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Choices In This New World

SAMIR SARAN *and* **GLADDEN J. PAPPIN**

Editors

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Editors' Note

Samir Saran *Gladden J. Pappin*

As the world begins a second quarter of the current century, there is a clear reshaping of the global balance of power. Yet, it is not only the diffusion of power that is shifting; so is the organising logic of the global system itself, moving toward security and resilience, and carrying implications for economic integration, strategic partnerships, and institutional cooperation. For Europe, this is a moment of strategic reflection; for emerging powers, a moment of assertive arrival.

The essays in this volume probe the tensions and opportunities of a world in transition—the struggle to rebuild credible multilateralism, the race for technological and economic sovereignty, and the search for forms of connectivity and cooperation that strengthen, rather than surrender, national agency. Together, these articles compel a rethinking of inherited assumptions and remind us that legitimacy today is earned through capability, credibility, and the courage to design new compacts. The future will be scripted less by legacy alliances, and more by a wider constellation of actors—from Europe to the emerging powers—with Hungary positioned as a critical bridge in these unfolding conversations.

The Budapest Dossier 2025 captures this moment of inflection, convening scholars across disciplines and geographies to illuminate how a world in flux is recasting its political, economic, and strategic foundations.

Kwame Owino argues that global economic fragmentation—through rising regionalism and stalled multilateral reform—creates new vulnerabilities for sub-Saharan Africa's lower- and middle-income economies. In a multipolar world shaped by larger emerging powers, Africa's strongest anchor remains a functioning multilateral system.

Philipp Siegert argues that Europe's geopolitical comfort zone has collapsed as the global system and global order drift out of alignment. The European Union (EU), caught between globalisation, state agency, and democracy, now confronts an intensified version of Rodrik's Trilemma that it can no longer evade. He contends that only a shift toward "sovereign internationalism" and adaptive connectivity can restore Europe's strategic relevance.

Márton Ugrósdy casts Hungary's worldview as a sovereignty-first doctrine that rejects supranational presumption and globalist orthodoxy, insisting that power and legitimacy rise from the people. Everything else—EU cooperation, global partnerships, foreign policy—follows from that foundational conviction.

Péter Siklósi shows that Europe's call for autonomy rings hollow in a moment when only NATO underwrites its security. Caught between renewed threats and insufficient capabilities, Europe remains reactive, and not a shaper of the emerging order.

Kimlong Chheng argues that Europe is caught in a crisis of identity and cohesion, where fraying values and sovereignty battles unsettle its political core. These tensions weaken Europe's regulatory ambition and strategic confidence. Its relevance in a multipolar world, he contends, hinges on restoring trust and a coherent values-driven compass.

Philip Pilkington argues that Europe's competitiveness crisis is being fundamentally misread: the real rupture is not technological lag but the loss of cheap energy after the eruption of the war in Ukraine. He shows that protectionism, industrial policy, and the Draghi Report all skirt the core issue, leaving Europe to drift toward de-industrialisation. Until the energy question is confronted head-on, Europe cannot reclaim economic strength nor strategic agency.

Victoria V. Panova presents BRICS as a non-Western coalition pushing for an inclusive, law-based global order grounded in equality and respect. As Western structures retreat into coercion, she argues, BRICS offers a more constructive model for a plural world.

Sunaina Kumar casts the Indo-Pacific as the heat engine of global geopolitics—an arena where great-power rivalry collides with the region's central role in trade, growth, and climate stability. She argues that the challenge for regional actors is to balance security imperatives with deeply interdependent economic futures, using flexible coalitions and minilaterals to navigate an increasingly fractured order. The Indo-Pacific's ability to shape the emerging system, she observes, depends on inclusive cooperation, resilient connectivity, and a shared commitment to sustainable development.

Lydia Kostopoulos argues that the fusion of AI, data, and converging technologies has turned geopolitics into technogeopolitics, forcing states to reclaim sovereignty in a domain increasingly dominated by private actors. She underscores the need for nations to invest in resilient energy and digital infrastructure, craft trustworthy regulation, and deploy agile policy tools like sandboxes to stay competitive. The future of statecraft, she writes, will belong to countries that wield technology as a deliberate instrument of national power.

Boglárka Ballester-Bólya argues that Europe's slide in competitiveness is largely self-inflicted—driven by regulatory excess, ideological policymaking, and an energy regime that undermines industry. Hungary's call for "less red tape, more innovation" is framed as a strategic course correction, restoring productivity, affordability, and ambition. She warns that unless Brussels embraces pragmatism over performative governance, Europe will watch the global race from the sidelines.

Matthias Bauer's essay portrays a Europe tangled in its own rules — overregulated, under-scaled, and falling behind while others accelerate. He insists that only bold, continent-wide legal harmonisation can restore Europe's ability to innovate, attract investment, and compete at the technological frontier. Fragmentation, Bauer warns, is not just inefficient—it is a quiet erosion of Europe's global standing.

Stephen R. Nagy casts infrastructure as the new battleground of sovereignty, where small and medium-sized states craft manoeuvrability through diversified partnerships. Nagy argues that ASEAN and Hungary hedge through connectivity—engaging China, Japan, the United States, and others without surrendering choice or autonomy. In a divided world, he writes, infrastructure is not dependency but agency in physical form.

Jagannath Panda describes the Indo-Pacific as moving from a United States-led hierarchy to a diffuse, coalition-driven order shaped by strategic autonomy, hedging, and competing connectivity visions. As the United States' centrality wavers and China advances its architectural ambitions, India emerges as the region's stabilising anchor—democratic, autonomous, and increasingly central to the strategic calculations of major powers. The future, he says, will be written not by hegemonies but by networks of states unwilling to be bound by any single pole.

Szabolcs Pásztor argues that 'slowbalisation' has not fully fractured the world into rival blocs but propelled it into a new era of networked connectivity, where emerging economies have become hubs rather than peripheries. South–South trade, digital flows, and value-chain linkages now drive global growth, making decoupling both costly and illusory. He contends that the future belongs to bridges—open standards, cross-regional infrastructure, and cooperative institutions that keep the global system resilient and open.

These essays converge on a simple truth: the international system is being rebuilt in real time. Those who combine resilience, capability, and cooperative ambition will not only endure this transition but help define its architecture.

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Beyond Borders: Rethinking Economic Integration and Regional Institutions

Kwame Owino

Questions about the effectiveness of multilateralism as the paramount organising logic of global economic cooperation have become more pronounced in recent years, and today, there is a discernible surge towards less supranational coordination in global public affairs. The causes of this trend are varied, but the direction is evident—away from global coordination in trade policy and towards the reconfiguration of multilateral institutions. As a result, not only are alternative frameworks for economic exchange emerging, but there is also growing debate on replacements and new forums for economic diplomacy.

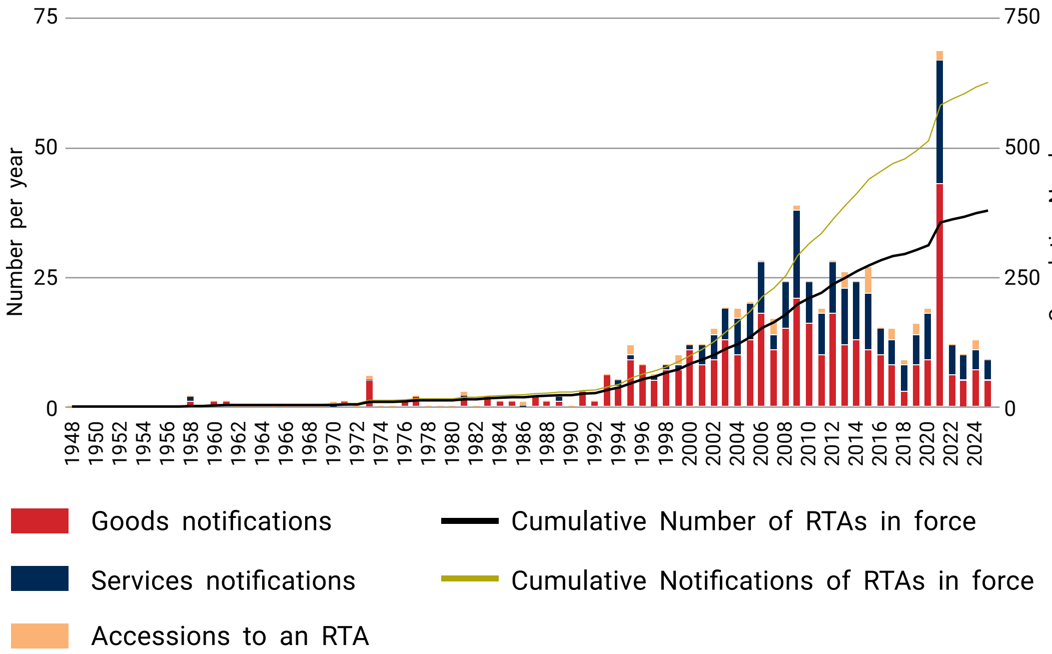
For those still sceptical about the rise of alternative arrangements in global economic affairs, the unequivocal claims made by the president of the United States (US) about recalibrating the country's trade preferences and revising existing agreements underscored the shift. This era—marked by the reintroduction of trade tariffs as instruments of political and economic policy and persistent delays in reforming the World Trade Organization (WTO), the International Monetary Fund (IMF) and the World Bank—reflects a rebalancing of global affairs to align with changing relative power among countries.

The rest of this essay is in two parts. The first examines the logic of global economic fragmentation and its manifestation, and the second reviews these changes from the perspective of the lower-middle income economies of sub-Saharan Africa. The classification of these countries as 'lower-middle income' is crucial to this discussion, as it reflects the reality for most of the region. Their populations will constitute the largest share of those whose welfare will be directly impacted by institutional reforms and evolving models of international cooperation.

Evidence and Drivers of Global Economic Fragmentation

Global fragmentation will inevitably alter the mechanisms of trade diplomacy and weaken the authority and effectiveness of global organisations such as the WTO. This trend, however, has long been underway, as seen in the proliferation of regional and bilateral agreements since the end of the global financial crisis of 2008.

Figure 1: Regional Trade Agreements in Force (1948-2025)



Source: WTO[1]

Figure 1 illustrates the number of Regional Trade Agreements (RTAs) notified under the General Agreement on Tariffs and Trade (GATT) and its successor, the WTO. In essence, it confirms that after the global financial crisis of 2008, there was a steep rise in both notifications and commencement of RTAs worldwide. By June of 2025, a total of 376 RTAs had been notified to the WTO—an average of nearly two per member state. This shows that some pairs of countries or regions preferred regional arrangements over the WTO multilateral platform.

The second peak in the trends occurred after the COVID-19 pandemic in 2020. This abrupt change on the pace of both notifications and commencement of RTAs is attributable to the shocks that filtered into Global Value Chains (GVCs) on account of many states' responses to the pandemic. The crisis exposed the vulnerability of GVCs—despite their efficiency—to external shocks, which disrupted economic activity globally. As a result, re-shoring and import substitution re-emerged as policy response to mitigate the risks of long and complex value chains.

Other forms of re-engineering economic integration lie in the quest to reform the International Financial Architecture (IFA). Debates continue over changes in the roles and processes of the World Bank and the IMF, and consensus remains elusive. The geographical representation of the staff and decision-makers is, however, changing to reflect the diversity of the membership.

Like its peers, the African Development Bank (AfDB) is undergoing transformation to ensure that it raises its capital and resource base, enabling it to expand operations and respond more effectively to its members. This will enhance its ability to partner with member states and shape regional development outcomes.

The convergence of regionalisation in trade policy, the expansion of development financing by regional banks, and ongoing efforts to reform multilateral financial institutions point to a shifting landscape of economic integration. While they are not the exclusive indicators of a softening in the multilateral approaches to economic governance, they present opportunities and risks for sub-Saharan African economies.

Why These Changes Matter for Sub-Saharan Africa's LMICs

Embedded in the logic of economic integration is the idea that production within countries provides an opportunity for exchange between firms. The phenomenon of comparative advantage has validity among states. However, the vagaries of COVID-19 and growing global tensions about the distributional consequences of globalisation have accelerated the fragmentation of multilateralism. Therefore, regional integration, bilateralism, and the rise of multipolarity—with dedicated influence and different rules among different countries or clubs—have emerged as alternative frameworks.

The primary changes in the world order are being driven by the economic size and political power of the countries that are dissatisfied with the existing multilateral institutions, such as the WTO, the World Bank, and the IMF. In the last half-century, the consequential developments that have created the need for reform of organisations to create space for new players have come primarily from countries of East Asia. With their economic success being visible, they sought reform of existing political and economic governance mechanisms at the global level.

This reconfiguration of the organisations and the rules of economic integration aims to accommodate the rise of China and the inevitable rise of India as major contributors to global economic performance in the future. Asia's socio-economic change has been profound, and the assertiveness it has produced is understandable. Although India and China do not share a unified vision, both recognise and act within the emerging reality of multipolarity.

On the other hand, while selected African countries have recorded impressive economic success, sub-Saharan Africa's overall performance has yet to alter the structure of the global economy. Consequently, these African countries are equally invested in rethinking the formation and reconstitution of global economic institutions; their justification for sitting at the table is based on a normative claim as opposed to objective economic clout.

This divergence in economic sizes underpins Africa's pursuit of reform based primarily on moral claims for greater representation and legitimacy in global governance. On the other hand, the claims by India and China in Asia and Brazil in South America are derived from their increasing share of their national contributions to global economic output.

The economic influence of Africa's 54 countries remains limited, accounting for less than 5 percent of global Gross Domestic Product in 2024.[2] Since representation in formal economic institutions is determined by individual votes, emerging powers such as India, China and Brazil demand special attention. Although African countries, constituting about 5 percent of global economic output in 2024,[3] are a recognised part of the global economy, they are incapable of using their shareholding or contribution to trade volumes to command audience.

African countries face two relevant economic constraints. Collectively, they constitute a small portion of global economic affairs, and individually, they fit the economic classification of 'Small and Open Economies'. This classification emerges from the fact that despite their best efforts, they are unable to change the price levels for any commodities or products that are tradable and are therefore price takers.

