade/tariff issue is a non-starter. It would weaken Europe both politically and economically. Politically, it would play to China's desire to decouple Europe from the US. And economically, Chinese overcapacity in manufacturing exports has already undermined Europe's industrial base. But US policy will likely push Europe closer to China.[20] Some kind of rapprochement would seem inevitable especially as the US retreats further from multilateralism.

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19 Rym Momtaz, 'The US Is the West's Achilles' Heel, but Not All Is Doomed', *Carnegie Endowment for International Peace*, 15 April 2025, https://carnegieendowment.org/europe/strategic-europe/2025/04/the-us-is-the-wests-achilles-heel-but-not-all-is-doomed?lang=en.

20 For a discussion see Valboni Seneli and Zoltán Fehér, 'How the US is pushing the EU Closer to China', *The National Interest*, 13 May 2025, https://nationalinterest.org/feature/how-the-u-s-is-pushing-the-eu-closer-to-china.

Making an inroad into the emerging global economic order in the Global South should also be an important route for Europe if it is to affirm itself as a player in the current geopolitical climate. There is no need for Europe to make a choice between the USA and China here. The Global South reflects approximately 130 nations beyond the orbits of the USA and China. Accounting for some 65% of the world's population, they are becoming important economic actors. Of course they are not a unified bloc but nor are they as at odds with one another as some policymakers in the North like to think. They share common interests in how the international order operates. They are interested in economic growth and deepening trade and investment links.

Much of the Global South is not ideologically aligned with one of the two great powers or driven by externally imposed geopolitical agendas rather than their own strategic priorities – especially the desire to balance climate action with sustainable development. Europe's relationship with the Global South needs to (continue to) change. Southern resentment to what is seen as a continuing and presently patronising European colonial legacy, with memories of its selfish COVID strategy, persists[21] alongside double standards in its responses to Ukraine and Gaza. Addressing these issues must be priorities if the EU is to consolidate a positive contemporary working relationship with the Global South.

(ii) Can Europe Have a Grand Strategy?

Analysts continually call for a European grand strategy. Unsurprisingly, Donald Trump's return has kickstarted a cottage industry of how to address his brand of aggressive geopolitics. Initial knee jerk responses to his return – especially appeasement, sycophancy, capitulation and 'check book' bribery (purchase more US oil) – have had only a superficial effect on a superficial president. It is unlikely to work in the longer run. Such approaches might offer a short-term fix, but they do not amount to good long-term policymaking. Appeasement gains no respect and no durable commitment to agreed policy. European strategy for the geopolitical era needs to be made of sterner stuff. The options are limited given that they can no longer be built around the traditional core of any European strategy: a *reliable* transatlantic alliance. Yet, 'supplication' finds little support in European capitals. While Brussels was keen to point out that the Trade Agreement was 'political' and not formally 'legally binding', von der Leyen's capitulation at Turnberry – strategically sensible as it might have seemed at the time – has left a sour taste and growing resistance in some European capitals. Equally, while some pragmatic policy coalescence with China on climate and trade can be expected, the order of the day must be greater European 'resilience' – not 'strategic autonomy'. Strategic autonomy has an unreal sense of absoluteness.

At the very least an EU strategy must maintain, or perhaps develop, a practical real-world politics. A strong normative dimension should remain. Its key role being to provide an acceptable discourse with which to mitigate the ill-disciplined nature of geopolitical competition that characterises the current age. The importance of rules and norms for cooperation, peace building, sustainability,

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21 See Shada Islam, 'The EU can't replace the US as a global player until it sheds its own colonial thinking', *The Guardian*, 29 May 2025, https://www.theguardian.com/commentisfree/2025/apr/29/eu-replace-us-global-player-colonial-thinking-global-south.

climate management and human development must be part of the strategy as must democracy preservation/enhancement, the maintenance of an open international economy, freedom of speech and religion, and aspirations for greater equality. Unfashionable as it may sound, Europe must remain a booster of the positive elements of both liberalism and globalisation. The EU must also remain committed to rules-based multilateral collective action problem solving in those areas (especially climate) where national policy alone will not prevail.

Nevertheless, hard practical measures are also required if the EU is to address these structural changes in the global strategic environment. Europe, while holding on to its moral compass, must enhance its hard power by building security and defence capacity and sustainable energy sources. Resisting any further Russian expansionist behaviour, in addition to enhancing economic capacity and greater military hard power, will also require not losing any more ground to the US and China than it has already in technological capacity.

