

# **ALTERNATIVE FUTURES FOR THE GLOBAL BALANCE OF POWER SHIFTS**

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## **Abstract**

This paper explores the global balance of power shifts and their potential implication for Estonia. It makes five contributions. First, it discusses global trends based on policy literature. It argues that the interpretation of these trends depends on a particular perspective. Second, it summarizes academic literature in International Relations and Political Economy to demonstrate how the global balance of power shifts cannot be explored based on trend extrapolation but is subject to uncertainty and complexity. Third, the paper argues that the balance of power shifts must be explored based on scenario planning. This approach allows to consider alternative future trajectories rather than rely on extrapolation of current trends. Fourth, global scenarios developed by international and national organizations are summarized by comparing their differences and similarities. It highlights potential futures for the global balance of power shifts based on three meta-scenarios stemming from common elements found in global scenarios. Fifth, implications for Estonia are discussed in the framework of meta-scenarios across the key policy areas as scenarios offer more robust tools for policy stress-testing than one-vision based linear strategies.

**KEYWORDS:** 'global balance of power,' 'international political economy,' 'international relations,' 'global trends', 'scenario planning'.

## **Introduction**

The shifts in the global balance of power have had a tremendous impact on the economic, political, and social life in small, open economies. In addition to these shifts impacting tradable sectors through global value chains (GVA), they have wide-reaching macroeconomic consequences and the ability to challenge the essence of domestic politics.

The history of Estonia is full of such examples. The balance of power shifts that resulted from World War I helped create the pre-conditions for Estonian Independence. World War II changed these conditions, and Estonia was incorporated into the Soviet Union. The heyday of global liberal multilateralism in the 1990s enabled Estonia, a relatively small country, to integrate into the global economic and political networks.

The uncertainties and complexities associated with the global balance of power shifts create the necessity to stress-test Estonian policy choices. The development plan of Estonian Foreign Policy 2030 emphasizes the importance of considering new developments (Välisministeerium 2019). Similarly, these developments are crucial for a new national strategy for 2035 (Riigikantselei 2035).

Hence, it is crucial to explore alternative futures for the global balance of power shifts to see how global economic, political, and social developments might shape Estonia. This paper will do so by relying on scenario planning. This approach allows mapping out alternative

scenarios based on work carried out by foresight teams at international and national organizations.

Since the future is uncertain, especially in the long-term, then extrapolation of current trends to the future carries serious limitations and risks. Even our understanding of past developments and current trends depends on a particular perspective. Therefore, positive theorizing based on ideal types allows engaging in thought experiments about alternative futures.

The paper is structured in the following way. It starts by discussing the current trends and their interpretation from different perspectives. Then, different theories of International Relations and Political Economy are introduced. This is followed by emphasizing the importance of the scenario planning approach in understanding the potential future trajectories. The paper goes on to assess the different scenarios about the global balance of power shifts by highlighting common denominators and differences. The paper concludes by highlighting the strategic implications for Estonia to advise its engagement with a rapidly changing international order.

### **Trends and Perspectives**

It is important to distinguish between trends and perspectives. Trends are developments where there is more or less a consensus about the trajectory. Climate change is a trend as most climate scientists agree that the climate is getting warmer (Arup 2019). However, the goal to

limit global warming at 1.5 Celsius by 2050 is not a trend because the achievement of this goal is uncertain as states determine their contributions towards the reduction of emissions (European University Institute 2019, 152).

Demography is a trend as the world population is expected to grow to 9.7 billion by 2050 from the current 7.7 billion (UN 2019). However, this growth is distributed unevenly. Overall, the world population growth is slowing but the “African youth bulge” is likely to affect Africa and Europe differently than the United States and China. Also, this population growth will feed into climate warming concerns as new populations put pressure on the environment, but catastrophic effects of climate change, in turn, may also affect population growth (European University Institute 2019, 125).

In this sense, what we perceive as trends are mutually interdependent and complex which reduces the certainty of how these trends are often postulated. Even in the case of population growth, it is possible to inject some uncertainty as it depends on the interactions of numerous variables.

The uncertainty is even more prevalent concerning developments in global governance, which are sometimes incorrectly presented as trends. These developments do not count as trends because there is no consensus on the trajectory and a variety of different perspectives are offered in understanding them. Let us recall that Francis Fukuyama saw

the triumph of liberal democracy and market order in 1989 and assumed that most countries will converge toward this goal.

Robert Kaplan warned about impending anarchy in the international system in 1994 which sharply contradicted Fukuyama's thesis. More recently, Harari (2018) has postulated that technological developments favor tyranny. This, however, conflicts with the views that technology can be a tool for decentralization and the advancement of democracy. Some experts have even wondered whether "technology platforms might be the new Westphalian states" (Foroohar 2019)

In 2020, several prominent think-tanks warn about the fragmentation of multilateral governance. The OECD points out that developments are moving towards a "fragmented trade and investment scenario" where restrictive unilateral actions violate the non-discrimination provisions of the GATT, GATS, and the OECD Codes of Liberalization (Odio 2020). The World Economic Forum (2020) celebrates its 50<sup>th</sup> anniversary with the publication of 10 essays from prominent think-tankers who discuss disruptions to multilateral order from various angles and fields.

Similarly, Friends of Europe rethink global governance in their recent discussion paper which argues that "multilateralism is in retreat just when collective action is most desperately needed to tackle complex and interconnected global challenges, including the climate crisis" (Friends of Europe 2020).

However, prominent scholars, who gathered to discuss developments in global trade, finance, and macroeconomics at the European University Institute in November 2019, emphasized that the past should not be idealized, and the framework of global governance never adequately covered the multiple channels of interdependence. More recently, the increasingly complex system of global developments may favor fragmentation. However, the complexity depends on perception and is “often a retrospective construct”. They concluded that “the challenges of credibility of institutions, and of their trade-off between inclusivity and efficiency remain” (European University Institute 2019, 181).

