



EUROPE 360°

AN ESSAY ON THE EUROPEAN UNION'S IMMEDIATE PRIORITIES IN THE NEW GLOBAL GEOPOLITICAL SITUATION

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EDITORIAL TEAM

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INTRODUCTION

In July 2024, we published the first AVANZA report, under the title *Holding a Mirror up to Europe* (1). In it, we analyzed six dimensions of the Union: its budgetary and internal investment capacity to achieve strategic objectives; trade and trade agreements; the state of the green and energy transition; the state of technological advances in Artificial Intelligence; European security and defense; and Europe's development alliances with the countries of the Global South.

Our objective, seeing how the global geopolitical landscape was beginning to change, was to assess whether Europe could be considered a great power compared to the other two giants: the USA and China. It was a detailed examination, without major conclusions, but with a very keen sense of urgency, given what we could already discern of the new world scene taking shape on the horizon. It had the virtue of anticipating what, several months later, with Trump as president of the USA, was to happen on the international and national stage around the world.

The world, in the last ten months, has fully entered a new era, as we have been saying for some time (2), and many features of the current situation are an unexpected evolution of that scenario, given the scale they have acquired.

Today we are witnessing the large-scale emergence of a new authoritarian and populist far-right ideology that undermines democracy, the collapse of a rules-based international order, and a unilateral tariff war driven by the US; human rights, international law, and humanitarian law are violated with apparent impunity; Putin's war in Ukraine—the attempted resurgence of the last great European empire—has deepened, and Gaza has been transformed into a vast field of genocide; in the US, democracy is being dismantled, Democrat-run cities are occupied by the army, episodes of massive and violent deportations abound, as does the assault on its democratic institutional fabric; far-right forces coordinate on a global scale and are on the rise in many European countries.

All of this has altered the European Union's position in a changing world system. Faced with this state of affairs, the Union is proving hesitant, slow, and faltering in its responses to the coercive weapons used by the US, resigned to signing unfair trade agreements to avoid greater evils, and regretful of the outsourcing of its defense, which it has crafted over decades. **Europe today is questioning its future**.

Those of us with a progressive vision of the world and humanity must react.

With pragmatism, without wishful thinking that hides the reality of a world that is beginning to regress. But also, without a debilitating pessimism (3). The shaping of this new era has only just begun, and the great battles have yet to be written.

However, it must be acknowledged that it is off to a bad start, with clear threats of an evident setback.



It is important not to be deceived in this situation, and to make a judgment based on a simple extrapolation into the immediate future of what we already see: the drift we are witnessing makes it clear that it is urgent to think about practical alternatives that can pull Europe out of a paralysis and deadlock that, if not remedied, will place Europe in a second- or third-rate position in a world undergoing a complete redefinition.

This pragmatism has led us, in the case of this Report, to ask ourselves with a sense of urgency **how** the European Union can occupy the place it deserves in this new era. It is not so much a matter of talking about **what** to do, as an impressive catalog of new perspectives is being written on that subject. Rather, it is about approaching **how** Europe can progress under the new conditions.

The result is this report, where in four key areas we explore how the current situation could be unblocked, moving from the most external to the most internal: in the realm of trade, where Europe, the world's largest trading power, has yet to fight decisive battles; in the field of geopolitical alliances, where Europe must clearly define its role in the world and the new alliances it can build; in the area of industrial policy and Artificial Intelligence, a transformation that dwarfs humanity's transition to written history and is changing people's daily lives in unknown ways; and in its decision-making, which is key to overcoming the paralysis and internal deadlock in each and every one of the aspects analyzed. In all four areas, we consider what initiatives can help Europe progress without waiting for years to come. Our approach is, therefore, pragmatic, taking a realistic and unflinching look at the starting situation.

Due to the scope of this essay, in terms of both deadlines and budget—which was made possible by winning a competitive call from the Secretariat of State of the Ministry of Foreign Affairs—we have left aside two other elements that were considered in our first report in 2024: the green transition and security and defense. We have been constrained to select, from the six dimensions we analyzed in our first publication, the four most critical ones for overcoming the Union's current state of paralysis. But this does not mean that the AVANZA Foundation will not address the perspective of the climate fight or European defense and security in other essays and reports. Regarding the former, we will continue to advocate for the State Pact against the climate emergency, not only at the national level but also at the European level. Regarding European security and defense, we have already published a specific report and will continue to open up new perspectives (4).

The structure of this essay addresses the four dimensions.

First, Inmaculada Rodríguez-Piñero, an MEP in the last parliamentary term and one of the leading trade experts collaborating with AVANZA, presents a specific roadmap for the Union, as the global power it is in international trade, and proposes a specific path for progress.



Second, Mario Pezzini and Stefano Manservisi, two internationally renowned experts, address the key question of the real possibilities for the Union to forge a strategic alliance with the Global South amidst the ongoing global geopolitical reorganization.

Third, the essay tackles the Union's industrial policy regarding the competitive race that has emerged in the world around Artificial Intelligence, a section in which Manuel González Bedia, Vice-Rector for Innovation at the University of Zaragoza, assesses the state of the Union and proposes a series of recommendations for progress.

And fourth, the overarching framework for all of this is presented: Ruth Ferrero-Turrión, another leading expert collaborating with AVANZA, formulates a new decision-making strategy so that Europe, freeing itself from its current institutional and political paralysis, can move forward with the necessary speed and determination, on the aforementioned fronts and others.

Given the scope of this essay, it does not contain empirical fieldwork or detailed reviews of the current state of the various topics discussed. It offers the coordinated vision of experts who contribute their knowledge on the subject and formulate realistic perspectives on what to do, and above all, *on how to do it*.

There are two elements that run through these analyses and recommendations: The first is the emphasis, placed in each chapter, on what Spain can do within the Union by leading pivotal initiatives in each of these fields. Just as the Spanish government has placed our country at the forefront of other international issues, such as the condemnation of the massacre Netanyahu is inflicting in Gaza, NATO, or migration, it is now proposed that another of the main focuses of new initiatives be on how the European Union can advance under current conditions, based on initiatives from member states, and particularly from Spain. It should be noted that the chapter on Industrial Policy and Artificial Intelligence is the most complex because it is in this field that the greatest seizure of power by large tech companies has occurred—companies that increasingly operate more autonomously from the interests of society—and where it is most difficult for the European Union to change course to effectively address the situation. What this essay offers in this area is, therefore, an initial approach to a topic that we at AVANZA will continue to explore.

The second common element on which these chapters converge is a **vision**: the vision of a Europe that acts as a **spearhead**, **co-creating** with strategic partners from other areas, a new geopolitical region on a global scale, balancing the recent emergence of another new region, the Indo-Pacific.

In our first publication, already mentioned, this geostrategic perspective was suggested as a long-term horizon for Europe, the region of the Three Shores (5), which can be summarized as the construction of a grand Euro-Afro-Latin American strategic alliance. This will not be formed overnight, but it may become one of the great regions that, by the 2050 horizon, drives the world in this new era to a new multilateralism, new fair rules of the game, and the triumph of human rights, social justice, and social



democracy. In this essay, the authors point, with a greater arsenal of reasons, in that same direction.

These are not "business-as-usual" times. It is necessary to start thinking about **effective and disruptive proposals** so that the course of Europe's history takes a different path. This is our small and humble contribution to that necessary and urgent task.

Manuel Escudero
President of AVANZA
31 October 2025



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I THE EUROPEAN UNION'S TRADE STRATEGY IN THE NEW GEOPOLITICAL CONTEXT: A ROADMAP

INTRODUCTION

The trade conflict between the US and China has intensified in 2025, raising tariffs and the risks of "decoupling", and slowing the growth of the global economy and world trade. The **EU** is forced to reposition itself as an autonomous **third global actor** vis-à-vis China and the US.

The EU represents 450 million inhabitants and is the world's leading trading power. International trade accounts for over 50% of the Union's GDP, a much higher proportion than that of the United States (27%) or China (40%), and it is the top trading partner for 54 countries, compared to 48 for China and 24 for the United States.

However, in the last 15 years, economic weight has clearly shifted to the East. The European Union has lost almost five percentage points of its share of the world economy; the US, almost seven points; while China has gained 15 percentage points and has become the world's second-largest economy. And this trend is set to intensify in the coming years, according to all forecasts.

Europe is falling behind in the technological and digital world and needs to strengthen its economic position on the international stage because, without economic strength, it cannot enhance its political influence. **Influence** that is now more necessary than ever to create certainty and defend an International Order based on multilateralism, dialogue, consensus, and mutual respect.

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The main **strengths** of the European project compared to other geographical areas of the world are:

- The **European social model**, with standards set throughout the Union, to the extent that it should be defined not only as being based on an institutional regime of liberal democracy but, rather, of **social democracy**.
- Being a global economic and commercial power.

Europe has the necessary potential to be the third global actor, alongside the US and China, although having that potential is useless if it is not capable of using it properly.

Developing that potential requires the EU to undertake an intensive international agenda in the immediate future that deepens Trade and Association Agreements and champions a new multilateralism that overcomes the current lack of trust and fragmentation between the two poles, the Global North and South.

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But that is not enough. The EU needs to overcome its technological lag behind the US and China and become more competitive. To do so, it must move from drawing up excellent plans to achieving excellent results in digitalization, the development of Artificial Intelligence, the decarbonization of the economy, and the defense union. And for that, it must generate sufficient resources to finance the huge volume of investment it needs.

But above all, **Europe must be more pro-European**, and that means it has to develop, before the desired enlargement, a series of measures to achieve:

- Greater and more effective integration, which requires reviewing its policies to better adapt them to current challenges and harmonize their application in the Member States.
- Improving efficiency in the decision-making process, by fully developing the current provisions of the Treaty of Lisbon and moving beyond unanimity voting and the veto power, a central theme addressed in this essay on Europe 360°.



In times of **uncertainty** like the present, it is more necessary than ever to offer security. And in an increasingly complex world that is changing at breakneck speed, that security is guaranteed by an ever more united, dynamic, and efficient European Union.

This chapter seeks to address and respond to the current and future challenges of the EU from a broad and in-depth perspective of **Trade Policy**.

THE EU'S CHALLENGES IN THE NEW INTERNATIONAL CONTEXT

The **international context** is characterized by the coexistence of two dominant political and economic systems, the United States and China, which are increasingly at odds, and where the EU's relationship with them is becoming ever more difficult.

Under the Trump presidency, the **US** is exerting **excessive coercive pressure** on the rest of the world, using trade as a weapon to impose its rules of the game in defense of its own interests.

China and the main emerging market countries want to change the rules of the global trade game. They want to replace the rules established decades ago by developed countries to defend their own interests when they dominated the world economy with others that serve their own interests.

China, moreover, is increasing its capacity to influence the countries of the Global South, improving its alliances through significant investments in raw materials, land, and infrastructure, which satisfy its own interests and which the beneficiary countries view positively out of pure pragmatism, although they are not a model to follow in development aid.

For its part, the EU has lost global political influence and lacks a comprehensive strategy to coordinate its development aid. It has countless programs with scattered, very small-scale projects and little impact in third countries. Global Gateway could be a useful tool, but it needs to improve substantially, as analyzed in the following section by Stefano Manservisi and Mario Pezzini.

But **the EU** has also **lost economic weight** as a result, in part, of not sufficiently protecting and defending the EU's economic interests, of accepting unfair competition from third countries for too long, and of fostering our technological lag due to a lack of strategic vision, foresight, and a desperately slow decision-making process.

If the EU wants to **gain influence as a third global actor**, it has to be much more effective and adopt a series of **reforms**, among which the following should be prioritized:

• Review the decision-making model so that vetoes and unanimity in the Council do not prevent progress on necessary reforms and investments. This issue is addressed in the final chapter of this essay by Ruth Ferrero-Turrión.



- Align economic, trade, and foreign policy to multiply their effectiveness and help
 the countries of the Global South become more competitive and have greater
 capacity for growth and demand for European products.
- Focus cooperation programs on large-scale strategic projects in energy, digitalization, and infrastructure, starting with the countries where it has Trade Agreements to boost their exports and necessary imports. Sign new trade agreements with ASEAN, India, Africa, and Latin American countries, which are rich in natural resources and have dynamic markets.
- Work with like-minded countries to agree on an effective WTO Reform to counteract
 the distortions caused by the interventions of some states in their economies,
 strengthen its monitoring role, and reform the dispute settlement system between
 investors and states. In short, the EU's main challenge in the new international
 context is to increase its global influence and competitive capacity, by building
 new alliances with like-minded third countries and moving towards true open
 strategic autonomy.

BUILDING NEW ALLIANCES: A COALITION OF COUNTRIES FOR FAIR AND REGULATED TRADE

Multilateralism, as it has functioned in recent decades, has come to an end, although it is essential for trade and value chains to function without tensions. Faced with this situation, and given the European economy's dependence on trade activity, it is essential that the EU make a series of strategic decisions:

- How it wants to develop its relations with **China**.
- How it is going to overcome the submission shown to Trump and recalibrate its relations with the Transatlantic Alliance from an autonomous position.
- How it is going to strengthen its alliances with the countries of the Global South, to ensure stable and reliable access to critical raw materials and promote sustained growth and the green and digital transition in these countries.
- What role it wants to play in promoting a rules-based multilateral system, with Multilateral Institutions capable of applying them effectively.

But who can promote a multilateral system based on rules and with an effective WTO to guide global trade?

With Trump, and as long as the geopolitical tensions between the US and China persist, it is difficult to imagine the participation of the two superpowers.

It is true that most nations defend the stability provided by a regulated trade order and that they continue to comply with WTO rules for the most part, but only **the world's**



leading trading power, the European Union, has the capacity to build new alliances and lead a coalition of countries for fair, rules-based trade. The international context, moreover, is favorable to it.

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The key question now is **how can the EU lead a coalition of countries for fair, rules-based trade?**

Below is a series of concrete proposals that can help launch the coalition:

- Contact and dialogue to discuss the proposal with those most like-minded countries with which the EU has signed Free Trade Agreements.
- Organize a **platform** to bring together reliable partners and experts willing to build consensus on trade rules and WTO reform.
- Build new alliances with the countries of the Global South, by effectively
 coordinating trade and development cooperation policy, with the inclusion of
 enhanced clauses on sustainability, digitalization, and the green transition in all
 bilateral and regional agreements it signs.
- Start with the rules applicable to areas where it might be easier to reach
 agreements, such as digital trade and cooperation on economic security, supply
 chain resilience, and the fight against climate change, although in the latter case,
 China's participation would be essential and that of the United States very
 unlikely.
- Propose a Coordinated EBA (Everything but Arms) Plan, like the EU's, to the
 developed member countries of the coalition to eliminate tariffs and quotas on all
 imports of goods, except arms and ammunition, from the least developed
 countries.

Spain could play a crucial role in driving this coalition. Thanks to its credibility, its defense of multilateralism, and its good relations inside and outside the Union, especially with Latin America, which must participate in the coalition. Spain could start by creating a forum for debate on the creation of a coalition of countries for fair, rules-based trade, with the attendance of government representatives and experts, from which an action strategy and a detailed roadmap can be drawn up. Subsequently, Spain, along with other like-minded partners in the Union, should propose a debate in the Council that leads to a mandate to design a European strategy for the creation of said coalition.



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THE EU AS A THIRD GLOBAL ACTOR. TOWARDS STRATEGIC AUTONOMY

Europe faces highly complex risks stemming from geopolitical tensions and challenges to the global order. Addressing them requires Europe to develop its **strategic autonomy** to increase its negotiating power and become more influential and competitive.

Although significant progress has been made in recent years, major difficulties persist in articulating a genuine European economic security agenda, given the different national priorities regarding China and the United States.

TOWARDS A EUROPEAN SECURITY AND DEFENSE POLICY

The Russian invasion of Ukraine, in a spiral that portrays it as the last great dream of a declining empire, has forced Europe to change its paradigms and prioritize the development of a European military industry, making it essential **to create a single market for defense equipment** to increase the scale of European production, reduce unit costs, and ensure equipment interoperability.

The priority debate focuses on how to increase our military capabilities and on the necessary coordination of the armed forces of the EU countries.

It is necessary to significantly **increase European military spending**. The question is how to finance it. Reallocating the priorities of the community budget offers little leeway, so it will be unavoidable to access **new resources**. It will have to be decided whether to proceed with a new issuance of common debt, turn to the EIB, create a new instrument similar to the NextGeneration funds, or whether a combination of all of them will be necessary.

Europe has a great deal of private savings, but its incomplete capital market does not channel it efficiently. Therefore, public investment will need to take on a significant role, and fiscal rules will have to allow for it, although the recently approved ones do not include the possibility of issuing joint debt or a common fiscal tool, as was done to finance the recovery from the pandemic crisis—a success that should be repeatable whenever necessary.