But the task of containing Russia is no small matter and will not be cheap. It needs to be embedded in the proposed reforms (of which there is no sign yet) found in the Letta and Draghi Reports. Given the low base from which the EU is starting, any rebuilding of its defence capacity will not show strongly until well beyond Trump's second term is over. Trump has a point when he says that European members of NATO have been free riders since the end of the Cold War. NATO defence spending and cooperation must be enhanced and not simply be the rhetorical commitments from the Hague June 2025 NATO meeting. The EU currently has no military force capable of unified projection. It really does not qualify as an independent military actor.

And what about the UK's relations with the EU and its major powers? There is the growing rapprochement between Europe and the UK, and especially its traditional rival France, in the security domain and with the prospects of an EU-UK defence pact. Similarly, Germany's expressed desire to close ranks with major European partners, such as France and Poland, and be a much stronger security and foreign policy actor in military, economic, political and social terms is also to be welcomed.

Much also rests on successful implementations of the post Brexit UK-EU reset agreed and signed at the first UK-EU summit since Brexit (19 May 2025.) Political views on the reset are mixed. But the deal, still with sketchy implementation details, is the gateway to major UK-EU cooperation in defence and security. The two parties' common strategic interest has grown since the advent of the Ukraine war, and the re-emergence of Donald Trump. Whether the deal is, as Ursula von de Leyen said at the May 2025 Summit, an 'historic Moment … opening a unique chapter in the relationship' remains to be seen. The issues discussed, notably on defence procurement and agricultural trade, still require negotiation and formal agreement.

But for all the new-found goodwill, the UK's role will remain problematic for the EU. Weaning the UK off the 'special relationship' will be no easy matter. It does not help any UK reset with Europe that Trump, reflecting his disdain for Brussels, attributes the early trade deal to the UK not being in Europe. These tropes play to Trump's desire to practice divide and rule with his transatlantic partners. His relationship with Prime Minister Starmer has been just sufficiently concessionary to make the British still to feel they remain 'special.'

The longer-term question is: how much longer can the UK continue its transatlantic vacillation between its (still) principal intelligence ('Five Eyes') and security partner on the one hand and its largest trading partner on the other? Certainly, Washington has no interest in solving the UK dilemma of improving its relationships with the EU in general, and the major powers such as Germany in particular. The post-Brexit relationship with the major European powers, especially France and Germany, will have to be crafted in a bilateral manner as a multilateral one. This long-term reset will become even more difficult if, the language of cross-Channel rapprochement notwithstanding, the EU opts for the restrictive understanding of Europe as the 'EU' with institutional barriers to cooperation with non-members, as for example in the Commission's refusal to support UK membership of the proposed *Pan-Euro-Mediterranean Trade Pact*.

One promising sign is the more than simply rhetorical affirmation in Europe (especially Germany) of the need to increase joint defence spending and cooperation measures. Other positive current initiatives include the Commission's ReARM programme, the Security Action for Europe (SAFE) programme (which the UK will be able to buy into) and the triggering of the clause allowing member states to use an extra 1.5% of annual GDP on defence spending without breaching fiscal rules. Plans for securing up to an extra €800 billion in total for joint defence initiatives are mooted.[22] But as Rosa Balfour, Head of Carnegie Europe points out, '…spending will not overcome fragmentation'.[23]

The EU's institutional architecture is ill-suited to great power politics. It is also structurally resistant to it. Joined up thinking and policy implementation, not only within the Union but also with other Europeans countries, remains underdeveloped yet will be crucial. Moreover, it will need to include Switzerland and Norway as well as the UK. None of this however is without political challenge and economic and social costs. But, in what Balfour calls the 'silver lining' of the Trump effect, is the growing desire of large swaths of the EU population to resist Trump's bullying.

22 *White Paper for European Defence - Readiness 2030 - Defence Industry and Space* (European Commission, 2025), https://defence-industry-space.ec.europa.eu/eu-defence-industry/white-paper-european-defence-readiness-2030_en.

23 Rosa Balfour, 'Europe Tried to Trump Proof Itself. Now it is Crafting Plan B', Carnegie Europe, 30 April 2025, https://defence-industry-space.ec.europa.eu/document/download/6d6f889c-e58d-4caa-8f3b-8b93154fe206_en?filename=SAFE%20Regulation.pdf.