For instance, the membership growth of the World Trade Organization (WTO) delivered inclusivity at the expense of efficiency, and the multilateral approach to trade has stalled since the mid-1990s. Therefore, this fragmentation is not a new development because it could be seen during the 1990s, which was considered the quintessence of the global collective action of the post-World War II system. Bhagwati warned about the spaghetti bowl effect, which is the multiplication of regional trade agreements that undermines multilateral trade governance as early as 1995 (Bhagwati 1995).

It is also fashionable to think that the benevolent hegemony of the United States heading the golden years of global multilateral governance has come to an end. The decline of relative economic weight in the world has reduced the ability of the US to provide global

public goods. The US is no longer a hegemon and certainly not a benevolent actor under the Trump administration. However, China has not assumed the role of the hegemon since it is not willing to uphold the global rules under the current system. Meanwhile, Europe is seen as weak and fragmented. Therefore, a hegemon is absent in the current global order. I would suggest writing about how American power is still a fixture of the international system- relatively and absolutely. Michael Beckley of Tufts University has written extensively on this phenomenon as has Joseph Joffe. Their respective works are: “Unrivalled: Why America will remain the world’s superpower” and “The Myth of American Decline.”

However, the certainty of these developments is challenged by Bradford (2020) who argues that the EU is quietly leading the world through setting international norms and regulatory policies. Bradford has labelled this leading the “Brussels effect” which makes a large array of agents comply with the EU regulations globally. These agents range from farmers in Nebraska to large multinationals like Apple.

To a greater or lesser extent, the perception of particular trends depends on the perspective and context surrounding it. The expectation of convergence towards the same trend and policy perspective is often the expectation from a particular perspective. The fact that China is combining authoritarian governance with a quasi-market system does not necessarily imply that the entire world will follow this path and that this approach ought to be applied globally. Some scholars see

fundamental conflicts between liberal democracy and market economy (Streeck 2016).

However, this does not imply that these contradictions are prevalent in every country and the universality of such claims is often challenged. As Acemoglu and Robinson (2019) write, there is diversity in the world since some countries can find a proper balance between state and society; meanwhile, others trend towards overreaching leviathans or ungovernable conflicted societies.

This paper considers trends, but its main focus is on different perspectives on understanding developments in the international system or unsystem. This challenges the “trend-centric” thinking and identifies key uncertainties, which are the building blocks for alternative scenarios.

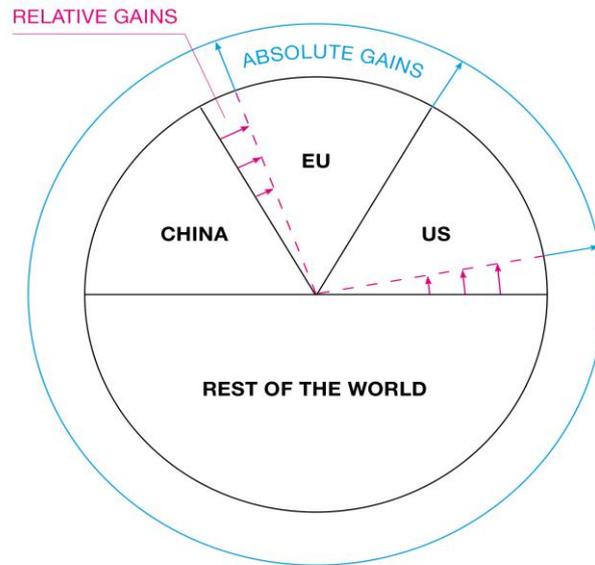
### **International Relations and Political Economy Theories**

Different understandings of the underlying global developments depend on how we see the world. The debates highlighted above are nothing new and have been subject to rigorous research by scholars focused on international relations as well as international and comparative political economists. It is not possible to do justice to this vast scholarship, but ultimately the differences in our understandings depend on whether we take a global systemic view or a domestic politics-dependent view to the global balance of power shifts (Krasner 1976; Rogowski 1990; Frieden and Lake 2000).

Historically, the debate between realists and idealists in International Relations is well-known (Doyle 1997). By the last decades of the 20<sup>th</sup> Century, this debate had narrowed down to the so-called “neo-neo debate” between neorealists and neoliberals (neoliberalism is a school of thought in International Relations and should not be confused with the more generic and conceptually stretched term which is overexploited in contemporary policy debates, social media echo chambers and in some specific academic outlets).

The debate comes down to the question of whether states are driven by absolute or relative gains in their interactions in the anarchic world (Baldwin 1993). Cooney and Sato (2009) have astutely classified neorealists as seeing the world as a zero-sum conflict, meanwhile, neoliberals assert that cooperation rather than conflict is needed for prosperity. On the one hand, neoliberals assert that states ought to be driven by the absolute gains (i.e. absolute benefit for the state). On the other hand, neorealists claim that the motive for states ought to be the relative gains (i.e. the change in position vis-à-vis other states). For instance, trade between the US and China benefits both countries as they both gain in the absolute sense, but the position of one country may improve vis-à-vis the other country. Figure 1 offers a stylized view of absolute and relative gains.

**Figure 1. Absolute and relative gains of US, EU, and China.**



Source: The Author

If we imagine the world economy as a cake, we can divide it into different pieces. The term relative gains imply that one part can only grow at the expense of others. The expression of absolute gains implies that through cooperation the cake can grow bigger. A closer examination of the current share of the world's GDP will help make this clearer. According to the World Economic Outlook (WEO), China's share of the world's Gross Domestic Product (GDP) at PPP has risen to 19.2 percent in 2019. The relative growth is important to observe since China's share was 16.4 percent in 2014. Meanwhile, the share of the

US and the EU GDP at PPP has decreased to 15.1 and 13.8 percent in 2019, respectively. However, the size of EU and US GDP has grown in absolute terms. Over the same five years that saw a decrease in the relative GDP share of the world economy, US GDP grew from 17 trillion US dollars to 21 trillion, and EU GDP grew from 16 trillion US dollars to 19 trillion (IMF, 2020). Therefore, the cake of the world economy is growing as a whole, but China's piece is growing relatively larger compared to the EU and the US.