In global trade and economic relations, nations bearing these two characteristics are constrained in the conduct of trade and economic diplomacy. Small and open economies therefore thrive best in multilateral systems, as compared to bilateral regional systems. The underlying reason for this is that negotiations and agreements in a multipolar world would impose larger transaction costs compared to the multilateral systems. Thus, any departure from multilateralism towards fragmented systems inherently weakens Africa's trading or negotiating position.

Looking ahead, the African Continental Free Trade Area (AfCFTA) could be an essential platform for shaping trade and economic policy across the continent. Yet, in practice, Africa's more integrated regional economic communities—such as the East African Community (EAC), Southern African Development Community (SADC), Common Market for Eastern and Southern Africa (COMESA), and ECOWAS—remain deeper and more advanced than the AfCFTA. The endurance of these overlapping institutional arrangements reveals the reality of economic integration in the continent. And they show that fragmentation is already salient on the African continent, and the nation states adjust to respond to that fact.

While there is still a contest on the degree to which the phenomenon of 'de-globalisation' is inevitable, there is also an undeniable undercurrent that many developing countries are preparing for a world where the provision of global commons will be provided through different approaches and in different platforms. To secure diplomatic success under these conditions will require not only nimble and smart diplomacy but also the ability to assert moral authority and understand the strategic priorities of major powers.

The emerging format of economic integration will not prioritise the demands of small and open economies, as the dominant logic will centre on the coordinated projection of economic and political power. India, China, and Brazil can cooperate within this model; African countries largely cannot, at least in the medium term. The strongest ally of most of Africa will be found in Singapore, whose prime minister's statement emphasised the realisation that the global norms that were sensible and beneficial have been changed, perhaps for a lifetime.[4]

Conclusion

In conclusion, the rise of multipolarity stems from two forces: the relative growth of China, India, and Brazil and their willingness to be more assertive in global affairs on the one hand, and on the other, the inadequacies of multilateral institutions to respond. Caught in the centre of this recalibration of the global equilibrium are African countries who are unable to exert economic or political pressure individually. As small and open economies, they have become the final defenders of what remains of multilateralism and open global markets.

The paradox is that Africa—despite its limited power—may now be the most credible advocate for global openness. Being neither price makers nor rule makers, multilateralism provides the best path for global relations for small and open economies. Countries in sub-Saharan Africa should be wise in making the choice.

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Integration, Agency, and Sovereignty: How Geopolitics Exacerbates the EU's 'Rodrik's Trilemma'

Philipp Siegert

The EU's Strategic Lethargy During Post-Cold War Atlanticism

When the Berlin Wall fell in 1989, it shattered long-held certainties of the Western geopolitical outlook. The 'Atlantic bloc' lost not only its ideological rival but also an adversary that had functioned as a counterbalancing force within the international system and the United Nations (UN) global order. This opened the 'unipolar moment' of a United States (US) hegemony within both the order and the system—a distinction examined later in this article.

The collapse of the Western-Soviet bipolarity also removed many regulatory constraints on financial (as opposed to industrial or productive) capitalism during the 1990s and 2000s. This unrestrained growth evolved into so-called 'casino capitalism',[a,1] culminating in the 2007-08 financial crisis in the US, which spread across the Atlantic, triggering a banking collapse and, through bailouts, a public debt crisis. At that time, Europe may have found immediate, short-term solutions for its economy, but at the price of 'disaster capitalism'[b,2] and without finding proper remedy to the structural problems that allowed the crisis to take such amplitude on the continent.

This weakened Europe's capacity to participate in, let alone shape, a shifting world around it. Having just expanded from 15 countries in 2003 to 27 countries in 2007, the EU faced a 'double hit': the economic shock of the financial crisis emerging in the US, and the geopolitical jolt of Russian President Vladimir Putin's 2007 Munich Security Conference speech, in which he openly challenged US dominance of the international order.[c] Many Western leaders saw this as a 'revertigo' into a Cold War–like bipolarity, though with a weaker Russia than the former Soviet Union. This was particularly true of Europeans, while the American political establishment had already moved to consider the rise of China as its primary concern.

As a result, the US looked towards the Pacific (guided by the Barack Obama administration's 'Pivot to Asia' policy), while Europe remained fixated on its neighbour, Russia. European leaders continued to treat the 'Atlantic bloc' (foremost, the North Atlantic Treaty Organization, NATO) as an unquestioned constant and viewed China mainly as a distant economic actor. That is to say, both European governments and EU institutions retained a mental map that assumed the Atlantic as a geopolitical 'safe space', a Western-dominated international order as the default mode, and the

a In this book, H.W. Sinn analyses how financial products (in particular "collateralised debt obligations" or CDOs) were "built on top of" America's growing housing bubble, inducing a casino-like gambling at large scale. As it eventually faltered like a house of cards, it transformed a sectoral (housing) crisis into a full economic crisis.

b A designation for the impact that the austerity policies had on states and societies made famous by Naomi Klein.

c Expressed e.g. this passage from the speech: "We are seeing a greater and greater disdain for the basic principles of international law. And independent legal norms are, as a matter of fact, coming increasingly closer to one state's legal system. One state and, of course, first and foremost the United States, has overstepped its national borders in every way. […] I am convinced that we have reached that decisive moment when we must seriously think about the architecture of global security. And we must proceed by searching for a reasonable balance between the interests of all participants in the international dialogue." Putin then goes on to reference the rise of BRICS as a positive factor, and the extension of NATO as a negative.

challenges from Russia and China as manageable within that order.[3] States like Iran and North Korea were subsumed under an 'outlier' category of a discomforting nature rather than of structurally dangerous proportions, and most efforts focused on nuclear non-proliferation.

In retrospect, this mental framework proved even more detached from Europe's actual and surrounding realities than many contemporaneous critics had feared. Three developments that unfolded during the 2010s now lie at the heart of the EU's current struggles.

First, Russia's 2008 war with Georgia signalled its determination to secure its "near abroad" from other powers—particularly American and European. Second, the mismanagement of the structural causes of the financial crisis in Europe led to a decline in its economic vitality. Together with the over-bureaucratisation, this is now driving ever more companies to leave the continent. While this cannot exclusively be laid at the feet of the EU, Brussels certainly adversely affects the continent's economic competitiveness through enormous regulatory burden, and it is a 'status quo' administration with curious reflexes regarding problem-solving. For instance, the high-level expert group ('De Larosière Commission') that the EU set up to advise it on how to deal with the fallout of the financial crisis, particularly in terms of future bank regulation, had half its members coming from the very banks that had caused the crisis to begin with.

Third, with its enlargement, the EU became increasingly inward-looking—not only to absorb the effects of rapid expansion but also by redirecting political energy that had once driven its external policies. A key example was the shift of its regime-change instruments, such as the Copenhagen criteria—once applied to guide Central and Eastern European states from socialism to democracy—toward internal 'consolidation' rather than outward influence.

At the beginning of the 2020s, the EU still retained notable strengths. The most prominent one is the "Brussels effect," which conditions access to its single market on compliance with specific industrial norms and broader political standards, such as the prohibition of slave labour.[4] This effectively exported EU norms beyond Europe's borders. However, both this influence and the EU's capacity to shape global economic and political trends depend on conditions outside its control: a functioning globalisation sustained by geopolitical stability; institutional legitimacy rooted in public trust; and enough affluence to allow for peaceful relations between governments and oppositions both within and beyond their parliaments (as well as to maintain its welfare state model and the social pacification that it facilitates). Put shortly, Europe depends on the 'happy concurring' of globalisation, stable 'member states,' and participatory democracy.

The EU's Trilemma

These three conditions correspond precisely to the poles of Dani Rodrik's 'Globalization Paradox'.[5] It is a "pick two out of three" equation between a globalised economy, the political agency of nation states, and the possibility of democratic decision-making to shape policy outcomes. At the national level, within most (perhaps even indeed all) European states, there is a gradual reconfiguration of the political landscape into three quite irreconcilable blocs—a trend most visible today in France.

As for the EU itself, it was originally created as a supranational construct to complement the Marshall Plan and pacify intra-European state relations (first on the continent's west, now including its centre and east). The functional core it was built around was, and is, a European 'common' and now 'single market.' This structural reality, combined with the policy choices made especially during the 2000s, causes the Union to no longer be a balancing mechanism for Rodrik's Trilemma but rather one of its poles. This entails that the EU functions as a framework for applying *political* globalisation logic to the states.

This evolution has produced an inversion of traditional political alignments, making Europe's political landscape difficult to interpret. The post-1945 social democratic left once prioritised state agency and democracy over globalisation, while the Christian-democrat right prioritised globalisation and state agency rather than popular control over policy. Today's 'progressive' left might be critical of economic globalisation but embraces political globalisation through supranationalism and globalism, while simultaneously redefining democracy to centre on 'non-governmental' and 'civil society' organisations rather than parliaments. Logically, (nation) state agency becomes a *bête noire* for those who hold globalism and 'non-governmentalism' as aims. The right, for its part, moved away from its globalisation preference towards national agency and democracy—in its institutional form, meaning popular control over policy through parliamentarism.

This has split both Europe's left and right spectrum internally. The former is divided into a social-democrat versus 'progressive' left, the latter into a Christian-democrat versus (national-)conservative right. The more centrist parts of both have largely been incorporated into a *'nomenklatura pole'*—represented by figures such as former

Italian Prime Minister Mario Draghi or French President Emmanuel Macron—that favours EU-centric supranationalism and globalisation. Meanwhile, the 'left-left' and 'right-right' wings have distanced themselves from this centre, producing the three distinct political currents that define Europe's landscape today—again perhaps most visibly in France.

Loss of the EU's External 'Comfort Zone'

These three currents hold contrarian views on the future evolution of the EU, which compounds its basic geopolitical problem: navigating a world in which global order and global system are incongruent. During the Cold War and the 'unipolar moment', i.e., during most of the EU's lifetime, commercial globalisation was dominated by the West and international governance—insofar as it existed—was characterised by a bipolar balance and then Western dominance. The EU fit well into this constellation, in which the construct of multilateralism with institutions such as the UN (the global order) was quite in line with the underlying realities of power distribution (the global system)—unlike today.[6] While the rise of China certainly is a challenge, the country was already one of the order's 'chieftains' (the Permanent Members of the UN Security Council); thus, this change of power distribution at the system level can be reflected at the order level. The declining role of France and the UK for the global system is, however, much less reflected at the order level.

In any case, the EU's 'comfort zone' is gone. It now finds itself to be dependent on a global order being destabilised by the shifts occurring in the global system, which the EU has little capacity to engage with—it is an 'order consumer' much more than a 'system shaper.' Furthermore, the EU has to navigate the dissonance of order and system while having no direction on, let alone solution to, Rodrik's Trilemma.

This dynamic produces some strange behavioural patterns. One is that the EU institutions, led by the Commission and its External Action Service, are attempting to shape the global system through the global order, while in reality, it works the other way around. Moreover, the tools of conditionality and regime change, which characterised the EU's expansion process and that helped former socialist countries transition to democracy, are now being turned 'inwards' to impose globalisation-turned-globalism and technocracy on all European societies, even if they prefer a different prioritisation of Rodrik's Trilemma and indeed express this in national elections.

Future Outlook

In light of the order/system shift in geopolitics and the profound reconfiguration of domestic politics and party systems, it seems that the most viable European approach to international affairs is that of sovereign internationalism,[7] which facilitates cooperation between the states, and connectivity as the corresponding form of economic, cultural, and political bridge-building. As sovereign internationalism and connectivity are more 'bespoke' and can more easily adapt to changes in the global system, they might also serve as 'intermediate' arrangements through which European states can connect system and order—thus potentially smoothing the latter's transition from hegemonic to collegiate multilateralism—and enhance the EU's viability.

Such an approach could also help with the adaptations that the EU is in need of. Both the external (geopolitical) and internal (party systems) shifts are long-term processes, during which the EU will probably face a choice it will not be able escape: either reform its institutions and fundamental outlook towards protecting the states' and peoples' political agency, i.e., the nation and democracy poles of Rodrik's Trilemma—or remain fixated on its globalisation and supranationalism pole, and eventually face failure.

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Hungary's Perspective: National Sovereignty in the Face of Supranational Pressures

Márton Ugrósdy

We, the People

Who governs?[1] This may be the essential question in a democracy. Is democracy representative?[2] Whom do governments serve? These questions are at the heart of contemporary debates on democracy. The debate is not "liberal" in the progressive sense, but liberal in that it returns to individual political agency, representation, accountability, and whether elites govern with the consent of the people or prioritise being "on the right side of history", while disregarding the mandate that brought them to power, to begin with.[3]

The Hungarian position on this matter is straightforward and rooted in the nation's attachment to independence—an independence earned, not granted, many times over. Hungarians often note with pride that they have outlived every empire that occupied them, and despite a long history of failed revolutions, they reclaimed their sovereignty and are not about to lay it down once again.[4]

Hungarian concerns in this field are at least twofold. First, there is a broader trend in which the global professional-managerial class has taken over the field of both policy and politics.[5] This "scientific", businesslike approach claims that progress is inevitable, that all countries worldwide are facing the same problems, and that one scientifically correct solution exists for each. But the convergence theory[6] clearly fails on many accounts: first, nations differ in traditions and historical experience, so they provide different answers to the same questions—many of which are political in nature. Whether the state should fight poverty, provide publicly subsidised gender-affirming treatments, or restrict the sale of cigarettes, energy drinks, or hard drugs to minors are all results of political preferences. Political preferences that will never align globally, as communities are shaped differently, and rightly so.

When humanity tried to provide uniform solutions to these problems, they failed miserably. Even the Holy Bible recounts the Tower of Babel as the first failed globalisation attempt in Western Christian civilisation. All nations are different, therefore require local solutions. These problems may appear similar, especially to McKinsey consultants,[7] but fundamentally they differ and must be addressed by the political leaders of each community.

