



## ECONOMIC OPPORTUNITIES

# Reorganizing a Continent

## Regaining Success in a Changing World

By Rogier Vergouwen • January 26, 2026

### Summary:

- Geopolitical dynamics have shifted
- Europe must reorganize to adapt and act at scale
- Increased central authority must be balanced by stronger democracy
- It will enhance security and unlock long-term growth

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The world is changing rapidly. The economic and technological rise of Asia has brought Western hegemony to an end, reshaping the global balance of power. As new world powers emerge and the United States prioritizes other regions, Europe will need to adapt its own organization to remain relevant, thus laying the foundation for future security and prosperity.

For five centuries, Europe stood at the center of global economic, scientific, and geopolitical life. That position ended in the twentieth century, when two self-destructing world wars exhausted the continent's power and credibility. After 1945, Western Europe stabilized under American protection, whose military power shielded it from external threats and internal rivalries that had plagued the continent for centuries. *Pax Americana* reshaped Europe's security architecture, enabling unprecedented peace, integration and prosperity.

## A Shifting World Order

Today, Europe is no longer the world's primary strategic theater as it was in 1945. Its colonial empires have disappeared, other regions – particularly Asia – have developed at an unprecedented pace, and Europe's relative economic and technological weight has declined. China has emerged as a superpower, while other countries have gained prominence too, transforming the international system into a multipolar order.

The United States increasingly recognizes that Europe is no longer the central arena of global competition. Europe's highly decentralized organization – at times recalling the *Holy Roman Empire* or *Polish-Lithuanian Commonwealth* at the time of the Partitions (see frames) – limits its ability to act decisively, weakening both its economic and geopolitical position. American resources are not unlimited, and decades of extended hegemony have revealed the costs of overreach. As Europe continues to require significant diplomatic, military, and political engagement while its strategic weight has declined, Washington increasingly concentrates its efforts on its own hemisphere and on what it now considers the most consequential region: East Asia.

Much as the Romans once withdrew from *Britannia*, American engagement in Europe is gradually receding, and the era left behind will not return. Europe must adapt its organization to a new global system defined by competition among continental-scale powers, where size, speed, and coherence increasingly determine success. Institutional cooperation among sovereign states, which worked so well after the Second World War, is no longer sufficient in today's international order, and Europe's political, security, and economic structures must be aligned with this new reality.

## Centralizing Governance

Individually, Europe's nation-states no longer shape global outcomes. Collectively, however, they possess all the attributes of a major power: a vast internal market, advanced economies, deep capital pools and a

highly educated population. Europe's weakness lies not in its resources, but in how they are organized.

The European Union remains more an institutional framework than a unified political entity. National governments retain decisive authority, while European institutions operate primarily through consensus among twenty-seven member states. Veto rights, divergent legal frameworks, and fragmented implementation slow decision-making and dilute outcomes. As a result, national interests often prevail over collective goals, producing compromises that are acceptable to all but rarely optimal for Europe as a whole. Providing its own security, sustaining economic strength and competing technologically will require profound institutional change.

Europe must be able to pool resources and act coherently in areas where scale matters, shifting political authority decisively to a European level with clear leadership and unity of purpose. Reorganizing Europe does not imply uniform centralization: political authority should be exercised at the level where it is most effective and legitimate. Issues that require continental scale, speed, and coherence – such as security, foreign policy, trade, capital markets, and strategic technologies – must be decided primarily at a European level, while policies rooted in social preference, cultural identity, and local conditions – such as education, healthcare, welfare systems, and cultural affairs – should remain the full responsibility of nation states. Greater centralization will not only increase impact; it will also simplify governance by reducing duplication, lowering administrative costs, and enabling faster, more efficient decision-making.

## **Underpinned by Democracy**

Greater decision-making authority at European level must be matched by democratic legitimacy. Centralization without accountability is neither stable nor sustainable. Today, many Europeans experience EU institutions as distant, technocratic, and opaque. Executive authority is exercised by officials not directly elected by the population, key decisions are shaped through closed negotiations, and citizens struggle to understand where power resides or how they can influence outcomes.

Although treaties define citizens' rights, these remain fragmented and difficult to access.

This democratic gap has fueled resistance rather than support for integration. Brexit was not simply a rejection of Europe, but an expression of political disempowerment. As the European Union has evolved far beyond its original economic mandate, its democratic structures have not evolved at the same pace.

Democracy is not an obstacle to Europe organizing itself more effectively; it is the foundation that makes such organization sustainable. Deeply rooted in Europe's history and culture, only a European Union grounded in clear constitutional authority and democratic accountability can generate the consent required to govern effectively at scale. Deeper integration therefore requires parallel democratic reform. Four institutional changes are essential:

- **Direct Election of the President of the European Commission**

As European governance becomes more centralized, the executive role functions as the continent's de facto political leadership. To reflect this reality, Europe must introduce the direct election of its executive leader, providing clear political leadership and granting citizens a direct mandate over Europe's direction. A directly elected President would strengthen democratic legitimacy by giving citizens a tangible sense that they themselves choose Europe's course, while empowering the leader responsible for carrying it out.