PART 4: LOOKING LONGER-TERM: THE CHANGING ECONOMIC AND POLITICAL ORDERS

(i) The End of the Economic Order as We Know It

Established and institutionalised trade rules based on assumptions of equal treatment, enshrined in the MFN principle and ensuring predictability and stability, have constituted a core component of the grammar of international relations since the end of the Second World War. By contrast, the Trump administration's approach to tariffs generates volatility and unpredictability. This aligns with the broader style of Donald Trump's leadership, resting on the deliberate maintenance of persistent uncertainty that have called into question the reliability of the US as a global leader.

In President Trump's view, this strategy is designed to extract concessions and renegotiate relationships. Threats and economic coercion have become normalised instruments of foreign policy in a process that the *Financial Times* refers to as a 'diplomatic shakedown.' It is also a process the US president relishes, and as he has remarked, it is '… in its infancy'.[24]

Equally important is the impact of Trumpian policy on the longer-term credibility of the dollar. If the short-term decline in its value is to be our guide (+/- 10% since February 2025) then at the very least, US policy is leading the rest of the world to reassess the degree to which the traditional trust placed in the dollar as the reserve currency should continue. States are becoming concerned about the reliability of the dollar as a medium of exchange and credit and a guarantee of liquidity. It was this reliability that saw third countries willing to accept for so long the 'exorbitant privilege' given to the USA by the dollar.

In this context, the geopolitical issues of common European defence are much more pressing, making it less surprising that the EU has taken the decision not to get into a tit-for-tat trade war with the USA. Humiliating as it has been, by not doing so they have staved off an all-out trade war with someone clearly looking for a fight. There is no evidence that retaliation by major players such as the EU and Japan would have secured a rational response, rather than escalation, by President Trump. His desire to challenge allies and antagonists alike seems only surpassed by his desire for even further retaliation should they have the temerity to resist him or give offence as Modi has done by resisting Trump's bluster on negotiating peace between India and Pakistan.

At one level Trump has won. He has changed the nature of international trade. But he has not killed it. We are seeing a changing and dividing global economy, not a disintegrating one. Tariffs, notwithstanding their legality being questioned in the US Federal courts, are of the moment in the trade domain and countries are falling in line to make deals with the USA. Even post-Trump it is unlikely that the trade genie will be put back in the bottle. The new trade system, led by the US, will most likely be a tariff-based system, absent any formal rules or a strong coordinating institution

24 James Politi and Aime Williams, 'How Trump Has Turned tariffs into Diplomatic Shakedowns', *The Financial Times*, 8 August 2025, https://www.ft.com/content/791b84a5-7e6c-4e44-a2af-7e59ebbe4c7d.

and as other states become more accepting of these facts of trade life. Tariffs, or more precisely bilateral trade exclusions, are becoming a politically accepted policy option across the political spectrum both within the USA and internationally.[25] In short, we live in an era of global trade with protectionist colours.

So, a sense of perspective on the impact of Trump's trade wars is however needed. Yes, a 3% contraction in global trade is expected in 2025 in the wake of trade policy uncertainty. But in absolute terms open trade has, to-date at least, proved surprisingly resilient. Its record high of $33 trillion in 2024 represented nearly one third of a global GDP of $105 trillion.[26] Although it is cooling, the trade-to-GDP ratio remains higher in 2025 than it was it was in 2000. And, as the IMF has noted, the principal source of the USA's (and China's) trade imbalances still remains their inability to address their domestic macroeconomic problems.[27] And, as even the WTO recognises, reform in the over-concentration of supply chains, and its own functioning – especially in the areas of TRIPS, TRIMS and dispute resolution – is much needed. The core question is whether the WTO, in the absence of great power input, and the multilateral trade system can be renewed.

(ii) New Actors in the Changing Political Order: Middle Powers and the BRICS

As this report has detailed, we live in a returning age of great power geopolitics in which the erstwhile US-led order has ended. But a multipolar world with a semblance of equilibrium is yet to be born. The current context reflects a combination of both traditional and modern geopolitical thinking about the management of an international order absent hegemony. Drawing on early 20th century history we can see the resurrection of a spheres of influence strategy now practised by 21st century strongman leaders. Such a process represents the ultimate dispatch of the liberal international *political* order for one reflecting once again imperialist challenges to state sovereignty with the contemporary infusion of 21st century-style strongman leadership. While there is no guarantee that an informal bargain between strongmen will endure, Europe especially is vulnerable to any such deals. Its priority is to give birth to a new multilateral order that can tread the path to sustainable peace and development in an open international economy.