Ultimately, the role of absolute and relative gains also depends on the area of interest. In the national security domain, the dominant focus is on relative gains; while in the economic sphere, it is more viable to demonstrate absolute gains. Nevertheless, collective security arrangements, such as the North Atlantic Treaty Organization (NATO), take advantage of absolute gains for its members. However, the absolute gains only come to fruition due to relative gains because the purpose of NATO is to pool resources against common threats. Therefore, NATO focuses on advancing its members, which results from relative gains.

#### *Prisoner's dilemma vs battle of the sexes*

Essentially, this debate comes down to question whether interactions of states are characterized by a lose-lose or a win-win equilibrium in the international system. Using game theory, the question is whether most situations that states play are classified as the prisoner's dilemma or the battle of the sexes game. These games are two of the most famous

games of this field for their usefulness in explaining non-cooperative and cooperative situations, respectively.

All of this may sound quite technical, but it comes down to the essence of global politics. Rational pursuit of narrow self-interest leads states to suboptimal outcomes in their strategic interactions. In a one-shot prisoner's dilemma game, the Nash equilibrium outcome dominates over any other possible outcome. The result is a loss for both actors because of competition. Figure 2 demonstrates this logic of prisoner's dilemma where (2,2) is the outcome, i.e. the Nash equilibrium. Constant repetition of prisoner's dilemma game may move actors towards the optimal outcome (3,3) but this is far from certain.

**Figure 2. Prisoner's dilemma: China vs US (1 is worst and 4 is the best payoff).**

		USA	
		Cooperation	Competition
CHINA	Cooperation	3, 3	4, 1
	Competition	1, 4	<u>2, 2</u>

Source: The Author

Alternatively, let us assume there are compatible incentives for the states that lead to rational decision-makers cooperating rather than competing. This strategic interaction of states is characterized by the battle of the sexes game, where both players are better off when they coordinate their actions rather than unilateral action. With this scenario, multiple equilibria are possible. The outcomes may be more favorable to one state than the other state, but they are still better off by coordinating their actions because any alternative outcome makes them worse off. Figure 3 offers a stylized example of cooperation between the EU and the US where one actor may have a stronger preference for trade cooperation while the other for security cooperation.

**Figure 3. Battle of the Sexes: EU and US (1 is worst and 4 is the best payoff).**

		USA	
		Trade cooperation	Security cooperation
EU	Trade cooperation	<u>4, 3</u>	1, 2
	Security cooperation	2, 1	<u>3, 4</u>

Source: The Author.

Both (4,3) and (3,4) are possible outcomes in this game because they dominate over alternative equilibria (2,1) and (1,2). Both the EU and the US are better off cooperating rather than acting on their own even if the benefits might be asymmetrical (4,3) or (3,4).

The games of the prisoner's dilemma and the battle of sexes can be used as metaphors to characterize different interactions. Figures 2 and 3 already do it in a way by assuming that US and Chinese relations can be modelled better on the grounds of the prisoner's dilemma; while EU and US relations can be modelled after the battle of sexes.

The prisoner's dilemma is characterized by minimal trust and uncertainty about the repetition of interaction; meanwhile, the battle of the sexes is about the relationship where both players have a high degree of trust in each other. Hence, the first game is about creating incentives for basic cooperation and the latter is about coordination because both players already have incentives to cooperate.

### *Hegemonic stability*

The size of the state's matters as well because size can be translated into leverage. Hence, some scholars view the global balance of power shifts as a result of changes in relative leverage of actors in the global system.

As the largest economy and most influential country in the global system, the United States provided hegemonic stability and the global rules after World War II. This stability enabled the possibility of mutually beneficial collaboration in the Western Hemisphere (Keohane

1984). Even though the benefits might have been tilted towards the strategic interests of the United States, most European countries collaborated, which is similar to the battle of sexes game, because it was more beneficial for them to work with the US than without the US. Meanwhile, the game that the US and its western allies played with the USSR and China was one similar to the prisoner's dilemma because trust was absent, and the repetition of interactions was uncertain.

The rise of China has been challenging this hegemonic stability during the last decades, especially since China is not interested in following the rules once crafted by the United States and its allies. Even though the US and Chinese economies became mutually interdependent, it was not sufficient to shift from the prisoner's dilemma type of interaction to the battle of sexes game. The developments of the WTO demonstrate this point. China is one of the biggest members of this international organization but has been accused of showing little respect for the rules and thus undermining the entire organization. As Tom Miles (2019) writes, the US and EU can continue to impose "anti-dumping" levies on cheap Chinese goods that are considered below "fair value." In other words, China is not considered a market economy according to the WTO because they are unfairly supporting their businesses. In parallel, the importance of the EU's economic might and rule-making power has given rise to a third global player in the global system and made asymmetric interaction between the US and EU more symmetric. If the previous equilibrium was more tilted towards the US strategic interests,

then the new equilibrium is not as skewed due to the increased leverage of the EU. Nevertheless, both players are still better off by coordinating their activities as the battle of the sexes framework insists.

However, the increasing prominence of the prisoner's dilemma logic in US and Chinese relations may lead to mental shortcuts where US and EU relations are to be seen on the same terms. The competition and scattered geopolitics have led some scholars to talk about the rise of new empires: US, EU, and China (Pentillä 2019). In a way, it is an updated version of the old thesis from the 1980s which saw the US, EU, and Japan as key players in the global stage.

The open question is whether geopolitics will be characterized by three equal players in the future or will one hegemon dominate. The US might make a comeback. Perhaps China or the EU will be capable of offering hegemonic stability in their own right which would encourage international cooperation.

Certainly, sometimes different games are played out in global interactions. The game of chicken is a game that can be used to characterize the strategic interaction in the Cuban missile crisis, mutually assured destruction (MAD) of nuclear weapons built-up and Greek-EU conflicts in the debt crisis.

However, the game of chicken usually takes place under a broader umbrella of the prisoner's dilemma. Even if one side blinks in one

conflict, then the broader strategic interaction is characterized by suboptimal outcomes and unwillingness to cooperate.

