

## Challenges Facing Small Countries in the Contemporary International System: Structural Vulnerabilities, Strategic Choices, and Prospects for Resilience

**Maia Gamsakhurdia**, Doctor of International Relations;

David Aghmashenebeli National Defence Academy of Georgia,  
Scientific-Research Center, 1400, Gori, Georgia

E-mail: [mgamsakhurdia@eta.edu.ge](mailto:mgamsakhurdia@eta.edu.ge)

ORCID: [0009-0008-3739-9226](https://orcid.org/0009-0008-3739-9226)

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### Abstract

Small states occupy a structurally distinct position within the international system, one characterized by both acute vulnerability and notable adaptive capacity. This article offers a comprehensive, multidisciplinary analysis of the challenges confronting small states amid intensifying geopolitical rivalry, accelerating climate change, rapid technological transformation, and global economic volatility. Drawing on structural realism, political economy, environmental security, and small-state studies, the paper demonstrates that vulnerabilities arise from a combination of intrinsic limitations—limited population size, constrained domestic markets, narrow talent pools, and minimal strategic depth—and exogenous systemic pressures generated by global change. Through a qualitative, theory-informed comparative approach, the study evaluates how these vulnerabilities manifest across security, economic, demographic, environmental, technological, and societal domains. The analysis reveals that small states face structurally embedded constraints: asymmetric security exposure, dependence on external markets and technology, demographic decline, governance overload, environmental fragility, and susceptibility to information influence and geopolitical coercion. Yet the paper argues that small states are not passive recipients of structural pressures. Rather, they deploy a repertoire of adaptive strategies including institutional modernization, economic diversification, investment in human capital, climate adaptation, strategic diplomacy, digital autonomy, and the cultivation of social cohesion. These strategies allow small states to convert structural disadvantages into opportunities for agility, innovation, and strategic relevance. The conclusion contends that resilience for small states is best conceptualized as a dynamic process of adaptive governance rather than a static condition. The long-term viability and agency of small states will depend on

their ability to align domestic capabilities with global transformations, navigate great-power politics without sacrificing autonomy, and institutionalize resilience as a core dimension of statecraft. In doing so, small states can mitigate systemic risks and enhance their international positioning despite profound structural constraints.

**Keywords:** Small states; structural vulnerability; resilience; strategic autonomy; political economy; cybersecurity; demographic change; environmental security; great-power rivalry; institutional capacity; economic diversification; climate adaptation; digital sovereignty; governance overload; global interdependence.

## Introduction

The international system has entered a period of profound uncertainty, driven by the simultaneous acceleration of geopolitical rivalry, technological disruption, economic fragmentation, and environmental transformation. The post–Cold War assumption that globalization would produce a stable, rules-based order has given way to a more contested landscape characterized by strategic competition among major powers, the militarization of interdependence, and the erosion of long-standing multilateral institutions. In this turbulent context, small states—defined broadly as countries with limited population size, geographic area, economic capacity, or military power—occupy an especially precarious position. Their structural characteristics shape both the vulnerabilities they face and the strategies available to respond to global shocks[2]. Unlike large powers with vast territories, diversified economies, and substantial military-industrial capabilities, small states possess inherently narrow margins for error. Their limited demographic scale constrains labor markets, innovation potential, and administrative capacity. Geographic compactness reduces strategic depth and amplifies exposure to environmental hazards, border tensions, or regional instability. Modest resource bases restrict fiscal buffers and limit the ability to invest heavily in defense, infrastructure, or technological innovation. As a result, small countries encounter a set of structural constraints that larger states do not experience with equal intensity. Yet the challenges they face are not merely a function of size; they are also shaped by systemic pressures tied to rapid global change.