TOWARDS ENERGY INDEPENDENCE

Europe's **dependence on imported energy** has proven to be a **strategic vulnerability**. The current system is still far from being a single market. At present, the system is still characterized by poorly coordinated national electricity system development planning, unaligned national remuneration mechanisms for investments in generation, an opaque model of price components based on national policies, and poor cross-border connections.

Europe's strategy of building a largely electrified energy system powered by domestic resources is the right path to decarbonize and end the dependence on imported fossil fuels.

A predictable, rules-based European market framework, integrated into coordinated system planning, can significantly reduce investor risk and the cost of capital.

SECURE ACCESS TO CRITICAL RAW MATERIALS

The EU lacks raw materials that are essential for renewable energies, the digital industry, the space and defense sectors, and the healthcare sector, which makes it dependent on supplies from third countries, who are not always reliable partners.

Faced with the new challenges of the green and digital transition, the EU cannot repeat the mistakes of the past by trading its dependency on Russian gas or oil for a dependency on minerals and rare earths. The recent European Critical Raw Materials Act is a step forward in ensuring a more secure supply, as its objectives are:

- For annual extraction of minerals and rare earths on European soil to account for at least 10% of total consumption
- For at least 40% to come from processing industries located on EU soil.
- For no single third country supplying a strategic raw material to account for more than 65% of the annual supply.

China successfully uses its export control regime for critical minerals to defend its interests and to the detriment of American and European companies. The recent tightening of such controls is generating a strong response from the US.

Europe cannot be left behind and must respond with new measures, while also further incentivizing and requiring **the recycling of critical raw materials** and the development of alternative materials.

THE ROLE OF TRADE POLICY AND GEOPOLITICS



The European Union's (EU) trade policy is one of the most developed areas of its external action, being an exclusive competence of the Union. Therefore, only the EU can legislate and sign international trade agreements on behalf of all its members. Trade policy is thus one of the European Union's most powerful tools, allowing it to speak with a single voice to third parties.

Trade Policy must play a key role in:

- Boosting economic growth, competitiveness, and employment within the EU.
- Providing a stable and predictable rules-based trade framework to open new markets and diversify sources of supply.
- **Defending European values** and contributing to sustainable development.
- Building a powerful **Multilateral Agenda** with like-minded and reliable partners that promotes a rules-based International Order.
- Combating unfair competition and defending European industry through Trade Defense Instruments.

Europe will not grow through protectionism, by appealing to national sovereignty and anti-Europeanism, as advocated by far-right parties. The EU must defend our own interests by building stronger, more stable, and lasting trade alliances with Africa, Asia, Latin America, and the Caribbean.

Other regions, which are launching the world's largest free trade areas, also understand this:

- The African Continental Free Trade Area, which represents 1.3 billion people and a combined GDP of 3.4 trillion dollars.
- The Regional Comprehensive Economic Partnership, the world's largest trade area, formed by the 10 ASEAN countries plus China, Japan, South Korea, Australia, and New Zealand, representing 31% of global GDP and 2.1 billion people.

Looking **ahead**, Europe has the opportunity to become **influential** again by using its **trade policy**.

To do so, it must:

- Forge new bilateral agreements and strategic alliances with the Global South.
- Build more assertive relations with China, and
- Define new transatlantic relations with the US.



NEW BILATERAL AGREEMENTS AND STRATEGIC ALLIANCES WITH THE GLOBAL SOUTH.

The EU needs to further expand its vast network of regional and bilateral trade agreements, which already cover 74 countries and 44% of the EU's trade.

Europe must lead the deployment of a new generation of progressive, inclusive, and sustainable bilateral trade and investment treaties. But it must also make more strategic use of them to establish Alliances, especially with the Global South, that foster greater regional integration and better integration of these countries into global value chains to help promote their own development.

According to Bruegel estimates based on IMF data, by 2030, the countries of the Global South are expected to account for 40% of the world's GDP in PPP, three points higher than the share of advanced countries (13% EU and 14% US) and double that of China (20.4%).

In 2000, the Global South's share of world GDP was 32%, compared to 58% for advanced countries and 7% for China. Between 2000 and 2030, different economic growth dynamics have led advanced countries to experience an estimated 21.6% drop in their share of global GDP in PPP, while China will see a 13.7% increase and the Global South a 7.9% increase.

Behind these figures lie the true reasons for the geopolitical tensions over maintaining, regaining, or attaining power.

The EU already has free trade agreements with important countries in the Global South, including Mexico, whose modernized Agreement must be ratified urgently, South Africa, and Vietnam.

It should quickly ratify the Agreement with Mercosur and Indonesia and conclude negotiations with India, the three main actors in the Global South.

The EU also has strategic partnerships on raw materials with 14 countries in the Global North (including Australia, Canada, and Norway) and the Global South (including Argentina, Chile, and Zambia).

THE STRATEGIC IMPORTANCE OF THE AGREEMENT WITH MERCOSUR

Given its great importance, the **Agreement with Mercosur**, whose negotiation has taken 25 years, deserves special attention. It is an Agreement that is **good both commercially and geostrategically**, and will allow Latin America to definitively join the Paris climate agreements and adopt high labor standards.

The EU-Mercosur Association Agreement provides for the creation of the **world's largest free trade area**: a market of 780 million consumers representing 25% of world trade.



Many EU products that currently pay high export tariffs to the Mercosur bloc, such as automobiles, machinery, textiles, footwear, wines, and cheeses, will see their tariffs eliminated or significantly reduced, with the consequent potential opening of new markets and job creation.

In the current international context, it is **crucial** to demonstrate that the **European Union** and **Mercosur**, which share principles and values, **are strengthening our relations to cooperate more and assume greater responsibilities** in defense of a rules-based multilateral system of global governance, based on respect and **dialogue**.

The EU's credibility and long-term viability are at stake. Because, in the face of growing nationalism around the world that threatens international cooperation, Trade Agreements represent the triumph of dialogue and rules-based negotiation to boost economic growth and prosperity for the parties involved.

"In the current international context, it is crucial to demonstrate that the European Union and Mercosur, which share principles and values, are strengthening our relations to cooperate more and assume greater responsibilities in defense of a multilateral system of global governance based on norms, respect, and dialogue."

Today, there are agricultural and environmental organizations, and some groups in the European Parliament and Member States, that oppose the Agreement. Ratification requires compromises, balancing interests, and ensuring that sensitive sectors are sufficiently protected. And that is what is included in the Commission's proposal to provide the necessary guarantees and to satisfy the demands of the sector, of some Member States, and of some of the main groups in Parliament. A proposal that adds guarantees in a new legal text to be attached to the agreement, which must also be studied and agreed upon.

The approval of the Agreement requires a major educational effort to publicize the reality of the agreement in all its dimensions and its global scope. There will be campaigns against the Agreement from those who defend protectionist positions without truly knowing the content and scope of the agreed-upon text. The Commission, in collaboration with the Member States, must design a strategic communication campaign with sectoral meetings and informational events to publicize the benefits of the Agreement and counter criticism with arguments. Spain, a firm supporter of the Agreement, should lead this campaign.



"The Commission, in collaboration with the Member States, must design a strategic communication campaign with sectoral meetings and informational events to publicize the benefits of the Agreement with MERCOSUR and counter criticism with arguments. Spain, a firm supporter of the Agreement, should lead this campaign."

MORE ASSERTIVE RELATIONS WITH CHINA

Our trade and investment relationship with China is crucial and very complex.

China is a global economic and political actor, a systemic rival but also a strategic partner for the EU. It is a relationship in which competition and confrontation must be combined with cooperation.

- More than a third of all industrial products produced today worldwide come from Chinese factories.
- More than 50,000 companies worldwide have a systems supplier in the Hubei region.
- Some sectors of European industry depend on Chinese imports of intermediate products, such as textiles (46.2%), electrical appliances (46.1%), and electronic products (39.7%).

China has displaced us commercially and technologically in various sectors and regions of Africa and Latin America. China is the main trading partner of many African countries rich in raw materials essential for its industrial and technological development, while at the same time it supplies two-thirds of all the world's critical materials and hosts most of the world's cobalt refining capacity, giving it control over almost the entire supply chain for electric vehicle batteries.

China is increasing **its investment in the Global South**, focusing on raw materials, land, and infrastructure. One out of every two large-scale infrastructure projects in Africa is being built by a Chinese company, and one out of every three is being financed by a Chinese bank.

EU-China relations are fundamental and must be addressed assertively from two different perspectives: trade relations and China's role as a great power and global actor.

EU-China trade relations

Our trade relations are unbalanced due to:



- The limited access of European companies to the Chinese market.
- The lack of reciprocity.
- The enormous technological leap experienced by China.
- An unsustainable trade deficit.
- An excessive dependence on some of its raw materials, and
- Significant divergences in the functioning of rules-based trade.

The EU has to build a **fairer and more consensual economic relationship** that demands from China **a level playing field, based on reciprocity and fair competition**, far from the distortions caused by China's industrial policy and the restrictions it imposes on our companies to invest, export, or compete in China's public procurement markets.

China's role as a great power and global actor

The EU must deepen and improve its relations with China, fostering dialogue and laying the groundwork for mutual trust based on greater mutual understanding.

The EU needs to recognize China's role as

- The great economic power that it is,
- As a global actor in international trade, and
- Support the role that China must assume in the fight against global warming, WTO reform, innovation, and technological development.

China is a great power that demands its place in the world, but it must exercise **greater responsibility** in defending human rights, peace, security, and in the search for a political solution based on Russia's withdrawal from Ukrainian territory.

HIGHER TARIFFS, NEW TRANSATLANTIC RELATIONS

The United States is a key partner for the EU today due to the vast daily volume of trade in goods and services, around 4.4 billion euros, and its disproportionate capacity to economic coercion stemming from its financial dominance. It is estimated that the United States can inflict losses of nearly 6% of GDP on China and more than 8% on the EU.

The **political agreement** reached by the EU and the United States, as well as the subsequent **Joint Declaration**, aimed to restore stability and predictability in their trade relationship. This Agreement has made it possible to avoid a trade war with the US, preserve access to the American market, and secure key exemptions, although these need to be expanded.



We can conclude, without any doubt, that an agreement is better than no agreement, but it is also true that it is not the best Agreement for the EU. It is clearly not a balanced and fair agreement for the EU, although it has averted a full-scale trade war with the United States.

It is not a balanced and fair Agreement for several reasons:

- First, because there is a large difference in the applied tariffs in favor of the US:
 - The EU eliminates tariffs on all US industrial products and provides preferential market access for non-sensitive US agricultural and fishery products in the form of tariff-rate quotas.
 - The United States establishes a single US tariff cap of 15% for almost all EU exports, except for those products where the US MFN tariff exceeds 15%, in which case that tariff applies, and except for the steel, aluminum, and copper sectors, where the tariff will remain at 50%, while US products sent to the EU are tariff-free.
- Second, the **investments agreed** to by the European Commission to acquire **liquefied natural gas, oil, and nuclear energy products (€750 billion)** will increase **our energy dependence** and at a higher price.
- Third, the EU's commitments to purchase AI chips (€40 billion) will increase our dependence on that disruptive technology, and
- Fourth, there is also no reciprocity from the United States regarding the European Commission's commitment to invest at least €600 billion in various sectors by 2029.

Furthermore, there are reasons for concern on the European side because **the Agreement has not eliminated uncertainty** and insecurity persists in the face of Trump's tariff swings, - who continues to make absolutely unpredictable and unjustified use of **National Security and Protection of Manufacturing** objectives. In fact, the White House recently announced the imposition of higher tariffs on imported heavy-duty trucks (25%), furniture (30%), and bathroom cabinets (50%), in accordance with the conclusion of other Section 232 investigations.

The European Union has to forge a **new transatlantic relationship** beyond Trump, based on its **independence and autonomy** in both **international policy decision-making** and the design of domestic policies. To do so, it must gain economic weight and influence, continue to build political and economic alliances with reliable partners, and lead a coalition in support of rules-based trade with the main actors in international trade.



"The European Union has to forge a new transatlantic relationship beyond Trump, based on its independence and autonomy in both international policy decision-making and the design of domestic policies."

CONCLUSIONS

- The current geopolitical context, characterized by fragmentation, multipolarity, growing tensions between the main actors, and the triumph of coercion over dialogue and rationality, demands that the EU assume its rightful role as a global actor and develop an effective strategy to gain influence on the international stage.
- The success of this strategy depends on Europe building the necessary trust among its potential allies, based on dialogue, respect, and equality between parties, while defending and promoting European values based on social democracy.
- 3. Europe must increase its weight in the Asia-Pacific, Latin America, and Caribbean regions and respond to protectionist policies with effective trade defense instruments, while doing everything possible to defend dialogue, multilateralism, and rules-based trade.
- 4. Significant geostrategic value is derived from the strength of trade policy: the EU must make more geopolitical use of its trade power and its prized internal market to exercise a more influential and decisive position in order to achieve a fairer and more sustainable rules-based global development.
- 5. Third countries must recognize the EU for its effective role in helping to reduce tensions and find solutions, for its reliability, and for being the third global actor capable of leading the creation of a coalition of countries for fair and regulated trade. Only then can European citizens expect to feel more protected and defended by trade policy. Spain could lead this key initiative.
- 6. It is time for Europe to assume **greater international leadership** based on the principles of equality, justice, and solidarity to promote coexistence in an increasingly complex and globalized world.



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II EUROPE AND THE SOUTH: NEW MULTILATERALISM BASED ON THE GLOBAL GATEWAY

INTRODUCTION

This chapter proposes redefining the European Union's international role through a new architecture of alliances and a coherent investment design with the Global South.

The starting point is the recognition that the transformations of recent decades have made the distinction between a donor North and a beneficiary South obsolete. The countries of the South have embarked on phases of growth—with uneven results, undoubtedly—but they aspire to be, and in part already are, actors capable of coproducing power, norms, economic value, and, hopefully, social development.

At the same time, the transatlantic alliance is fraying more each day or is translating into an unacceptable form of vassalage.

In this context, the central thesis of this reflection is that the Union's development, security, and political legitimacy depend on its ability to link its internal industrial reconstruction and its climate, digital, and social challenges with the opportunities and needs of the Global South.

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In short, European strategic autonomy should not be conceived in defensive terms, but as a cooperative autonomy that grows with the South, not against it.



"Europe will only be able to maintain its influence, reinforce its industrial competitiveness, and strengthen its social cohesion if it transforms its relations with the South into codevelopment, its normative capacity into co-production, and multilateralism into co-governance, through strategic and egalitarian alliances."

Europe will only be able to maintain its influence, reinforce its industrial competitiveness, and strengthen its social cohesion if it transforms its relations with the South into codevelopment, its normative capacity into co-production, and multilateralism into cogovernance, through strategic and egalitarian alliances.

Co-development and co-governance of policies represent the two pillars of this strategy. Africa and Latin America offer natural resources, a young demography, and dynamic markets; Europe can share institutional experience, technology, and finance. **Together, they can build a new industrial and social pact,** founded on reciprocity and co-responsibility. This approach could contribute to a more equitable, stable, and sustainable world order.

The document identifies four analytical levels:

- The geopolitical diagnosis, which questions not the idea of cooperation, but its traditional interpretation
- The repositioning of Europe, integrating international projection and its internal agenda.
- The new grammar of international relations, based on co-decision
- The proposals to reinvent multilateralism, starting from the Global Gateway.

THE INTERREGNUM

THE NEW GLOBAL CONTEXT AND PERSISTENT ASYMMETRIES

The last few decades have seen structural transformations of great magnitude that, in many cases, the so-called "Western" countries failed to perceive in time or in their proper measure (1). To cite just a few of a socioeconomic nature: the GDP generated by non-OECD countries surpassed that of OECD countries—in purchasing power parity—as early as 2010.



In those years, China became the main engine of change and the leading trading partner for emerging Asia, Africa, and a large part of Latin America. It was joined by India, Brazil, South Africa, Turkey, and the Asian dragons, among others.

These countries exert a profound influence on global value chains: production has shifted southward in significant proportions, in turn opening windows of opportunity for many other economies in the Global South. Monetary reserves and financial assets have also shifted southward. Consequently, inequalities and alliances between countries, regions, and individuals have been radically and irreversibly redrawn, producing transformations of historical scope. The "Western" vision and its supposed guiding role in global development thus began to be questioned.

However, the challenges of development have not disappeared; quite the contrary. In too many cases, global public goods are eroding, with increasingly frequent and deadly climate disasters, weakened and insufficient health systems, and alarming educational gaps. Although these are global challenges, many countries in the South remain vulnerable to them and have less resilience to face economic, environmental, and social shocks (2). Furthermore, conflicts persist and are associated with an increase in humanitarian crises and fragility. Development traps are becoming entrenched, even in middle-income countries: low productivity, the informal economy, and social inequalities feed vicious circles that confine societies to underdevelopment and foster political instability. In recent years, extreme poverty has increased in several regions, while more than 700 million people suffer from food insecurity and more than 100 million people are forcibly displaced.

AN OLD AND A NEW CONCEPT AND PRACTICE OF COOPERATION.