Cooperation by the EU with other similarly minded states – such as Canada, Australia, Japan, South Korea and other core states from the Indo-Pacific, Latin America and Africa – to combat the economic nationalist agendas of the two global great powers and Russia must be appropriate for inclusion in any longer-term EU strategy. Theoretically, this should not be impossible. But Europe's

25 See Cliff Kupchan and Robert Kahn, 'A New World Order of Tariffs', *The National Interest*, 6 August 2025, https://nationalinterest.org/feature/a-new-world-order-of-tariffs.

26 *Global Trade Outlook and Statistics* (World Trade Organization, 2025), https://www.wto.org/english/res_e/booksp_e/trade_outlook25_e.pdf.

27 Pierre-Olivier Gourinchas et al., 'Trade Imbalances in China and the USA largely driven by Domestic Macro Forces', IMF Blog, *International Monetary Fund*, 12 September 2024, https://www.imf.org/en/Blogs/Articles/2024/09/12/trade-balances-in-china-and-the-us-are-largely-driven-by-domestic-macro-forces.

success in this role will depend on it acting in a joined-up manner, not as a group of independent middle powers. Resisting the arbitrary transactional behaviour of the world's strongman leaders is proving difficult enough collectively. It will be impossible for individual states. Greater collective action problem-solving on the world's most intractable transnational problems will require the EU and other major players, such as India and Japan, and the increasingly vociferous, politically rejuvenated, middle powers from both the North and the South to come together to reinforce an emerging, albeit less formalised, multilateral cooperation with one another.

Popular as an analytical category of states in the closing stages of the Cold War, the concept of the middle power identified the *behaviour* of what were then largely seen to be wealthy northern states, who could afford to play the role of 'good international citizens' (notably Australia, Canada and the Nordic countries), committed to promoting, peace and international cooperation. The concept came to be seen as less relevant in the post-Cold War American unipolar moment. But the idea of middle powers in international relations is now again evident, operating on a broader canvas with an infusion of new actors from the Global South. Their comeback has corresponded with the waning of US influence.

Unlike the earlier generation, middle powers of the newer generation, including many from the Global South, are, in their modern incarnation, increasingly less respectful of, and deferential toward, the USA and the institutional order it constructed. Certainly, the normative assumptions and practices of the 20th century of good international citizens, happy to operate within the parameters as institutionally defined by the US, sit uneasily with the international politics of the third decade of the 21st century. Some of the larger states from the South are showing an interest in their 'middle-ness' and what it means for how they pursue their foreign policies.

This is not to imply that the contemporary international system is a more benign place for middle powers. It is not. But their room for manoeuvre is greater. They can now mix existing traditional foreign policy behaviours of bandwagoning and balancing with newer strategies of hedging and the search for autonomy. The structurally ambiguous post-liberal order is proving a more accommodative environment to middle power hedging than the tightly disciplined bipolar rivalry of the post-colonial, Cold War and unipolar eras. In the context of greater Sino-American efforts to pull states towards their respective potential spheres of influence hedging now plays an increasingly important role. Behaviour is increasingly flexible: contingent both within, and across, policy domains.

India can thus bandwagon with the US on security in the Indian Ocean against a growing Chinese presence while negotiating a border agreement with China. Canada is willing to rebuff Trump at great economic cost as a symbol of its strident insistence on autonomy but retain its strong security ties as a NATO member. Despite US pressure, and its desire to maintain AUKUS, Australia is not willing to contemplate de-coupling its economy from that of China's. Brazil resists the 50% tariffs imposed by Trump over Bolsonaro. Although subject to the vicissitudes of great power divide and rule tactics, when cooperatively joined-up, middle powers could become a third force to be reckoned with in international relations. Perhaps the best most recent example is the way Japan, Australia and Canada, effortlessly brought the negotiations to a positive conclusion to create the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) when the USA assumed, wrongly as it turned out, that its departure from TPP in 2017 would kill the deal.

The great powers, especially the USA, have under-estimated the potential autonomy of action of middle powers and 'swing states'.[28] Of course, while they invariably remain secondary actors in great-power dialogues, their role can transcend mere support or opposition to the *status quo*. They can enrich the policy discourse, especially when advancing collective action based, moral-cum-ethical preferences for resisting hegemony and great power rivalry in favour of the peaceful resolution to conflict, poverty eradication and climate mitigation.