The twenty-first century has multiplied such pressures. Intensifying rivalry between the United States and China, coupled with the resurgence of regional powers, has created a geopolitical environment in which small states must navigate competing interests, avoid entanglement, and preserve strategic autonomy. Technological transformation—particularly in areas such as

artificial intelligence, cybersecurity, digital infrastructure, and data governance—has created new domains in which small states are both highly dependent and highly vulnerable[3]. The growing politicization of trade, global supply-chain disruptions, and economic protectionism threaten the economic stability of states with narrow export baskets or heavy import dependence. Meanwhile, climate change poses existential risks to small island developing states and significant adaptation challenges to resource-constrained mountainous or arid countries. Despite these vulnerabilities, small states are far from passive recipients of external pressures. Scholarship in international relations demonstrates that small countries often develop innovative foreign-policy instruments, sophisticated diplomatic networks, and adaptive governance strategies that allow them to punch above their weight. Examples include the development of niche diplomacy, the use of multilateral institutions as amplifiers of national influence, the cultivation of soft power, and the strategic positioning within global value chains. In many cases, small states have been early adopters of digital governance, sustainability policies, and adaptive economic models, demonstrating governance agility that larger bureaucratic systems struggle to match. Nevertheless, the structural realities of size place clear limits on agency. Even the most successful small states must manage vulnerabilities inherent to their position within the international system. The interplay between internal constraints (such as human capital, institutional capacity, and economic specialization) and external pressures (including great-power competition, market volatility, and environmental risks) creates complex strategic dilemmas. Understanding these dynamics requires an analytical framework that captures not only the vulnerabilities of small states but also the mechanisms through which they seek resilience, adaptation, and influence.

This article examines the overarching challenges facing small countries in the contemporary global order. It argues that the constraints confronting small states arise from a combination of structural factors rooted in their size and systemic pressures linked to global transformations. To analyze these dynamics, the study adopts a qualitative, comparative, and theory-informed methodology—outlined in the following section—that integrates insights from structural international relations theory, political economy, governance studies, and resilience theory. Through this approach, the article provides a comprehensive examination of small-state vulnerabilities across multiple domains, including security, economic development, demographics, governance capacity, environmental risk, geopolitics, technology, and societal cohesion. By situating small states at the center of global debates on power, resilience, and governance, this study contributes to a deeper understanding of how small countries navigate an increasingly complex and unpredictable world. The analysis highlights both the structural

constraints that shape their vulnerabilities and the strategic innovations that enable them to maintain stability, safeguard sovereignty, and pursue sustainable development in the twenty-first century. A critical dimension of small-state security vulnerability lies in their structural dependence on foreign defense industries for weapons procurement, technological modernization, and maintenance. Unlike major powers with diversified military-industrial complexes, research laboratories, and large-scale defense manufacturing capabilities, small states rarely possess the economic scale or scientific infrastructure required to develop sophisticated weaponry or advanced defense technologies domestically. This dependence shapes every stage of the defense cycle—from acquisition and integration to upgrades, ammunition supply, and long-term sustainability. The consequences of such dependence become particularly evident during periods of heightened geopolitical tension or armed conflict. Procurement from foreign suppliers is often constrained by export controls, licensing requirements, and complex certification processes. Supplier states may restrict or delay transfers of sensitive technologies due to shifting diplomatic alignments, domestic parliamentary debates, or compliance with international arms-control regimes. This dynamic can leave small states without timely access to critical equipment at moments when their strategic environment is most volatile. Moreover, reliance on external vendors embeds small states within global supply chains that are increasingly fragile. Recent disruptions—from the COVID-19 pandemic to geopolitical trade disputes—have illustrated the systemic vulnerabilities inherent in globalized production networks. Components essential for defense operations, such as semiconductors, communication systems, or specialized mechanical parts, may be sourced from multiple regions, any of which can become chokepoints during a crisis. For small states, which lack the domestic capacity to produce substitutes, even temporary disruptions can have outsized effects on operational readiness.