Second, Hungary opposes the idea of relinquishing national control over crucial political issues. This creates an apparent contradiction: if Hungary values its sovereignty so highly, why has it ceded an ever-increasing part of it to the European Union (EU)?[8] Again, the answer lies in history: Hungarians want efficient answers to their daily problems. When the EU approach serves them, like in the case of the reduction of intra-EU cell roaming charges, they support it. But when Brussels seeks to dictate how they should raise their children, what to think, or how to approach political matters, Hungarians revolt fervently. The reason is simple: Hungarians think about the EU as a tool to make their lives easier and better. They think about the EU as a means to an end, rather than the end itself, which is the approach of many of the "original" Western EU member states.[9]

Hungarians want to govern themselves. The last 500 years of the nation's history reflect repeated efforts to regain control, during which millions of lives, fortunes, and families were lost. Finally, that control has been reclaimed. The Hungarian government believes its main responsibility is to serve the Hungarian people, and nobody else. This provides hope and comfort: as long as Hungarian elections are decided by the Hungarian people, there is nothing to fear. This is why the Hungarian government decided to curb foreign influence to make NGOs more transparent, and to establish a specialised agency which looks into undue foreign influence operations by naming and shaming those actors who are trying to meddle with the country's internal political processes.[10]

The original Greek meaning of 'democracy' is 'the rule of the people'. This is what the Hungarian government stands for: the rule of the Hungarian people in a tiny part of land at the heart of Europe, which people call their homeland. And this is the principle that drives the country's foreign and domestic policy.

Building a Strong, Reliant Hungary

The Hungarian government is responsible for the safety and prosperity of the Hungarian people. To achieve this, it protects the borders by curbing illegal immigration and combating organised crime. It is rebuilding the armed forces to ensure Hungary's security and that of its NATO allies. Its economic policy aims to make Hungary the most competitive EU Member State, with some of the lowest corporate and personal income tax rates in the Union. It is cutting red tape, building infrastructure, and working with investors worldwide to create jobs for Hungarians and generate revenue for the national budget.

The country's prosperity drives the government, and it is the role and responsibility of the government to use all legal means to provide for prosperity. This is why Hungary works with investors from India, China, Germany, and the United States (US) and turning to cutting-edge technologies like artificial intelligence, humanoid robots, unmanned systems, and electric vehicles. Together with partners, Hungary is investing in the industries of the future. As Prime Minister Viktor Orbán often says, Hungary's investment policy is simple: whoever sides with the Hungarians will be better off and more successful.[11] Even amid global turbulence, the Government's guiding principle remains clear: to serve the prosperity of the Hungarian people.

One could summarise this approach as "Hungary first". But as the Bretton Woods system is unravelling, and the future becomes more uncertain, one cannot wait for changes to happen. One must keep moving to avoid risk, to seize new opportunities, to find new partners, and to balance national interests in a rapidly changing environment. The strategic choices are simple: one can become a follower and accept the *fait accompli* or try to stay ahead of the pack—risking mistakes but also gaining access to opportunities that would otherwise remain unreachable.

Connectivity, Pragmatism, and Mutual Respect

To prove that the impossible is achievable, Hungary has embarked on a foreign and trade policy built on connectivity.[12] Hungary is committed to working with as many countries as possible. Hungary recognises the world's systemic problems and the disputes between states, but apart from being anchored in the Judeo-Christian humanist Western tradition, a character Hungary does not intend to change, the nation is open to cooperation with all countries based on mutual benefit and respect. Hungary will not lecture other countries on their form of governance. Having endured such lecturing ourselves, we will not impose it on our partners. It is disrespectful to interfere in another nation's political processes, so refrain from doing so. Hungary will continue to stand by its values, but it does recognise the right of all people to choose the government and system they consider appropriate. Hungary also believes that sovereignty comes from the people, not from the elites, despite the claims of Enlightenment-era elites to superiority over those they represent.

Hungarians recognise that national sovereignty is under threat. For this reason, Hungary is reaching out to fellow patriots worldwide to unite against globalist forces. These forces may never fully prevail, but the impact will not be light. Countries in South Asia, Central Europe, and South America face similar pressures—LGBT propaganda, the erosion of national identities, and finally the breakup of communities, which make nations not just a bunch of people living next to each other but a living and breathing community that is much bigger than the sum of individuals who are part of it.

The Hungarian masterplan is simple: to stand up for ourselves and fight for our identity, culture, religion, history, heritage, and uniqueness. Fortunately, our opponents are no longer the patriots of other countries, so this new patriotic revival can avoid the wars that once devastated the World. Our opponents are unelected and irresponsible global elites who believe people are dumb, uneducated, and incapable of looking after themselves. What they offer resembles Huxley's Brave New World, where people become faceless, indistinguishable consumers of bodily pleasures. Yet they speak endlessly about democracy. We must hold them to their words and return real power to where it belongs: the people.

This way, we can restore our democracies. If people are in charge, we can focus on real problems instead of the fake ones. With people leading, we can revive our societies and strengthen local and national communities. We can reinforce the main feature of our nature which makes us truly different from animals: our desire and unique skills to exist in societies. Societies that can produce much safer and better results for all of us, compared to what we would have to face as individuals in Hobbes' State of Nature. We believe power has to go from the bottom up and not the other way around. As the Hungarian poet Sándor Petőfi wrote: "Eternal heaven bear witness/Before all heaven's fools:/Though ships bob on the surface/And oceans run beneath us/It is the water rules."[13]

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Strategic Autonomy or Atlantic Revival? The Role of NATO in the Changing Global Order

Peter Siklósi

In the transatlantic relationship, the relative weight of the United States (US) and Europe and their likely different roles in the alliance system have been recurring issues since the establishment of the North Atlantic Treaty Organization (NATO) in 1949. From the idea of a European Defence Community[1] through Charles de Gaulle's decision to withdraw his country from NATO's integrated military organisation,[2] to President Emmanuel Macron's idea of European strategic autonomy,[3] France has historically played a leading role in shaping this strategic discourse.

After the end of the Cold War, the common existential threat in the form of the Soviet Union passed and the differences between the foreign policy priorities of the US and the European Union (EU) intensified. It was then that the idea of Europe aiming for greater independence in its relationship with the US was placed back on the EU's agenda. The first blow to this idea came when the wars in the Western Balkans (Bosnia-Herzegovina and Kosovo) revealed that the Europeans were unable to deal with these crises on their own and that, in both cases, the US and NATO were needed to resolve the situation.

The idea was later raised repeatedly, because while the US was focused on its "global war on terror", it was by no means certain that it would be able or willing to play a meaningful role in resolving every crisis that might erupt in Europe's neighbourhood. This led to the gradually strengthening idea that the EU should take on a role in shaping foreign, security, and defence policies, in addition to its traditional economic role. Although the idea had many opponents, it was eventually implemented, though not in a community, but in an intergovernmental form, keeping one of the most important instruments of sovereignty in the hands of the member states. At the same time, military cooperation within the Union began in countless forms which, according to the hopes of many, especially federalists, would eventually lead to a European Defence Union; and perhaps, then, NATO and the US would no longer be necessary.

Meanwhile, the gap in defence spending between the two sides of the Atlantic continued to widen. While Europeans steadily reduced their defence spending and enjoyed the so-called 'peace dividend', the Americans did not follow suit but maintained and even developed their military capabilities. This led to a situation in the early 2010s where, while at the end of the Cold War, the ratio between the two sides was roughly 50-50 in terms of defence spending, by the time of Russia's aggression in Crimea, it had changed to nearly 3/4 to 1/4, while the number of NATO's European allies had nearly doubled.[4]

Despite successive US administrations regularly raising the issue of this growing imbalance and its political unsustainability, no meaningful steps were taken to resolve the problem. That is, until the lightning-fast Russian occupation of Crimea and parts of Donbas made European leaders realise that the geopolitical environment had fundamentally changed and that they would have to spend considerably more on defence than in the past. This led to the decision at the NATO summit in Wales[5] in 2014 that all member states should spend at least 2 percent of their GDP on defence within 10 years, with 20 percent of their defence budgets allocated to military development.

The strengthening of Europe's military capabilities commenced, but it was both slow and geographically uneven in the initial stages. The breakthrough came with Russia's open aggression against Ukraine in February 2022, after which it was evident to European stakeholders that much more had to be spent on defence, and immediately.[6] This was reinforced by US President Donald Trump's demand that Europe's defence spending be increased to five percent of its Gross Domestic Product (GDP). In July 2025, with a speed that would have been previously almost unimaginable, NATO decided[7] that allies outside the US must allocate 3.5 percent of GDP in military budgets and 1.5 percent of GDP in civil infrastructure investments with military implications during the next 10 years.

At the same time, Russia's open aggression has dispelled the illusions that many European politicians had previously harboured. It has become clear that Europe's defence against a serious traditional military threat is inconceivable without NATO and, therefore, without the US. Today, no serious political force questions the primacy of NATO in European defence and deterrence. Instead, debates tend to focus on the exact role of Europeans within the Alliance and what role the Union, also as a separate entity, could play in this. Although the EU likes to refer to this area as "European defence",[8] it has by now become clear that its competence lies not in defence but in the defence industry. This is also a critical area, as with defence spending set to rise to 3.5 percent over the next decade and military and development needs arising from the war in Ukraine, the domestic defence industry faces promising prospects, and this needs to be managed.

One of the big questions for the decade ahead will be whether, with the US turning its geopolitical attention to China, and Europe hopefully working to strengthen its military capabilities, there will be a resurgence of efforts to envisage Europe's defence without America. However, it is worth bearing in mind that acquiring military capabilities in the narrow sense is not enough; a leading power is also needed: one that others accept and are willing to follow. As the last 200 years of European history have shown, there is no natural leader on the old continent that could take over this role from the US. Even Germany, the strongest European power, is too small to fill this role, so America will continue to be needed in Europe, albeit with significantly changed proportions and roles.

This raises the question of what role a changing NATO will play in the evolving global world order. The Alliance was originally created to counter the threat posed by the Soviet Union, with a well-defined geographical area of responsibility in the founding Washington Treaty.[9] Does the idea of a "global NATO" fit into the organisation's remit, would it even make sense, and how would member states feel about it, are pertinent points to ponder.

Today, however, it remains unclear what exactly this emerging new world order will look like. Is there a larger move towards a bipolar world, where two alliance systems are emerging around China and the US as poles, or towards a multipolarity where, in addition to the two strongest poles, other smaller or larger centres of power also retain their independence? One of the stakes in the Russian-Ukrainian war and the American attempts to end it is whether Russia can remain an independent pole or will become a "junior partner" integrated into the Chinese pole.

In any case, the tension between NATO and Russia, and consequently, the importance of the Alliance's deterrence and defence capabilities, will remain high, as there is very little chance that Moscow will integrate into the American pole. Of the two options, it is clearly in the interests of both Europe and the US for Russia to remain an independent pole, even if it is weaker.

If it were to integrate into the Chinese pole, NATO's current eastern border will become one of the frontlines of the new bipolarity—or, in the worst case, the second Cold War. The US has already recognised this, which is why it is seeking an end to the war so that relations with Russia can be normalised as far as possible, thereby enabling it to extricate itself from the one-sided dependence on China, which it got into as a result of the war.[a] Unfortunately, Europe does not seem to have this strategic insight, so it is no wonder that it has ceased to be an active shaper of events and is constantly lagging. It can only react to them, for better or worse, and suffer the consequences.

In any case, it seems certain that NATO will have to prepare for deterrence towards Russia in the longer term, as trust between the two sides has been lost for a long time. Additionally, according to the current Strategic Concept,[10] "terrorism" is the other named threat, which is essentially another way of describing the instability in the regions surrounding NATO's European territory to the South and South-East, as well as the dangers of Islamic radicalism.[b] It can be stated with a high degree of

a Western sanctions closed most of the trade opportunities for Russia, so it had to increasingly rely on others, the most important of which is China.

b This was the result of trying to find a politically correct and consensual language without the need to name any specific geographical, political, or religious entities.

certainty that, although Russia has currently pushed this threat into the background, it must be reckoned with in the longer term. It is not inconceivable that one day it could once again become the primary threat.

A fundamental question for NATO's future role is whether, in addition to the two tasks mentioned above, the allies envisage a role for the Alliance in the Indo-Pacific region, and whether it would even be capable of fulfilling such a role. At present, NATO—and mainly the European allies within its framework—has its hands full with its existing tasks. There is currently no strong desire to take on a role beyond the geographical boundaries specified in the Washington Treaty. In any case, very few allies would be capable of performing this task, which essentially requires naval forces, and even those would only be able to do so with great difficulty and in a limited form. So it is questionable whether they would be of any meaningful assistance to the US in a given situation.

Moreover, it seems that even Washington has not yet decided whether it wants this at all. Although China was increasingly mentioned as a challenge in NATO's strategic documents and summit communiqués[11] until President Trump's re-election, it was never included among the threats. It seemed that the US is also undecided on whether it wants NATO to play a role in the emerging rivalry with China. During Trump's second term, there has been no mention of the issue,[12] but that could change quickly, if necessary.

Almost none of the European powers were previously enthusiastic about the idea, mainly because of their desire to maintain good economic relations with China, and their lack of the necessary resources and military capabilities, and even less so after the outbreak of the Russian-Ukrainian war in 2022. In addition to the above reasons, France has always been sceptical about NATO's expanded role because it claims an independent role as a self-styled Pacific power, even if many consider this to be overly ambitious in terms of its capabilities. Overall, current developments do not point to NATO expanding its role and sphere of influence towards a global task system in the foreseeable future.

In sum, it can be said that at present, both the question of Europe's role within the transatlantic system and that of NATO's place in a changing world order are at a standstill. The main reason for this is that the threat posed by Russia currently overshadows all other military challenges, and second, that Europeans are struggling with serious internal problems and capability shortfalls.

Together, these factors have led to a situation where neither greater strategic autonomy within NATO (let alone strategic sovereignty) nor a stronger presence in more distant parts of the world is realistic for Europe today. The end of the war and progress in European military capability development may change this to an extent, but until Europe can overcome its many internal challenges, no fundamental change can be expected.