Just as opportunities and challenges are multiplying and international cooperation seems more necessary than ever, the global system appears less capable of guaranteeing it.

Development finance funds remain fragmented and inadequate to sustain long-term public policies or global public goods; they are often pro-cyclical, with asymmetrical power dynamics and political conditionalities.

Moreover, middle-income countries are caught between exclusion from concessional credit and limited access to financial markets.

Finally, donor countries are reducing their funds, shifting their priorities towards security, defense, migration, or domestic interests.

The dismantling of USAID has initiated a broader reduction in global solidarity, blocking a large part of aid programs (3). The United Kingdom has cut its cooperation funds by almost half, and traditionally generous countries—such as the Nordic countries or Switzerland—have scaled back their commitments. The list could go on with France or Italy, although Spain represents a notable counter-trend.



This decline, which does not reflect the increase in global needs, threatens the legitimacy of the multilateral system and aggravates the distrust of partners in the South, making it even more difficult to finance global public goods and manage climate and social crises.

But the crisis of legitimacy of traditional cooperation is also aggravated for other reasons.

The post-Cold War model, long perceived as unipolar, is giving way to a more fragmented landscape, with opposing views on self-determination, sovereignty, and development.

On the one hand, the United States has shown a selective disengagement from international organizations (WHO, UNESCO) and global agreements, demonstrating a growing distrust of the supposed influence of rival actors. It has prioritized the reallocation of resources towards national geopolitical objectives, in contrast to the collective priorities of the SDGs defined at the UN in 2015.

On the other hand, the South feels increasingly legitimized to criticize the existing multilateral governance, considering it to be based on inadequate and exclusionary asymmetries and even on national interests of an extractive nature. The Global South insists on the rebalancing of voting rights in international financial institutions, the redefinition of global rules on taxation and debt within the UN framework, and overcoming the dichotomy between donors and beneficiaries.

Several countries in the South are increasingly less passive recipients of cooperation and now glimpse the possibility of becoming protagonists in a movement aimed at redefining its rules and practices. In the absence of positive responses, the South will accelerate its search for alternatives. The BRICS summit held in Johannesburg in August 2023 sanctioned the will to promote the "Global South" and strengthen its influence in multilateral negotiations (UN, WTO, IMF). A month later, the G20 under the Indian presidency officially admitted the African Union as a permanent member, placing it on an equal footing with the EU, thus expanding the South's representation in high-level decisions and potentially altering the voting dynamics on crucial issues such as debt restructuring, climate finance, and the reform of international financial institutions.

Furthermore, in January 2024, the BRICS (4) incorporated Egypt, Ethiopia, Iran, and the United Arab Emirates (5), increasing the group's political and economic weight—now BRICS+—, which brings together almost half of the world's population and just over a third of global GDP (in PPP). Not to mention that BRICS+ initiated new partnerships with thirteen other countries in October 2024, consolidating its role as an alternative platform to Western institutions (6).

The BRICS+ initiatives seek to create an alternative financial and development architecture to the existing one.

The main instruments of this strategy are the New Development Bank (NDB) and the Contingent Reserve Arrangement (CRA), which finance infrastructure projects in emerging



countries and aim to reduce dependence on institutions like the IMF and the World Bank, as well as on the US dollar.

The BRICS promote the use of local currencies in trade among their members, in order to strengthen monetary sovereignty and reduce exposure to US monetary policies and sanctions.

THE CHALLENGES OF COOPERATION

While, on the one hand, this new situation opens up interesting, alternative, and unprecedented forms of cooperation, on the other, it introduces complex challenges (7) for multilateralism, which appears increasingly fragmented into closed, juxtaposed, and competing spheres of influence, running the risk of reproducing some of the limits of traditional cooperation or even dissolving into short-sighted transactional realism. Without profound reform, trust will continue to erode and fragmentation will accelerate. The question, therefore, is not whether multilateralism should be reinvented, but how.

"Without profound reform, trust will continue to erode and fragmentation will accelerate. The question, therefore, is not whether multilateralism should be reinvented, but how."

In this regard, the **UN Conference on Financing for Development, held in Seville in June 2025**, was particularly eloquent. The absence of the United States was neither new nor surprising: it confirmed a trend already underway. While some, convinced that the world needs a single hegemon, tried to preserve or patch up existing cooperation with compromise solutions, **the majority advocated for an effort of reinvention**, without waiting for the return of any hegemon to the multilateral stage. The latter advocated for a more inclusive cooperation, capable of transitioning towards a new multilateralism.

This second perspective—which inspires the Seville Platform promoted by the Spanish government—does not simply seek to fill the leadership vacuum, but to transform it, by adding concrete operational initiatives in the short term and, later on, contributing to a new architecture of international cooperation.

In this context, what is at stake for Europe is twofold.

On the one hand, internal challenges slow down external drivers. Although it
remains a major commercial, financial, and regulatory actor, Europe is
experiencing a weakening of its economic foundations (8) and faces both new
geoeconomic challenges and its own structural fragilities: productive stagnation,
energy vulnerability, insufficient leadership in artificial intelligence, demographic
decline, and social discontent. These fragilities reduce its ability to act as a global



actor. The integration of internal industrial policy and external cooperation thus becomes a condition for the Union's stability and legitimacy.

• On the other hand, the pursuit of strategic autonomy is constrained by an unfavorable geopolitical environment. Despite its diplomatic and normative heritage, Europe must redefine its presence in the world and prevent its international relations from being based on purely transactional exchanges or on dependencies of an imperial nature. It needs, in short, to design a new grammar of international relations, without which geopolitics will continue to condition its economic priorities—from energy supply to value chains and technological and industrial standards—, reducing its margin for autonomous and coordinated action. Not to mention the impact of foreign relations on internal cohesion and development.

The EU's strategic autonomy cannot be merely defensive: it requires at least a codevelopment project. Europe will only regain competitiveness and consensus if it intertwines its reindustrialization with the growth of the Global South. Faced with the withdrawal of other donors, its ability to contribute to reinventing cooperation becomes a test of credibility.

But it must do so not against the Global South, but with it: not as an isolated donor or regulator, but as a strategic and cooperative partner, capable of reinventing itself geopolitically and of co-producing development, knowledge, norms, and conventions.

The Global South—particularly Africa and Latin America—should not be seen as the object of more or less reformed European policies, but as an active subject in the redefinition of global balances. For Europe, this is not just an ethical imperative, but a horizon of shared economic and political opportunities.

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THE GEOECONOMIC CHALLENGES: "FRIENDSHORING", INFRASTRUCTURE, AND PUBLIC GOODS — A SHARED AGENDA BETWEEN EUROPE, AFRICA, AND LATIN AMERICA

Europe is going through a phase of redefining not only its geopolitical strategy, but also its economic one; both are deeply intertwined (9).

Global value chains, which had sustained European growth for the last thirty years, are being reorganized under the pressure of systemic crises, geopolitical tensions, and technological transitions.

In this scenario, the shift from "just in time" to "friendshoring" is not a defensive retreat, but a lever for competitiveness that allows economic interdependencies to be reorganized based on trust, proximity, and innovation capacity, creating more resilient production chains.

This strategy offers Europe the possibility of an industrial reinvigoration through productive partnerships with regions in the South. The original logic of friendshoring was to reduce dependence on suppliers considered strategically vulnerable. But today the objective is broader: to diversify, avoiding concentrations of risk, even with respect to the United States itself, whose industrial policy (the Inflation Reduction Act and the CHIPS Act) and tariff policy have introduced strong protectionist elements.

For Europe, this means defining a strategy of cooperative autonomy, capable of anchoring its industrial competitiveness in stable economic relations with the countries of the Global South. Africa and Latin America represent, in this sense, two complementary pillars: the former for its geographical proximity and its energy and demographic potential; the latter for the availability of strategic raw materials and its political and regulatory affinity with the European Union, or at least with several of its Member States. These regions are no longer simple suppliers of raw materials: in many cases, they are actors capable of contributing to sustainable value chains, emerging markets, and dynamic human capital. Europe, for its part, can provide regulation, patient finance, and shared standards.

"Europe can define a strategy of cooperative autonomy. Africa and Latin America represent two complementary pillars: the former for its geographical proximity and its energy and demographic potential; the latter for the availability of strategic raw materials and its political and regulatory affinity with several of its Member States."



AUTONOMY AND INTERDEPENDENCE: VALUE CHAINS, INFRASTRUCTURE, AND ECOSYSTEMS

The integration of "friendshoring" and infrastructure cooperation can become a laboratory for operational multilateralism with variable geometry. It is not a matter of replacing one center with another, but of building networks of interdependence between complementary regions.

Euro-African energy corridors, lithium and battery value chains between Europe and Latin America, common digital backbones, and joint training programs illustrate a new geography: less hierarchical, more cooperative. For Europe, the political value of this strategy is twofold:

- On the one hand, it consolidates its competitiveness through stable and sustainable supply chains.
- On the other, it strengthens the Global South's trust in a partnership based on reciprocity and co-development.

And for Africa and Latin America, it means transforming infrastructure cooperation into a platform for industrialization, innovation, and social security.

INFRASTRUCTURE...

Effective friendshoring requires compatible, integrated, and sustainable infrastructure. Without reliable energy, efficient logistics, and secure digital connectivity, no value chain can function.

Africa would need about \$155 billion annually in infrastructure investments until 2040, equivalent to 5.6% of its GDP—more than triple that of Latin America (1.7%) and five times the Asian effort (1%) (10). If this goal were met, African GDP could double by 2040, generating an additional 4.5 percentage points of growth per year. Resilient infrastructure produces high returns: each dollar invested generates, on average, four, and up to seven in the water and health sectors (11).

For Europe, supporting this infrastructural leap means building the backbone of its future competitiveness. The decarbonization of European industry will depend on access to clean energy and sustainably processed raw materials; digitalization will require interoperable data flows and standards between the three continents; food and health security will require reliable logistical and production networks.

Today, infrastructural fragmentation hinders the creation of a true Euro-Afro-Latin American economic area. In Africa, the average cost of capital for infrastructure projects is 13%, compared to 10% in Asia and 8% in OECD countries (12). In Latin America, logistical fragmentation and regulatory differences reduce regional competitiveness.



The result is a contradictory paradigm: **two dynamic regions of the Global South remain** among the least interconnected with Europe, despite their potential for productive complementarity.

Aligning infrastructure means integrating energy, digital, and transport networks, but also rules, technical standards, and financial incentives.

The most crucial infrastructure for productive transformation is roads (32%), railways (24%), fiber optics (23%), and solar panels (17%). In Africa, investments in energy and transport can double industrial productivity and reduce logistical costs in inland regions by up to 60%. In Latin America, transcontinental energy and digital connections—such as green corridors or the BELLA II cable—can become platforms for regulatory integration and technological exchange.

"Today, infrastructural fragmentation hinders the creation of a true Euro-Afro-Latin American economic area."

The main bottleneck remains the perception of risk.

According to the T7, 80% of infrastructure projects in Africa fail in the feasibility or preparation phase, and only 5% of the total value of global public-private partnerships (PPPs) between 1999 and 2019 has taken place on the continent (13).

The scarcity of data, skills, and de-risking mechanisms limits the mobilization of private capital. Instruments such as sovereign guarantees, project preparation funds, and results-based financing are considered the most effective for reducing risks and attracting institutional investors. The quality of cooperation matters as much as the quantity of resources. Initiatives such as the African Union's PIDA Quality Label, the French INTRA, and the Blue Dot Network promoted by the G7 and the OECD, offer schemes for interoperable certification, capable of guaranteeing verifiable environmental, social, and governance standards. 92% of private investors surveyed by the OECD believe that a common certification system would increase flows to emerging economies (14). Europe can play a key role in promoting convergence between these instruments and supporting their adoption in Africa and Latin America.

...AND NOT JUST INFRASTRUCTURE

Infrastructure is not built solely with capital, but also with institutional capacity and human capital.

Today, less than 1% of official funds for infrastructure in Africa is used for education and technical training (15).



However, skills in design, management, and maintenance are the most critical factor: without trained technicians, planners, regulators, and managers, infrastructure remains incomplete or ineffective.

Only 13% of African PPP units assess the fiscal risks of projects, and less than 10% conduct post-implementation audits.

Therefore, cooperation in education and training—mobility programs and shared technical training—must be considered an integral part of the infrastructure strategy. Alliances between universities, technical centers, and companies can generate joint competencies in engineering, digitalization, energy, and public administration. "Smart" infrastructure is that which is born in an ecosystem of knowledge capable of adapting and innovating.

Public health is also an essential public good, an invisible infrastructure. The pandemic showed that the disruption of health systems can paralyze production and trade more than any logistical shock.

Regional hubs for pharmaceutical production, regulation, and joint procurement are being consolidated in Africa and Latin America: supporting them means creating a global health security chain. A robust health system reduces country risk, increases productivity, and protects investment.

The same applies to climate resilience: Africa faces climate risks twice as high as Latin America and five times higher than Europe, with estimated damages of \$10-11 billion annually (16). Integrating environmental sustainability components into projects—from energy efficiency to climate insurance systems—reduces future costs and reinforces social stability. Green infrastructure, health, and education are not just social expenditures: they are productive assets that increase the total return of value chains.

In short, friendshoring is not just a response to global disorder: it is a long-term political project that seeks to build an interconnected, resilient, and just economy with the Global South, where material infrastructure, knowledge, and health are the new foundations of shared competitiveness.

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A NEW EUROPEAN GRAMMAR OF INTERNATIONAL RELATIONS

Europe needs to rethink its global strategies—commercial, productive, political, and solidarity-based—to avoid its marginalization in a system where:

- the North is far from homogeneous and is undermined by the transactional and unilaterally imposed geopolitics of the US, the erosion of internal solidarity, and cuts in development aid.
- the South is actively seeking to redefine the rules of the game, balancing external
 interests instead of submitting to unilateral pressures, strengthening trade,
 technological, and infrastructural ties, and promoting alternative financial and
 multilateral initiatives that reinforce its weight and compensate for environmental
 damage.

Europe thus faces a decisive crossroads. It can continue to shut itself within its borders, subordinating its external action to the great powers, or it can act as an autonomous and cooperative actor. If it does not want to be reduced to growing irrelevance, it must combine autonomy and interdependence, redefine its alliances, and open up to a large part of the Global South. And do so not as a substitute power, but as a cooperative strategic partner. This requires a new architecture of partnerships, based on codevelopment, reciprocity, and inclusive governance, capable of transforming global challenges into a horizon of shared interests.

COMBINING AUTONOMY AND INTERDEPENDENCE

If Europe aspires to play the role of a strategic and cooperative ally, three orientations are priorities:

- Make a clear political decision. After Seville, it must transform existing partnerships into strategic alliances with the South, based on reciprocal interests in the green, digital, and social transitions. The EU's external action funds should be increased and coordinated around this political choice.
- 2. Support the countries of the South in their access to public and private resources for sustainable policies, protected from speculation and recurring debt crises.

First, in the face of the withdrawal of other donors, the EU's ability to maintain a solid budget for cooperation and propose more integrated and predictable instruments becomes a test of credibility.

Furthermore, the EU should support, within the framework of the United Nations, initiatives on international tax cooperation and the fight against illicit financial flows.

Likewise, it should decisively promote action aimed at making long-term concessional funds available to developing countries, to expand the fiscal space needed for domestic



investment and the strengthening of effective public policies. This refers, above all, to the International Monetary Fund and the World Bank Group, where the economic weight of European countries and the euro is not sufficiently leveraged to facilitate the necessary reforms and actions.

Finally, the EU should contribute to implementing the reforms outlined in the "Pact for the Future," support initiatives to resolve debt unsustainability — including a review of the Common Framework — and commit to reducing the costs of remittances to below 2%.

3. "Truly getting involved," beyond just joining global calls: to actively and concretely demonstrate the nature of its new cooperation approaches. This means transforming not only how it finances, but also how it decides, listens, and acts, by experimenting with new forms of operational multilateral action.

A TESTING GROUND FOR "GETTING INVOLVED": THE GLOBAL GATEWAY

The implications of these orientations bring the European Union's various foreign policy instruments into play — trade, industry, climate, security, and cooperation — including global public goods such as education and health.

Back in 2017, the European Consensus on Development had already outlined a multidimensional approach, recognizing the interconnections between development, migration, security, and climate change, and involving all sectors in development policies, not just official aid. It also recognized the diversity of developing countries — including fragile and middle-income ones — and fostered tailored cooperation models rather than a uniform approach.

The NDICI – Global Europe, launched in 2021, consolidated previously scattered funding channels into a single framework, allowing the EU to act more coherently and strategically, going beyond the traditional limits of ODA. The NDICI, particularly through the European Fund for Sustainable Development+, has financed investments through guarantees and blended finance instruments to mobilize public and private capital. Likewise, the EU has introduced the Team Europe Initiatives (TEI), in order to increase critical mass and improve the coherence and visibility of its external action, aligning the efforts of European institutions, Member States, and development banks.