### *Domestic politics-based approaches*

Alternative approaches emphasize the role of domestic politics instead of global system-level analysis (Rogowski 1990). Nevertheless, this allows us to exploit the game theoretic framework outlined above. Instead of assuming the state's interests are dependent on their role and leverage in the international system, the black box of domestic politics is opened up and domestic shifts in policy preferences are crucial for understanding the global balance of power shifts.

The role of domestic interest groups in shaping policy preferences come into play. Instead of a pure state-centric approach, societal forces come to play which leads to different equilibriums as emphasized by Acemoglu and Robinson (2019). For instance, domestic political preferences may lead countries to shift their understanding of whether they are playing the prisoner's dilemma or the battle of the sexes game with other states.

Most importantly, the size of the state does not translate into global leverage when there is no domestic political will to use it. For instance, the United States was the most powerful economy, even in the interwar period, but disengaged from global affairs because of domestic political forces. This changed after World War II as the US became a global

player, but more recently the Trump administration pursues a disengagement strategy from global affairs.

China's importance in global economic affairs has certainly increased, but it is still reluctant to be a global leader and acts primarily on the basis of narrowly defined self-interest because of domestic constraints. The EU has formidable economic weight, but the fragmentation of its decision-making processes limits its leadership potential on a global scale.

In addition to the global systems-level and domestic politics-centric approaches, a variety of theoretical perspectives in political economy highlight the importance of different key drivers in shaping the global balance of power shifts. The key debate is between mercantilists and liberals which is similar to the neo-neo debate in emphasizing different frameworks for strategic interactions (Frieden and Lake 2000).

Mercantilist scholars emphasize the role of economic policies for nation-building because nations struggle over scarce resources which often leads to competitive, if not hostile, interactions. The nation's self-sufficiency cannot be trusted to the fragility of global cooperation. Hence, the international interactions of the anarchic world are characterized by the prisoner's dilemma game.

Liberal scholars emphasize the benefits of global cooperation and rules-based systems where all participants are potential winners. Most importantly, rules-based systems take on a life of their own, which also

has the potential to constrain powerful players and create some order in the anarchic world of global politics as was illustrated by the battle of the sexes game above.

In addition to these two prominent schools of thought, there are many alternative perspectives. Marxist scholars emphasize the role of the underlying economic structure in shaping social and political outcomes. The class-struggle between the haves and the have-nots' structure both global interactions and domestic political alignments in shaping policies of large global players.

Social constructivists bring out subjectivity and different interpretation of global developments. Whether we see the global interactions through the dark lenses of the prisoner's dilemma or the light lenses of the battle of the sexes depends on perception. And this perception is reality.

Perception is crucial in understanding whether we see the world as a closed system, which allows elegant modeling along game theoretic lines, or open system where complexities and uncertainties make such simplistic characterizations irrelevant.

The creation of new norms, epistemic communities, and naming and shaming may sometimes more effective ways of dealing with global politics than formal bargaining between countries. This logic means that an organization like Greenpeace may be more effective in shaping the global agenda than governmental and global environmental bodies.

Obviously, all schools of thought cannot be highlighted here in a nuanced way. However, such positivist theorizing on the basis of different approaches in international relations, international and comparative political economy allows us to highlight key drivers that shape the global balance of power development until 2035. These key drivers can serve as input to scenario planning exercise which is discussed next.

### **Scenario Planning**

Often, we assume that we can project the future by extrapolation of trends shaping global economic and political developments. On the basis of past developments, it would be possible to map out future developments. The future is just another present. However, understanding of past and present and visioning the future depend on a particular perspective and interpretation of real-world developments.

Game theory was used in the previous part in order to simplify and illustrate key differences in theories. The game theory has also predictive powers as it postulates how incentives under differently structured systems may lead to different outcomes in the future. However, game theory is able to predict future trajectories on the basis of limited actors in a closed system. In the battle of the sexes, in two scenarios the EU dominates over the US or vice versa. In the prisoner's dilemma, the Nash equilibrium of suboptimal or optimal outcomes is dependent on imposed constraints and repetitions.

Nevertheless, the game theory is important but limited in its powers to highlight alternative futures. Relaxing the assumption of rationality, introducing a diverse set of actors, and opening up the system will make game theoretic modelling of the future more difficult. Various alternative futures can be created instead of relying on such modelling.

This is fundamentally important because the future is uncertain, particularly in the long term. Instead of emphasizing one prediction or forecast on the basis of previous developments, current trends, and strict models, it would be wise to think about it in terms of alternative scenarios. These alternative scenarios allow us to break linear logic, and by asking “what...if” questions, they expand the range of future alternatives. This approach is known as scenario planning (Ramirez and Wilkinson 2016; Schwartz 1991; Kitsing 2020).

While uncertainty about the future “concerns the degree of available knowledge about the target variable, whether simple or complex”, then complexity is about “the number of variables and the extent to which they are interrelated” (Schoemaker 2004, 274-275). Unknown complexity may come across as uncertainty because it is “unknown unknown”. However, Schoemaker (2004) argues that complexity and uncertainty are distinct concepts.

Most importantly, the concepts of uncertainty and complexity allow us to think about the future on the basis of a two-dimensional approach. The first dimension is high complexity vs low complexity. The second dimension is high uncertainty vs low uncertainty. Scenario planning is

particularly relevant for exploring future developments characterized by high complexity and high uncertainty while more linear approaches are relevant for issues with low complexity and low uncertainty.

The future of the global balance of power is certainly characterized by high complexity and high uncertainty. Our available knowledge about different factors impacting the future is limited. At the same time, variables to be considered are large. We have to tackle many different issue areas that are uncertain and complex in the next 15 years. What will be the technological developments? What will be regulatory approaches adopted by different countries to deal with these innovations and the changing geopolitical and geostrategic environment? What kind of political and economic developments will take place? How will the global economic and political system evolve? These are some questions that no one can provide certain and simplistic answers which could be taken seriously.

Hence, many foresight teams have created alternative scenarios which among other developments tackle the potential futures of digital platforms. The next section will discuss the scenarios of various international and national organizations.