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Values at a Crossroads: Addressing the Crisis of Identity and the Decline of Political Cohesion

Kimlong Chheng

The global landscape is evolving amid a deepening crisis of identity, political cohesion, and economic rigour reflected in rising nationalism and growing challenges to established democratic norms across the continents.[1] On the surface, Europe does not appear to be treading toward weakened social structures and fractured values, yet it has entered a period marked by weakening economies, social disunity, and political turbulence driven by the declining intergenerational transmission of democratic values, and widespread populist dissatisfaction in both mature and young democracies.[2]

Debates over how to restore trust and cohesion within European political establishments remain unresolved. These tensions have reshaped traditional political cleavages, creating new divides between liberal internationalism and illiberal nationalism, even within long-standing alliances.[3] As a result, the foundational values underpinning institutions such as NATO and other multilateral security arrangements are increasingly contested, generating uncertainty about their resilience in a rapidly shifting strategic environment. This internal value erosion is not merely an abstract debate but reflects genuine grievances over globalisation, environmental stress, prolonged conflicts, and the social costs of neoliberal policies, all of which heighten the risks of democratic backsliding and declining multilateral cooperation.[4] This essay discusses these issues and provides analytical lenses to examine how identity and political cohesion interact with governance, connectivity, and the shifting global order.

In an era of deepening regional integration and expanding transnational governance, the paradox of sovereignty has become increasingly pronounced. While supranational institutions such as the European Union (EU) pool authority for collective strength, many states are simultaneously reasserting national sovereignty impelled by anxieties over identity and democratic legitimacy. This crisis of identity at the centre of European politics reflects a growing perception that supra-state structures dilute national belonging—particularly as integration has advanced far faster than citizens' emotional investment in a common European project. According to Mycielski (2016), the image that the EU has carefully fostered and celebrated as a guarantor of prosperity, peace, and stability has finally slipped into "self-gratification", where institutions are increasingly detached from the public they should serve.[5]

The rise of Eurosceptic sentiments may not occur accidentally but cumulatively from a sense of exclusion and unmet expectations or lack of mutual respect and consultation. The rebirth of grassroots groups such as the "Committee for the Defense of Democracy" in Poland indicates that both democracy and sovereignty become a nexus that can be observed in the grassroots, and not among the either nation-state or supranational elites. In all, this indicates the debate on today's sovereignty is no less than an institutional battle, yet it is something that delves deeper regarding identity, recognition, and legitimation of political authority in today's supranational era.

At the same time, sovereignty conflicts are multiplying within Europe—not only between national and supranational levels but within states across territorial, institutional, and constitutional lines.[6] For example, the struggles over judicial independence in Poland and Hungary exemplify this internal fragmentation: governments have restructured courts, politicised judicial appointments, and even used constitutional tribunals to declare parts of EU law incompatible with national constitutions. On the values front, the return to sovereignty draws attention to the contested status of values themselves, democracy, the rule of law, and human rights. By all measures, a declining common value basis in Europe erodes political unity and confidence in the system's and hence in the government's authority as well. On a larger scale, regulatory fragmentation, unpredictable global norms, and politicisation of global governance may follow.

The transatlantic relationship and the need to reimagine the partnership between Europe and the United States are examples of the forces that could change or reshape their identities, values, and strategic objectives. The relationship after the Second World War is based on shared identity rooted in liberal democracy and a Western-led international order, but this "West" is becoming increasingly fractional.[7] The internal polarisation of the United States, combined with Europe's pursuit of strategic autonomy, assumes that a shared transatlantic identity is less plausible. For instance, European proposals on "digital sovereignty", controlling Big Tech, safeguarding data, and defending national regulatory autonomy often conflict with the interests of global US tech companies and US foreign policy agendas. These priorities reflect fundamental value discrepancies, especially when Europe prioritises data protection, competition, and social safeguards, while the US promotes innovation, global leadership, and the pursuit of dominance. The growing concerns of the European citizens on the question of the intensity of transatlantic ties and memberships and about the potential threat the US poses to European solidarity and autonomy.

Strategic autonomy has also redefined the EU's geopolitical role. The COVID-19 crisis, the Russian-Ukraine war, and the reliance of Europe on Russian energy demonstrated the structural weaknesses in supply chains and security. The EU responded by boosting defence manufacturing, diversifying energy supply, and acquiring important technologies.[8] This is not an indication of the United States' abandonment, but it represents a more distributed version of Western leadership where Europe gains a more competent actor of its own.

Another useful case study is technological competition. The export controls of advanced semiconductors to China by the United States are indicative of a new era in the presuppositions of globalisation. The dominant role in geopolitical competition is now taken by technology, AI, chips, quantum, and data, thus setting the line between the economy and national security.[9] Technological superiority has become a central feature of Western identity and has pushed states in the direction of concerted industrial policy.

Outside the transatlantic arena, the West is rearranging itself by using flexible Indo-Pacific alliances like the Quad and AUKUS. Such alliances reveal how the West has ceased to be strictly geographical, but it has become more networked based on issue coalitions that address regional issues without necessarily reproducing Cold War blocs. Today, the West is neither decadent nor victorious; it is shifting to a more plural, adaptive form. Its future usefulness will hinge on its ability to keep its internal cohesion, deal with a more aggressive Global South, and its ability to maintain credible leadership in a multipolar world.

Another point to highlight is that the EU is no doubt facing mounting pressure from the fractured relations with the US, especially as the Trump administration consistently exercises coercion with threat of force to capture Greenland and tactically alienate itself from NATO to paralyse or cripple the organisation in defiance of the otherwise strategic interdependency to decouple or de-risk themselves from influential China. In this context, the EU's leadership and strategic autonomy are increasingly under threat, exacerbating its geopolitical vulnerability. The world is waiting to see how the EU will be able to stay focused and resilient amidst this storm, and how it will maintain its resolve to reset the EU foreign policy doctrine and security architecture that ensures EU's survivability.

Furthermore, Europe's strategic posture in the digital, green, cyber, and broader technology spheres highlights the interplay between identity and policy. The ambition of strategic autonomy integrates an explicitly value-driven identity vis-à-vis privacy, competition, and sustainability alongside an industrial and regulatory programme intended to reduce external dependencies and influence global norms.[10] In addition, the European Green Deal operates in a parallel way. Conceived not merely as a climate regulation but as a comprehensive economic and industrial transformation agenda, as it seeks to integrate sustainability into the structural groundwork of European production, consumption, and innovation. Through instruments such as Fit for 55, the EU Climate Law, and the Carbon Border Adjustment Mechanism (CBAM), the Green Deal seeks to reconfigure supply chains, accelerate clean technologies, and keep European industry competitive in a decarbonising global economy.[11,12,13] This initiative demonstrates Europe's aspiration to take the lead in the green transition by anchoring environmental values in binding commitments that shape investment trajectories and technological routes.

Together, the DMA and Green Deals portray how Europe practices value-based governance, such as fairness, sustainability, and data protection, which are not peripherals but fundamentals of regulatory structure. This approach reflects Europe's recognition that success in emerging domains must be supported by trust, rights-based standards, and transparency, contrasting it with models that focus on rapid technological scaling with limited normative constraints. The effectiveness of this strategy depends on internal cohesion. Divergent national industrial policies, uneven digital capacities, and disagreements over the ecological transition shape Europe's ability to enforce rules and preserve a unified stance. Moreover, digital sovereignty catches a complementary strand of policy view; it reconceptualises sovereignty for the technological age, arguing that control over critical digital infrastructure, data flows, and main technologies is a precondition for political self-determination and resilience.[14,15] While pursuing digital sovereignty and staying open to global innovation requires calibrated policy construction and intra-EU alignment.

The implications for cohesion are straightforward but profound. Coherent, well-sequenced regulation can enhance Europe's identity as a normative power and strengthen citizens' trust in institutions that deliver tangible protections and green opportunities.[16,17] Conversely, policy fragmentation invites domestic political backlash, disrupts collective bargaining power, and promotes external actors to exploit regulatory voids. For Europe to stabilise its identity as a values-based actor in emerging domains, it must pair strong regulatory frameworks with enduring political solidarity, industrial investment, and transparent deliberation about trade-offs.[18] Importantly, Europe must show clear leadership and direction on its strategic autonomy and a collective foreign policy that engages both the Global South and the Global North.

The roles nations assume in an interconnected world—whether as bridges, players, or bystanders—offer deep insights. Specifically, national identity and political cohesion are increasingly shaped by connectivity, encompassing digital networks, infrastructure corridors, and complex supply chains, and the values embedded in these global links. Global connectivity is a transformative force that fundamentally reshapes how nations define themselves and relate to others.[19] The values that inform connectivity, such as openness, inclusion, digital rights, and environmental standards, are deeply material to political cohesion. Indeed, connectivity exposes existing value fault lines: digital divides, uneven economic benefits, environmental harms, and labour rights abuses. Nations are forced to make a strategic choice: whether to act as a player or a bridge, or risk being dominated by global networks. For market players, the specific connectivity role a nation chooses profoundly impacts regulatory regimes, supply-chain strategies, and value frameworks across borders.

In conclusion, the identity and sovereignty challenges shaping today's global landscape reveal a world undergoing profound political reconfiguration. In this regard, as illustrated through the Budapest Global Dialogue framework, the challenges of authority, democracy, and values underpinning global governance are presently entangled at all levels of international politics, ranging from integration within the EU to the evolution of transatlantic relations. Even as nationalism, polarisation, and the decline of democracy jeopardise cohesion, they also propel governments and institutions to reflect on how authority is shared and on how values are defined.

The European agenda on regulation in the areas of the digital and green transitions is proof that identity can be a source of strength if it is couched in value-driven governance. On the other hand, emerging networks of global connectivity illustrate how nation-states are exercising their global agenda through standards and partnerships. Overall, maintaining stability in this rapidly transforming order will require rebuilding trust, both between the people and between nations confronting this newly multipolar order. The key task ahead is not merely defending the order but restoring those political and value premises on which cooperative action is based.

Europe will need to restore its distinctive reputation as a continent that enforces the rule of law, justice, and diversity. It should not allow the practice of double standards to prevail and take root in its soil. Moreover, Europe should carry forward a rigorous foreign policy consolidation that puts the interests of Europe and its people primarily, while preserving healthy relations with a wider community of nations.

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European Competitiveness: Europe's Economic Strategy in a Shifting Global Order

Philip Pilkington

Europe is facing a competitiveness crisis. While there seems to be overarching agreement on what the causes are, there is little convergence on what should be done about it. The Draghi Report on European Union (EU) Competitiveness has become the key reference point for current discussions on Europe's competitiveness crisis.[1] Yet, some interpret the findings to imply that Europe should engage in an extensive industrial policy, while others believe the report necessitates a trade war with China. This article argues that the Draghi Report, for the most part, tends to mislead European policymakers about the most profound aspects of Europe's economic problems.

To understand why this is so, the context in which the Draghi Report was written must be understood. In September 2023, European Commission President

Ursula von der Leyen asked former Prime Minister of Italy, Mario Draghi, an economist, to write a report on the subject of European global competitiveness.[2] The request came at a time when policymakers and politicians in the EU had started to fear that the continent might be poorly placed to deal with the economic challenges arising from the enormous geopolitical changes unfolding globally in the wake of the Ukraine war. Unfortunately, the Draghi Report used these challenges only to rehash discussions that had been taking place long before the war. Where it did address newly arising issues, it did so in a way that was completely at odds with basic economic theory. The authors seemed to embrace the idea of "never letting a good crisis go to waste" while at the same time vastly underestimating the scale of the crisis.

The Draghi Report took as its point of departure the longstanding issues with European productivity growth. Figure 1 shows overall EU Gross Domestic Product (GDP) growth broken into its two key components: employment growth and labour productivity growth.

Figure 1: EU-GDP Growth Decomposition

Source: Eurostat[3]

Between 1996 and 2008, productivity growth dominated the picture. However, since 2008, much of the growth in the EU has come from employment growth. This has resulted in lower GDP growth in the continent relative to, for example, the United States (US) and China. Since domestic population growth in the EU is now negative, this reliance on employment growth to drive GDP has also exacerbated the migration crisis—although the Draghi Report does not make this observation.

Yet the report itself proved to be a strange combination of old and new. In the category of dated material, the report rehashes a longstanding desire of European policymakers to create a domestic European technology sector. While it may be desirable to create a sector for its own sake, these calls seem somewhat out-of-date and misplaced when discussing the issue of productivity. The idea that a robust technology sector is key to future economic productivity growth was especially popular in the early 2000s and then again in the wake of the 2008 global financial crisis.

In recent months, especially after the introduction of China's DeepSeek Large Language Models (LLMs), analysts started to question whether the AI sector might just be a large bubble.[4] Incidentally, Draghi's own report shows that when it comes to the productivity gap between the US and Europe, "Professional Services" have a larger gap than "IT Services" or "Manufacturing of Computers and Electronics".[5]

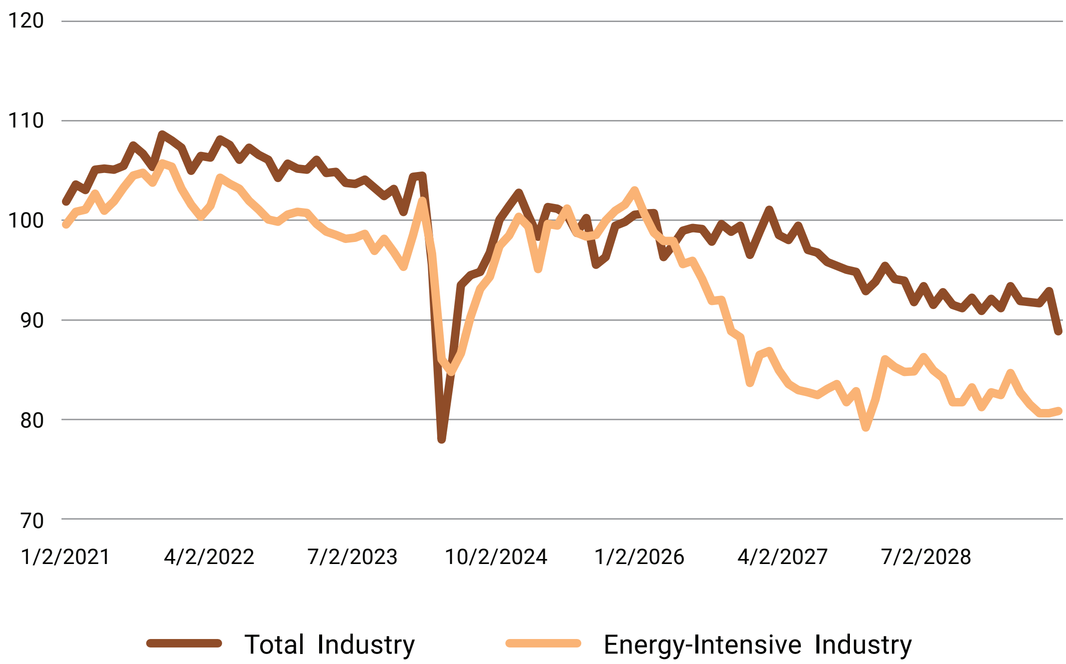
The newer issues that the report deals with might broadly be categorised as being related to what has come to be known as "economic security". Ideas of economic security have been increasingly raised since the first Trump administration started to question certain aspects of globalisation when confronted with China's rising economic power, catalysed by the war in Ukraine and the imposition of enormous sanctions on Russia. One of the most basic precepts of trade theory is that protectionism will result in reduced competitiveness. Even when economists advocate for protection, they recognise that it is an attempt to protect a domestic industry from global competitive forces, whether this pertains to the employment of domestic workers or because the industry is considered strategically important.