The flagship instrument of this strategy is the Global Gateway, created in 2021 with the goal of mobilizing up to €300 billion by 2027 for infrastructure and to catalyze private investment towards the Global South.

It aims to prioritize high-impact investments in key sectors of the green and digital transition, increase their volume by mobilizing private capital, and overcome the logic of assistance by anchoring cooperation in a geostrategic approach.

Its initiatives span Africa, the Mediterranean, the Indo-Pacific, Central Asia, and Latin America, with projects ranging from green hydrogen and digital education to energy corridors and pharmaceutical manufacturing.



A NECESSARY QUALITATIVE LEAP

While recognizing its progress, several aspects of the Global Gateway must be substantially improved.

Many projects continue to be designed in Brussels with insufficient attention to the priorities and knowledge of partner countries. Intangible dimensions — capacities, institutions, ecosystems — remain secondary to large-scale infrastructure and do not allow for the full development of their "backward and forward linkages."

Beyond the necessary technical reforms, what is needed now is a political leap. Europe must send an unequivocal signal: its relations with the Global South must enter a new phase, that of a strategic alliance. It is not just a matter of doing better, but of transforming the program into the main operational instrument for establishing strategic alliances with the countries of the Global South.

"What is needed now is a political leap. Europe must send an unequivocal signal of a strategic alliance. It is a matter of transforming the Global Gateway into the main operational instrument for establishing strategic alliances with the countries of the Global South."

Europe must **send an unequivocal political signal**. The instrument, created unilaterally for Europe to be a good partner, must be transformed into a **platform for permanent dialogue**, **in which the countries of the South participate in defining the agenda and the evaluation and risk criteria for projects**. A step in that direction would demonstrate through action that building joint solutions is possible, that Europe has understood the message from the South and is willing to act not as a "benevolent" funder, but as a strategic partner in building a more just and sustainable international system.

A CO-GOVERNED PLATFORM

What should this joint platform do to make the Global Gateway a true catalyst for codevelopment?

 Design and review its operational architecture, establishing inclusive governance mechanisms that guarantee the participation of partner countries in defining agendas, rules, and implementation methods. Regional institutions and development banks from Africa and Latin America should have a seat "at the table," coordinating project portfolios and implementation frameworks (17).



- Identify risk assessment and reduction instruments, as guarantees and blended finance are essential for public funds to act as catalysts for sustainable investments. A new, transparent approach to risk analysis is required, one that incorporates governance and institutional development indicators, adapting financial parameters to local contexts.
- **Supervise** the results of the Global Gateway, defining robust and agreed-upon monitoring and impact mechanisms that ensure public funds are linked to verifiable results.

In summary, it is a matter of co-developing the platform's implementation mechanisms, based on the idea that public support should be directed towards investments with **rigorous environmental**, **social**, **and development objectives**.

THE 2028-2034 FINANCIAL FRAMEWORK: AN OPPORTUNITY

The current debate on the 2028-2034 Multiannual Financial Framework offers a strategic opportunity. The Commission is proposing to reduce the number of programs from over fifty to sixteen, grouped into three blocks: national plans, competitiveness, and Global Europe.

It is precisely this last one that signals ambition. If it is used not as an external instrument, but as a platform for a strategic alliance with the South, it could become a catalyst for a new operational multilateralism, an integrated European foreign policy, and a strengthening of the EU's global role.

The negotiation on the Multiannual Financial Framework (MFF) is set to be long and complex. But it is precisely in the way that key actors—such as the Spanish government and other allies—propose the profile and governance of Global Europe, and in the follow-up those proposals receive, that Europe's capacity to act as a global political actor, and not just as a fund manager, will be measured.

"It is precisely in the way that key actors—such as the Spanish government and other allies—propose the profile and governance of Global Europe within the Multiannual Financial Framework (MFF), that Europe's capacity to act as a global political actor, and not just as a fund manager, will be measured."

The process will be long and will require a great political effort to align the stars.



For the moment, we are not completely off course. President Von der Leyen, in her recent speech on the Global Gateway, recalled that the initiative was created to "build resilient value chains in partnership." She stressed that the initial target of €300 billion has already been surpassed and that the guiding principle is to create local infrastructure, local jobs, and local added value. The most innovative point of her speech was the announcement of the Global **Gateway Investment Hub**, conceived as a single access platform for investors. It will allow companies to propose projects in partner countries from the initial stages, bringing together in a single space European Member States, development banks, export credit agencies, and the private sector to formulate coordinated investment offers.

However, the most recent European documents describe the Investment Hub primarily as a mechanism intended to strengthen the participation of the European private sector, facilitating its access to financing and coordinating projects led by EU companies, involving European public actors such as the Commission, the EIB, European export credit agencies, European national governments, etc.

The countries of the South feature as beneficiaries, not as co-governing partners. Although this approach may improve Europe's internal coherence, its geopolitical impact would be limited—even counterproductive—if it dilutes the notion of partnership and reinforces the perception of asymmetry.

Therefore, Spain could develop a key strategic initiative within the Union by proposing a broader perspective and aiming for the Global Gateway Investment Hub to be configured with the following characteristics:

- Co-governance that accommodates the ambitions of the Global South, truly redefining the European Union's scope for action and seeking to move from a vertical diplomacy to a horizontal and co-project-based diplomacy, based on cocreation and co-responsibility with the South.
- Proposing a new international version of the Hub, with a "second circle," structured as a platform for strategic guidance and co-creation in project design, where the countries of the South have an equal voice in decisions and programming.
- Proposing that the Hub be equipped with specific instruments. For example, creating a common guarantee fund for risk reduction (de-risking) in strategic investments in particularly vulnerable countries. This fund could pool resources allocated by the Union and Member States as well as those from partner countries. It would be an open fund, without a predefined geography, with shared governance to jointly establish criteria, priorities, metrics, and impact assessments.

These proposals are of particular interest ahead of the **upcoming summits with Africa** and Latin America, which offer a decisive opportunity not only to discuss concrete



projects but also to explore real forms of jointly managed multilateralism between Europe and the countries of the Global South.

AN EXPERIMENT TO BE GENERALIZED

The proposals for the Global Gateway advocated here are not cosmetic.

They aim to respond to the demands of the South and transform the Gateway into a credible platform for an operational, equitable, and future-oriented multilateralism.

Reinventing multilateralism does not mean rebuilding a universal system from scratch, but experimenting with concrete initiatives based on shared interests, co-decision, and common participation.

The guiding principle is not uniformity, but operational convergence towards objectives relevant to specific contexts.

This variable-geometry multilateralism materializes in flexible platforms capable of adapting to the needs of partner countries, valuing their competencies and responsibilities, and avoiding prescriptive models.

Priority should be given to initiatives geared towards common missions—climate, health, migration—defined through co-chaired dialogues, open to governments and civil society, and supported by agile mechanisms of voluntary governance.

Methodologically, the essential elements are transparency, adaptability, and participatory evaluation. The immediate objective is not to build a new rigid order, but to shape an ecosystem of transformative alliances that, starting from local and regional experiences, contributes to the emergence of an effective, inclusive, and impact-focused multilateralism.

CONCLUSIONS

The legitimacy of the multilateral system will depend on its capacity to include the voice of the Global South in decision-making processes on a stable basis. The geography of the economy, of power, and of norm production has expanded, but the institutions born after the Second World War reflect a balance that is now outdated.

Given its economic weight, its multilevel structure, and its eighty years of experience in consensual integration, the European Union can play a key role in this reinvention of multilateralism, combining effectiveness and representativeness.

In a context where the hegemony of the North is no longer accepted or sustainable, Europe must move from a vertical diplomacy to a co-project-based and horizontal diplomacy, based on **mutual empowerment with new partners from the South** and on co-responsibility.



Europe can jointly build content and methods to address current fragmentation and polarization. Only in this way can it contribute to a reformed globalization, in which multilateralism is a global public good and economic cooperation is a lever for stability and shared development.



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- For a long time, geopolitical reasons and a certain intellectual inertia denied that these transformations of historical scope were altering not only economic hierarchies—with profound impacts on trade, industrial structure, and international finance—but also social relations, international relations, power balances, and even our own ways of thinking. These changes profoundly contradicted the prevailing narratives in the West, including that of "the end of history," and therefore faced powerful obstacles to being fully recognized. Furthermore, when interests diverge and it becomes more complex to reach consensus—or when hegemonic ambitions so demand—the temptation arises to restrict dialogue to so-called "like-minded" countries and relegate dissenting voices to the margins of the decision-making process. Thus, while decolonization should have favored the inclusion of the countries of the South and their participation in international deliberation, this only occurred in some cases. For example, the OECD invited a country from the South to participate in deliberation for the first time in 1994. That country was Mexico, which in the same year joined NAFTA and left the G77, thus separating itself from the group of "developing countries."
- In many low-income countries, debt service already exceeds public investment.
- In 2024, Official Development Assistance (ODA) decreased by 7.1%, standing at around \$212 billion. The OECD/DAC forecasts a new and more significant decrease in 2025.
 Despite these cuts, European countries as a whole remain the world's main ODA donors.
 Spain deserves special mention in the European landscape, as it increased its ODA by 12% in 2024.
- By proposing an alternative vision of global governance, BRICS+ seeks to give greater weight to the perspectives and interests of emerging economies.
- Meanwhile, Saudi Arabia and Argentina have withdrawn or postponed their accession.
- It is also important to highlight the convergence between CELAC (Community of Latin American and Caribbean States) and ASEAN, which has intensified between 2023 and 2024, favoring South-South dialogues and reinforcing the demand for a reform of global governance.
- Such as climate instability, growing inequalities, health risks, etc.
- As is well known, in the last fifteen years Europe has lost economic centrality, among other structural reasons linked to the rise of new emerging and consolidated actors. Its share of global GDP has fallen from 25% in 2010 to 16% in 2024, while China has increased its weight (+6%) and the United States has remained stable. According to the OECD, something similar has happened in high-tech exports, where China has surpassed Europe and now accounts for a quarter of the world total (although the EU remains strong in some sectors), and in attractiveness for foreign direct investment, where the EU receives only 14% of global flows, i.e., half of what it received in 2010.



- It should be noted that the European Economic and Social Committee (EESC), in its debate on the Multiannual Financial Framework (MFF), stresses: "The need to build coherence between foreign policy, trade actions and agreements and the European Competitiveness Fund, to ensure that all instruments work in concert in support of the EU's broader geopolitical and economic objectives. Such synergies would help to develop a coherent and strategic approach that reinforces the EU's global position in order to achieve sustainable growth and economic resilience." (EESC Preliminary Draft Opinion on Proposal for a Regulation of the European Parliament and of the Council establishing Global Europe REX/611).
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- OECD, Infrastructure for a Climate-Resilient Future, Paris, 2024
- The partnership established with national development banks around the world through the Finance in Common movement can play a crucial role in this regard.



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III REORIENTING EUROPEAN INDUSTRIAL AND INNOVATION POLICY ON ARTIFICIAL INTELLIGENCE.

INTRODUCTION

The European Union is at a decisive moment. Its economic prospects are uncertain, it faces growing geopolitical tensions, and it suffers from a scarcity of supplies in strategic areas. At the same time, the rise of extremism is calling into question some of the founding principles of the European project.

In this context, the European Commission has launched various initiatives with several objectives: not only to prevent the continent from lagging behind on the path of growth and prosperity, but also to strengthen its autonomy and competitiveness on the global stage while preserving its model of an open and democratic society. The Commission has rethought the principles that have underpinned European policy, adopting a more open stance towards the implementation of an active industrial strategy.

Commissioned by the President of the Commission herself, in September 2024, Mario Draghi—former Prime Minister of Italy and former President of the European Central Bank—drafted his well-known report on the competitiveness and future of the European Union. This document, in line with another prepared a few months earlier by fellow former Italian Prime Minister Enrico Letta, has become a benchmark for determining the EU's direction. The document advocates for a profound transformation of industrial policy to halt Europe's economic decline. Among its main proposals is an annual increase of €800 billion in public and private investment, along with structural reforms in trade, the internal market, and regulatory harmonization.

This is not the first time the European Union has considered adopting large-scale measures in the field of industrial policy. There are precedents showing how concern over the loss of competitiveness led to ambitious industrial policies, for example, during the 1970s and 1980s, when the fear of falling behind Japan and the United States prompted a significant increase in investment in high-tech sectors.

This time, the "Draghi report" points to artificial intelligence (AI) as the most strategically relevant and profoundly transformative component of recent times. And it is in AI that the EU shows a significant lack of large companies that provide intelligent technologies and services on a massive scale (such as Amazon Web Services, Microsoft Azure, Google Cloud Platform, etc., known as "hyperscale companies"), a domain almost entirely controlled by U.S. corporations. For Draghi, this deficit not only compromises Europe's



digital competitiveness and technological sovereignty but also threatens to leave it behind in multiple global value chains.

The Draghi report's recommendations cover multiple aspects. In general, European technology companies face a double limitation: a lack of internal financing and regulatory fragmentation; focusing on technical aspects, they endure deficits in data availability, support for entrepreneurship, and measures to attract scientific and technical talent.

It highlights the need for incentives to unlock public and private funding sources, to strengthen and disseminate technological capabilities in strategic sectors, and to reduce regulatory barriers to advance towards the harmonization of a European AI market.

Thus, in this climate of concern over European decline, artificial intelligence has, in a short time, become a fundamental piece of the political agenda. President von der Leyen and other EU leaders have accepted that investing in AI and integrating it into traditional industries is essential to ensure economic growth and productivity throughout the Union and is key to challenges such as the climate crisis or the weakening of its model of a democratic society.

Following the inspiration of the Draghi report, the European Commission has multiplied its strategic initiatives. The measures launched include new programs, increased investment, and changes in regulation. Notable among them are the "Digital Compass 2030," the "Al Continent Action Plan," and the new FP10 framework program. These are complemented by the management of the remaining funds from the Next Generation EU and the 2021-2027 Multiannual Financial Framework, plus the European Chips Act, designed to reduce dependence on external suppliers, and the European Data Strategy, which seeks to establish a common market of interoperable information.

What can we say about the measures deployed? Has the Commission succeeded with the package of actions it has defined and launched?

Between the hypothetical scenario in which the measures resolve bottlenecks and stimulate AI in Europe and the possibility that this does not happen, Europeans are gambling with control over our technological destiny or condemning ourselves to a structural dependence on external powers.

In the following sections, we will present the aspects we consider most sensitive in the Commission's program of actions, postponing recommendations and concrete proposals. We will begin with the diagnosis and subsequently propose alternatives that could mitigate the problems identified.



2. THE EU'S TECHNOLOGICAL SOVEREIGNTY PROJECT: A DIAGNOSIS

European industrial policy on artificial intelligence is at a decisive moment. We are witnessing a range of measures that represent an unprecedented mobilization of public funds, with defined figures and priorities. Institutional discourse presents these policies as the best path towards economic growth, global competitiveness, and the social benefits of AI. But paradoxically, some may reinforce the very power structures and technological dependence that Europe wants to overcome.

We will not detail all the actions being deployed (the "what") but rather whether the methods (the "how") suggest the best way to achieve the social, democratic, and collective objectives being sought.

The danger is that the current industrial policy on artificial intelligence could become a "technological arms race" driven by a mimetic impulse among competitors, which would indirectly consolidate the power of the dominant actors.

"The danger is that the current industrial policy on artificial intelligence could become a 'technological arms race' driven by a mimetic impulse among competitors and which, indirectly, ends up consolidating the power of the dominant actors."

We highlight the key critical aspects organized into four blocks:

- Investment and technological diversity
- Emerging innovation and market dynamics
- Legal and administrative framework
- The technological policymaking process

2.1. INVESTMENT AND TECHNOLOGICAL DIVERSITY

AMBITIOUS, YET INSUFFICIENT INVESTMENT

It is undeniable that the great qualitative leap that Artificial Intelligence techniques have experienced in recent years has come about thanks to the combination of large supercomputers with statistical exploitation techniques on huge databases. The investment required by these systems is enormous. To give an idea of the scale: in economic terms, the estimated cost of launching an artificial intelligence model like the



popularly known "ChatGPT" (in jargon, a GPT-3.5 model) is approximately one billion euros in its training phase.

The European Commission's economic mobilization to boost artificial intelligence is based on two pillars.

On the one hand, to provide services to the productive and industrial sectors, initiatives are being launched to create large infrastructures—"AI factories" and, more recently, "Gigafactories." Within the InvestAI initiative, which plans to mobilize some €200 billion, €20 billion has been earmarked to create up to 4-5 AI Gigafactories; for the standard-sized "AI Factories" program, around €10 billion has been mobilized to date.

On the other hand, in the field of science and innovation, the launch of the "GenAI4EU" initiative, aimed at promoting the adoption of this technology in science and the public sector, exceeds the initial commitment of €500 million announced in January 2024. It currently has a planned funding of nearly €700 million from Horizon Europe, the Digital Europe Program, and the European Innovation Council.