## **Alternative Global Scenarios**

Several foresight teams at international and national organizations have developed alternative scenarios which in one way or another tackle the future of the global balance of power. We will discuss recent scenarios developed by the National Intelligence Council (NIC) of the United States, think-tank ARUP from the United Kingdom, non-profit organization BSR, think-tank Nordic West Office (NWO) from Finland, Finnish business association Business Finland (BF) and multinational company Wärtsilä from Finland. This sample of scenarios does not include the entire population of scenarios developed around the world. However, they are sufficiently representative of highlighting key differences and similarities for the development of meta-scenarios. The high representation of Finnish scenarios stems from the presence of a diverse network of foresight organizations in Finland which engage in scenario planning exercises. Most other countries do not have such a high emphasis on scenario planning. The geographic proximity of Finland to Estonia also allows us to focus on the most relevant factors.

All these scenarios are sufficiently generic and can be applied in different economic, political, and social contexts. However, as scenarios are ideal types, then some of them seem certainly more utopian than others in a specific context. Our current understanding may indicate that some of these scenarios are more or less likely depending on the specific economic, social, and political contexts. However, these scenarios enable us to deviate from thinking about the future with

linear, so we can widen the view of potential futures of platform ecosystems.

### *ARUP's scenarios*

ARUP scenarios (2019) until 2050 are built around two key uncertainties. The first dimension is planetary health which can improve or decline. The second dimension is societal conditions which can also improve or decline. The combination of these two dimensions leads ARUP to envision four scenarios.

The scenario Post Anthropocene shows the harmony between planetary health and societal conditions where the benefits from each are mutually self-enforcing. Their scenario Greentocracy is about improvements in planetary health at the expense of societal conditions where restrictions on living conditions and authoritarian regimes limit personal freedoms.

ARUP's scenario Extinction Express foresees a world where both planetary health and societal conditions decline and questions about the survival of humanity become crucial. Their last scenario Humans Inc envisions the world where human societies advance at the expense of planetary health.

The last scenario is the baseline scenario relying on the current development trajectory. The main concern with ARUP's scenarios is the application of standard forecasting logic to scenario planning. Extinction Express is a clear negative scenario which does not offer any

tradeoffs. Who would want to live in this scenario? Post Anthropocene is a clear positive scenario. Who would not want to live in such a harmonious scenario as long as the unpronounceable name is changed?

Two other scenarios offer rather stark tradeoffs between green autocracy and human freedom which can be modelled along the lines of the prisoner's dilemma type of interaction. Post Anthropocene seems to be similar to the battle of the sexes interaction; meanwhile, Human Extinction seems to introduce an entirely different interaction – perhaps that of the game of chicken.

#### *National Intelligence Council's scenarios*

The National Intelligence Council (2017) developed three alternative scenarios until 2035 which rely on a combination of three primary uncertainties. The first uncertainty echoing Acemoglu and Robinson (2019) is about the dynamics within countries on how governments and the publics renegotiate their expectations and create political order in the times of rapid change characterized by empowered individuals and economic change. The second uncertainty is about the dynamics between countries on how major powers work out competition and cooperation. The third uncertainty is about long-term and short-term tradeoffs – to what extent states are willing to prepare for complex global issues such as climate change and technological transformation.

The approach corresponds well to the academic literature where both the global systemic-level and domestic politics-focused approach are

combined with the addition of time orientation in the decision-making processes.

Their first scenario Islands assumes restructuring of the global economy where long periods of no economic growth become a new norm. De-globalization creates new challenges for governments in providing basic economic and physical security as technologies transform work and trade and political instability increases. Some governments turn inward and pursue protectionist policies while other governments find new ways to encourage growth.

Their scenario Orbits envisions increasing tensions among global powers as they seek to grow their sphere of influence. The rising nationalism, disruptive technologies, and decreasing global cooperation lead to new conflicts – even to the possibility of escalating to the use of nuclear weapons. The key challenge is to establish stability.

Their scenario ‘Communities’ shows how the limited capacity of national governments to meet citizens’ expectations leads to increased engagement of local communities and private actors. These developments combined with the increased use of information technology challenge the traditional assumptions of governance. The control becomes harder for national governments to resist but others cede power to networks. The National Intelligence Council has labelled this development the paradox of progress as the same trends that generate near-term risks can also lead to new opportunities in the long term.

These scenarios emphasize different developments which can be complementary. In this sense, they are not alternatives. Particularly, Orbits can be a sub-scenario of ‘Islands’.

Furthermore, the scenario ‘Islands’ is much more specific than Orbits and Communities. Islands offers significantly more specific details such as “The global pandemic of 2023 dramatically reduced global travel in an effort to contain the spread of the disease, contributing to the slowing of global trade and decreased productivity” (National Intelligence Council 2017, 51). This piece of foresight is three years early but highly relevant detail for stress-testing in the context of 2020.

#### *Nordic West Office Global Scenarios*

Finnish think-tank Nordic West Office (NWO), with 16 Nordic companies, developed four plausible Global Scenarios ranging from 2021-2026. Even though the time frame of scenarios is significantly shorter than in the aforementioned scenarios, they are still relevant for mapping the route to 2035.

The key uncertainties are trade and regulation in these scenarios (Nordic West Office 2018, 11). The trade can be strong which implies continuing globalization and extension of markets. It can be also weak which implies de-globalization and limitations in markets. Regulation can be centralized where institutions are non-agile, or regulation can be de-centralized with institutional agility.

Their ‘Belt and Road’ scenario assumes that China has taken up global leadership while the West is divided. This is a scenario includes good global growth of three percent per year and global collaboration under the Chinese hegemony on several issues such as climate change where climate warming is expected to increase 3 percent by 2050.

The scenario Cyberworld promises an even stronger global growth of four percent per year while the institutional framework is weak. However, private tech companies offer global leadership and have found solutions for many pressing problems, including climate change where climate warming is expected to increase 2 percent by 2050.

Their scenario War-War envisions the world where protectionists, patriots, and populists dominate. This leads to the weak global economic growth of 1 percent per year and most global economic institutions are weak. The global and regional arrangement has become fragmented while nation-states focus on energy security and climate sceptics have downplayed climate warming which is to increase 4 percent by 2050.