Technological dependence also creates strategic exposure. When major powers serve as primary defense suppliers, their political preferences, strategic priorities, and diplomatic interests can shape the military trajectories of small states. Supplier states may leverage arms transfers to influence foreign policy orientations, shape regional alignments, or impose constraints on defense cooperation with rival powers. This dynamic amplifies the security dilemma for small states: acquiring technology may enhance short-term military capability, yet deepen long-term vulnerability to political leverage. Finally, technological dependence often translates into maintenance and lifecycle vulnerability. Advanced systems—whether aircraft, missile defense batteries, or cyber infrastructure—require continuous software updates, access to proprietary components, and specialized training. Interruptions in any of these support streams can erode

capability quickly. Thus, technological and industrial dependence is not merely a procurement issue but a fundamental structural vulnerability that shapes the strategic autonomy of small states[2]. Geography further compounds the security vulnerabilities of small states. Limited territorial space constrains defensive planning, reduces room for military maneuver and heightens the exposure of critical infrastructure to early-stage attacks. Small states typically lack the strategic depth that larger territories afford, meaning that a hostile force can traverse significant portions of the country in a matter of hours. This reduces opportunities for delaying operations, defending multiple lines, or regrouping after initial losses. Urban concentration intensifies these challenges. Many small states exhibit a high degree of spatial centralization, with political institutions, economic hubs, transportation networks, and critical infrastructure clustered in one or two major cities. This creates a situation in which a small number of precise strikes—whether kinetic, cyber, or hybrid—can generate disproportionate systemic disruption. Airports, seaports, government ministries, power stations, and telecommunications networks often lie within accessible range of adversarial forces, leaving little space for redundancy.

Strategic chokepoints amplify risk. Narrow airspace, limited maritime zones, and compact land borders can be rapidly contested. Small island states, for instance, depend heavily on a single port facility or airport for economic and military connectivity; mountainous microstates depend on a handful of transit corridors. This spatial bottlenecking means that blockades, cyber-induced port shutdowns, or infrastructure sabotage can have immediate national-level consequences. Furthermore, the psychological and political effects of territorial vulnerability are pronounced. In small states, even localized incidents—such as border skirmishes, drone incursions, or targeted cyberattacks—can escalate into national crises due to spatial proximity to population centers. Such states must manage not only the physical risks associated with geographic constraints but also the social and political pressures that arise when citizens and leaders perceive threats as existential. Thus, geographic and strategic depth constraints force small states to adopt security doctrines that emphasize resilience, rapid response, and deterrence by punishment rather than deterrence by denial. Yet even these strategies operate within narrow structural limits imposed by geography itself.

Given the structural constraints deriving from technological dependence, geographic vulnerability, and limited military capacity, small states adopt compensatory defense strategies that seek to offset material weakness through strategic adaptation. These strategies do not eliminate vulnerability; rather, they aim to render aggression prohibitively costly, reduce uncertainty, and increase the survivability of the state under adverse conditions. The defense

strategies pursued by small states reflect a blend of realist logic—focused on balancing, deterrence, and alliance formation that emphasize cooperation, burden-sharing, and the amplification of national voice through multilateral frameworks. The specific configuration of compensatory strategies adopted by any given small state depends on its geopolitical environment, historical experiences, societal resilience, and economic capacity.

One of the most significant compensatory tools is the delegation of deterrence through defense relationships with larger powers. By embedding themselves in collective defense arrangements or bilateral security partnerships, small states effectively outsource elements of their security to actors capable of projecting force at scale. Such arrangements are not merely military in nature; they often involve diplomatic coordination, intelligence fusion, and joint contingency planning. However, they also introduce vulnerabilities related to dependence, alliance politics, and potential misalignment of interests. Finally, small states increasingly rely on asymmetric and technological innovations to compensate for conventional inferiority. Leveraging cyber capabilities, drones, electronic warfare tools, and advanced surveillance technologies allows small states to raise the costs of aggression without matching major powers in quantitative terms. These capabilities can disrupt adversarial command systems, harden defense networks, and project influence beyond territorial borders. However, asymmetry offers only partial insulation: it complicates aggression, but cannot entirely replace conventional deterrence. In sum, compensatory defense strategies represent an adaptive response to unavoidable structural realities. They illustrate how small states navigate the security challenges of a global system where material size continues to matter, yet where strategic creativity and institutional sophistication can significantly enhance state resilience.