Both programs represent a very ambitious mobilization but one that—in an environment of exponentially accelerating investment—may prove to be insufficient.

Let's look at some data. Until 2027, €3.3 billion is earmarked for "AI factories" and €500 million for "GenAI4EU," modest figures compared to those of major international actors: Microsoft alone will invest \$2.7 billion in Brazil and \$4.7 billion in Italy in the coming years. In addition, part of the European capital invested directly or indirectly benefits U.S. companies. For example, in 2023, two-thirds of the \$27 billion invested in European generative AI startups were ultimately absorbed by scaling platforms such as Microsoft, Amazon, and Google. There is a danger that investment in the European AI sector will end up reinforcing the hegemony of the tech giants instead of consolidating its own ecosystem.

DECREASING TECHNOLOGICAL DIVERSITY

There may be another feature of the recent evolution of Artificial Intelligence technologies that poses a less visible, but equally relevant, problem. Over the last decade, in the context of Artificial Intelligence, the public bodies that finance projects and define agendas, making investments and deploying actions, have collectively participated in the thematic narrowing of the field.

Recent studies show, with strong empirical support, that public research in artificial intelligence is reducing the topics addressed, driven by the growing weight of the private sector, whose commercial agenda leads technological development (also through the influence it exerts on the scientific priorities of universities and public research centers via collaborations and public-private partnerships). These studies warn of the risk of lock-in in technological trajectories by *de facto* discarding alternatives to mainstream research,



which could trap the discipline in suboptimal designs with negative medium - to long-term effects.

Diversity in scientific research is one of the fundamental values to be preserved by the public sector in the design of technological policies, as it allows for "portfolio management," that is, it reduces vulnerabilities to potential changes while maximizing the mechanisms for the recombination of different ideas. The concentration of intellectual resources in too narrow a niche also affects the creativity and resilience of the field.

2.2. EMERGING INNOVATION AND MARKET DYNAMICS

THE EXPROPRIATION OF EUROPEAN TALENT

The most relevant recent innovations in the field of AI have been driven by small emerging companies, mainly American and Chinese. From them have come the greatest digital revolutions of our time. We are referring to actors that include Gemini, Baidu, Claude, or OpenAI's GPT series.

The European Commission, inspired by this phenomenon, wants to promote the creation of a more competitive market for innovative companies "made in the EU." However, the global AI value chain does not operate as an open market, but almost as a system planned by a small set of large corporations—Microsoft, Amazon, Alphabet, etc.—that dominate the deployment of artificial intelligence on a large scale. Their privileged position is based on monumental technological infrastructures (supercomputing, data warehouses, and global distribution networks) and on a practically unlimited investment capacity, which has allowed them to consolidate rapidly on a global level.

Unlike the old monopolies, these companies exert their power beyond their own sector, directing the development of future AI applications, controlling the global innovation network from their own clouds, and establishing the rules of an ecosystem that thousands of organizations co-create, but from which only a few reap disproportionate benefits. The success of American companies like Anthropic and OpenAI lies in the close alliances they have established with tech giants, exchanging financial and computational capacity for privileged access to models and technologies.

In a context like the current one, the large tech companies that make up this core of the ecosystem have the option to benefit, in stages of the value chain, from the innovations generated by small peripheral companies, while maintaining control over the global value chain. Even if European startups were to train their models on the EU's public supercomputers, if they are ultimately forced to deploy them on the clouds of the big tech companies—which not only offer infrastructure as a service but also catalogs of preconfigured tools and solutions —, a European industrial policy focused solely on supporting emerging and innovative companies may prove ineffective.



By dominating the ecosystem, they guide incentives and deter new companies from entering certain segments, fostering innovation paths that are complementary to their own offerings.

The trajectory of leading startups in Europe like Mistral (France) or Aleph Alpha (Germany) shows the extent to which the European Al ecosystem is intertwined with the global one and completely conditioned and dominated by these large tech platforms. These two companies have chosen to reorient their activity. Aleph Alpha has announced it will stop training its own models to focus on developing support solutions, while Mistral has decided to evolve into a developer platform. Other similar European companies have preferred to specialize in specific market niches, moving away from the costly development of closed models.

GORDIAN KNOTS IN COMPETITION LAWS AND VENTURE CAPITAL INSTRUMENTS

In the European Commission's plans, AI is considered a technology where European companies and startups would have room to achieve leadership positions once they identify and leverage their strategic niches. However, it does not explain how this will materialize in a context where hyperscale companies are increasingly strengthening their dominance by expanding their market power.

This situation of concentrated power paints a worrying future. Competition authorities are watching these dynamics with concern, but so far, no effective measures have been adopted to limit their power or restructure the market. The "level playing field" called for by the Draghi report—which is one of the pillars of the Union's political discourse—remains, for the moment, an objective that is as necessary as it is difficult to achieve.

Beyond antitrust laws, the financial landscape accessible to European companies differs from the American one. The ability of a standout European AI company to grow depends on public funding and funds from national banks, but also on corporate venture capital resources, which are mainly of U.S. origin. Europe lacks a venture capital ecosystem like the American one, capable of bearing the high infrastructure costs required to scale its AI innovations. The alternative proposed by Europe consists of unlocking assets from European pension and insurance funds to boost the expansion of tech startups. This investment structure, very different from the U.S. one, creates a very distinct political economy. While North American AI companies are often financed by the surpluses of tech giants and operate with broader profitability horizons, European companies depend on shorter financing cycles conditioned by public intervention, which limits their ability to compete on a global scale.



2.3. LEGAL AND ADMINISTRATIVE FRAMEWORK

URGENT CHANGES IN RULES AND REGULATIONS

The Artificial Intelligence revolution is taking place under the control of the same conglomerates that were subject to belated and insufficient antitrust policies. The competition authorities acknowledge that they failed to act in time against the exponential growth of large tech companies. Regulation, designed for an analog environment where market power was measured by market shares or visible prices, is not fit for purpose in the digital economy, where power is not exercised exclusively through the control of a specific market, but through the strategic accumulation of complementary resources: talent, data, and infrastructure. Company acquisitions do not seek solely to eliminate competitors, but to absorb capabilities and assets that would be costly or slow to develop organically. There are numerous examples of how this conventional approach, based on static market measurements, proved ineffective in landmark cases such as the Meta/Instagram or Meta/WhatsApp acquisitions, where the concentration of power was not reflected in prices, but in the control over and access to information and strategic data.

This phenomenon, in which large corporations expand their dominance by transferring their capabilities to new areas, gaining a first-mover advantage and disincentivizing competition, is sometimes called the "weaponization of complementary assets." By using the interdependence of their platforms to influence the architectural decisions of emerging companies, they neutralize their role as real competitors.

As long as large corporations strengthen their position, European actions in this area will lack the right levers to generate the necessary and planned growth dynamics. The European agencies that analyze competition rules therefore need a response that is better adapted to the current context, one that modifies the traditional framework of antitrust analysis.

THE NEED FOR NEW PUBLIC INCENTIVE INSTRUMENTS

Even though large corporations have used their economies of scale to consolidate their dominance by preemptively "occupying" new spaces in the digital economy, it is also true that it is not always necessary for every small startup to leap to a global scale.

The "obsession with scale" can make us forget that other business niches exist (in public administration, in the public system) without the need to project their technological assets on a large scale, thereby perpetuating the extractive model in which market power is protected and projected into the future.

This is also another challenge for regulators. The need for a new normative conceptual framework and operational intervention instruments—a policy R&D in antitrust matters—that allows for overcoming the rigid and obsolete application of rules designed for an analog world.



2.4. THE TECHNOLOGICAL POLICYMAKING PROCESS

THE BALANCE BETWEEN EFFICIENCY AND THE COMMON GOOD

Experience shows us that, without clear accountability mechanisms and conditions geared towards the common good, industrial policy tends to serve private interests over the public interest. The possibility of a publicly controlled European infrastructure becomes much more necessary as digital services are integrated into critical sectors such as healthcare, energy, transport, and public administration; in those cases, control over technological infrastructure becomes a fundamental matter of survival, compromising the continent's strategic autonomy by making sensitive databases subject to foreign legislation.

LACK OF REPRESENTATION AND SOCIAL PARTICIPATION

There are some paradoxes between the defense of European values and those of other competitors when they materialize in the form of regulation. Take for example the comparison between how the European Chips Act and the U.S. CHIPS and Science Act were designed. In order to ensure the EU's competitiveness in semiconductors, the European Chips Act mobilized €43 billion in public-private investment with the aim of doubling Europe's share of global chip production. The main beneficiary was the U.S. company Intel which, despite its loss of competitiveness against new AI chip producers, still dominated the processor market. In 2023, Intel signed an investment agreement with Germany for €30 billion, conditional on a public subsidy of €10 billion. However, in September 2024—just days after the project's approval by the European Commission—Intel announced the suspension of its investments in Europe, exposing the fragility of EU policy.

Beyond this circumstantial failure, the underlying problem to highlight in this example is that the Chips Act lacked a clear approach on how to transform the European semiconductor sector without imposing social, environmental, or redistributive conditions that linked public aid to public interest objectives. In the design of this policy, neither trade unions, environmental organizations, nor civil society entities participated in the consultations. The contrast with the drafting of the U.S. CHIPS and Science Act is significant. The U.S. legislation incorporated public subsidies, integrating unions and other groups with social representation into the final consensus on the political and social objectives, which ranged from strategic competition with China to labor protection. Companies that accessed these funds had to present human resources and labor programs that included training, competitive wages, and measures for disadvantaged groups. Failure to comply with these conditions entailed the suspension or return of the funding. The U.S. project was characterized by greater participation from civil society and by transparency mechanisms for monitoring, incorporating strict labor and environmental clauses.



3. THE EU'S TECHNOLOGICAL SOVEREIGNTY PROJECT: RECOMMENDATIONS

The European Union's digital industrial strategy is based, to a large extent, on an excessive confidence that AI will increase productivity in all economic sectors. Adopting a product-centric vision—the cloud, digital services, or AI applications—without considering the structural transformations they imply in modes of production can lead to implementation problems.

After highlighting some of the sensitive or deficient points in the development of European AI policy, we will now show how the policies deployed could be complemented. Let's take the four previous blocks again and present the recommendations that could serve as countermeasures for the problems identified.

- Investment and technological diversity
- Emerging innovation and market dynamics
- Legal and administrative framework
- The technological policymaking process

3.1. INVESTMENT AND TECHNOLOGICAL DIVERSITY

INVESTMENT AND STABLE FUNDING FOR R&D&I

Various actions have been launched in recent years with the aim of giving a strong boost to public digital infrastructures. There are success stories and others where support has been more fragmented or has lacked continuity. For example, one of the best-known initiatives to reduce dependence on foreign cloud service providers was the launch of Gaia-X, whose objective was to create an ecosystem that prioritized data sovereignty and complied with European regulations. Another successful example has been the EuroHPC (European High-Performance Computing) policy to boost supercomputing in Europe. Through instruments like the EuroHPC JU (Joint Undertaking)—the partnership between the European Commission, Member States, and industrial partners—a world-class pan-European supercomputing infrastructure has been built.

"Recommendation 1. To commit to more ambitious and sustained investment in strategic research and development over time, ensuring the full timeframes required for long-term strategic research."



The mobilization and training of human resources in the European scientific community through the Horizon Europe and Digital Europe Program initiatives is also interpreted as a success. These initiatives, though ambitious, are based on temporary projects focused on incremental innovations, but not on the sustainable long-term maintenance of infrastructures.

Recommendation 1. To commit to more ambitious and sustained investment in strategic research and development over time, ensuring the full timeframes required for long-term strategic research.

INVESTMENT IN PUBLIC AND DISTRIBUTED AI INFRASTRUCTURES

The temptation to replicate the large foreign tech monopolies to create a "European champion" is unrealistic given the financial scale required and, above all, insufficient from a structural point of view. The real problem lies not in the nationality of the companies, but in their model of value appropriation, which is based on capturing collectively generated knowledge and data. Therefore, the solution is not to promote competition, but to rethink the role of the state and the public sector in shaping these technological ecosystems. Instead of a European champion, the European Commission should opt for a more desirable, alternative model of artificial intelligence. The crucial question is not technical but political, that is, it refers to how to guide the development of Al models that respond to the social and sovereign needs of European citizens.

The alternative to these corporations is the creation of a public and independent digital infrastructure that integrates cloud computing, advanced chips, artificial intelligence, and data spaces. These assets must be publicly owned, just like other critical infrastructures in the EU, preserving essential public goods, equivalent to roads or electricity, and managed under European rules that guarantee their use in the service of collective interests.

"Recommendation 2. To advance towards the design of "public digital infrastructures" where measures for access, privacy, and transparency are implemented under public ownership, facilitating collaborative involvement in both the control and governance of the infrastructure."

Interoperability in these infrastructures is an essential element to coordinate, decentralize, and empower people and institutions, from public administrations and universities to civil society organizations, and it is the most effective way for Member States and European institutions to collaborate in a model of collective and distributed intelligence. Europe could consolidate itself as a technological and scientific partner of



countries like Brazil, India, or Taiwan, which are also building public digital infrastructures, promoting alliances with the Global South and with like-minded democracies. In this way, the EU would go from being perceived as a digital regulator to becoming a collaborative actor and co-designer of a more just and sustainable technological future.

Recommendation 2. To advance towards the design of "public digital infrastructures" where measures for access, privacy, and transparency are implemented under public ownership, facilitating collaborative involvement in both the control and governance of the infrastructure.

INVESTMENT IN COLLABORATIVE AND OPEN INFRASTRUCTURES

Open-source models—with shared access to knowledge, data, and tools—are not a definitive solution or a panacea, but they are a fundamental piece in counteracting the growing concentration of power in the sector. Throughout digital history, there have been successful experiences with open-source systems that have demonstrated their impact and transformative capacity in the tech industry. Experiences like Linux or Android have shown how open collaboration helps to boost innovation, improve security, and offer a greater diversity of options to consumers and developers. However, this is not the current state of AI systems: the most advanced models, data, and tools are locked into proprietary platforms with barriers to access.

"Recommendation 3. To promote "open AI" ecosystems that foster initiatives geared towards the public interest, citizen participation, and accountability in shared data and technology infrastructures."

Promoting an open AI means democratizing access to computational resources and technical knowledge. This should entail community-level initiatives in industrial policy, which would rely more on research from universities and public laboratories, preserving spaces neglected by private enterprises. They must be accompanied by transparency mechanisms, public audits, and impact assessments that guarantee that the benefits of AI are distributed equitably and do not reinforce existing power structures, through binding conditions such as open licenses, participatory governance, and clauses that ensure the benefits accrue to society.

Recommendation 3. To promote "open AI" ecosystems that foster initiatives geared towards the public interest, citizen participation, and accountability in shared data and technology infrastructures.



MEASURES TO INCREASE TECHNOLOGICAL DIVERSITY

"Recommendation 4. To commit to R&D&i programs that preserve technological diversity and prevent trajectories from becoming trapped in premature lock-ins that generate sources of concentration, homogeneity, or fragility. Supporting technological diversity also means preventing market inertia from becoming resistant to the development of alternative options."

It is important to prevent public funds from ending up aligned with the agendas of the companies that already dominate the market. Policy can play an important role in guiding the development of technological trajectories that ensure the diversity of the technical topics being explored, to avoid being prematurely locked into lower-quality developments. This is also an example of the "precautionary principle" in the design of public policies: in the face of negative social implications that may arise in the future, it must be considered that the social responsibility of politicians extends to an intergenerational scale.

Recommendation 4. To commit to R&D&i programs that preserve technological diversity and prevent trajectories from becoming trapped in premature lock-ins that generate sources of concentration, homogeneity, or fragility. Supporting technological diversity also means preventing market inertia from becoming resistant to the development of alternative options.

3.2. EMERGING INNOVATION AND MARKET DYNAMICS

RETENTION OF DIGITAL TALENT

The development of European artificial intelligence depends not only on infrastructure and investment, but also on talent and creativity. The importance of training and retaining researchers and specialized professionals is essential. We are aware that a large part of Europe's academic talent is partially employed or funded by companies like Amazon, Microsoft, or Google, which reinforces Europe's structural dependence on these actors.



"Recommendation 5: To implement talent policies that redefine the relationship between public and private research, with guaranteed funding, creating attractive environments capable of attracting and retaining highly qualified AI researchers and engineers from large tech companies or their subsidiaries."

Recommendation 5: To implement talent policies that redefine the relationship between public and private research, with guaranteed funding, creating attractive environments capable of attracting and retaining highly qualified AI researchers and engineers from large tech companies or their subsidiaries.