Change is in the air. At the very least, the practices of the post-liberal order will not simply be left to the great powers. Neither the US and China always succeed in bending the behaviour of swing states to their will. The new southern approach to multilateralism has been to reject an American-centric 'top down' approach dominant in the post-war period in favour of a 'bottom up' (albeit messier) approach not dependant on the great powers. The Global South is interested in rules; just less so those rules that it sees as imposed for the benefit of the West. Rules-based multilateral cooperation remains necessary in any post-liberal international setting.

For all the contentiousness surrounding its growth, the BRICS' very presence reflects a shift in the global structure and how we think about post-liberal multilateralism.[29] Some of its members might be critical of the Trump administration. But despite Trump's overt hostility and threats towards its members, BRICS is not simply an anti-Western bloc.[30] Its demands for the fairer international institutional representation of its members, and the Global South more generally, is only likely to strengthen over time. It wants to save the international order through the adoption of new rules, consensually derived, not abolish it.[31] Bottom-up, decentralised, messy and Southern in origin, its ability to foster the reform of the strained structures of global governance could possibly make it an increasingly powerful force in international politics. Even *The American Conservative* argues that the BRICS '…are building a viable alternative to a US-led world order'.[32]

None of this, however, is to suggest that the continued BRICS development is inevitable. It lacks ideological coherence. It is a fragile coalition of both democratic and authoritarian states Its membership reflects divergent interests lacking formalised strategic goals. Critics attempting to silo the BRICS into the old conception of multilateralism and downplay their relevance, miss the

28 See Cliff Kupchan, 'Six Swing States Will Decide the Future of Geopolitics', *Foreign Policy*, 6 June 2023, https://foreignpolicy.com/2023/06/06/geopolitics-global-south-middle-powers-swing-states-india-brazil-turkey-indonesia-saudi-arabia-south-africa.

29 For an excellent discussion see Raoul Bunskoek and Sven Verburg, 'The BRICS and the Emerging Multipolar Order', *Clingendael Policy Report*, May 2025, https://www.clingendael.org/sites/default/files/2025-05/BRICS_Emerging_Order_Multipolarity.pdf.

30 Lisandra Paraguassu and Manuela Andreoni, 'Trump threatens extra 10% tariffs on BRICS as leaders meet in Brazil', *Reuters*, 7 July 2025, https://www.reuters.com/world/china/leaders-growing-brics-group-gather-rio-summit-2025-07-06; Ashleigh Fields, 'Trump threatens BRICS nations that move away from "mighty US dollar"', *The Hill*, 31 January, 2025, https://thehill.com/business/5118693-trump-threats-tariffs-brics-reserve-currency,

31 ORF, NAIA, and SAIIA, 'The BRICS Summit, 2025: The Search for Common Ground', *International Affairs*, 23 July 2025, https://www.cfr.org/councilofcouncils/global-memos/brics-summit-2025-challenge-find-common-ground.

32 Ted Snider, 'The Yellow BRICS Road', *The American Conservative*, July 2025, https://www.theamerican-conservative.com/the-yellow-brics-road.

point. The BRICS are more than merely a multi-member symbol of cooperation. They reflect the desire of members to change the balance of the global order. While China and Russia are the two major states in the organisation, they do not represent the sum of its parts. Brazil. South Africa, India and, since 2025, Indonesia (as democracies) play important ideological bridging roles with the wider membership, and the Global South generally. Despite member differences, BRICS are what we might call an exercise in a 'new exploratory multilateralism', with members preserving their sovereignty while at the same time seeking informal partners and international agency.

(iii) Is World Order without the USA (Un)thinkable?

Many of the changes in world order identified in this report have been in train for over a decade. What is recent is the *pace and magnitude* of that change, especially the rapidity with which Donald Trump's policies are driving that change. The USA has accelerated the end of the quasi-liberal order it did so much to build. At the same time it has undermined the trust and respect for the US more than either the war in Vietnam or the invasion of Iraq. For the first time significant actors in international relations are beginning to publicly reflect on the prospects and modalities of a post-American world order where the US is the 'dispensable' as opposed to Madeleine Albright's 'indispensable nation'. Building cooperation without the US is no longer unthinkable. The impact of the policies of the second Trump administration on the international order, as Kori Schake has pointed out, rest on a 'significant over estimation of American power'.[33] The questions of the moment are the degree to which US dominance can be expected to come under increasing challenge as it withdraws from its traditional global affairs and the degree to which other actors accept and act on the decline of the global order constructed by the USA. For example, Trump's hostile policy towards the BRICS appears not to be working.