**Economic Constraints and Market Vulnerability** - Economic vulnerability constitutes one of the most persistent and structurally embedded challenges confronting small states[1]. Their economic trajectories are shaped by demographic constraints, limited production capacity, narrow specialization, and high exposure to global market fluctuations. In contrast to large economies that benefit from diversified industrial bases, sizable domestic markets, and substantial fiscal capacity, small states operate under a structural condition of economic narrowness, in which a limited population, small territorial scale, and modest resource endowments place inherent constraints on economic development. These constraints are not merely quantitative; they profoundly influence the qualitative nature of economic governance, the degree of resilience to external shocks, and the strategies available for sustaining growth. Political-economy scholarship consistently notes that small states face high levels of external vulnerability, arising from their

deep integration into global markets and their inability to generate sufficient internal demand to stabilize economic cycles. Small states tend to pursue openness as a development strategy—liberalizing trade, attracting foreign investment, and integrating into global value chains. While this openness can generate prosperity, it also magnifies exposure to external volatility. The consequence is a structural paradox: small states rely on global markets for growth, yet these same markets constitute the primary source of their economic fragility. Economic vulnerability in small states manifests across four interrelated domains: restricted domestic markets, export concentration, import dependence, and financial fragility. Each represents a distinct yet interconnected source of structural weakness that shapes national development prospects. The small size of domestic markets constitutes one of the most fundamental structural constraints on small-state economies. Limited populations curtail aggregate demand, thereby reducing opportunities for economies of scale across nearly all sectors. In manufacturing, this limitation prevents firms from achieving production levels necessary to compete with larger regional or global producers[6]. Domestic manufacturers often face high per-unit costs, constrained innovation capacity, and limited technological upgrading, resulting in reduced competitiveness even within local markets. Consequently, many small states struggle to support diversified industrial bases and instead rely on a narrow set of industries that can operate efficiently at small scale. The challenge extends to high-technology sectors, where innovation depends on concentrated pools of highly skilled labor, venture capital, and research institutions. Small states often lack the critical mass necessary to sustain robust innovation ecosystems. The labor market remains limited not only in quantity but also in specialization: niche skills required for advanced industries may be scarce or absent, forcing firms to rely on expatriate expertise or foreign outsourcing. This structural limitation reduces the feasibility of developing domestic high-tech industries, constraining upward economic mobility and limiting diversification into knowledge-intensive sectors. Furthermore, small domestic markets impede competition. With a restricted number of firms, market concentration becomes common, potentially leading to oligopolistic structures, reduced innovation, and higher prices. The state often must intervene through regulation, subsidies, or public provision of goods to maintain competitive balance[5]. Yet such intervention increases fiscal burdens and requires administrative capacity that may itself be limited. In sum, small domestic markets not only restrict economic expansion but also generate systemic fragilities by limiting industrial diversification, constraining innovation capacity, and reducing the competitive dynamism necessary for long-term growth. A second structural vulnerability arises from the high degree of export concentration that characterizes most small-state economies. Lacking the population size and industrial base needed to maintain diverse