Contrary to the commonly adopted stance that increased protectionism would negatively impact competitiveness, the Draghi Report claims that certain industries—presumably in China—are "cheating" by receiving state subsidies. The authors of the report write: "Measures should aim to distinguish genuine innovation and productivity improvements abroad, which are beneficial for Europe, from state-sponsored competition and demand suppression, which lead to lower employment for Europeans."[6]

It is not clear what "state-sponsored competition" means. In some sense, building good infrastructure could be considered a part of it. Certainly, the migration of technology from state-funded military-industrial uses into consumer products could be considered "state-sponsored competition". However, this is the story of the internet itself, which was first created at DARPA via the US military's Advanced Research Projects Agency Network (ARPANET) project. "Demand suppression" is an even more loaded term. It seems to be synonymous with a country or a region trying to run a trade surplus. Yet the EU, since the 2008 financial crisis, has been running a consistent trade surplus. Overall, these seem like contentious abstract arguments used to justify protectionism. However, abstract arguments do not change the economic facts: protectionism will almost certainly lower the competitiveness of European industry. Industry leaders are aware of this. As early as the beginning of 2023, European automakers stated clearly that the response to increased global trade tensions should not be protectionism.[7]

Prudence counsels that a policymaker should deal with the simplest and most pressing problem first. Yet the recent European economic policy generally and the Draghi Report in particular reveal that no one wants to deal with the elephant in the room: Europe's loss of access to cheap energy due to the sanctions associated with the war in Ukraine. This can be seen in Figure 2, which compares overall German industrial production with industrial production in energy-intensive sectors.

Figure 2: Industrial Production in Germany (2021-2028)



Source: Statistisches Bundesamt[8]

The first trend that stands out is that since 2018, German industrial production has been on a gradual decline. This is the long-term competitiveness issue that the Draghi Report correctly highlights. However, after the beginning of the Ukraine war in early 2022, there has been a profound decline in energy-intensive industrial production. Around the start of 2023, this shock then feeds back into the overall industry, whose decline speeds up dramatically. It is clear from this data that, of all the problems Europe faces, none is more important than the energy issue.

The competitiveness issue, in its current state of discussion, is being presented in a misleading way. Commentators tend to highlight that Europe became dependent on Russian gas due to the "green" policies that they chose to pursue. Gas is the cleanest of the fossil fuels and since a truly "green" grid is not yet possible, mostly due to limitations on battery technology, Europe opted to supplement the green components in its grid with gas imported from Russia.

To some extent, these criticisms are true, but they are ultimately misleading because it is impossible to replace gas as a key source of European energy in the short or even the medium term. Rebuilding Europe's grid would take a decade or two, even if European leaders made a concerted effort to try to do so. Currently, however, the EU continues to adhere to its green goals. Even if Europe were to decide to change this policy, it would take years for such a change to come into effect. For these reasons, the debate around whether green energy goals caused European dependence on Russian gas is purely academic and not practical.

Europe faces two choices: it can either restart its imports of cheap Russian gas, or it can resign itself to de-industrialisation. Whether the reforms mentioned in the Draghi Report would restore European competitiveness is debatable, but what is certain is that if they are undertaken while European energy prices remain high, they will prove ineffective. After wages, energy is the most important component of price competitiveness.

Trying to push wages down to offset the high energy costs is almost certainly politically impossible in Europe. Even modest attempts in France to reform the pension system, for example, have created political gridlock. Pushing down wages would require the sorts of austerity measures that were imposed in the peripheral countries in the 2010s. Assuming that this is impossible, unless Europe can regain access to cheap Russian energy, its competitiveness will continue to collapse.

Faced with these realities, and assuming that in the short term, the EU will not continue importing Russian gas, the continent can only really decide how much protectionism it wishes to impose. The more protectionism the continent imposes, the less competitive its industry will become. At the same time, more units of these uncompetitive goods will be forced on European consumers. Granted, foreign firms can also domicile in European jurisdictions.

The construction of a BYD factory in Szeged, Hungary, for example, shows that Chinese firms can try to bypass European protections by engaging in Foreign Direct Investment (FDI) on the continent. This will force European firms to compete with Chinese quality, even with protectionist policies in place. Current signals suggest that European leaders are waking up to these realities and are slowly walking away from any further protectionist measures. Nevertheless, a vocal chorus of self-styled "securocrats" continues to push for more protection in various sectors, citing national security concerns. These debates are expected to continue for the next few years, at least, as Europe continues to further lose competitiveness and de-industrialise.

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New, Bold, Hectic: Could BRICS Offer Essence to the Changing World?

Victoria V. Panova

For a decade, discussions on geopolitical turbulence and a changing world order have become commonplace, particularly since the collapse of the Yalta-Potsdam system on the verge of the 1990s. Today, however, the world appears to have reached a moment of truth: divisions have deepened, and force has once again emerged as the most pertinent feature of international interplay. Many analysts now question whether this represents a return to the power politics of the 20th—or even the 19th—century,[1] albeit with current technological and mass destruction capabilities.

It was clear from the start that the proclaimed "end of history" and the global victory of the West would be challenged and would not be stable as the "winners" refused to account for the countries outside the trilateral of the privileged—whether the former

Soviet bloc with Russia as its core or the rising powers of Asia, Africa, and Latin America. Practising neo-colonial approaches in an attempt to retain unquestionable leadership, the West advanced notions of formal power-sharing, such as temporarily co-opting Russia as a junior member with limited influence at the G7, or offering various governance instruments to “ensure the voice of the emerging countries is heard”—like the enduring G20, the short-lived G22, and G33; the Heiligendamm-Aquila Dialogue Process; or the periodically revived but unrealised League of Democracies. Although the public intention of power-sharing is welcome, the problem with the formats suggested and steps taken made clear that the “power-sharing” is meant to ensure that the rules imposed by the so-called Golden Billion are followed by the rest without the need for them to be part of it. Russia was never fully and wholeheartedly invited to be part of the G7, as the most important instrument of control—the financial track—remained firmly off-limits to it.

The G20 was launched at the leaders’ level only after the United States (US) and its allies plunged into a conundrum of a global economic and financial crisis, totally inspired and caused by themselves. Yet even this welcome development was followed by a marked reluctance to advance measures that might curb Western privileges or ensure equality with the rest of the world. The restriction on protectionist measures was breached almost immediately after being made. The long-awaited reform of international financial institutions achieved only limited progress in 2009-2010, with minor quota adjustments, and has since stalled. The international trade regime continued to degrade further as the latest Doha Round reached an impasse and the World Trade Organization’s (WTO) functionality collapsed when the US repeatedly—85 times at the time of writing—blocked the appointment of judges to its appellate body.

While the past four years of Global South presidencies in the G20 have been rightly praised for keeping the forum alive despite aggressive politicisation, it is worth mentioning that their agendas were still heavily shaped by the established rich countries, whose consultancy firms supplied much of the expertise, data, and policy recommendations.

The BRICS of Tomorrow

BRICS, seemingly being of similar nature to other global platforms, stands apart in one crucial respect—and preserving this distinction remains essential. It comprises exclusively non-Western countries. Its members, both founding and newly admitted, consistently emphasise that BRICS is not opposed to any other state or bloc—not to the G7, the US, or Europe. It is non-West, not anti-West.

The bloc's founding idea was rooted in the need for dialogue on shared concerns and interests, without poking into other countries' affairs or moralising on how the world around them should or should not behave. These common interests shaped a practical agenda: providing a common platform to address internal differences and seek mutually beneficial outcomes; placing people and their needs at the core of deliberations; and agreeing on how to promote a joint position within wider international formats. BRICS made no early claims for drafting the new world order; each member pursued its own path amid expanding globalisation and interconnectedness.

Even now, as the global system shows signs of strain and the West clings to its privileged status, BRICS remains faithful to non-conflictual development. It is very much stressed at every instance that BRICS stands for evolution, but not revolution, turning into a much more prominent advocate of a world order ruined by the outgoing hegemon.

The West continues to promote a rules-based order, though these rules are not consensual but introduced by those who self-attribute the right to make them. What is worse, those rules are seen as binding for the rest but optional for the West itself. In contrast, BRICS upholds an international system grounded in international law and centred on the United Nations—one that is equally binding on all states. Indeed, BRICS has emerged as a strong advocate for reforming the UN and addressing the deficiencies of the current international global order across political, economic, financial, and social dimensions. While BRICS members differ in their approaches to global governance reform, they share a clear conviction: the new system has to be inclusive and equal for all and not founded on the ability of some states to continue reaping benefits at the expense of the other countries.

Another key difference is the type of agenda. With all the existing differences between the countries themselves and with some outside the BRICS, conflict is not put at the core of discussions. The agenda remains constructive—focused on achieving greater peace, security, and development.

In contrast, the agendas of the G7, EU, and other Western-centric forums are extremely negative—a trait that seems embedded in a genetic code. Understanding the founding rationale of the G7 makes this more understandable. The group was established, first, to ensure that a relatively declining US could maintain obedience from the other two Western power centres—the so-called Trilateral concept—keeping them within the American sphere of influence while granting them limited leverage in return. This meant Europe had to curb its independence and moderate efforts to promote détente with the Soviet bloc.[a]

Another objective was to consolidate Western control in response to OPEC's growing strength—both to overcome the energy and following economic crisis and to preserve their historical upper hand as classical colonial methods, such as the Red Line Agreement and restrictive concessions in oil-producing states, began to fade. A further motive was to prevent the emerging New International Economic Order, with more and fairer treatment for developing nations, from undermining the prosperity of the Northern powers—prosperity long built on the exploitation of former colonies. This genetic code did not break 50 years after the G7 inception. It centres around the need to punish anyone not following their demands and vision and prevent countries outside their circle from rising. Its agenda has become even more openly negative—and even offensive.

From its inception, and even after completing three cycles of chairmanship, BRICS did not have missionary vigour, nor was it trying to present itself as a holder of ultimate truth. While recent BRICS declarations reflect greater assertiveness and a stronger emphasis on global development pathways, they do not sound instructive. Sanctions and punitive measures are absent from its agenda. Instead BRICS calls for a renewed commitment to diplomacy and negotiations as the primary tools of international engagement—rejecting coercion or imposition. Its agenda stays largely positive, at times defensive,[b] yet fundamentally oriented toward building a long-term, mutually acceptable global vision. The core principles of fairness, equality, mutual respect, and a culture of negotiations define its approach. BRICS does not lecture; it recognises and respects countries as they are—their traditions, cultures, and aspirations—making it an appealing alternative to traditional power groupings.

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a The G7 was very much prompted by the detente, especially the New Eastern Policies of Western Germany under W. Brandt and French overtures to the east, CSCE and Helsinki process, jeopardising, as believed by then foreign policy architects, links between the US and Europe.

b What the author means here is that if we look at parts of the communiques condemning unilateral sanctions, BRICS does it in response to aggressive behaviour of the geriatric power, but at the same time does not bring itself down to their level nor does it start a war of mutual limitations and restrictions. There is only a general urge for fair and transparent rules.

From this point, BRICS undeniably poses a challenge to the established Western powers, which no longer appear as the sole arbiters of truth or global leadership. Yet BRICS itself has clear weaknesses—it still lacks a unified vision of what kind of world it seeks to build and achieving one will be a long and difficult process. What is clear is that the rules of the “flourishing garden” for the “jungle” are neither natural nor acceptable to the majority of the world. A peaceful, safe, stable world could be drafted and founded only on all the above-mentioned features and principles that BRICS countries share. The emerging vision is one in which every nation, regardless of geography, race, ethnicity, or belief, has a place. And when the West learns to listen and recover a culture of respect for difference, it too, will be welcome at the common table for a common future.

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Security and Economic Cooperation in the Indo-Pacific Amid Great-Power Competition

Sunaina Kumar

The warm surface waters between the Indian and the Pacific Oceans play a central role in regulating the global climate. Oceanographers refer to it as the 'heat engine' of the globe for its role in distributing heat and fuelling rainfall across the world.[1] The Indo-Pacific—a term grounded in oceanography and later revived as a political concept by German geographer Karl Haushofer—has similarly become the heat engine of 21st-century geopolitics and geoeconomics.

The interaction and interdependence between the two oceans spans millennia and supports more than half of the world's population. The "confluence of the two seas", as former Japanese Prime Minister Shinzo Abe described in his 2007 address to the Indian Parliament, reflects the region's interconnected history, culture, and geography.[2] Abe himself had borrowed the idea of the mingling of two oceans from the Mughal prince Dara Shikoh's seventeenth-century spiritual treatise.[3] This historical reminder is useful as the Indo-Pacific emerges as a highly dynamic region, where security and economic cooperation remain in constant flux.