Notwithstanding the concessionary behaviour of the EU on the tariff issue, some of its members are developing increasingly hard-headed strategies to live with (or is it without?) an inward-looking US. Ursula von der Leyen is talking an alternative to the WTO while one serious trade scholar has suggested that, rather than try to create alternative organisations, the WTO membership should invite the USA to leave. This would call the bluff of the USA which has threatened to leave on several separate occasions. While currently a bridge too far for many members, the very fact that it is has been suggested is not without significance.[34] Von Der Leyen's executive vice president, Teresa Ribera, is insistent the EU resists Trumps challenges to the EU's Digital Services and Digital Markets Acts.

33 Kori Schake, 'Dispensable Nation: America in a Post American World', *Foreign Affairs*, 104 (4) 2025, 12, https://www.foreignaffairs.com/united-states/dispensable-nation-schake.

34 Kristen Hopewell, 'To Save the Global Economy Kick the USA out of the WTO', *Politico*, 7 July 2025, https://www.politico.eu/article/to-save-the-global-economy-kick-the-us-out-the-world-trade-organization.

Beyond the acceptable requirements of the BRICS, China and Russia are using the Shanghai Cooperation Organisation (SCO, one of only a few organisations where Russia is not on the defensive) as a spearhead for a more aggressive approach to securing a new world order designed quite specifically to limit US influence in it and over it. The September 2025 Beijing meeting of the organisation represents the high-water mark to-date in President Xi's endeavour to reshape the old order.[35] He is being ably assisted in this process by President Trump, whose turn to Pakistan and his swingeing 50% tariff regime for India has succeeded in alienating Prime Minister Modi – undoing 25 years of diplomacy and spurring a dramatic Indian rapprochement with China.[36] In this context, Jim O'Neill, originator of the BRICS acronym, calls Trump the BRICS secret agent:

"… going easy on China and Russia, while pushing away Brazil, India, South Africa, and America's fellow G7 members … to give the BRICS+ group of major emerging economies and others an even stronger reason to develop alternatives to the Western-dominated order?"[37]

Also, in a remarkable turnaround, the question of the moment is the degree to which US dominance can be expected to come under increasing challenge. In what is a major event for the current international balance, President Trump, as a result of his own diplomatic ineptitude, can no longer count on India as a counterweight to China at a time when China's standing in world affairs is undergoing a major transformation. Beyond both BRICS and SCO gatherings in 2025, China's mega-diplomacy would appear to be having payoffs. This said, the SCO meeting show of unity by the world's strongman leaders is built principally on an antipathy to Trump's USA rather than a common programme built on Xi's vision for a new order.

Trump's challenges to the indictment of former President Bolsonaro have had a similar effect on President Lulu in Brazil as the diplomatic offense towards Modi. *As Foreign Affairs* notes, US policy is playing directly into China's hands.[38] These policy mistakes by Trump are not trivial. Given the beaches of trust towards India and Brazil they will not be easily undone and represent a boost to those who want to diminish US influence over the shape of world order.

Changes in the anticipatory behaviour towards the United States are still in their infancy, but with a good deal of momentum. Bandwagoning by US partners is rapidly giving way to counter balancing, hedging and the search for cooperation minus the presence of the USA. Just as the Trump administration have assumed allies are a burden, the allies and other non-aligned countries in turn are now searching for alternative modes of operation less dependent on the USA. An attitude towards the USA that would have been anathema a decade ago is becoming increasingly commonplace.

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35 Ministry of Foreign Affairs, People's Republic of China, *Concept Paper on the Global Governance Initiative*, 1 September 2025, https://www.fmprc.gov.cn/eng/xw/wjbxw/202509/t20250901_11699912.html.

36 For a discussion see 'India's Next Move', *The Economist*, 30 August 2025, https://www.economist.com/leaders/2025/08/27/humiliation-vindication-and-a-giant-test-for-india.

37 Jim O'Neill, 'Is Trump the BRICS Secret Agent?', *Project Syndicate*, 19 August 2025, https://www.project-syndicate.org/commentary/trump-trade-war-alienating-friends-and-going-easy-on-adversaries-by-jim-o-neill-2025-08.