- **Strengthening the European Parliament**

A political union responsible for legislation directly applicable to its citizens requires a legislature with full legislative initiative and robust oversight powers. European elections should reflect genuinely European political debates rather than fragmented national contests.

- **Binding Referenda**

As national vetoes disappear under deeper integration, binding referenda must anchor major decisions in popular consent. Switzerland offers a proven model, in which referenda are routine,

citizen-driven and binding, requiring both a majority of the population and a majority of the cantons to take effect.

- **A Single European Constitution**

The current patchwork of treaties should be replaced by a single document, defining Europe's citizens' rights, delineating competences – clearly specifying which areas fall under exclusive European authority and which remain the exclusive domain of the nation states – and establishing institutional limits.

## Security

In order to build an effective security organization, Europe will need to centralize its structure too, and for two reasons.

First, effective security cannot be achieved through twenty-seven separate armed forces. Impact is generated by an integrated military capability able to act decisively as a single political entity. This requires unified command structures, shared strategic objectives, joint procurement and standardization, and an integrated defense-industrial base. Fragmentation undermines deterrence, slows crisis response and weakens Europe's capacity to act.

Second, international politics operates in an anarchic environment, lacking a central authority capable of guaranteeing security. Historically, European states ensured their safety through relative power, often at each other's expense. This balance-of-power logic defined the continent for centuries and repeatedly led to rivalry and war. The postwar period marked a historic exception: under the American security umbrella, internal arms competition was neutralized. But when the United States increasingly pivots away from Europe, this arrangement can no longer be assumed. Without a centralized European authority, renewed national rearmament would risk a return to political and military competition among its own states – a dynamic the twentieth century showed to be catastrophic.

## Fuel Economic Growth

Europe's centralization will not only enhance its political and security capabilities; it will also form the basis for economic growth far beyond what fragmented national economies can achieve. Economic independence depends on industrial and technological capacity, yet fragmented national approaches are ineffective when global competition now operates at a continental scale. Reindustrialization does not require protectionism, but competitive, innovation-driven investment at that same scale. Three structural reforms are essential:

- **Integrated Capital Markets and Single Corporate Legislation**  
Divergent corporate, insolvency, and securities laws still prevent firms from scaling across Europe. Full integration would unlock economies of scale, deepen capital pools, and allow companies to easily expand within Europe, massively boosting innovation and scale-ups as a result.
- **A European Treasury with Fiscal Capacity**  
A common Treasury empowered to levy European taxes, issue permanent debt, and stabilize the economy would enable large-scale investment in infrastructure, energy systems, and strategic industries. In the absence of such a mechanism, Europe remains trapped between underinvestment and crisis-driven improvisation. A European fiscal capacity would also provide macroeconomic stabilization and crisis-response capabilities without forcing individual member states into unsustainable debt dynamics.
- **A Continental Industrial and Technological Approach**  
Global competition is increasingly driven by large-scale public investment in sectors such as semiconductors, artificial intelligence, energy, defense, and critical raw materials. Centralized coordination would allow Europe to identify strategic sectors, mobilize capital at scale, align regulation and procurement, and use infrastructure and defense spending as engines of technological progress.

## Flexibility

Economic vitality requires flexibility. Europe's rigid adherence to existing frameworks has increasingly become a liability. Excessive regulation and resistance to change have left Europe lagging behind more adaptive economies. Long-term planning remains a European strength – but it must be paired with periodic deregulation, systematic policy review, and the willingness to abandon frameworks that no longer serve their intended purpose.

## Stay European...

Europe has a long and rich history that has shaped its identity, institutions and political culture. The risk of such a heritage is not weakness but inertia: the difficulty of adapting to a rapidly changing world. Yet throughout its history, Europe has repeatedly shown that it can evolve when circumstances demand it.

Europe can learn from others while remaining true to its own identity. By organizing itself to act where scale is required and strengthening its institutions in line with its values, Europe can stand on its own feet – economically, strategically, and politically – renewing growth and laying the foundations for prosperity for future generations. Europe's future strength will be built not on becoming someone else, but on assuming full responsibility for what it already is.

## The Rise of Asia

*"I am living in a different country than the one I was born in,"* a young Chinese woman remarked. She never migrated; it is her country that transformed so rapidly that it became unrecognizable in just two decades.

From the first century until 1820, China had the largest economy in the world. It held the world's largest, most literate and most urbanized population, was organized by a sophisticated state administration and was deeply embedded in global commerce, supplying goods far beyond the region through extensive trade networks such as the Silk Road.

This changed in the early nineteenth century, when industrialized Western powers came to dominate large parts of Asia, undermining local economies and reshaping them to serve their own commercial interests. After the Second World War, which had devastated East Asia through immense human losses and widespread destruction of cities and infrastructure, Asian countries regained their independence. Determined to improve the living standards for their people and to modernize their countries, the new governments invested heavily in education, infrastructure and industrialization. Supported by young, ambitious populations and growing political stability, Japan, South Korea, Taiwan and later mainland China began to develop rapidly and entered a period of strong economic growth.