The region, which covers 65 percent of the world's oceans and 25 percent of its land, is home to the most vibrant economies in the world and drives two-thirds of global economic growth. It accounts for over 60 percent of global trade, with most goods and energy supplies transported through its sea lanes. It is also the stage for great-power competition between the United States (US) and China, as well as a space for resistance from powers like India, Japan, and Australia, which advocate for a multipolar world.

It has been argued that "the Indo-Pacific means and will mean different things to different people."[4] The economic dimension of the Indo-Pacific has been underdeveloped, overshadowed by prevailing security narratives. In an environment marked by heightened conflicts and contestations, finding the right balance between security imperatives and economic cooperation is critical. The region is navigating rising global uncertainties—from economic volatility and climate change to technological disruption and stalled development—which demand approaches that are flexible and inclusive.

Emerging Alliances and Flexible Groupings

The Indo-Pacific has become the arena of competing strategic visions for security and economic cooperation, articulated by like-minded nations and regional groupings. The idea of a free and open Indo-Pacific (FOIP) advanced by Japan, the US, India, Australia, ASEAN member states, and the European Union emphasises a rules-based order, economic prosperity, connectivity, and peace and stability. It highlights the extent to which economics and security are deeply intertwined in this region, perhaps more than anywhere else in the world.[5] The FOIP strategy is an opposing framework to the increasing strategic and economic dominance of China in the region, embodied by the Belt and Road Initiative (BRI).

Driven by the goal of defending a free and open Indo-Pacific, the region hosts multiple security and economic initiatives that reflect both strategic convergence and contestation, shifting economic frameworks, and dynamic alliances.[6] The Quad—revived in 2017 and comprising Australia, India, Japan, and the US—covers 24 percent of the world's population and represents 35 percent of global Gross Domestic Product and 18 percent of global trade.[7] Quad activities have grown in diversity and scope, from defence and security to critical technologies, infrastructure, health, climate action, and supply chain resilience. Unlike the QUAD, AUKUS—a trilateral security partnership between Australia, the United Kingdom, and the US—is explicitly focused on regional deterrence and capability building, with no accompanying economic agenda.

On the economic cooperation front, the Indo-Pacific Economic Framework for Prosperity (IPEF), a US-led multilateral framework to strengthen regional cooperation and provide alternatives to China-centric economic dependencies, is designed to focus on critical regional priorities like trade, digital economy, supply chains, clean energy, and decarbonisation. However, the IPEF has been beset by a series of setbacks and challenges, including the US withdrawing from the critical trade pillar in 2023, ending negotiations on trade provisions.

The IPEF experience suggests that the Indo-Pacific's vast and diverse maritime landscape may be better served by sub-regional approaches complemented by flexible partnerships and issue-based coalitions capable of delivering tangible economic outcomes. Trilateral initiatives—such as the Australia-Japan-India partnership on supply chains, infrastructure, and support for ASEAN centrality, or India-EU and India-France partnerships that extend into trilateral cooperation for sustainable development in the region—have proven easier to coordinate. Countries like India and Japan have also deepened cooperation across the domains of infrastructure, manufacturing, clean energy, and technology.[8]

The rise of minilateral networks demonstrates that the regional order in the Indo-Pacific is not wholly constrained by great-power rivalry but is shaped by a convergence of national interests and pragmatic coalition-building. At the same time, competing alliances and overlapping agreements risk creating a fragmented and contested economic architecture rather than one that is unified and coherent.

Economic Heterogeneity and Critical Priorities

Amid mounting global uncertainty, economic cooperation in the Indo-Pacific is becoming increasingly indispensable. The region's capacity to build predictable, rules-based economic ties will be central to mitigating vulnerability, managing shocks, and sustaining long-term growth. Global economic uncertainty reached an all-time high in 2025, driven by rising geopolitical rifts, protectionism, trade tensions, and abrupt policy shifts by major powers.[9] These pressures are compounded by technological and demographic shifts and an escalating climate crisis, all of which are reconfiguring trade and investment flows and supply-chain resilience.

The region's fragmented economic architecture stems from its heterogeneity, with countries at vastly different stages of development. Most Indo-Pacific states are classified as developing (low-, lower-middle, or upper-middle-income) economies, ranging from some of the world's most advanced, including the US, Japan, Singapore, Australia, and South Korea, to Least Developed Countries (LDCs) like Laos, Myanmar, Afghanistan, and Pacific Island nations. It also includes emerging markets such as India, Indonesia, Malaysia, the Philippines, Thailand, and Vietnam, which are key drivers of global economic growth. The region is further divided into two economic halves: the more prosperous Pacific economies and the less developed Indian Ocean economies. Trade and investment flows between these sub-regions remain limited, with few institutionalised avenues for economic cooperation.[10]

While the region remains an engine of global growth, with many countries reducing poverty through technology, globalisation, and market-oriented reforms, it continues to face deep structural inequalities. In several economies, poverty and inequality have begun to rise again, according to reports from the past year.[11] The region is also on the frontline of climate change—acutely vulnerable to sea-level rise, extreme weather events, worsening air pollution, and extreme heat—which threaten to amplify inequalities.[12]

Addressing these challenges will require renewed attention to sustainable growth and economic resilience, ensuring that the benefits of integration are shared across the region. The next section outlines four priorities for advancing economic cooperation in the Indo-Pacific.

1) Trade and connectivity

The global trading system is facing its most serious challenges in decades, with escalating tariffs, intensifying trade disputes, and the erosion of the rules-based multilateral order. The Indo-Pacific stands at the crossroads of these changes—it accounts for 46 percent of world merchandise trade, hosts nine of the 10 busiest seaports, and handles about 60 percent of global maritime trade, one-third of which passes through the South China Sea.[13] Many developing countries in the region face gaps in physical infrastructure, like ports, roads, rail, and digital connectivity, which undermine trade competitiveness. Enhancing trade and connectivity are pivotal for regional integration and development in the Indo-Pacific. Deepening trade links between the sub-regions, strengthening existing regional agreements, and addressing infrastructure deficits can buffer the Indo-Pacific against economic shocks.

2) Energy transition

The Indo-Pacific will play a defining role in shaping the global energy transition. The region is the source of more than half of all global carbon emissions and is home to seven of the world's ten largest coal consumers as well as six of the ten most climate-vulnerable countries.[14] It is expected to account for nearly half of the world's energy consumption by 2050. Addressing the Indo-Pacific's energy needs is crucial for sustainable development. Developing economies face financing gaps, supply-chain uncertainties for critical minerals, and barriers to accessing renewable energy technologies. By mobilising climate finance through coordinated action, developing integrated national and regional energy-transition roadmaps, and strengthening cooperation through bilateral, multilateral, and regional frameworks, the Indo-Pacific can advance an equitable and inclusive energy transition.

3) AI and tech cooperation

The Indo-Pacific hosts the world's largest and fastest-growing internet user populations, accounting for just over half of all global users. This digital landscape is overwhelmingly young and mobile, with more than 90 percent accessing the internet through phones.[15] At the same time, the region has emerged as a key battleground for global leadership I n Artificial Intelligence (AI), driven by intensifying competition for dominance between the US and China. Advanced Indo-Pacific economies are rapidly adopting AI across industry and infrastructure, widening the digital divide with less developed countries. Yet AI in the Indo-Pacific can address critical challenges like climate change, disaster resilience, access to healthcare, agricultural productivity, and sustainable urbanisation. Closing the divide will require investments in digital infrastructure, stronger regional cooperation to share expertise and standards, and adoption of responsible AI governance frameworks that ensure benefits for all countries.

4) Sustainable development

The Indo-Pacific, like the rest of the world, is off track in achieving the Sustainable Development Goals (SDGs).[16] Meanwhile, the global development agenda has all but stalled this year, with drastic cuts in development funding from traditional donors and the withdrawal by the US from the UN system. Financing for the 2030 Agenda has become a critical bottleneck, with the burden falling disproportionately on the region's developing economies, particularly Least Developed Countries (LDCs), low-income nations, and Small Island Developing States (SIDS). Further, the region's vulnerability to climate-induced and natural disasters continues to reverse development gains, stretching public finances and diverting resources away from long-term SDG priorities. Meeting these challenges will require scaling up climate and development financing, more effective regional coordination on SDG implementation, and broader partnerships to drive green and blue economy transitions.

The Indo-Pacific holds a central role in the rapidly transforming global order. With immense economic potential and a long history of interconnectedness, the region can draw on its strengths to shape a more stable, inclusive, and sustainable future.

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The Art of Technology Statecraft: Regulation to Protect, Policy to Enable, and Infrastructure to Level Up in A.I.

Lydia Kostopoulos

Tectonic shifts are reshaping the international order, undermining the rules-based system which, for much of the past century, has guided nation-states, corporations, non-government organisations, and citizens alike. As in earlier eras, technology is playing a big role in today's geopolitics, transforming geopolitics into *technogeopolitics*. The difference in this moment in history is that the key technologies of our time, namely, artificial intelligence (AI), have moved beyond 'utility' to become part of our cognitive function and day-to-day choices and actions.

Crucially, these technologies are largely controlled by private entities and not governments. The harnessing of steel or the power of electricity to light up our factories and homes did not have the capability to shape minds, influence elections, incite violence, or alter human biology. Today's converging technologies do. Technological change is happening at an exponential rate, impacting global economic value chains and life itself. This is a pivotal moment for policymakers to reaffirm the core value propositions of the sovereign.

While statecraft continues to evolve, the modern nation-state's core duty—to provide safety, prosperity, peace, and progress—remains unchanged. This includes anticipating what lies ahead and enacting regulations that protect safety and assure reliable standards, making policies that enable growth and possibility for all socio-economic classes, and harnessing strategic investments in building national infrastructure for the demands of the new and emerging economic era. This emerging era is defined by the convergence of cloud computing, digital assets, and artificial intelligence, synthetic biology, quantum computing, and robotics—all fundamentally dependent on energy.

Never has there been as much converging technological change for policymakers to understand. Nation-states must deliberate and act strategically about 'technology statecraft' as a key instrument of national power projection to ensure the continued prosperity of their nations, peoples, and economies.

The Foundation: Infrastructure Investment

Just as landline communication required cables and trains needed tracks, harnessing AI to operate smart city sensors, deliver predictive services, and manage maintenance systems demands energy infrastructure. This is only one example among many where the paths lead to data centres—the computational hubs driving advanced analytics and creating new value chains in the economy. While countries that do not manufacture chips, cars, lithium batteries, or robots may overlook the geopolitics of critical minerals (though all ultimately bear the costs), none can ignore the growing and compounding demand for energy. Energy is the foundation of the ongoing industrial revolution of intelligence, marking the beginning of a renaissance in energy technologies. With the right energy infrastructure, data centres can be built to manage the growing segment of GDP dependent on chips, as economies transition from being internet-powered to data-powered.

India, for instance, is already shaping the future of money and payments through the Unified Payments Interface (UPI)[1]—a government-backed digital infrastructure that reduces barriers to entrepreneurship and innovation. However, infrastructure alone is not enough; each government will need to create regulatory legislation that inspires trust in the standards of their economy's AI products and services.

Trustworthy Regulation and Reliable Standards

AI regulation has become one of the most contentious areas of technology policy, with consumers demanding protections and technology companies advocating for little to no regulation. The 2024 European Union's AI Act[2] has faced criticism for allegedly hindering economic progress, but this claim is unfounded. The Act builds on established standards such as the GDPR for privacy and existing cybersecurity practices. Its provisions for prohibiting manipulative or rights-violating AI applications draw from principles of the UN Universal Declaration of Human Rights.[3] It categorises AI by risk level and imposes human oversight, robust data governance, and transparency only for high-risk sectors such as healthcare, transport, and law enforcement—fields already governed by strict safety regulations.[4] Governments thus have a duty to maintain equivalent protections in AI applications such as for motor vehicles, aircraft, medical diagnostics, and judicial decision support in courts of law. Perhaps in ten years' time, the EU AI Act will be considered the bare minimum expectation of AI (privacy and safety), and as niche use cases of AI mature, new standards will emerge, such as AI for clinical diagnostics, civil engineering infrastructure, and aviation. This is an opportunity for countries to champion thought leadership in trustworthy regulation so that their countries' products and services will be traded competitively. While regulation lays the ground rules for an economic market and its standards, it needs to be coupled with policies that enable businesses to test and experiment in a safe way, particularly in the spaces where legislation does not exist.

Policies that Enable, Sandboxes that Accelerate

Governments play a critical role in shaping policies that enable prosperity, including reducing compliance burdens through automated and accessible digital platforms. For example, the image-hosting platform Imgur (which provides its services for free) was forced to block UK users due to the high costs of complying with the UK's Online Safety Act's[5] age-verification requirements.[6] Beyond the expense of implementation, organisations must also bear the ongoing costs of securing this sensitive data. While well-intentioned, this act increases the amount of sensitive data that organisations have to hold and protect and simultaneously creates new targets for data theft by cybercriminals. Governments should actively examine how to reduce the costs of compliance and also the wider ramifications of policies. In this case, the vast data collection required under the Online Safety Act introduces privacy and security risks. A space for public-private collaboration to create industry-informed policies can help prevent compliance problems such as these, which incur steep costs and increase liability to the point where companies leave the market altogether. Failing to consider this undermines market competitiveness and increases the risk of large corporate monopolies.

An emerging mechanism that some countries have adopted is the sandbox approach, which enables the safe exploration and testing of new technologies to establish best practices. The United Arab Emirates operates several regulatory labs (RegLabs),[7] which serve as sandboxes for different fields such as insurance, information and communications technology (ICT), and FinTech. In Singapore, their Monetary Authority has a specific FinTech regulatory sandbox[8] to experiment exclusively with innovative financial products, while the United Kingdom's AI Airlock[9] functions as a sandbox for AI-as-a-Medical Device (AIaMD) innovations.

These sandboxes create opportunities to test innovative technology, as well as draft and accelerate policies that can adapt with time and inform more fixed legislation and law. More importantly, they allow governments to collaborate directly with the private sector to bring innovations to market swiftly, supported by timely and context-specific regulation. Such initiatives exemplify how governments are modernising policymaking and regulation to remain agile in the face of rapid technological change.