38 See Hussein Kalut et al., 'Trump's Collision Course with Brazil', *The New York Times*, 30 August 2025, https://www.nytimes.com/2025/08/30/us/politics/trump-modi-india.html?campaign_id=190&emc=edit_ufn_20250901&instance_id=161669&nl=from-the-times&regi_id=104357405&segment_id=205035&user_id=8d07db06ed855bfee5e6d051260ae1c1.

Active discussion of the multilateral world without the USA proliferates and some of it is by way of trenchant critique. 20th century-style multilateralism is clearly weakened but multilateral governance will continue. The institutional density of multilateral institutions remains far too substantial to collapse simply because of the vacuum left by US antipathy.[39] Carl Bildt, the highly respected former prime minister of Sweden, examining US overall behaviour at the UN – failure to pay its dues, refusal to provide visas for delegates it does not like, etc. – has gone so far as to suggest that for the organisation to survive not only must it scale back its ambition, it must also leave New York. Moreover, a grand bargain between the five veto powers no longer holds.

As Anne Marie Slaughter, who also thinks the UNGA should at least be held elsewhere other than New York for the next few years, suggests the constitution of meetings by smaller groups of non-great power 'flexible' coalitions of states (and powerful non-state actors), absent the USA, is required. Permutations for such groupings are plentiful. Slaughter, using the concept of middle powers (albeit in a totally random manner and with no criteria for selection other than not the great-powers and not the small powers) suggests a coalition of China, Japan, Germany, the UK, France, Italy, Canada and South Korea and a meeting of the G20 also absent not only the USA but China and Russia too.[40] The new multilateralism will reflect the fuzzy bifurcated nature of world order identified in this report although the exact contours of a new multilateralism in which the US plays a vastly diminished role are clearly yet to be defined.

Such suggestions are unlikely to remain at the level of mere symbolism as we progress deeper into the second quarter of the 21st century. De-coupling can be a two-way process; many states are as keen to de-couple from the USA as vice-versa. Interdependence, in both its material and soft power dimensions, is being assailed now more than at any time since the era of Cold War-forced bipolar separation. Its negative externalities seem to be recognised by all but Donald Trump and his supporters. As the pioneers of complex interdependence, Robert Keohane and the late Joseph Nye noted (in Nye's final essay): "… by assailing interdependence, he…[Trump]…undercuts the very foundations of American power."[41] By logical extension, a world order with a (perhaps greatly) diminished role for the US does indeed become thinkable.

39 Stewart Patrick, *League of Nations Redux? Multilateralism in the Post-American World* (Carnegie Endowment, 2025), https://carnegieendowment.org/research/2025/09/multilateralism-post-american-world?lang=en.

40 Carl Bildt, 'To Survive the United Nations Must Leave America', and Anne Marie Slaughter, 'What's Next for Multilateralism', *Project Syndicate*, 30 September 2025, https://www.project-syndicate.org/onpoint/the-un-without-america.

41 Robert O. Keohane and Joseph Nye Jr, 'The End of the Long Century: Trump and the Sources of US Power', *Foreign Affairs* 104, no. 4 (2025), p. 70, https://www.foreignaffairs.com/united-states/end-long-american-century-trump-keohane-nye.

PART 5: CONCLUSION

As is widely noted in the editorials of major newspapers of record such as the *Financial Times*, *New York Times* and *Economist*, President Trump's disdain for international institutions only strengthens the influence of, and opportunities for, China. The US has lost trust, and not a little credibility as an ally, as a place to invest, as a trading partner and, increasingly, as a country where democracy and the rule of law is respected. It is difficult to see how the decline of international trust in the US can be staunched in the remainder of Donald Trump's presidency.

Economically, we have seen a return to power politics in trade policy in which 'might is right'. The habits of cooperation learned from the GATT/WTO system in the second half of the 20th century will continue to be unlearned. On the back of Trump's tariff strategy, we should also expect continued decreasing trust in, and weakening of, the US bond market; this in addition to reduced global reliance on the increasingly poorer performing dollar with attendant negative impacts on US borrowing and balance of payments, and the accompanying negative implications for the continuance of the dominant role of the US in the global economic order generally. The world needs a serious conversation about how states develop their economies, given the existence of global marketplaces for production and consumption, and the extent to which global rules can/should allow for optimum national policy space. Presently, states have no choice but to work around the US, and the other big players, as best they can