MEASURES TO CHANGE CONSOLIDATED DYNAMICS IN THE AI MARKET

The computational infrastructures of large corporations are not simple products, but environments for the production and generation of digital services. These environments are also becoming essential platforms for economic production in a broad sense. For example, in sectors like the automotive industry, the value of these infrastructures lies not in the revenue derived from subscriptions or licenses, but in their ability to technically and financially reconfigure the operations of these business organizations towards production models that fit into their environments.

"Recommendation 6. To promote industrial policies that reverse power concentration dynamics and induce new ones. It is only possible to reverse these processes if measures are articulated that involve a political and economic reconfiguration, strictly driven by institutions."

For example, let's consider the following situation: an automotive company that intends to re-engineer its processes and progressively transform them to be managed by a hyperscaler, integrating its end devices into an interconnected system in its cloud. With this decision, it is placing the very essence of its production model in the hands of technology providers, allowing them to enter its operational and financial core, with the ability to establish long-term relationships. In this way, the provider companies consolidate structural power by becoming permanent infrastructures on which production across multiple sectors is based. The result is a convergence towards a



regime of infrastructure concentration across various productive sectors, where hyperscalers are consolidated as the true production environments on a global scale.

Recommendation 6. To promote industrial policies that reverse power concentration dynamics and induce new ones. It is only possible to reverse these processes if measures are articulated that involve political and economic reconfiguration, strictly driven by institutions.

3.3. LEGAL AND ADMINISTRATIVE FRAMEWORK

INNOVATING THROUGH REGULATION

The regulatory tradition in the European Commission has generated a corporate culture that some companies use to differentiate themselves through values based on trust. Regulatory compliance is used as a business attribute and a differentiator from companies with different local regulations. This is the well-known "Brussels effect," an element that has been successful as an instrument of regulatory globalization, not always received positively but which, in certain cases, has led Europe to spearhead fairer regulatory changes.

"Recommendation 7. To use regulation as a strategic lever to foster innovation, using it as an active instrument to guide it, ensuring technological development that reinforces fundamental European values."

An ecosystem of auditing, compliance, and assurance is emerging in the EU, in which adherence to European regulations becomes a strategic tool to protect market share. Contrary to the narrative that presents regulation as an obstacle to innovation, this is proof that an intelligent application of the regulatory framework can be a true engine for sustainable technological development.

Recommendation 7. To use regulation as a strategic lever to foster innovation, using it as an active instrument to guide it, ensuring technological development that reinforces fundamental European values.

PROMOTING PUBLIC PROCUREMENT AS A LEVER FOR STRUCTURAL CHANGE

Public procurement is one of the most effective—and often underutilized—tools to guide the development of European artificial intelligence ecosystems along alternative technological trajectories. It is necessary for European public procurement directives not to award contracts based solely on the lowest price but by incorporating other strategic



factors such as digital autonomy, sustainability, privacy protection, or the governance of the technologies acquired.

"Recommendation 8. To modify those aspects of public procurement that allow European public investments to contribute more effectively to building secure and sustainable digital infrastructures on European territory, ensuring that the public money mobilized is aligned with the public interest."

Recommendation 8. To modify those aspects of public procurement that allow European public investments to contribute more effectively to building secure and sustainable digital infrastructures on European territory, ensuring that the public money mobilized is aligned with the public interest.

3.4. THE TECHNOLOGICAL POLICYMAKING PROCESS

DESIGNING POLICIES THAT INCLUDE THE PUBLIC INTEREST AMONG THEIR REQUIREMENTS

It is essential that public interest, which is put forward as a fundamental element for Europe's technological future, permeates procedures and regulations at more operational levels. The principles of sustainability, equity, or transparency must be explicitly reflected in the design of procedures, for example, by conditioning subsidies on a more equitable sharing of profits with workers, on their reinvestment within Europe, or that—in general—industrial policy promotes a more diverse and balanced economy.

"Recommendation 9. To incorporate mechanisms to link industrial policy not only with indicators of economic competitiveness, but also with indices on social equity, the common good, and collective impact."

Recommendation 9. To incorporate mechanisms to link industrial policy not only with indicators of economic competitiveness, but also with indices on social equity, the common good, and collective impact.



INCENTIVIZING CIVIL SOCIETY PARTICIPATION AND IMPOSING TRANSPARENCY AS A REQUIREMENT

The "Draghi report" underscores the need for a social dialogue that integrates trade unions, employers, and civil society in defining European industrial objectives. There are numerous examples of how the lack of social participation in public sector digitalization programs, aimed at cost reduction, has led to phenomena of "digitally induced poverty," in which the automation of processes has caused discrimination and social exclusion, shifting the bureaucratic burden onto the most vulnerable groups. Policymakers must open up technological processes to review by civil society and local communities and establish effective mechanisms for citizen oversight.

"Recommendation 10. To launch initiatives that allow citizens to exercise their capacity for participation, supervision, and oversight of technological decisions."

4. THE EU'S TECHNOLOGICAL SOVEREIGNTY PROJECT: CONCRETE PROPOSALS

In this section, following the structure of the previous sections, we will propose concrete initiatives. These are priority actions on which to design the changes and generate the necessary dynamics we have outlined in the previous points.

4.1. INVESTMENT AND TECHNOLOGICAL DIVERSITY

INVESTMENTS AND INFRASTRUCTURE

Proposal 1.1. To increase European R&D investment in AI without losing its independence or becoming an instrument subsumed within industrial policies. To accelerate the provision to the European research community of the AI tools and services necessary to prevent the EU from losing scientific authority in the areas it leads or its global position.

The InvestAI initiative proposed by the Commission intends to mobilize €200 billion in artificial intelligence over several years, drawing from existing EU programs with digital components, such as Horizon Europe, the Digital Europe Program, and InvestEU. There is a risk, currently under discussion, that a significant part of the European scientific program's budget will be incorporated into the so-called European Competitiveness Fund. It would be a mistake to extract funds from basic research instead of increasing them. In any case, the investment gap with the US/China is unattainable. For every euro Europe invests, the US invests 10 and China 5. During 2024, the US invested \$200 billion in AI



(private capital), China invested about \$100 billion, and the programs the EU is considering launching foresee about €20 billion annually at best.

On the other hand, the Commission has launched a pilot project to provide "Resources for AI Science in Europe" (RAISE) to enable progress and cutting-edge research. Increasingly, research will need to develop specialized AI models as a lever for progress in all scientific disciplines. However, the initiative has been exclusively targeted at two priority areas, —materials and biosciences—, and the deployment schedule is very long to cover other disciplines: these two areas will be the only ones to receive resources during the 2025-27 period. With this speed of decision-making, the Commission is not aligned with the pace of this technology's evolution. While Brussels' plans extend over three years, as in this initiative (2025: regulatory study; 2026: program implementation; 2027: program evaluation), in a similar period, OpenAI plans to launch GPT-6 (2026), GPT-7 (2027), and GPT-8 (2028).

Proposal 1.2. To support the launch of European digital infrastructures, promoted by the Commission or member states, guaranteeing internal demand by requiring the public sector to use them, alongside the creation of a "Sovereign Infrastructure Fund" to support the necessary public investments in these solutions.

Without policy changes that promote a public AI, the "sovereignty" discourse will continue to be based on measures founded on a competitive, market-oriented private-capital structure, and EU funds will be helping to concentrate power in the same actors. Projects like "Apertus" should be welcomed. Launched in September 2025 by the École Polytechnique federal of Lausanne (EPFL), ETH Zürich (ETH Zurich), and the Swiss National Supercomputing Centre (CSCS), it is a high-level public initiative that provides Europe with public, transparent, and auditable AI technology. It is designed to facilitate access for small businesses, research institutions, and public administrations to advanced AI models without depending on commercial providers. It is an example of a public "AI infrastructure," like other services considered essential for society (healthcare, electricity supply, waste management, etc.).

Proposal 1.3. To create a "European Public Agency for Open Models" to coordinate European digital infrastructures, with a mandate for the management of data and models, and to implement differentiated access rules depending on the type of organization accessing them.

Numerous high-cost, high-risk scientific projects have been led by the public sector (the Human Genome, Apollo, and Manhattan projects, etc., and in the European case, Airbus, CERN, etc.). A public entity to manage a public AI infrastructure offers a perfectly attractive alternative. Just like GPS—designed for military use and later opened to the public —, this model could centralize essential resources while fostering decentralized innovation in peripheral areas (this is how proprietary public systems like Galileo emerged).



Proposal 2. To reform academic and research incentives for the development of interdisciplinary AI projects and to dedicate financial resources reserved for research projects on AI topics alternative to the mainstream.

There are a growing number of international programs focused on this vision. For example, interdisciplinarity is one of the priorities of the Global Research Council, a federation of more than 50 national research sponsors (including the U.S. National Science Foundation, the Research Councils UK (RCUK), Science Europe, and the Chinese Academy of Sciences, among others). In the EU, the "Lund Declaration" has been followed since 2009, which establishes that European funding in its research programs should be oriented towards addressing interdisciplinary challenges.

4.2. EMERGING INNOVATION AND MARKET DYNAMICS

RETENTION OF DIGITAL TALENT

Proposal 3. To modify the rules on mergers and acquisitions (M&A) related to the Artificial Intelligence sector, redefining market concentration criteria, incorporating the concept of a "connected ecosystem" in competition analysis, and assessing acquisitions based on technological capability and not just size.

Every day, investments in mergers and acquisitions of over a billion dollars related to artificial intelligence are executed. M&A policies should intervene in cases of lock-in or systemic dependency, for example, when a company controls the infrastructure (cloud), the software (AI models), and user access. Germany and Austria already apply approaches that lower notification thresholds, requiring the reporting of transactions that are relevant for their strategic potential, not just for their revenue.

MEASURES TO CHANGE CONSOLIDATED DYNAMICS IN THE AI MARKET

Proposal 4. To strengthen the "Competition Agency" by incorporating a body of technical AI experts with the means to supervise the innovation and merger ecosystem for anti-competitive effects.

By improving institutional capacity and creating technical AI units, the analytical expertise for sensitive cases will also be improved. The objective is to modify and supervise whether pre-competitive M&A incentives generate dynamics that lead to complementarities and diversification.

In any case, it is practically impossible to avoid the exodus of talent to well-funded startups, not just to the big tech companies. In Spain, highly sought-after AI profiles can be offered up to €150,000/year, while for the same profiles, OpenAI pays between \$500,000-\$1,000,000/year and Google DeepMind between \$400,000-\$800,000/year. In



other words, a high-level AI researcher can earn in 5 years in Silicon Valley what they would earn over 20 years in Europe.

4.3. LEGAL AND ADMINISTRATIVE FRAMEWORK

INNOVATING THROUGH REGULATION

Proposal 5. To temporarily suspend the AI Act and use the opportunity to communicate more clearly and incentivize companies, investors, and users to develop their projects in Europe. The AI Act does not affect market logic; it simply defines what cannot be done, but it does not promote the type of AI that is desired.

There are a growing number of reputable voices and member state governments that have asked the Commission to suspend the AI Act or, at least, to halt the deadline for its implementation. Among their criticisms are that clearer standards are lacking for the principles and obligations included in the Act, and that it "institutionalizes" technological inequality, as large companies will absorb the regulatory costs as part of their competitive advantage, while smaller actors or public projects will have more difficulty complying.

PROMOTING PUBLIC PROCUREMENT AS A LEVER FOR STRUCTURAL CHANGE

Proposal 6. To deploy an ambitious agenda for AI in public administrations to streamline structures, for structural reform, innovation, and governance, strengthening the administration's responsiveness and collaboration capacity.

The challenge for progressive parties is to demonstrate that they can manage efficiently (spend appropriately, not create unnecessary bureaucracy) without applying austerity, which damages public trust and the effectiveness of administration. This is an approach opposite to that which defends "state efficiency"—often summarized by the acronym Department of Government Efficiency (DOGE)—based on cuts or a reduction of the public role. Here, efficiency is defended not as a synonym for austerity but as a synonym for continuous improvement.

4.4. THE TECHNOLOGICAL POLICYMAKING PROCESS

DESIGNING POLICIES THAT EXPLICITLY INCLUDE THE PUBLIC INTEREST AMONG THEIR REQUIREMENTS

Proposal 7. To prioritize actions for the application of AI in the revaluation of the public, the common, and the collective, supporting educational, university, and cultural institutions that value diversity, creativity, and intellectual autonomy.

The dominant approach to AI is oriented towards the market, efficiency, or prediction, and does not contemplate a possible role in other institutions such as library networks, museums, or universities. There is a lack of a cultural vision of artificial intelligence as a tool for emancipation and collective knowledge. The devaluation and lack of investment in AI dedicated to the cultural or social uses of knowledge must be reversed.



INCENTIVIZING CIVIL SOCIETY PARTICIPATION AND IMPOSING TRANSPARENCY AS A REQUIREMENT

Proposal 8. To launch stimulus initiatives for greater democratic participation, citizen involvement, and governance of AI policies applied to social problems.

In general, although there are multiple digital platforms for participatory democracy (Decidim, Better Reykjavik, and Taiwan, etc.), there is a blatant lack of social participation in most of the decisions that must be made in the design processes of digital and Al policies. Generally, industrial policies are designed between governments and corporations, and citizens are left out of the deliberative processes on which technologies to produce.

5. FINAL ANALYSIS AND CONCLUSIONS

For decades, Europe assumed that market forces were the main engine of technological progress and that digital industries could self-regulate. However, there is now a belief that European institutions must play a more active and strategic role in shaping digital markets.

There are several critical aspects in the strategic design of European industrial policy on AI. In recent years, the European Union has promoted a broad regulatory wave to reduce the risks of the digital economy and promote fairness and competition, although issues remain. It is, for example, necessary to establish more optimal regulatory frameworks and more open procedures, but fundamentally, it is necessary to build material alternatives, that is, European digital infrastructures, if it intends to achieve real digital autonomy and exercise its sovereignty by becoming independent from large private corporations and moving away from commercial control. Regulation alone is insufficient.

The challenge is not to replicate the Silicon Valley model, but to develop its own alternatives based on non-extractive economies and governance, through sustainable and distributed infrastructures. These infrastructures are not just technological instruments but public policy tools capable of redistributing value and strengthening European sovereignty.

This document has sought to offer a critical look at the challenges of European public investment in a highly concentrated global AI market. The task we must address is how to re-imagine the technological development that Europe needs and what values should guide it, overcoming conventional frameworks focused on competitiveness or a reduced notion of sovereignty.

It can be said of European innovation policy that many of the initiatives deployed so far have been necessary, but not sufficient. Europe must face the difficult questions head-on: What kind of digital future does Europe want to build? What role should artificial intelligence technologies play in that future? Who will have a voice and a vote in defining that common path?



The outcome of the 21st century's most important political challenge for the European project will depend on our success with the mechanisms and policies that answer these questions. This is a debate that Europe must continue in the coming years: how to build Artificial Intelligence at the service of democratic societies.



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IV STRATEGIC AUTONOMY: A ROADMAP FOR UNLOCKING THE EUROPEAN UNION

INTRODUCTION

The European Union is at a critical moment in its history, characterized by an increasingly complex and competitive international context. After decades of economic and political integration, the EU faces structural challenges that threaten its global relevance and its capacity for autonomous action. While the United States and China consolidate their positions as centers of technological, military, and financial power, Europe runs the risk of being relegated to a peripheral role, subordinate to decisions and dynamics alien to its strategic interests.

European paralysis is not a recent phenomenon; it has deep roots in the EU's institutional structure, in the diversity of national interests, and in the difficulty of reaching consensus on strategic policies.

The need for unanimity in critical decisions and internal political fragmentation have created a situation where expert reports and recommendations, despite their sound diagnoses, rarely translate into effective action. This paralysis is evident in key areas such as defense, energy, technology, and foreign policy, where the EU's capacity to react and lead is limited in the face of global events.

The current geopolitical landscape is characterized by a growing strategic competition between central powers. The United States maintains its technological and military leadership, while China expands its economic, technological, and diplomatic influence globally.

In this context, the EU faces the need to consolidate its strategic autonomy, protect its interests, and strengthen its decision-making capacity without resorting to major institutional reforms, which are politically unfeasible in the short term.

Likewise, the EU must respond to internal challenges that compromise its cohesion: the economic and political heterogeneity among Member States, vulnerability to energy and technological crises, and pressure from external actors on its supply chains and strategic policies.

Without a shared narrative that integrates sovereignty, autonomy, and foreign policy, the EU runs the risk of fragmenting further, weakening its voice on the international stage and limiting its ability to act in a coordinated and effective manner.



This essay adopts a strategic approach focused on identifying the structural problems that cause paralysis, assessing the limitations of existing proposals (such as the Draghi and Letta reports), and proposing an operational framework for action.

The approach is based on the premise that an immediate refounding of the EU is not possible; therefore, solutions must be articulated through pilot coalitions, sectoral incentives, variable geometries, and the strategic leadership of key states that can act as a spearhead on issues such as the energy transition and technological diplomacy.

"This reflection is based on the premise that an immediate refounding of the EU is not possible. Therefore, solutions must be articulated through pilot coalitions, sectoral incentives, variable geometries, and the strategic leadership of key states."