The Future of Technology Governance

Technological statecraft is a growing and evolving area of politics. Its success depends on a balanced approach that combines investment in future-ready infrastructure, trustworthy regulation, and adaptive policies that evolve at the pace of technological relevance to maintain economic competitiveness.

The future of statecraft is hardwired to technology statecraft, which is a rapidly growing and competitive political arena that policymakers and leaders alike should strategically anticipate and get ahead of. Those who choose a 'wait and see' approach or remain reactive will find themselves far behind. Nation-states of all sizes can leverage the art of technology statecraft; time will tell which countries made the most of this pivotal moment.

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Less Red Tape, More Innovation: EU Competitiveness from the Perspective of the Hungarian Presidency

Boglárka Ballester-Bólya

Europe at a Crossroads

The European Union (EU) appears to be losing its competitive edge. Investment is declining, the innovation gap is widening, and global leadership in key industries is slipping away. Brussels has failed to ensure long-term competitiveness; unrealistic administrative burdens, steep energy prices, economically damaging sanctions, irresponsible market liberalisation, and an ideologically driven green agenda are contributing to the European economy's gradual decline.

The current crisis stems not from a lack of capacity but from leadership that prioritises ideology over reality, leaving European citizens to pay the price. Without bold reforms to restore productivity and innovation, Europe risks remaining a regulatory giant with shrinking influence, watching geopolitical competition from the sidelines.

The EU's competitiveness crisis has become a defining challenge of the post-COVID-19 era. Economic growth is slowing, industrial output is declining, and competition from the United States (US) and Asia is intensifying. Meanwhile, demographic decline, the war in Ukraine, and earlier conflicts in the Middle East and Africa have weakened the EU's ability to drive economic renewal. These concerns were echoed in the 2024 reports by Enrico Letta[1] and Mario Draghi,[2] both warning that Europe's current economic trajectory has become unsustainable. Over the past two decades, the EU's share of global Gross Domestic Product has dropped from over 21 percent in 2004[3] to roughly 13 percent in 2025[4]—a sharp loss of economic weight and influence.

Amid this complex environment, Hungary, holding the Presidency of the Council of the EU, introduced a pragmatic vision: Less red tape, more innovation. Between 1 July and 31 December 2024, the EU's work was guided by the motto, "Make Europe Competitive Again"[5]—a call to restore Europe's economic vitality by reducing regulatory burdens, supporting innovation, and promoting sustainable growth.[6] This vision culminated in the Budapest Declaration on the New European Competitiveness Deal, which sought to place competitiveness at the heart of the next EU institutional cycle.

The Budapest Declaration: A Strategic Framework for Competitiveness

Despite political attempts to undermine the Hungarian Presidency, the Budapest Declaration—unanimously adopted by EU leaders in November 2024—stands as a historic achievement. It called for a comprehensive response to Europe's competitiveness challenge through measurable objectives and concrete deadlines, including reducing regulatory and administrative burdens on businesses; ensuring affordable and secure energy for industry; raising R&D investment to 3 percent of GDP by 2030; and strengthening the role of SMEs as drivers of innovation and sustainable growth.[7]

Unlike earlier frameworks that relied on vague rhetoric, the Declaration placed accountability and action at the centre of EU policymaking. It emphasised that competitiveness should be a cross-cutting principle guiding all EU institutions, not a single policy area. The framework remains a reference point for subsequent EU Presidencies.

Cutting Bureaucracy: The “Less Red Tape” Imperative

Overregulation has long hindered European competitiveness.[8] Excessive compliance costs and fragmented standards place a particular burden on small and medium-sized enterprises, which employ nearly two-thirds of Europe’s private workforce.[9]

Simplifying regulation is not deregulation; it is a precondition for innovation. In line with the European Commission’s Better Regulation Agenda,[10] the Hungarian Presidency promoted impact assessments focused on competitiveness and called for innovation-friendly regulation through tools such as regulatory sandboxes and adaptive frameworks. This approach marked a notable shift from the EU’s typically cautious, compliance-driven model toward a more agile, experimentation-friendly regulatory culture—one that aims to restore the balance between oversight and entrepreneurial freedom.

Innovation at the Core of Competitiveness

If competitiveness is Europe’s goal, innovation is its engine. Yet the EU’s position in global innovation rankings has declined, lagging in breakthrough innovation, venture capital investment, and the commercialisation of research outcomes.[11] Without young innovators and skilled workers, no economic model can endure. The Presidency’s approach linked innovation policy with education and demography, emphasising human capital as Europe’s most valuable resource. The 2024 ministerial conference on training, research, and innovation held in Skopje—and subsequent EU-Western Balkans discussions—underlined the need for geographically inclusive innovation.

Raising R&D expenditure to 3 percent of GDP by 2030 is not just an economic target but also a political and strategic commitment; Europe’s technological sovereignty depends on it. To compete with global superpowers, the EU must be able to stand on its own. Innovation ecosystems built around universities, SMEs, and research networks are essential to maintaining the continent’s position in an increasingly multipolar world.

Strategic Autonomy and Sustainable Growth

The Hungarian Presidency reframed competitiveness and strategic autonomy as complementary rather than competing objectives. Europe can preserve its social model and independence only by strengthening its industrial base, innovation capacity, and supply chain resilience. The informal European Council meeting and the fifth Summit of the European Political Community, held in Budapest in November 2024, gathered 42 European leaders and the heads of key EU institutions, symbolising Hungary's role in bridging divides across the continent.[12] During the summit, leaders reaffirmed that affordable energy, digital infrastructure, and open markets underpin Europe's competitiveness. They also stressed that energy diversification and integration are central to Europe's long-term sovereignty.[13]

The Hungarian Presidency's Contribution and Legacy

Despite persistent political and institutional headwinds, the Hungarian Presidency restored competitiveness to the top of the EU agenda, delivering tangible and widely recognised results across its seven priority areas: competitiveness, enlargement, defence policy illegal migration, agriculture, cohesion, and demography. By advancing the principle of "Less red tape, more innovation", Hungary demonstrated that competitiveness depends as much on governance culture as on economic indicators. Pragmatism over ideology and efficiency over bureaucracy formed its core guiding logic.

Hungary's consistent advocacy for a citizen-focused, results-oriented approach to economic governance offered a pragmatic alternative to ideological divisions within the EU. Its focus on the Western Balkans demonstrated how enlargement and innovation can be mutually beneficial: integrating new markets, expanding research cooperation, and promoting demographic renewal all contribute to Europe's long-term competitiveness.

As Hungarian Minister for European Union Affairs János Bóka noted, "Our EU Presidency was characteristic, active, and strategic." Throughout the term, Hungary advanced concrete proposals—often challenging prevailing assumptions in Brussels—guided by the conviction that conventional approaches before had failed to deliver results.

Beyond Promises: Can Europe Still Compete?

Shortly after the Hungarian Presidency concluded, former European Central Bank President, Mario Draghi warned once again that Europe's competitiveness crisis had deepened.[15] The gap between the EU and its global competitors continues to widen, while the long-promised revival of industrial output and innovation capacity remains elusive. Energy prices are still among the highest globally, and the regulatory burden on SMEs continues to grow.

Meanwhile, the shifting geopolitical landscape has further complicated matters. The war in Ukraine and the subsequent surge in European defence spending have placed unprecedented strain on national budgets. While the EU's continued financing of the war in Ukraine reflects an important political commitment, the escalating costs and diversion of resources away from innovation and growth risk further weakening Europe's long-term competitiveness. Without a sustainable growth strategy, Europe risks financing crises instead of investing in its future.

Recent debates in the European Parliament have again revealed the deepening political divide over Europe's competitiveness agenda. The European Commission's Omnibus I regulatory package—intended to simplify the business environment and cut red tape for SMEs—fell short of its promise, offering only superficial adjustments rather than meaningful reform. In October 2025, the Patriots for Europe group secured a political victory by voting down the proposal backed by the liberal and socialist majority. This decision prevented yet another misguided measure and opened the way for enterprise-friendly reforms, a long-overdue step towards real competitiveness.

Today, Europe stands at a pivotal crossroads between renewal and decline. The real test for the European Union is whether the bold commitments of the Budapest Declaration can be translated into concrete results in this institutional cycle. The question is no longer whether change is needed, but whether Brussels is willing to deliver it.

In a time of global turbulence, Europe's future competitiveness depends on its willingness to act—to replace complacency with ambition, bureaucracy with creativity, and division with unity of purpose. One thing remains certain: history will not wait for a hesitant Europe. As Hungarian Prime Minister Viktor Orbán declared at the outset of the Presidency: "It's time to set aside ideological disputes and kick-start Europe's engine. Let's make Europe competitive again."[16]

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From Legal Fragmentation to Scale: Competitive Harmonisation as Europe's Edge in the Global Economy

Matthias Bauer

Europe's Declining Economic Weight

Western Europe once stood at the centre of the global economy. The European Union's (EU) expansion and its commitment to the four freedoms[a] created a vast zone of economic integration and rising prosperity, with European firms setting global standards in manufacturing, engineering, and regulation. Today, however, Europe's economic clout—and consequently, its political influence—is fading. The continent's share of global Gross Domestic Product is projected to shrink from 15 percent today to 9 percent by 2050.[1]

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a The EU's Single Market rests on four freedoms—the free movement of goods, services, capital and persons—and, more recently, policymakers and scholars have advocated recognising a "fifth freedom", the free movement of data, to reflect the growing importance of digital integration and cross-border data flows.

Meanwhile, other economies are gaining ground. The United States (US) remains the world's undisputed leader in high-technology sectors, from artificial intelligence (AI) and biotechnology to cloud computing and aerospace. Its strengths lie in certain fundamentals: a common language, a deep entrepreneurial culture, dynamic capital markets, and a regulatory system that enables companies to scale rapidly.[2] With a "single" domestic market, American firms channel greater resources into research and development than their European counterparts, reinforcing their global leadership in technology.

China, meanwhile, despite its state-driven and often inefficient model, has built the world's largest single domestic market. Initially driven by low-cost labour, it now benefits from a growing supply of skilled engineers, enormous infrastructure spending, and the ability of firms to test and scale innovations across a population of 1.4 billion.

Europe, for its part, has created the world's most ambitious market integration project—albeit, on paper, as the 'single market' is riddled with cracks. National interpretations of directives, clashing tax systems, divergent labour laws, overlapping consumer rules, and a tangle of sector-specific regulations all collide with the barrier of 24 official languages. The result is not one market but 27 different ones. Instead of scale and simplicity, Europe delivers fragmentation and complexity.

Key Trends Shaping Europe's Competitiveness

The erosion of Europe's relative position is structural, not temporary. At least six trends illustrate the EU's challenge.

Regulatory Fragmentation

Despite 30 years of the Single Market, firms still face national deviations. A German digital services startup, for example, expanding into France or Italy must navigate different labour codes, tax systems, and data protection rules. As business associations stress, overregulation and regulatory divergence divert resources from innovation to compliance.[3] In legal metrology, for instance: weighing instruments must be reverified differently across member states, leaving Small- and Medium-sized firms burdened and consumers confused.

The Scale Gap

Europe counts fewer large firms per capita than the US. Startups flourish in Berlin or Paris, but only a handful manage to scale across the EU—and fewer still grow into global champions. The reason is structural: 27 distinct compliance regimes block cross-border growth. In contrast, US companies achieve scale from day one, investing their gains into cutting-edge technologies.

Investment Disparities

The EU's investment and technology gap is stark. The latest EU R&D Scoreboard illustrates wide gaps in almost all technology-intensive industries. American firms invest far more in software, computer services, and other high-tech sectors, while Europe continues to lag behind. Venture Capital reflects the same patterns: the US benefits from a deep pool of large-scale funds, whereas Europe's ecosystem remains shallow. Without stronger investment, Europe risks falling permanently behind in AI, biotechnology, and cloud computing.

Skills Shortages

The EU produces fewer STEM graduates than the US or China and digital adoption across the continent remains uneven. While some Northern and Western economies are near the technological frontier, many Central and Eastern European countries lag far behind. Combined with restrictive immigration policies that deter skilled talent, these gaps limit Europe's overall innovative capacity and slow economic convergence within the Union.

Digital and Technological Gaps

Europe pioneered global data protection with the General Data Protection Regulation (GDPR), but its strict framework often raises compliance costs for SMEs. Cloud adoption still lags, and in AI, European firms are consumers rather than leaders. The Commission's heavy regulatory approach—through the Digital Markets Act and AI Act—risks further slowing innovation.

Policy Responses Rooted in Protectionism

The doctrine of European "strategic autonomy" has too often translated into subsidies, carve-outs, and protectionist industrial policies. While understandable in an era of geopolitical rivalry, such reflexes reinforce fragmentation instead of fixing it. Europe must avoid inward-looking pushes and embrace international openness.

Competitive Harmonisation as a Collaborative Framework for Renewal

The Letta and Draghi reports[b] correctly identified Europe's competitiveness challenges—market fragmentation, limited SME scaling, and weak capital markets—but their proposed remedies were incremental. Minor tweaks and coordination within existing legal frameworks will not close the gap with the US and China.[4]

Competitive harmonisation offers a bolder way forward. It is not about deregulation or lowering standards, but about creating regulation that genuinely works across borders. The objective is to simplify the legal environment while preserving ambition, enabling European businesses to scale across the Union without facing the duplication and divergence that currently weigh them down.

Making the Single Market Work: Scale Through Legal Clarity and Certainty

At the heart of this approach lies legal harmonisation. Horizontal policies such as taxation, labour market laws, corporate governance, social security, and consumer protection regimes should be fully harmonised to remove costly national inconsistencies. Where full harmonisation is politically not feasible, optional "28th regimes"[c] could offer firms the choice of a single EU-wide framework, providing clarity and predictability without forcing member states to abandon their national systems.

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b Enrico Letta's report on the future of the Single Market and Mario Draghi's competitiveness report both conclude that Europe needs deeper integration, more scale, streamlined regulation and stronger investment to overcome fragmentation, raise productivity and close the innovation gap—with Letta emphasising the structural benefits of harmonisation and openness, and Draghi stressing the urgency of mobilising private capital and improving the business environment to restore long-term growth.

c A "28th regime" is an optional, EU-wide legal framework that sits alongside national laws, offering a single rulebook to reduce legal fragmentation and ease cross-border commercial activity.