Politically, we are also seeing a diminution of US soft power, and the continuing rise of China as both a centre for ideas about international order and power. The unanswered question is the degree to which other actors – with a vestigial commitment to multilateralism and a desire to stave off anarchic beggar thy neighbour tactics – can regenerate some form of collective agreement on a minimalist rules-based decision making in the face of rampant great power transactional bilateralism. Building 'coalitions of the willing' absent the great powers – what we might call plurilateral groups with a critical, or close to critical, mass membership – is one option. But it is a skill that remains to be fully developed by the world's non-great power actors. Though sub-optimal to full blown multilateralism, limited coalitions may prove to be more politically sustainable in the current environment.

Europe: Some observers suggest that the behaviour of President Trump is having a 'boomerang effect' on Europe that has created a catalytic awakening of European leaders, generating a long absent sense of common purpose.[42] But the Trump Effect has happened in both negative and positive ways. At the negative level, it is clear to all in the European policy community that he cannot be trusted. Moreover, being close to Trump is not necessarily a political asset for hard-right conservative leaders. Indeed, resisting Trump's zero-sum world has been an election winner in Canada, Australia and Romania. On an equally positive front, Germany's Chancellor Scholz declared foreign policy a priority and committed to boosting defence spending from current 1.86% to 5% and to increase debt to do so. This represents a turning point in German history (*Zeitenwende*) and

42 For an exposition of this excessively optimistic position see Alberto Alemanno, 'The Trump Boomerang Effect', *Project Syndicate*, 30 April 2025, https://www.project-syndicate.org/commentary/trump-attempts-to-bully-europe-are-backfiring-by-alberto-alemanno-2025-04.

a renewed confidence in the European project. This last scenario is massively optimistic, and possible only if Europe's political class, especially in France and Germany, is up to the challenge. The evidence here is slight.

Concerning the EU's relationship with the US, what some see as pragmatism in its responses to US trade policy and the Ukraine war[43] others see as economic surrender and political humiliation. As the *Financial Times* notes:

> "[These choices] have cost Europe … all the political capital it could have mobilised to lead a coalition of countries in defence of rules-based trade and a concerted opposition to Trump. … Most importantly, Europe is risking its political soul. … It is a recipe for distrust and a poison for democracy — and European liberal democracy in particular."[44]

Challenges are all the harder in a non-benign environment. It is not just the antipathy and obstructionism Europe faces from Washington; it must also operate in an environment of near permanent hybrid warfare emanating from Russia – especially the incessant regularity of its targeted cyber operations. If nothing else, Washington has left Brussels, and indeed all European capitals, in no doubt that they must henceforth be responsible for securing their own future.

Questions Beyond the Scope of the Report: To what extent is the trend towards a post-liberal, geopolitical order made up of strongman-led spheres of influence *consolidating*? Will the non-great powers be forced simply to *adjust and realign* in their respective spheres to accommodate US, Chinese, and to a lesser extent Russian, interests? The answer to this question will be determined by a subset of questions in three locations:

(v) *The USA:* Does its increasingly precarious democracy have the strength to resist the unambiguous Trumpian desire to undermine it? This will determine not only the future of the USA directly but also its international behaviour and its acceptance as still the world's strongest and most influential power.

(vi) *The responsible middle powers and swing states of the North and the Global South*. Can they develop the political capabilities required to play innovative roles in any reform of the post-liberal international order?

(vii) *Europe:* Will the traumas of the transatlantic order prove to be a sufficient 'time of crisis' to kick start another 'European moment?' Will it play a role in the reform of the international order commensurate with its intellectual and material weight?

Given the current nature, pace and uncertainty of change, the hardening of spheres of influence and particularly the US-China standoff, reform would appear unlikely. Only in the event of sufficient like-minded states creating meaningful issue-specific coalitions of the willing with a critical mass might this happen. What the future holds is beyond the purview of this report. ■

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43 Laurie Kellman, 'Trump Management 101: World leaders adapt to his erratic diplomacy with flattery and patience', *Associated Press*, 27 June 2025, https://apnews.com/article/trump-nato-rutte-flattery-daddy-iran-e7ee4dacb4febf14e3911f376638daaa.

44 Martin Sandbu, 'Europe is selling its soul to Trump', *The Financial Times*, 25 August 2025, https://www.ft.com/content/75609ba4-cc61-4556-8ca2-09381da721e9.

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