Today, East Asia is back at the center of the global economy. China is undoubtedly the region's economic heart: its sheer population size and vast industrial base make it the main driver of regional growth. It is now indispensable to global manufacturing, and crucial in the development of key technologies and innovation. On logistics and trade, the country builds half of the world's commercial vessels, contains seven of the world's ten busiest container ports – with another in South Korea – while one-third of global maritime trade passes through the South China Sea. Measured by purchasing power parity, China surpassed the United States as early as 2014 to become the world's largest economy and today contributes around 31 percent of the global GDP *growth*. Increasingly driven by domestic demand rather than exports, China has emerged as an economic powerhouse in just a few decades.

## A Fast-Changing World Order

Before the Second World War, the international system was multipolar, with several powerful Western states shaping global affairs based on military strength, economic capacity and population size. World War II fundamentally altered this balance, creating a bipolar order dominated by the United States and the Soviet Union, with most countries aligning with one side.

Europe was central to both superpowers due to its economic strength, large population and strategic location. The continent was divided into spheres of influence, though alignment in Eastern Europe was largely imposed. Maintaining control over this region imposed heavy political, military and economic costs on the Soviet Union, ultimately overstretching them. The collapse of the USSR ended the bipolar order and left the United States as the sole global superpower.

During the unipolar moment, the United States and its allies dominated global security, economic systems and international institutions. Over time, however, prolonged wars and repeated interventions strained American resources, while the rise of China alongside Russia's reassertion has once again altered the balance of power. The international system has thus shifted back toward multipolarity, with several major and also some emerging powers, such as India.

## The Holy Roman Empire

The Holy Roman Empire emerged in 962, when Otto I was crowned emperor over the eastern part of Charlemagne's former empire. Like most medieval states, it was highly decentralized, composed of numerous duchies, bishoprics and imperial cities governed locally by vassals. Under the Ottonian and Staufen dynasties, emperors nonetheless exercised strong authority, leading armies and appointing officials, ranking it one of the most powerful political entities in Europe.

In the late Middle Ages, power gradually shifted toward territorial princes and autonomous cities. After the extinction of the Staufen line, the imperial title became elective. Emperors were chosen by *Kurfürsten* (prince-electors), whose support was secured through concessions, privileges and promises. These arrangements strengthened the electors and further limited imperial authority. During the Renaissance, the growing importance of standing armies and sustained warfare favored large, centralized states capable of regular taxation and organized logistics. As a result, monarchies such as France, Spain, and England curtailed feudal autonomy and consolidated political power. Within the Holy Roman Empire, by contrast, governance depended on consensus among princes, bishops, and cities, all of whom resisted any surrender of their autonomy. The Peace of Westphalia confirmed their sovereignty, reducing the Empire to a loose confederation of states, each with its own laws, taxation and armed forces. Its members increasingly pursued their own interests rather than acting collectively, allowing foreign powers to exploit their fragmentation for their own benefit. By the eighteenth century, the Holy Roman Empire had become a shell of its former self, prompting Voltaire's remark that it was "*neither Holy, nor Roman, nor an Empire.*"

The Enlightenment, French Revolution, and rise of Napoleon further transformed European politics by accelerating administrative, tax and legal centralization. To sustain mass armies, many smaller imperial states were merged, reducing their number from roughly 300 to about 40 and increasing their individual strength. In 1806, the Empire was finally dissolved. It was a pragmatic acknowledgment that the decentralized political order which had survived for nearly 1,000 years could no longer compete with the centralized states that dominated modern power politics.

## The Polish-Lithuanian Commonwealth

Once Europe's largest and most powerful state, the Polish-Lithuanian Commonwealth dominated Central and Eastern Europe from 1386 onward, stretching from the Baltic Sea to Kiev. Its vast territory, agricultural wealth, and control of grain and timber trade routes made it prosperous and influential. Although a kingdom with an elected king, power rested mainly with its large, politically active nobility (*szlachta*). This decentralized governance worked well for centuries, and the *liberum veto*, allowing any noble to block legislation in the *Sejm* (Polish Parliament), symbolized freedom and confidence in a state stronger than its neighbors.

But times – and its neighbors – changed. Russia centralized and built massive armies, Prussia became a disciplined military state, and Austria strengthened its bureaucracy and taxation. During the Great Northern War, the Commonwealth was no longer a player but the battlefield. Wars devastated its cities, farms and trade, killed millions, and weakened royal authority. Economic decline and a paralyzed *Sejm* – where a single veto could block all reform – made it impossible to modernize the army or raise taxes, leaving the state vulnerable to foreign interference and increasingly dependent on its neighbors.

By the early 1700s, Poland-Lithuania could neither defend its borders nor govern without foreign interference. Seeking to secure even stronger influence over the state, the Russian Empress Catherine the Great orchestrated the election of her former lover, Stanislaus August Poniatowski, to the Polish throne. Yet aware that the country's future was at stake, the new king backed reformers who passed Europe's most progressive constitution (3 May 1791), abolishing the *liberum veto*, strengthening central authority, and granting rights to peasants. But it came too late: alarmed, Russia, Prussia, and Austria carried out three partitions, erasing the once-great state from the map in 1795 – a state that had held on too long to a system that no longer fit its time.