The objective is to offer an analysis that serves as a guide for designing strategies capable of unlocking the EU, strengthening its sovereignty, increasing its autonomy in critical areas, and avoiding relegation to a secondary role in the global power structure.

THE EUROPEAN UNION FACING A CHANGING INTERNATIONAL ENVIRONMENT

The post-2020 global environment has transformed the coordinates of European external action. The COVID-19 pandemic, the war in Ukraine, the deterioration of the multilateral system, and the crisis of rules-based trade have challenged the foundations of the European project.

To this must be added the increase in tensions in the Middle East, particularly the conflict in Gaza—, the fragmentation of global governance, and the growing instrumentalization of migratory flows as a tool of geopolitical pressure.

The Commission led by Ursula von der Leyen emerged at a time of transition.

Its term coincided with a dual challenge: consolidating the internal project of the green and digital transition and facing an external world that was increasingly competitive and less predictable. Although Von der Leyen proclaimed the goal of building a "geopolitical Commission," her tenure was characterized by a shift towards transatlantic dependence, driven by the energy and security pressures stemming from the war in Ukraine and by U.S. demands on defense matters.

The war in Ukraine reactivated the importance of the transatlantic axis, testing Europe's ability to balance security and autonomy. The Russian aggression has shown that the EU



depends on the military protection of the United States and the structure of NATO, consolidating a model of externalized security.

While this alignment generated immediate stability, it limited the EU's ability to develop independent defense doctrines and capabilities (European Council, *Strategic Compass*, 2022), something it is being forced to reverse following the abrupt arrival of Donald Trump at the White House.

At the same time, the rules-based multilateral order has weakened. The World Trade Organization faces a crisis of legitimacy, while the United Nations is limited in its management of regional conflicts.

The emergence of economic and technological blocs, particularly led by China and the United States, creates an environment of intense competition, where the EU's strategic interests can be subordinated to the decisions of third-party actors.

In this context, the concept of strategic autonomy becomes central: it is not just about military capability, but about independence in foreign policy, energy, technology, and economy, allowing the EU to act according to its own interests and values.

Internally, the EU faces structural tensions that condition its capacity for action. Political fragmentation among Member States, the rise of Eurosceptic forces, and economic heterogeneity make it difficult to build strategic consensus.

For example, while countries like France and Germany have promoted industrial and technological integration to strengthen autonomy, other Member States prioritize cooperation with the United States and the reduction of public spending, limiting common room for maneuver (*Draghi, 2024*).

This diversity of interests reinforces the complexity of articulating a shared strategic vision, especially in areas that require long-term investment and rapid decision-making, such as defense or energy infrastructure.

The economic and technological dimension is particularly relevant. The EU has shown significant progress in energy transition and digitalization policies, with instruments like the *Digital Compass 2030* and the *Chips Act*, but its dependence on critical technologies from the United States and China remains high.

The deficit in capabilities in semiconductors, artificial intelligence, and energy storage limits European independence and its global competitiveness. Economic integration, initially conceived as a tool for internal cohesion and stability, now faces the pressure of technological geopolitics, where competition for strategic resources and industrial leadership is intense (*European Commission, Digital Compass, 2021*).

Thus, from the perspective of European strategic autonomy—understood as the ability to act sovereignly in foreign policy, defense, technology, and energy—this period has shown a gap between rhetoric and actual capacity.



The discourse on European sovereignty, promoted by figures like Mario Draghi or Enrico Letta, has not translated into institutional reform or a redistribution of competences that would allow for a coherent foreign policy.

Simultaneously, migration and asylum management has followed a pattern that reflects the internal contradictions of the European project: while the defense of human rights and the international liberal order is preached, borders are externalized, and containment mechanisms are consolidated in third countries. This model strains the EU's normative legitimacy and limits its capacity for global influence, especially at a time when the humanitarian dimension is a central axis of global politics.

The humanitarian and migration dimension is also part of this changing environment. The EU continues to face complex migratory flows, stemming from regional conflicts, economic crises, and the effects of climate change. The management of these flows has revealed tensions between founding values—human rights, asylum, and solidarity—and pragmatic realities, such as the externalization of borders to third countries (*New Pact on Migration and Asylum*, 2024). This dichotomy affects the EU's international credibility, as the perception of inconsistency between discourse and practice weakens its ability to project normative and strategic leadership.

Likewise, the global environment is evolving towards a more competitive multipolar model, in which actors like China, Russia, India, and regional blocs in Africa and Latin America are increasing their influence. The EU, without sufficient strategic instruments and with partial dependence in defense, technology, and energy, runs the risk of being relegated to a secondary role in defining global rules and in decision-making on trade, security, and international governance. This perspective poses an imperative: if Europe wants to consolidate its relevance, it must develop internal mechanisms that allow it to respond autonomously, quickly, and coherently to strategic challenges, without sacrificing its values and normative legitimacy.

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In this context, the Von der Leyen Commission has tried to advance a geopolitical approach, integrating digital and green transition agendas with transatlantic cooperation, but the results have been mixed.



Concessions to the United States on trade and defense matters, and the cautious management of humanitarian crises like the one in Gaza—when not its open complicity with evident acts of genocide—show that the geopolitical rhetoric has not yet translated into an effective capacity for strategic autonomy.

This gap underscores the need for institutional reforms, internal cohesion, and long-term strategic planning that would allow the EU not only to react but also to project influence in a sustained manner.

Finally, it is important to highlight that the EU's internal order, its decision-making mechanisms, and the distribution of competences are a key determinant of its external projection. The governance structure based on unanimity in foreign and security policy limits the speed and coherence of common action. The dependence on Member States to implement strategic decisions in defense, technology, and energy creates a situation where *de facto* autonomy is limited, even when the political will exists in certain countries or institutions (European Council, *Strategic Compass*, 2022).

The introduction of tools such as qualified majority voting, a larger common budget, and an integrated European industrial policy could transform these limitations into opportunities, allowing the EU to develop a coherent strategy for autonomy, capable of projecting power and values in an increasingly competitive and less predictable global environment.

In this context, the central question Europe faces is how to redefine its strategic role in a world that is no longer structured around American leadership or the rules of liberal globalization. The debate is not only economic or military: it affects the political, institutional, and ethical coherence of the European project.

STRATEGIC DIAGNOSIS: DEPENDENCIES, CONTRADICTIONS, AND STRUCTURAL CHALLENGES

The European Union's current lack of capacity for action cannot be understood solely as a consequence of its institutional design. It is a multidimensional phenomenon that combines political, economic, technological, and military vulnerabilities, which limit its real autonomy in the face of external powers.

More than a simple "paralysis," the EU faces a web of interconnected dependencies that restrict its room for maneuver and slow its response to crises. Understanding this architecture of interdependencies is essential to identify the underlying blockages and design mechanisms that can reactivate its strategic capacity.



THREEFOLD DEPENDENCY

ENERGY

Europe has made progress in diversifying its energy sources by promoting renewables and developing the liquefied natural gas (LNG) market, but a critical dependence on the United States and Russia persists in certain segments.

The European Commission's *Energy Security Strategy* (2021) underscores that replacing Russian gas with American gas has mitigated immediate risks but has created strategic vulnerabilities to price volatility and dependence on external infrastructure.

Thus, the data show that:

- Approximately, before 2022, 40% of the EU's natural gas came from Russia, which highlighted a strategic vulnerability.
- Norway and Algeria are secondary suppliers, but their capacities are not sufficient to cover the deficit.
- Imports of coal and oil also depend on volatile international markets, exposing the EU to price fluctuations and geopolitical risks.

This dependence has profound strategic implications, as it limits freedom of action in foreign policy, conditions international sanctions and agreements, and increases economic exposure to energy crises. The energy transition, although a priority, faces logistical, technological, and financial obstacles that hinder energy autonomy.

TECHNOLOGICAL

In technology, the EU continues to lag behind the United States and China in areas such as artificial intelligence, semiconductors, and biotechnology. The European Commission's *Digital Compass 2030* (2021) establishes the need to achieve 20% self-sufficiency in chips by 2030, but the challenges of financing, industrial coordination, and talent attraction limit the ability to meet these objectives, conditioning technological strategic autonomy.

This reveals critical gaps compared to the United States and China in strategic sectors:

- Semiconductors: Europe produces less than 10% of advanced chips, making it dependent on Taiwan and South Korea. This affects key industries such as automotive, defense, and telecommunications.
- Artificial Intelligence and cloud computing: Although centers of excellence exist, European investment is insufficient to compete on a global scale and set standards.



- Critical raw materials: Dependence on China for elements such as rare earths, cobalt, and lithium, which are essential for batteries, telecommunications, and renewable energy.
- These gaps limit the EU's ability to innovate, protect its technological interests, and maintain autonomy in the face of trade restrictions or blockades.

MILITARY

The strengthening of NATO following the Russian invasion of Ukraine reaffirmed Europe's dependence in defense.

At the Hague summit in June 2025, the Allies approved a new collective target of dedicating up to 5% of GDP to defense and security spending by 2035, of which at least 3.5% of GDP will be allocated to "core defense requirements" and up to 1.5% of GDP to parallel investments in critical infrastructure, cybersecurity, civil resilience, and the defense industry.

At the same time, the joint spending of the 27 Member States of the European Defense Agency reached €343 billion in 2024, representing 1.9% of the bloc's GDP—and is expected to rise to 2.1% in 2025.

Similarly, the Permanent Structured Cooperation (PESCO) initiatives have also advanced: in May 2025, the sixth wave of projects was launched, with 11 new projects bringing the total to 75 within the framework of jointly strengthening European industrial and operational capabilities.

This framework reveals a paradox: the European Union projects itself as a global normative and economic actor, but its defensive capacity continues to depend on external decisions, both due to pressure to align with NATO/the US and due to internal industrial and budgetary fragmentation.

Strategic autonomy, in this context, requires not only higher military spending, but also the effective integration of capabilities, joint command, sovereign industrial development, and realistic common resources. This makes the military dependency clearly structural:

- The EU depends on the United States for advanced equipment, logistics, and rapid troop deployment.
- The European defense industry is fragmented, with national programs that hinder interoperability and joint production.
- This reduces the capacity for autonomous action in regional conflicts or international crises, also affecting the EU's influence in global security forums.



STRUCTURAL DIAGNOSIS OF EUROPEAN PARALYSIS

GOVERNANCE FAILURES AND INSTITUTIONAL RIGIDITY

One of the main factors explaining the EU's current paralysis is its institutional governance model, which combines intergovernmental and supranational features in an unstable balance.

The community method, based on the Commission's initiative, co-decision by the Parliament and the Council, and the uniform application of Union law, has proven effective in times of stability, but its slowness and dependence on consensus make it unsuitable in contexts of systemic crises.

The principle of unanimity in sensitive matters — such as foreign policy, taxation, or defense — has become a structural obstacle.

Strategic divergences among Member States prevent the rapid adoption of common positions in the face of global challenges, such as the war in Ukraine, the energy crisis, or technological competition with China and the United States.

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The need for consensus gives disproportionate veto power to governments that sometimes use obstruction as a bargaining chip in parallel negotiations.

Furthermore, the EU's institutional design creates a dissonance between the scope of the problems and the scale of the solutions. The current crises (energy, climate, digital, migration) transcend national borders, but the tools for responding to them remain fragmented. This mismatch translates into slowness, ineffectiveness, and a loss of international credibility.

The EU is suffering from a "crisis of method" where the integration model that worked in the 1990s, based on normative convergence and confidence in the irreversibility of the project, is no longer sufficient to govern a heterogeneous political space subject to growing external pressures.

The result is a functional deadlock: the institutions maintain their formality, but their real capacity to respond is eroded. This phenomenon is aggravated by the rigidity of the multiannual financial framework, which limits budgetary flexibility, and by the lack of a



stable common fiscal instrument that would allow for counter-cyclical action in the face of crises.

INTERNAL GEOPOLITICAL FRAGMENTATION

The second structural factor of European paralysis is internal geopolitical fragmentation, which manifests along three main axes: North-South, East-West, and Center-Periphery.

The North-South axis reemerged during the euro crisis, when the austerity policies imposed from Brussels and Berlin accentuated economic and social gaps. The narrative of the "spendthrift South" versus the "disciplined North" deteriorated mutual trust and fueled nationalist narratives. Although the Next Generation EU (2020) program symbolized an attempt to overcome this, the mistrust persists.

The East-West axis, for its part, intensified after the 2015 migration crisis. The countries of the Visegrad Group (Hungary, Poland, Czech Republic, Slovakia) openly challenged the principles of solidarity and responsibility-sharing in asylum matters. Since then, the confrontation between the illiberal governments of the East and the community institutions has become a structural element of tension.

Finally, the Center-Periphery axis expresses the inequalities in the distribution of power and influence within the EU. The founding Member States—especially Germany and France—maintain a dominant position, while others, like Spain or Italy, struggle to consolidate an intermediate leadership. This informal hierarchy of power generates a perception of asymmetry and fuels resentment among the less influential states.

Brexit aggravated these fractures by eliminating a key actor that balanced the Franco-German axis and provided a liberal and Atlantic counterweight. Its departure reinforced the need for a leadership core, but it also destabilized existing balances.

The war in Ukraine, far from closing these divisions, has reconfigured them. The Eastern states have gained strategic centrality by becoming the frontline of European security, while Germany has suffered a loss of legitimacy due to its previous energy dependence on Russia. The traditional Franco-German leadership is therefore questioned and in search of a new balance.

In this context, variable geometry could be a useful tool to redirect these tensions: allowing the different axes to advance in areas where there is convergence, without forcing an artificial homogeneity. But this requires political leadership, strategic clarity, and institutional coordination mechanisms that are currently insufficient.

EROSION OF DEMOCRATIC LEGITIMACY AND CITIZEN DISAFFECTION

In addition to the institutional and geopolitical problems, there is a deterioration of democratic legitimacy. The distance between European decision-making and the citizenry is perceived as growing. Although the European Parliament has gained powers, its visibility and influence on the real agenda remain limited.



The management of the euro crisis and the imposition of austerity policies "from Brussels"—without sufficient mediation from national parliaments—consolidated the perception of a technocratic Europe, more concerned with macroeconomic balances than with social well-being. This distancing translated into political disaffection and fueled the rise of Eurosceptic, populist, and identitarian movements, on both the right and the left.

The 2015 migration crisis aggravated this perception by showing a Europe incapable of offering a coherent humanitarian response. Securitization narratives and the policies of externalizing borders—with agreements with Turkey, Libya, or Morocco—revealed a gap between the values proclaimed by the EU and its actual practices. Thus, the "migration crisis" was, above all, a political crisis of solidarity and governance.

The COVID-19 pandemic, however, showed a glimmer of renewal. The launch of Next Generation EU and the partial mutualization of debt represented a historic gesture of fiscal solidarity and demonstrated that the EU could act with speed and ambition. But the temporary nature of the instrument and the lack of will to make it permanent reflect the limits of this change.

In short, the EU faces a deficit of procedural legitimacy (a perception of opacity and institutional complexity) and substantive legitimacy (doubts about its ability to protect citizens in times of crisis). This double deficit erodes trust in the European project and hinders the adoption of structural reforms.

THE POLYCRISIS AS A PERMANENT STRUCTURAL ENVIRONMENT

Rather than a succession of episodes, polycrisis should be understood as a permanent structural environment of European politics. Since 2008, each crisis has not been a rupture, but an added layer of tension and adaptation. Instead of a "great crisis" followed by recovery, the EU operates in a state of continuous crisis, which redefines its identity and its limits.

The financial crisis of 2008 revealed the inadequacy of the monetary union without a fiscal union. The 2015 migration crisis showed the fragility of the Schengen area and the lack of solidarity. The 2020 health crisis demonstrated the dependence on global supply chains and the absence of common health response mechanisms. The war in Ukraine exposed energy vulnerability and the lack of strategic autonomy.

As Nathalie Tocci (2022) summarizes, the EU has gone from being a "normative power" to a "survival power," which must reinvent its mechanisms of action to remain relevant.

This situation demands a new paradigm of integration. It is not a matter of building more institutions, but of reconfiguring the capacity to act within diversity. And this is where the concept of variable geometries acquires a strategic meaning: turning flexibility into a tool for structural resilience. Thus, in this context of structural polycrisis, recent reports on



competitiveness and the future of the internal market attempt to offer answers that, however, reproduce the same institutional limits.

CRITICAL ASSESSMENT OF RECENT PROPOSALS: THE DRAGHI AND LETTA REPORTS

In 2024, two reports commissioned by the European Council, one by Mario Draghi on European competitiveness and the other by Enrico Letta on the future of the internal market, have revived the debate on the direction of integration. Both documents, which have had a major media and political impact, represent different but complementary visions for relaunching the EU.

However, viewed from a pragmatic perspective, they also highlight the limitations of the dominant approaches: an excessive reliance on technocratic solutions and insufficient attention to political feasibility and the management of internal diversity.