The scenario ‘Downshift’ is about new hunter-gatherers taking charge in a decentralized gig economy. There is no global growth and institutions are weak but agile. Several large countries such as India, Spain, Russia, and the UK are fragmenting into smaller entities. Localization of production and limited growth implies that global warming will increase only 2 percent by 2050.

The main concern is how the scenario Cyberworld can rely on private governance and technological progress on its own. The fragility of governance may imply that with this scenario also the fragmentation of states and developments described in the scenario Downshift is plausible. For instance, technological advancement may lead to decentralized technological solutions which in turn may undermine the business models of global tech companies. Centralized regulatory approaches often reinforce their business models at the expense of smaller players. In the context of the 2020 pandemic, it is worth recalling that private companies had no incentives to develop vaccines for SARS once the 2003 epidemic was over (Osterholm and Olshaker 2017). The pharma companies invested millions, but no government placed orders. The Sars vaccine would have placed countries in a better position to handle the COVID-19 pandemic.

Furthermore, the scenario War-War comes across as too negative in its overall tone. There are smaller details in the scenario such as a boost to local industries which may also highlight the benefits to those who favour a false sense of national greatness, self-sufficiency, and security.

#### *Business Finland's scenarios*

Business Finland's (BF) scenarios have many similarities with the NWO scenarios. The Power Games in a Divided World foresees the intensification of trade war and division of the world into two digital and trading blocs. China dictates international rules (Business Finland 2020). The Scenario From Crises to Agreements describes the world

shaken up and woken up by major crises. This leads to the global regulation of data and technology giants while the bargaining power of China is constrained by strong international cooperation.

The Data Saves and Enslaves is a scenario of diminishing trust in international cooperation and traditional institutions. Technology substitutes labour and traditional currencies. The Digital Patrons in a New Era emphasizes responsible capitalism where large corporations assume an increasingly important role in global decision-making, including energy transformation and climate change policies.

The main issue with the latter scenario is the same as in the case of Cyberworld. With weak global institutions, private sector giants may not be able to sustain their business models and collaboration. New decentralized technologies and the public backlash may lead to the Data Saves and Enslaves world.

#### *BSR's scenarios*

Global non-profit organization BSR (Business for Social Responsibility) has developed scenarios until 2030 that echo some of the sentiments played out in the BF and NWO scenarios. The first uncertainty concerns the question of whether “the forces of centralization or decentralization prevail”. The second uncertainty poses the question: “Will we continue the current economic paradigm of endless growth and profit maximization, or will we shift toward a

new paradigm that views the purpose of the economy as providing for equitable prosperity on a healthy planet?” (Park 2018).

A Tale of Two Systems is a scenario about the world split into two blocs: Chinese and the Nordic bloc. Automation has caused disruption and substituted human labor in many activities. However, the policy response has been different. In Chinese bloc, technology is used for surveillance; meanwhile, the demands for transparency prevail in the Nordic bloc (Park 2018).

The scenario Move Slow and Fix Things envisions that global misinformation scandals and recession have reduced trust in government and big business. More localized economies emerge exploiting technologies. The scenario Tribalism is also about decentralization but with the notion “all business is political” which implies reliance on the old economic paradigm.

Their scenario is Total Information Awareness assumes that highly personalize Artificial Intelligence (AI) companies become part of everyday life. “Concentrated networks of huge businesses leverage extreme data to provide affordable, effective, and seamless services. Privacy is gone and much work is automated away, but most people embrace the new reality” (Park 2018, 27).

#### *Wärtsilä's scenarios*

Finnish company Wärtsilä developed three scenarios for global shipping until 2030. As the company manufactures and services power

sources in marine and energy markets globally, these scenarios contribute to long term planning.

Wärtsilä (2010) identified five uncertainties: trade and economic growth response to climate change and sustainability issues, geopolitical issues and global leadership, solutions to deal with scarcity issues and control of power

In the world of Rough Seas, scarcity of resources is predominant. Climate change adds further stress. Cartels and bilateral agreements have overtaken free markets. Wealth is divided unequally among nations, resulting in tension. The entire logistics chain is optimised regionally and national governments control ports.

In Yellow River, China dominates the global arena of economics, geopolitics, and shipping. China is no longer the world's cheapest manufacturing region. Instead, labour and resource-intensive manufacturing have moved to Africa and other Asian countries. Economic growth is significantly slower in the West and climate change is tackled only on a regional level – no global agreements exist.

The world of Open Oceans is a strongly globalised one. Global mega-corporations and megacities have gained power over the nation-state. Governments cooperate in the governance of climate issues and free trade protocols. Climate change is perceived as an opportunity, and innovating green solutions is a lifestyle. Highly integrated large scale logistics systems support global trade.

On the company level, these scenarios identify the main shipping concerns for long term-planning. Rough Seas implies that water carriers become important. Yellow River indicates focus on the Megabox Carrier. Open Ocean implies the development of algae harvesting vessels. Even though these scenarios were developed for one company, they certainly contribute to the broader debate on potential global futures.

#### *Pandemic scenarios*

The possibility of a pandemic was mentioned above in the case of the NIC scenario Islands. In Spring 2020, scenarios concerning ongoing COVID-19 impact start to emerge. Mair (2020) offers a two-dimensional approach where one axis is exchange value or the protection of life is the guiding principle in response to the crisis. On the other axis, the response to the COVID-19 is either centralized or distributed. This combination leads to four scenarios.

State capitalism is about a centralized response and reliance on the exchange value as a guiding principle. State socialism is also about a centralized response but with an emphasis on the protection of life. Barbarism is a combination of a distributed response and an emphasis on the exchange value; meanwhile, Mutual Aid focuses on a distributed response and protection of life.

These scenarios lack a time dimension especially concerning key drivers, such as protection of life and exchange value. The focus on

exchange value in the short-run might imply the protection of life in the long-run. The consequences of the crisis do not only reach patients suffering from the COVID-19 but also impact people's access to social welfare and medical services in the future. The latter can be provided with stronger economic growth which Mair (2020) has labelled the exchange value dimension.