export portfolios, small states tend to specialize in a narrow range of goods or services. This specialization often reflects initial factor endowments—natural resources, geographic positioning, or niche service capacities—rather than deliberate long-term strategic planning. While specialization may generate economic gains during periods of favorable global demand, it produces acute fragility when external conditions shift. Export concentration heightens exposure to sector-specific shocks. Tourism-dependent economies such as Mauritius, Seychelles, or the Maldives experience immediate downturns during global crises, pandemics, or environmental disruptions. Financial hubs such as Luxembourg or Bermuda remain vulnerable to regulatory changes or shifts in global capital flows. Hydrocarbon-dependent states, including Qatar or Trinidad and Tobago, face volatility tied to commodity prices and geopolitical energy dynamics. Agricultural and mineral exporters remain susceptible to climate variability, supply-chain disruptions, and declining international prices. This dependence creates a structural pattern of boom-and-bust cycles, limiting long-term planning and complicating fiscal management. Governments may experience sudden surges in revenue during favorable periods, followed by rapid declines that strain public finances and inhibit sustained investment in infrastructure or social services. Export concentration thus generates a form of macro-economic instability—not because of domestic structural inefficiency alone, but because global markets function as external determinants of national economic performance. Demographic dynamics constitute a central structural dimension of vulnerability for small states, shaping their economic potential, institutional capacity, and long-term developmental trajectories. Whereas large states often experience demographic shifts gradually, small states confront such changes with disproportionate intensity because even modest variations in fertility, life expectancy, or migration flows produce significant macro-level effects. Demographic pressures interact with labor-market constraints, public-sector capacity, fiscal systems, and innovation potential, creating a multi-layered set of structural challenges. In small-state scholarship, demographic vulnerability is increasingly conceptualized as both an independent and interacting variable, influencing resilience, competitiveness, and the sustainability of governance systems. Three interrelated demographic phenomena—population ageing, emigration and brain drain, and the inherent limitations of small talent pools—jointly produce a set of systemic pressures that constrain policy autonomy and economic diversification. These demographic challenges, while not unique to small states, manifest with greater severity due to their minimal population scale, limited institutional redundancy, and heightened dependence on human capital.

### **Conclusion:**

## Toward Resilient and Adaptive Small States

Small states occupy a structurally distinctive position within the international system—one defined simultaneously by acute vulnerabilities and unique adaptive capacities. As this study has demonstrated, the challenges they confront are multidimensional, spanning security asymmetries, economic fragility, demographic pressures, environmental risks, governance constraints, technological dependence, and geopolitical turbulence. These vulnerabilities stem from inherent features of smallness—limited populations, narrow resource bases, concentrated infrastructure, and reduced strategic depth—as well as from exogenous global transformations that amplify structural exposure. Yet small states are far from passive entities shaped solely by systemic forces. Their historical experiences and contemporary policy practices reveal a consistent pattern of *strategic adaptation*, institutional innovation, and normative entrepreneurship. The capacity of small states to endure and prosper in an increasingly volatile world depends on their ability to transform structural vulnerabilities into opportunities for resilience[4]. Institutional modernization is central to this process. Efficient, transparent, and digitally capable public institutions enable small states to overcome administrative deficits, strengthen regulatory oversight, and enhance crisis response. Economic diversification remains equally critical, reducing dependence on volatile exports, expanding participation in global value chains, and fostering endogenous innovation. By cultivating flexible and knowledge-intensive economic sectors, small states can partially offset constraints arising from market size and resource scarcity.

No less important is the role of social cohesion and human capital. Social fragmentation, information vulnerability, and demographic decline undermine state capacity and political stability. Conversely, cohesive societies with strong educational systems, inclusive national identities, and high levels of institutional trust are better equipped to navigate crises, attract talent, and sustain long-term development. Human capital investment—particularly in science, technology, and governance competencies—enhances national resilience by expanding the capabilities upon which administrative effectiveness, technological innovation, and diplomatic sophistication depend.

Ultimately, the future of small states will not be determined by the magnitude of the challenges they face but by the sophistication of their responses. Small states cannot eliminate structural vulnerabilities; yet they can *manage* them through adaptive governance, strategic foresight, and institutional creativity. Their inherent agility—derived from compact political systems, flexible

policymaking, and social interconnectedness—can serve as a competitive advantage in a world characterized by rapid change and uncertainty[7].

In sum, resilience for small states is not a static condition but an ongoing process of adaptation, learning, and strategic investment. By modernizing institutions, diversifying economies, enhancing climate and technological resilience, strengthening diplomatic agency, and fostering cohesive societies, small states can transform structural constraints into foundations for sustainable development and geopolitical relevance. Their continued success will depend on aligning domestic capacities with global transformations, ensuring that smallness becomes not a liability but a catalyst for innovative and adaptive statecraft.

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