THE DRAGHI REPORT: CORRECT DIAGNOSIS, INCOMPLETE SOLUTION

The Draghi report, titled *The Future of European Competitiveness* (2024), starts from an accurate diagnosis which posits that the EU has lost industrial and technological capacity compared to the United States and China. The lack of investment in innovation, the fragmentation of the internal market, and the absence of a common fiscal policy limit European competitiveness.

Draghi proposes an ambitious European public investment plan, with a common budget exceeding 3% of the EU's GDP, and a more flexible regulatory framework to stimulate innovation. However, his approach is markedly technocratic: it focuses on economic and financial instruments, without addressing the political constraints that make its implementation difficult.

The report underestimates the resistance of Member States to ceding fiscal and budgetary powers. Moreover, its emphasis on "efficiency" and "productivity" reproduces an economic logic that already showed its limits after the euro crisis. Competitiveness cannot be disconnected from social cohesion or democratic sustainability.

However, the EU does not just need more investment, but new mechanisms for legitimacy and shared governance. Without them, any attempt at a major economic leap risks becoming another exercise in institutional engineering without sufficient political backing.

THE LETTA REPORT: THE EU OF DYNAMIC CIRCLES

For its part, the Letta report, *Much More than a Market* (2024), offers a more political and social vision. It proposes revitalizing the internal market as an engine of cohesion and reindustrialization, but it introduces the notion of "dynamic circles" that make up an EU composed of different levels of integration, articulated flexibly.



This idea is conceptually close to variable geometry, understood not as fragmentation, but as adaptability. Letta advocates for an EU that can move at different speeds, depending on the areas of cooperation and the political willingness of the States. It suggests strengthening common policies in energy, defense, and digitalization through enhanced cooperation, without waiting for unanimity.

His proposal is valuable because it recognizes the impossibility of advancing homogeneously and opts for a model of "modularity" that allows groups of countries to lead the change. However, the Letta report suffers from two fundamental shortcomings:

- 1. Lack of institutional specifics: although it identifies priority areas, it does not establish clear mechanisms to govern these differentiated cooperations within the EU framework.
- 2. Geopolitical vision deficit: its analysis focuses on economic integration, without fully developing how variable geometry can strengthen European strategic autonomy in the face of external powers.

Despite this, Letta offers a fertile starting point for thinking of flexibility not as a weakness, but as an adaptive capacity.

CONVERGENCES, GAPS, AND THE NEED FOR AN OPERATIONAL SYNTHESIS

In any case, both Draghi and Letta agree on the diagnosis, which is that the EU needs scale, investment, and cohesion to remain competitive and relevant. However, their proposals reveal the gap between the level of ambition and that of political feasibility.

- Draghi proposes a major fiscal and budgetary reform that would require an institutional reconfiguration that is unfeasible today.
- Letta suggests flexible integration, but without a governance architecture to make it operational.

"Both reports, in short, reflect the limit of the technocratic approach that has been operative to date, where they propose thinking about Europe from the perspective of the economy or regulation, without addressing the political and power balances that determine the real possibility of change and, of course, without addressing the issues of democratic deficit from which the entire project suffers."



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Thus, to the pending task of translating Letta's conceptual flexibility and Draghi's economic ambition into an operational framework of variable geometry that allows for progress through functional coalitions, sectoral incentives, and strategic national leadership, is added the task of incorporating citizen participation.

STRATEGIC OBJECTIVE AND GENERAL APPROACH

The central objective of any strategy aimed at unlocking the European Union's paralysis is to create real and sustainable capacity for action, overcoming the previously identified structural, political, and geopolitical limitations. This involves moving from the accumulation of diagnoses and recommendations to the practical execution of strategic measures capable of generating tangible results and strengthening the EU's autonomy vis-à-vis external powers.

"The central objective of any strategy aimed at unlocking the European Union's paralysis is to create real and sustainable capacity for action, overcoming the Union's structural, political, and geopolitical limitations."

GUIDING PRINCIPLES OF THE STRATEGIC APPROACH

The proposed approach is based on several key principles:

- Incremental pragmatism. Recognizing that an immediate refounding of the EU is not possible, initiatives must be oriented towards pilot projects and "coalitions of the willing", capable of demonstrating concrete results and generating political momentum. The incremental strategy allows for progress without requiring full unanimity or complex institutional reforms.
- 2. Variable geometry. The EU can advance through flexible coalitions of Member States depending on the nature of the policy or strategic sector. For example: a small group of countries can lead hydrogen projects, while another group promotes cyber defense, allowing progress even in the absence of full consensus.



- 3. Focus on measurable results. Each initiative must be linked to clear success indicators, with quantitative and qualitative metrics that facilitate continuous evaluation and adjustment. This includes reducing energy dependencies, increasing local technological production, creating jobs in strategic sectors, and autonomous military deployment capacity.
- 4. Articulation of incentives. To overcome the political resistance of Member States, combined incentives are proposed: financial (conditional European funds), regulatory ("fast lanes" for strategic projects), and diplomatic (recognition of leadership in critical areas). This combination makes it easier for countries to perceive tangible benefits when making commitments.
- 5. Geopolitical integration. Every strategy must consider the external dimension; the EU cannot isolate its decisions from the influence of the United States, China, and regional actors from the Global South. The strategic articulation must include technological, energy, and military diplomacy, coordinating with allies and anticipating external reactions.

OPERATIONAL FRAMEWORK: FROM CONCEPTUAL FLEXIBILITY TO DIFFERENTIATED GOVERNANCE

Thus, the fact that the European Union cannot be refounded in the short term should not lead to resignation. On the contrary, it can be the starting point for a more realistic approach to governance, based on functional differentiation, flexible cooperation, and distributed political leadership. Variable geometry, in this sense, is not a technical formula or a simple "two-speed Europe," but a strategy for action that seeks to unlock decision-making capacity where unanimity or institutional rigidity prevent it.

THE LOGIC OF DIFFERENTIATION: BETWEEN FLEXIBILITY AND COHESION

Differentiation is not an anomaly of the European project, but one of its historical constants. From the Schengen Agreement (1985) to the Economic and Monetary Union (1992), the EU has advanced through formulas that allowed a group of States to move ahead, while others joined later.

Today, however, differentiation can no longer be understood as a "necessary evil," but as a structural condition of the European system. In a Union of 27 (and soon more, with enlargements towards the Balkans and the East), political, economic, and cultural homogeneity is impossible. To aim for uniform progress is to accept paralysis.

The challenge is to institutionalize flexibility without fracturing cohesion. To do so, variable geometry must be structured around three basic principles:

 Institutional coherence: differentiated cooperation must be kept within the EU's legal framework, avoiding the creation of parallel structures or "mini-unions" that undermine the acquis Communautaire.



- 2. **Progressive openness:** any enhanced cooperation must be open to the subsequent accession of other States, avoiding the formation of closed blocs.
- 3. **Functional conditionality:** participation must be based on the capacity and political will to contribute effectively, not on identity-based or geographical criteria.

In this sense, the model of variable geometries is closer to a system of dynamic "rings of integration" than to a Europe of static "hard cores." The key is not who is part of each group, but the interoperability between the different speeds and the existence of centralized coordination mechanisms.

Flexibility is only virtuous if it is accompanied by political governance. Otherwise, it runs the risk of leading to a "Europe of watertight compartments," where differentiation becomes fragmentation.

TYPOLOGY OF VARIABLE GEOMETRIES

Multiple forms of variable geometry exist within the European system, some already consolidated and others potentially emerging. We can distinguish at least four functional models:

- Formal enhanced cooperation, provided for in the Treaties (Art. 20 TEU), allows a
 minimum of nine States to advance in specific areas. Examples: the patent unitary
 patent or the taxation of international marriage. However, its use has been limited
 by its procedural complexity.
- → Operational proposal: simplify the procedure and reduce the activation thresholds, allowing for more agile cooperation in strategic areas (defense, migration, digitalization).
 - 2. **Coordinated intergovernmental mechanisms**. Examples: the European Stability Mechanism or the Fiscal Compact, created outside the EU framework but with partial supervision from the Commission and the Court of Justice.
- → Operational proposal: formalize their relationship with the institutions to ensure democratic control and legal coherence.
 - 3. Ad hoc consortiums or "coalitions of purpose". Groups of States that cooperate informally in specific areas, such as the Group of Friends of the Arctic, the Green Hydrogen Alliance, or the Coalition for Digital Rights.
- → Operational proposal: provide these initiatives with funding and evaluation mechanisms linked to the EU budget, legitimizing their action without needing treaty reform.
 - 4. **Asymmetric or modular integrations**. Models in which different States participate with varying degrees of commitment within the same policy. Example: partial participation in Schengen or the banking union.



→ Operational proposal: apply this model in new areas (artificial intelligence, defense, energy diplomacy), where not all States have the same capacity for action.

These modalities are not mutually exclusive: they can coexist and overlap. The essential thing is that differentiation does not lead to an incoherent mosaic, but to a system structured around common objectives and a shared narrative.

VARIABLE GEOMETRY AS A TOOL FOR LEGITIMIZATION

Paradoxically, differentiation can become an instrument of democratic re-legitimization. Allowing the most willing States to act can show the public that Europe can respond, recovering the notion of effectiveness and purpose.

Furthermore, variable geometry can serve to repoliticize integration: returning the debate on the pace and direction of Europe to the political, not just technical, sphere. In the face of paralyzing consensus, managed disagreement can be a source of dynamism.

"The EU must move from being an "order of rules" to an "order of action." Variable geometries are a way to do this, as they allow for action without breaking the rules, adapting the legal framework to the reality of political power."

The EU must move from being an "order of rules" to an "order of action." Variable geometries are a way to do this, as they allow for action without breaking the rules, adapting the legal framework to the reality of political power. However, for this approach to be viable, three minimum institutional conditions are required:

- An inter-institutional coordination framework in which the Commission acts as a guarantor of coherence and the Parliament exercises political control.
- A fund for common incentives (for example, an extension of Next Generation EU) to finance transnational projects of the pioneering groups.
- A system of periodic review clauses, which assesses progress and allows for the gradual incorporation of new members.

In this way, variable geometry becomes an instrument of adaptive governance, not a concession to fragmentation.



THE STRATEGIC ROLE OF SPAIN: PRAGMATIC LEADERSHIP IN A DIFFERENTIATED EUROPEAN UNION

Spain has unique windows of opportunity to play a leadership role in this new phase of flexible integration. Its intermediate position between north and south, its credibility as a pro-European country, and its diplomatic capacity make it an ideal actor for articulating coalitions and facilitating consensus.

SPAIN AS A MEDIATOR AND CONNECTOR

Historically, Spain has played the role of a political and geographical bridge: between the Mediterranean and the Atlantic, between Europe and Latin America, between the EU and the Maghreb. This condition can be translated into a strategy of connective, rather than hegemonic, leadership. In practice, this implies three vectors of action:

- 1. **Political mediation**: facilitating agreements between diverging States (for example, between France and Germany on energy or between the north and south on taxation).
- 2. **Interregional connection**: promoting networks that link the EU with its strategic neighborhoods (Maghreb, West Africa, Latin America).
- 3. **Coalition diplomacy**: promoting flexible thematic alliances that respond to concrete interests rather than ideological alignments.

This leadership model is suited to the current context, characterized by the dispersion of power and the need for cross-cutting cooperation.

SPAIN AND INTERNATIONAL LAW AS A NORMATIVE ANCHOR

In a context of growing instrumentalization of law by authoritarian powers, Spain can contribute to reinforcing the normative legitimacy of European external action.

Its track record in defending multilateralism, international humanitarian law, and development cooperation gives it the moral authority to act as a guarantor of legal coherence.

In the area of migration, for example, Spain could lead the codification of European principles of responsible externalization, ensuring respect for human rights in agreements with third countries. In foreign policy, it could promote a humanist approach to strategic autonomy that combines power, values, and a gender perspective.

ENERGY TRANSITION AND GREEN DIPLOMACY

Spain has emerged as a key energy hub thanks to its capacity in renewables, its green hydrogen potential, and its infrastructure of interconnections with Africa and the Atlantic. This potential can become a tool for structural leadership.



Through initiatives like the Mediterranean Green Corridor, Spain can articulate a Euro-African axis of energy cooperation, making the green transition a shared project of development and stability. This green leadership not only reinforces its position in the EU but also projects an image of a mediating power between the Global North and South.

TECHNOLOGICAL DIPLOMACY AND DIGITAL GOVERNANCE

Spain has consolidated a reputation as a balanced regulatory actor in the digital sphere (AI Act, data rights, user protection). From this foundation, it can drive a European technological diplomacy oriented towards democratic values.

Its connection with Latin America and its active participation in multilateral forums (UN, OECD, ECLAC) position it to lead the construction of a Euro-Latin American digital space, where the EU can project its model of ethical regulation and its standards of privacy and transparency.

SECOND-TIER LEADERSHIP: THE POWER OF EXAMPLE

Spain's leadership should not aspire to replace the Franco-German axis, but to complement it with leadership in execution. In a multilevel system like the EU, medium-sized states can exert decisive influence if they specialize in generating consensus and results.

Spain can thus become a laboratory of variable geometry, promoting concrete projects (in migration, energy, or digitalization) that serve as a practical demonstration of the effectiveness of European flexibility.

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This is a model of "pragmatic leadership" where medium-sized actors act as catalysts for integration, not as passive followers or aspirants to hegemony.

CONCLUSION: TOWARDS A EUROPE OF DIFFERENTIATED ACTION

The refounding of the European Union is not politically possible today, but its functional reinvention is.



"Variable geometry represents the middle path between federal utopia and intergovernmental paralysis. In this sense, the challenge is to transform flexibility into strategy: to articulate a Europe that, without needing unanimity, can act in defense of its interests and values."

Variable geometry represents the middle path between federal utopia and intergovernmental paralysis. In this sense, the challenge is to transform flexibility into strategy: to articulate a Europe that, without needing unanimity, can act in defense of its interests and values.

Success will depend on three essential conditions:

- 1. **The political will of key states** (especially Spain, France, Germany, and Italy) to promote coherent and legitimate coalitions.
- 2. **Institutional coordination mechanisms** that guarantee coherence and democratic control.
- 3. **The ability to communicate tangible results** to the public, reinforcing the legitimacy of the European project.

Ultimately, variable geometry should not be understood as a renunciation of the ideal of unity, but as an intelligent path to survival. It allows the EU to adapt to the multipolar world without sacrificing its principles, demonstrating that integration does not require unanimity, but direction.

In summary, unlocking the EU does not depend on immediate institutional reforms, but on coordinated, pragmatic, and flexible strategic action that combines the leadership of key states, clear incentives, measurable pilot projects, and coalitions of the willing. Only through this approach will it be possible for the European Union to regain its global relevance, strengthen its autonomy, and project influence in an increasingly competitive international environment. The combination of strategy, operational execution, and national leadership (especially from Spain) offers a realistic and effective way to transform European paralysis into tangible and sustained capacity for action.

In this context, Spain has specific room for maneuver to strengthen its strategic role in both European foreign policy and key sectoral policies.

In the diplomatic sphere, it can act as a natural mediator between Europe, Latin America, and Africa, promoting the formation of a new geopolitical focus articulated around the creation of the Region of the Three Shores—a new Euro-Afro-Latin American strategic



region on the 2050 horizon, as was already proposed as a horizon in the previous AVANZA report in 2024 in its publication "Europe Facing the Mirror."

This triangle would allow the EU to diversify alliances, project influence beyond the traditional transatlantic axis, and build a strategic narrative that is an alternative to the Indo-Pacific paradigm.

Spain could promote a Euro-Afro-Latin American agenda based on strategic alliances, energy, food, and technological cooperation, strengthening regional capabilities and providing the EU with an external projection more coherent with its Mediterranean and Atlantic interests.

Likewise, Spain can influence sectoral policies where the internal and external objectives of European strategic autonomy converge.

In the energy sector, it can lead the consolidation of Euro-African green corridors that combine security of supply and decarbonization.

In digitalization, it has the opportunity to articulate a Euro-Afro-Latin American space for data and ethical standards, based on shared technological sovereignty.

And in migration policy, it can promote a cooperative model focused on co-development and circular mobility, overcoming the current paradigm of containment.

These initiatives would strengthen Spain's position as a structuring actor for a pragmatic Europe, capable of combining sectoral leadership and global projection under a logic of coordinated strategic action.

"If Spain assumes a pragmatic and coalition-building leadership and demonstrates that differentiated action can generate concrete results, the EU could regain its lost initiative."

If Spain assumes a pragmatic and coalition-building leadership and demonstrates that differentiated action can generate concrete results, the EU could regain its lost initiative. Instead of debating impossible refoundation, the EU could go back to doing what it does best and act from a 360-degree vision of Europe — open, articulated, and connected — that makes it possible to transform flexibility into action and action into legitimacy.



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