Also, there are distributional impacts involved along the time dimension. Older generations suffer more from the COVID-19 in the short term while younger generations suffer more from negative consequences due to the dismal economic development in the long run. Perhaps instead of a naïve protection of life vs exchange value dilemma, the axis should be labelled intergenerational equity.

Furthermore, the scenarios have a limited discussion of international cooperation. Mutual Aid envisions stronger international cooperation than others but it relies heavily on non-state actors. It seems that in both State Capitalism and State Socialism the focus is on narrow national interest rather than global cooperation. Lastly, it is wishful thinking to assume that State Socialism is about the protection of life – it seems to be a mislabel for the scenario.

Different scenarios about the response of COVID-19 emerge also from scholarly debates. For instance, Baldwin and Greene discussion at the webinar hosted by the European University Institute on April 6, 2020, helps to envision two scenarios concerning globalization (EUI 2020):

1) Increased digital globalization in parallel with less physical (movement of goods, people) globalization;

2) Diversified globalization where countries are still hesitant to put all the eggs in one domestic or international basket. They decrease the reliance on global value chains on China by diversifying into other countries rather than focus on domestic production.

The debate also offers two scenarios of short-term geopolitical developments. The first one envisions that tit-for-tat interactions between China and the US will intensify as a result of the pandemic. In a way, they both lose and cannot have credible leverage globally. This creates opportunities for the EU and forces many to see the benefits of stronger global cooperation. An alternative option is that the US will be a loser while China will be a clear winner in the geopolitical arena. Many in the West will start seeing the benefits of Chinese system – something similar happened after the World War II where admirers of the Soviet Union were plentiful in the West.

A possible development might be that the pandemic leads to stronger global cooperation than the current World Health Organisation (WHO) framework provides. Osterholm and Olshaker argued already in 2017 that there is a need for “NATO for health”. UK’s parliament foreign affairs select committee argued in April 2020 for a “G20 for Public Health”. The committee pointed out that such an organization “could ensure that co-operation between expert researchers across the globe can flourish, even in the absence of united political leadership. Such a

framework should be science-led, with participation contingent on honest co-operation in the open and transparent sharing of public health data” (UK Parliament 2020).

These additional visions complement four scenarios developed by Mair (2020) with global economic and political dimensions.

### *Meta-scenarios*

Even though these scenarios were developed in different timeframes, context and for different purposes, they do offer some universally applicable trade-offs concerning the future of the global balance of power shifts. Based on scenarios, three meta-scenarios for the future of the balance of power can be developed. Particularly, as there is a significant overlap.

The scenarios of Post Anthropocene (Arup), Belt and Road (NOW), From Crises to Agreements (BF), and Yellow River (Wärtsilä) portray stronger international cooperation as a plausible future. The latter two see it under stronger Chinese leadership assuming that China will gradually grow to be more like a global hegemon along the lines of the United States after World War II. For instance, this would fit into a narrative that the Chinese government is trying to argue that the Western approach is ineffective in comparison with China’s response to the COVID-19. Similarly, the 2008-2009 financial crisis undermined trust in Western capitalism and showed the benefits of the Chinese state-run system from this perspective.

This meta-scenario (scenario of similar scenarios from different organizations) can be labelled “Global Cooperation”. It is based on the assumption that Countries recognize their interdependence and advantages of absolute gains. After the global pandemic and economic crisis, mutually compatible incentives lead to stronger cooperation among states along the lines of the battle of the sexes in several areas, such as climate change and trade. This rule-based world is state-centric where smaller states and non-state actors struggle to have their voices heard.

The scenarios of Greentocracy (Arup), Islands (NIC), Orbits (NIC), War-War (NWO), Power Games in a Divided World (BF), and Rough Seas (Wärtsilä) assume that instead of global cooperation, the future will be nation-state centric and characterized by tensions and conflicts. This group forms meta-scenario “National Interest”.

Greentocracy might seem an odd choice for this group but it is added because it assumes that the goals of the carbon-neutral economy are best to be achieved by authoritarian means. Climate change is used as an additional justification for protectionist economic measures. Strong and centralized states are best to deal with such challenges. This implies that scrambled geopolitics and mistrust among major players makes it difficult to establish rule-based global cooperation. In some areas, ad hoc collaboration takes place but states focus on relative gains where competition leads to suboptimal outcomes in the fashion of the prisoner’s dilemma. Nation-states grow more autocratic and isolated as

the powerful Leviathan dominates over societal forces. The scenarios of Humans Inc (Arup), Extinction Express (Arup), Communities (NIC), Cyberworld (NWO), Downshift (NWO), Data Saves and Enslaves (BF), Digital Patrons of a New Era (BF), and Open Oceans (Wärtsilä) form meta-scenario group “Open Networks”. This is fundamentally different from previous state-centric meta-scenario groups which cannot be easily modelled as a closed system with limited key players. This scenario is a so-called open-system scenario.

The diversity of state, local, private, and non-state actors makes the system very open but also unstable. States and state-centric global rules struggle with legitimacy and have limited resources to deal with challenges from non-state actors, particularly from large private firms. Unpredictability and complexity increase anxiety among weaker citizens and communities. Some states become failed states and cannot control and impose authority within their borders. Different societies take a diverse set of trajectories. Some impose strong societal controls while others become more open. Four of these scenarios Humans Inc (Arup), Cyberworld (NWO), Digital Patrons of a New Era (BF), and Open Oceans (Wärtsilä) assume a linear development of global private governance ecosystems as non-state actors grow stronger. They are relatively optimistic about the ability of private actors to solve global collective action dilemmas, particularly with the use of technology. Some of them assume that climate change challenges can be met with such means while others are more pessimistic (e.g. Humans Inc).

