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**THE STRATEGY OF SMALL STATES IN GREAT POWER RIVALRY:
LESSONS FROM “FINLANDIZATION” FOR THE MULTIPOLAR ERA OF 2026**

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Annotation: *This article examines how small countries can survive today’s intense geopolitical rivalry between superpowers like the US, China and Russia. It revisits the Cold War concept of “Finlandization”, when Finland stayed independent by keeping its foreign policy neutral and agreeable to its giant neighbor, the Soviet Union. While critics often viewed that this is a weak capitulation, but it was actually a smart, realistic strategy for survival. Updating this idea for 2026, the paper introduces “Neo-Finlandization”. It maps out a modern playbook for small states in tense regions, showing how they can use economic hedging, clever diplomacy and tech partnership to protect their independence without provoking big-power anger.*

Key words: *global competition, Westernized markets, CIPS and SPFS, “smart neutrality”, “complex interdependence”,*

By 2026, global competition in the world is largely centered on the rivalry between China and the United States. What began as a trade conflict has evolved into a comprehensive struggles for dominance in technology and global system. And also it causes technological decoupling like “Pax Silica”, it means Silicon Peace and it has fractured. The U.S. and China have decoupled their supply chains in critical sectors like AI, quantum computing, and semiconductors. In additions, there are competing blocs. The global landscape is increasingly has been splitting into two distinct technological and financial spheres – one shaped by the U.S, which relies on minimalistic strategic alliances like the Quad and AUKUS, and the other led by China, which is broadening its reach through an expanded BRICS+ and the Belt and Road Initiative.

When it comes to Russia, now Russia is entering the fourth year of the protracted conflict in Ukraine, it has effectively transformed into a “Garrison State.”¹ Russia having been largely

¹ <https://thesoufancenter.org/intelbrief-2026-january-15/#::~:~:text=Competition%20has%20reshaped%20alliances%20as,over%20legacy%20alliances%20like%20NATO.>

[Intelbrief](#) / State of Play: Great Power Competition in 2026. 15-january 2026.

severed from Westernized markets and has entrenched its “no-limits” partnership with China, serving as a primary energy and resource provider for the East. Therefore, the 20th-century dream of a “Europe whole and free” has been replaced by a heavily militarized “New Iron Curtain” stretching from the Baltics to the Black Sea, forcing European powers to significantly rearm and rethink their security independence. As well as, the most unique feature of 2026 is that the rest of the world is refusing to pick a side. Countries like India, Brazil, Uzbekistan, and Indonesia follow a flexible strategy – working with major powers. They trade with China, cooperate on defense with the United Nations and keep energy ties with Russia. As global politics is more deal-based now, smaller and mid-sized countries use their resources or strategic locations to balance big powers and gain advantages from both sides.

Additionally, the “Rules-Based International Order” (UN, WTO) is under extreme or even terminal pressure.² As the United Nations Security council remains paralyzed by vetoes, global governance is shifting to “purpose-built” alliances and regional blocs. Russia and China are building alternative payment systems like CIPS and SPFS³ to reduce reliance on the United States dollar and weaken the impact of Western sanctions. In 2026, the international system is characterized by a “Great Fracture”. While United States, China and Russia are locked in a zero-sum struggle for primacy, a rising group of middle and small states is redefining diplomacy. For these smaller nations, the historical lesson of “Finlandization” is once a relic of the Cold War – has become a vital modern strategy for survival in an age where choosing one side often means losing the other.

When we go to the main analysis – the mechanics of “smart neutrality” in 2026, the primary challenge for policymakers in 2026 are avoiding the “zero-sum trap”, that is a situation where gaining favor with one superpower United States automatically results in an existential threat from another powers like China or Russia. To navigate this, the historical Finnish model provides a difficult roadmap based on two pillars like strategic hedging and security reciprocity.

In the era of 2026, neutrality is no longer synonymous with isolation.⁴ 20th century of Finlandization, which was often solitary, modern neutrality is defined by “complex interdependence”. Small countries, like Uzbekistan, Kazakhstan and Singapore have

² <https://www.stimson.org/2026/top-ten-global-risks-for-2026/#::~:~:text=The%20National%20Security%20Strategy%20makes,multilateral%20arrangements%20to%20act%20as> Stimson security&strategy. Strategic Foresight Hub Program. Global Risks&Alternative World project. 2026 January 5. By Robert Manning and Mathew Burrows.

³ CIPS and SPFS are payment systems. CIPS – created by China, SPFS – created by Russia. There are basically networks banks use to send money and financial messages. <https://asadkhanbahadur.substack.com/p/swift-vs-cips-and-spfs> . Jun12, 2025. The silent battle of global finance.

⁴<https://www.pearson.com/en-us/subject-catalog/p/longman-anthology-of-british-literature-the-the-restoration-volume-1c/P200000002131/9780205655274> year 2011. Theory of power and interdependence.

transformed their geographic situation into a “diplomatic bridge”. By integration into multiple economic systems like China’s belt and road initiative while simultaneously maintaining high level security dialogues with the westernized countries, these states ensure that their survival is in the collective interest of all major powers.⁵ A state that remains that secure not by amassing military power, but by ensuring it does not become a perceived threat to its more powerful neighbors.

The Finnish model, specifically the Paasikivi-kekkonen doctrine, was the recognition that a superpower’s aggression is often driven by “encirclement anxiety”.⁶ In 2026, Russia and China react sharply to the expansion of west military alliances, the Finnish lesson offers a “grand bargain”: the small state trades a portion of its external military freedom for total interval sovereignty. This is evidenced by the 1948 Agreement of Friendship, Cooperation and Mutual Assistance. Finland promised not to host hostile foreign bases. A new element in 2026 that did not exist during the original Finlandization are is technological neutrality. Today, a state’s sovereignty is tried to its data. To be “Finlandized” in 2026 means practicing “strategic autonomy” in technology, refusing to let any single superpower control the nation’s digital “nervous system”.⁷ This approach to technology ensures that the state remains functional even if one superpower’s ecosystem is disconnected.

In conclusion, the historical difficulty of Finlandization provides a practical roadmap for small countries in the difficult world of 2026. When great powers like the United States, China and Russia compete, the best strategy for a smaller nation is not to pick a side, but to act as a “diplomatic bridge”. The main lesson we can learn is that neutrality is not a sign of weakness, it is a smart choice for peace and survival. By ensuring that neighbors feel secure and by keeping trade open with everyone. Small countries can protect their own independence as well as avoid being caught in the middle of a war. It is proven that during the Cold War a small nation can still be successful, even surrounded by giants, if it uses good diplomacy. The goal for any small country today is to be too useful to be ignored and too neutral to be mistrusted. In the end, balance and dialogue remain the most powerful tools for any nation to stay sovereign in the 21st century.

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