**Table 1. Three meta-scenarios for the global balance of power shifts and their characteristics.**

Meta-scenario	Characteristics	Corresponding scenarios
Global cooperation	Interdependence and advantages of absolute gains, mutually compatible incentives. Rule-based state-centric world limited leverage for smaller states and non-state actors.	Post Anthropocene (Arup) Belt and Road (NWO) Yellow River (Wärtsila) From Crises to Agreements (BF)
National interest	Scrambled geopolitics and mistrust among major players. In some areas ad hoc collaboration. States focus on relative gains. Competition and suboptimal outcomes Nation-states focus on protectionist economic measures.	Greentocracy (Arup). Islands (NIC), Orbits (NIC), War-War (NWO), Rough Seas (Wärtsila), Power Games in a Divided World (BF), A Tale of Two Systems (BSR), State Capitalism (Mair), State Socialism (Mair).
Open networks	Diversity of state, local, private, and non-state actors. Open but also unstable system. Questioning states' legitimacy. Challenges from non-state actors and large private firms. Anxiety of weaker citizens and communities. Diverse development paths.	Humans Inc (Arup), Extinction Express (Arup), Communities (NIC), Cyberworld (NWO), Downshift (NWO), Open Oceans (Wärtsila), Data Saves and Enslaves (BF), Digital Patrons of a New Era (BF), Move Slow and Fix Things (BSR), Tribalism (BSR), Total Information Awareness (BSR), Barbarism (Mair), Mutual Aid (Mair).

However, such potential might be overestimated. Global value chains are fragile and their breakdown because of global ills, such as pandemics and economic crisis, may lead to extreme localization as described in the scenarios of Extinction Express (Arup), Communities (NIC), Data Saves and Enslaves (BF), and Downshift (NWO). Ironically, the world described in these scenarios would benefit the health of the planet in some scenarios at the expense of societal progress while the destruction would be mutual in others. The following table highlights the key characteristics of each meta-scenario.

### **Implications for Estonia**

Even though these scenarios are developed within specific policy frameworks, they do offer generic trade-offs that are relevant for Estonia. The key takeaway is that Estonia could leapfrog economic development in the heyday of liberal multilateralism in the 1990s with limited understanding of global governance.

Estonia was a relatively poor country with Gross Domestic Product (GDP) per capita of 3000 US dollars in 1995. Estonian government moved to unilateral free trade and adopted a currency board against the policy recommendations of the International Monetary Fund (IMF) and conventional global wisdom in the early 1990s while the rest of the world followed “tit-for-tat” mercantilist logic in trade relations (Feldmann and Sally 2002; Erixon 2008).

Such a move is certainly celebrated by trade economists as the best possible response in the case of a small open economy willing to be integrated into the international division of labour. However, this logic of economic rationality did not translate into political rationality as unilateral free trade made it difficult for Estonia to join the World Trade Organisation (Feldmann and Sally 2002).

Furthermore, the membership in the European Union in 2004 forced Estonia to give up its unilateral free trade and accept the mercantilist logic of EU's trade policy with a diverse menu of tariff and non-tariff barriers. Estonia's start as 'tabula rasa' in the global economy without legacy systems unlocked economic potential which many countries with institutional path-dependencies find difficult to overcome.

However, Estonian policy-makers have to make decisions about which direction they wish to take when living in a nonbinary world. That's why the implications of alternative scenarios for Estonia makes it easier to highlight the different shades of grey for decision-makers. Domestic policy-making does not take place in a vacuum but is shaped by global forces. We have to ask how will the global balance of power shift in the next 15 years? The best policy responses will differ under different scenarios. The world dominated by global cooperation may allow Estonia to increase its leverage in a rule-based world, but it also implies new obligations to contribute to global public goods which may feed into domestic political backlash. Table 2 summarizes the key implications of three scenarios across different policy areas.

**Table 2. The implications for Estonia stemming from meta-scenarios for the global balance of power shifts across policy areas.**

<b>Policy area</b>	<b>Global Cooperation</b>	<b>National Interest</b>	<b>Open Networks</b>
General	Leverage in rule-based world. Obligation to contribute. Risk of domestic backlash	Binary choices about coalitions. Security coalition. Risk of proxy (economic) wars.	Exploitation of diversity, various coalitions. Risk of instability and volatility.
National security	Stability, but a false sense of security – limited local support.	Risk of conflicts, but a real sense of security.	Unpredictability, constant shifting of coalitions.
Climate change	National targets contribute to global goals.	No global goal, bloc-based targets contested locally	Technology and local targets may be in sync or not.
Trade	Relatively open trade under tit-for-tat logic.	Protectionist, regional trade blocs.	Diverse trade regimes, high transaction costs.
Finance	Good access to global liquid capital markets.	Access to regional capital markets with controls.	Access to private capital with cyclical volatility.
Regulation	Compliance with increasingly global regulatory regimes.	Bloc-based regulatory alignment.	Conflicts of domestic regulations.
Immigration	Obligation to accept immigrants globally under the treaty.	Bloc-based immigration, strong borders.	Enforcement issues in informal immigration
Crisis response (pandemics, recessions)	Global coordination, obligations to follow. Risk of one-fit all model and breakdown	Breakdown of bloc-based coordination, divergence globally	No global coordination. Divergence of local and national responses.

The world dominated by national interests of large countries and blocs forces Estonia to make binary choices vis-à-vis different actors. The alliance with specific bloc may contribute to security and prosperity but may also subject Estonia to direct or proxy wars in the economic realm. The open networks' scenario offers many opportunities for taking advantage of global diversity but it may also lead to instability stemming from global power fluctuations and economic volatility.

## **Conclusion**

To grasp the implications of the global balance of power shifts for Estonia, it is important to deepen our understanding of different perspectives and ways of approaching the future. We introduced global trends, alternative perspectives, and academic theories to improve understanding of the global balance of power.

We explored alternative futures on the basis of scenario planning instead of extrapolation of current trends based on forecasting or prediction. This approach allowed us to highlight key elements for future developments based on scenarios developed by national and international foresight teams. This allowed us to develop three meta-scenarios for the future of the global balance of power shifts.

These three meta-scenarios imply trade-offs for Estonia. The purpose of the scenario planning approach is not to offer concrete policy

suggestions but rather to indicate potential future developments for policy-makers, which allows formulating a framework for policy responses.

Nevertheless, a robust policy suggestion is that policy-makers have to be prepared for alternative scenarios and radical changes rather than rely on one vision or strategy for thinking about the future of the global balance of power and implications for their countries.

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