Competitive harmonisation also requires Europe to align more closely with global trade and technology standards. Instead of reinventing the wheel through uniquely European frameworks, the EU should integrate existing norms developed by international standard-setting bodies such as the International Organization for Standardization (ISO), the International Electrotechnical Commission (IEC), and the Organisation for Economic Co-operation and Development (OECD). By aligning with global practice, Europe can reduce its regulatory isolation, lower costs for businesses, and strengthen its capacity to shape international rulemaking.

Finally, competitive harmonisation requires fostering innovation through openness. Startups should be allowed to scale first before facing full regulatory burdens, rather than being trapped early in compliance bureaucracy. Risk-taking is essential for growth, and regulation must reflect that reality if Europe is to compete with the US and China.

In practice, these principles translate into concrete reforms. Unified tax reporting would allow firms to expand across borders without replicating compliance costs in each jurisdiction. Cloud-first procurement would replace 27 fragmented systems with a single standard, cutting costs and enabling scale. Mutual recognition of micro-credentials would allow talent to move more easily between Tallinn and Toulouse, while simplified rules for SMEs would lower entry barriers and make the Single Market accessible to more businesses. Collectively, these reforms would reduce costs, provide legal certainty, and make Europe a far more attractive destination for investment and innovation.

The Politics of Integration

The greatest obstacle to competitive harmonisation is political. National instincts are reasserting themselves: Western Europe's protectionism and Eastern Europe's sovereignty concerns both weaken integration. These instincts are understandable but self-defeating when applied to commerce.

Economic nationalism offers symbolic protection but erodes competitiveness in practice. For Central and Eastern Europe, continued fragmentation risks slowing economic convergence. Instead of catching up with Western Europe, these economies would be trapped by structural disadvantages.

Legal harmonisation, coherence, and certainty must replace fragmentation and unpredictability if Europe is to restore its competitiveness. As ECIPE has often stressed, simplifying and harmonising taxation, competition policy, and digital policies would make Europe far more attractive to investors. A more predictable legal framework would reduce compliance costs, enable smaller firms to scale across borders, and encourage reinvestment in innovation.

This vision does not require all member states to move at the same speed. Coalitions of the willing countries can lead the way, showing that deeper integration delivers tangible benefits. The Benelux Union[d] already illustrates how closely aligned markets can boost prosperity. The New Hanseatic League[e] has demonstrated the value of coordinated positions on fiscal and economic governance. And the Visegrád Group, representing Central and Eastern Europe, could pioneer integration in areas such as digital infrastructure and cross-border labour mobility. These groupings have the potential to act as laboratories for reform, proving that harmonised rules generate growth and competitiveness. By demonstrating success, they can create momentum for others to follow, gradually strengthening the Single Market as a whole.

Conclusion: Europe's Choice

Europe cannot afford to lag while others move forward. The US operates one of the best-functioning single markets in the world, allowing well-funded businesses to scale from day one. China, meanwhile, leverages its single market to mobilise resources at extraordinary speed, even within an otherwise inefficient economic model. Emerging economies such as India and Brazil are also investing heavily in infrastructure, digital skills, and innovation, positioning themselves as increasingly competitive players in the global economy. In contrast, European firms still face a patchwork of rules and barriers that fragment the Single Market and raise costs. In a rapidly accelerating global tech race, scale matters.

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d The Benelux Union—founded as a customs union in 1944 and deepened into an economic union in 1958—still exists today as a cooperation framework among Belgium, the Netherlands and Luxembourg, often serving as a regional laboratory for deeper EU integration.

e The New Hanseatic League is an informal group of small, open and fiscally conservative EU Member States—originally led by the Netherlands, Ireland, Finland and the Baltic States—coordinating positions on economic governance, competitiveness, fiscal rules and capital markets to promote market-oriented, rules-based integration.

Europe cannot afford complacency. Incremental reforms and fragmented rules will lead to decline—reducing investment, producing fewer global champions and diminishing prosperity. Competitive harmonisation offers a path to reclaim scale, simplicity, and competitiveness.

The choice is stark. One path leads to continued erosion through fragmentation and economic nationalism. The other requires unprecedented political leadership to unify member states' laws, simplify regulations, and embrace both European and international openness. The Single Market must, at last, become truly single.

If Europe chooses that path, it can still compete in the 21st-century economy. But if it clings to half-measures and an unfinished Single Market, growth will keep stalling. Europe will not be pushed out of the race by others—it will trip over its own red tape.

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Strengthening Sovereignty Through Infrastructure: ASEAN and Hungarian Strategies in an Era of Great-Power Competition

Stephen R. Nagy

Infrastructure and connectivity have emerged as the new battleground for sovereignty in the 21st century.[1] As the United States (US)-China strategic rivalry intensifies, control over critical infrastructure—from ports and railways to 5G networks and energy pipelines—has become a key determinant of strategic autonomy.[2] For small and medium-sized states, these projects offer an opportunity to enhance sovereignty through improved connectivity and economic growth and reducing the risk of deepening dependency on the bigger powers.

This article investigates how states of the Association of Southeast Asian States (ASEAN) and Hungary[a] navigate these opportunities and risks through their

a Hungary was chosen as a comparative case study as its "connectivity" strategy and "economic neutrality" have overlapping characteristics with ASEAN's efforts to maintain strategic autonomy.

respective infrastructure and connectivity strategies. Both regions demonstrate that sovereignty in the modern era is not only about territorial integrity but also maintaining decision-making autonomy through diversified infrastructure partnerships that avoid exclusive dependency on a single power.

ASEAN's Infrastructure Hedging: Sovereignty Through Diversified Connectivity

ASEAN's approach to infrastructure and connectivity development exemplifies strategic hedging in practice.[3] Member states deliberately cultivate multiple partnerships to avoid overdependence on any single provider.[4] This approach recognises that infrastructure—unlike traditional military alliances—can be compartmentalised, allowing states to engage different partners for different projects based on comparative advantages and strategic considerations.

China-ASEAN bilateral trade reached US$797.63 billion in the first 10 months of 2024, up by 7.2 percent year-on-year,[5] making infrastructure connectivity increasingly vital. However, ASEAN states have carefully balanced Chinese infrastructure investments with projects involving countries such as Japan, the United States (US), and South Korea, as well as multilateral institutions.

Case Studies in Infrastructure Sovereignty

Indonesia's Jakarta-Bandung High-Speed Railway illustrates sophisticated infrastructure hedging.[6] While selecting Chinese financing and technology for this flagship project, Indonesia simultaneously maintained Japanese involvement in other infrastructure initiatives, including the Jakarta MRT and various port developments.[7] Such compartmentalisation allows Indonesia to benefit from Chinese high-speed rail expertise while preserving relationships with traditional partners.

Singapore's 5G network development, meanwhile, demonstrates how infrastructure choices reflect sovereignty concerns. Singapore excluded Huawei from its core 5G infrastructure due to security considerations aligned with US preferences while maintaining Chinese technology companies' participation in non-critical areas.[8] This nuanced approach balances economic opportunities with security imperatives, showing how infrastructure decisions can preserve strategic flexibility.

Regional connectivity initiatives like the Master Plan on ASEAN Connectivity (MPAC) 2025 focus on developing infrastructure that strengthens intra-ASEAN links rather than perpetuating reliance on external powers.[9] By prioritising regional integration through transport corridors, digital connectivity, and energy grids that connect member states, ASEAN enhances collective sovereignty while maintaining openness to external partnerships.

Managing Infrastructure Dependencies

ASEAN overtook the US and the European Union (EU) as China's largest export market in 2023, with Chinese exports to the region increasing by 12 percent in 2024.[10] This expanding trade relationship fuels infrastructure demand but also creates vulnerabilities. ASEAN states have responded by diversifying funding sources: it combines Chinese BRI investments with Japanese quality infrastructure initiatives, Asian Development Bank projects, and World Bank financing. They maintain technical standards by adopting international rather than country-specific technical standards to avoid lock-in effects, while building local capacity through requirements for technology transfer and local participation in infrastructure projects to develop indigenous capabilities.

Hungary's Connectivity Infrastructure: Bridging East and West Infrastructure and Connectivity as Sovereign Choice

Hungary's infrastructure strategy embodies the principle that sovereign states should freely choose their economic partners regardless of geopolitical pressures.[11] This approach has manifested most prominently in the sectors of transportation, energy, and digital infrastructure.

The Budapest-Belgrade Railway is perhaps Hungary's most ambitious expression of infrastructure sovereignty. The Serbian segment of the Belgrade-Budapest railway line was not completed by the end of 2024, but was opened in early October 2025, while construction of the Hungary section of the project is still under ongoing at the time of writing this article. The modernisation project is expected to be completed in 2025.[12] Despite EU concerns about procurement transparency and debt sustainability, Hungary proceeded with Chinese financing, viewing the project as essential for positioning itself as a logistics hub between Asia and Western Europe.[13]

The railway modernisation demonstrates how infrastructure can enhance sovereignty by creating new economic opportunities. It reinforces Hungary's strategic importance in global trade by cutting travel time between Belgrade and Budapest to two hours and 40 minutes, down from the current eight hours. Furthermore, the upgrade will facilitate the quick transportation of Chinese products between Greek ports and Western Europe.[14]

Energy Infrastructure and Strategic Autonomy

Hungary's energy infrastructure decisions reflect a pragmatic approach to sovereignty. The expansion of the Paks nuclear power plant, undertaken with Russian cooperation, proceeded despite EU sanctions on Russia, with Hungary arguing that energy security constitutes a fundamental sovereign interest. Simultaneously, Hungary has invested in interconnectors with neighbouring countries and Liquefied Natural Gas (LNG) terminals to diversify energy sources, demonstrating that sovereignty requires both maintaining existing partnerships and developing alternatives.

Digital Sovereignty Through Infrastructure Choices

Hungary's embrace of Huawei for 5G infrastructure, despite US and EU warnings, exemplifies the economic neutrality principle underpinning its connectivity strategy. Hungarian officials argue that technological cooperation should be separated from geopolitical alignment, and that sovereign states must make infrastructure decisions based on national rather than bloc interests.

With the EU accounting for 75.8 percent of Hungary's exports and most of its imports,[16] the connectivity strategy does not aim to replace Western integration but to supplement it. This creates tensions, as seen in disputes over the rule of law, Russian sanctions, and Chinese investment screening, yet Hungary maintains that sovereign states must retain the flexibility to choose infrastructure partners that best serve their national interests.

Convergent Strategies for Infrastructure Sovereignty

Common Principles

Despite different contexts, ASEAN and Hungarian infrastructure strategies share key principles, showing that modern sovereignty operates through connectivity rather than isolation. Both prioritise economic pragmatism, viewing infrastructure partnerships through the lens of economic benefits rather than ideological considerations. They employ institutional flexibility, using infrastructure projects to maintain manoeuvrability within broader institutional frameworks, ASEAN for member states and the EU for Hungary. Crucially, both reject exclusivity in infrastructure partnerships, refusing to limit their options based on geopolitical alignments. Most fundamentally, they view enhanced infrastructure as strengthening rather than compromising sovereignty, recognising that connectivity creates strategic options rather than dependencies.

Strategic Implications

Infrastructure development offers unique advantages for sovereignty preservation that traditional security alliances cannot provide. Unlike military pacts, infrastructure partnerships demonstrate reversibility—they can be modified or diversified over time as circumstances change. Infrastructure and connectivity directly contribute to economic growth, providing resources that enhance a state's capacity to maintain independence. Complex infrastructure projects often involve multiple stakeholders, preventing single-power dominance and creating checks and balances within the system. Most importantly, infrastructure cooperation can be framed as technical rather than political, reducing geopolitical sensitivities and allowing states to engage partners who might otherwise be off-limits due to alliance politics.

Challenges and Future Outlook

Emerging Pressures

Both ASEAN and Hungary face growing challenges to their infrastructure sovereignty strategies as the international system becomes increasingly fragmented. The division of global technology standards, whether in 5G networks, rail systems, or energy grids, may force choices between incompatible systems, limiting the flexibility that has characterised both strategies. The growing securitisation of infrastructure, particularly in digital and energy networks, further narrows partnership options as security concerns override economic considerations. Large infrastructure projects risk creating debt dependencies that could compromise sovereignty if not carefully managed. Additionally, climate imperatives add new dimensions to partnership choices, as green infrastructure requirements may favour certain partners over others based on technological capabilities and environmental standards.

Lessons for Sovereignty Through Infrastructure

The experiences of ASEAN and Hungary suggest several principles for maintaining sovereignty through infrastructure development. Diversification is essential—no single infrastructure partner should dominate critical sectors, as this creates vulnerabilities open to political exploitation. Ownership equally matters; maintaining national or regional control over strategic infrastructure assets safeguards decision-making autonomy. Adopting international rather than proprietary standards preserves flexibility and prevents technological lock-in that could limit options. Transparency builds legitimacy, as open procurement processes and clear terms prevent infrastructure from becoming a sovereignty liability through corruption or hidden conditions. Finally, regional cooperation multiplies options, as coordinating infrastructure development with neighbours enhances collective bargaining power vis-à-vis major powers.

Conclusion

Infrastructure has become a primary arena where modern sovereignty is both contested and constructed. The ASEAN countries and Hungary illustrate how small and medium-sized states can leverage infrastructure development to enhance, rather than compromise, their strategic autonomy. Success requires sophisticated strategies that balance economic opportunities with security concerns, engaging multiple partners without creating exclusive dependencies, and framing infrastructure choices as expression of sovereignty rather than geopolitical alignments.

As the international system fragments into competing technological and economic spheres, maintaining sovereignty through diversified infrastructure partnerships will become increasingly vital. The infrastructure choices made today will determine the degrees of freedom available to states tomorrow. For nations navigating between great powers, infrastructure represents not just physical connectivity but the foundation of 21st-century sovereignty—the power to choose one's own path in an interconnected but divided world. Through railways, energy networks, and digital infrastructure, states are building not just the physical foundations of their economies but the very architecture of their sovereignty in an era where connectivity determines capability and diversity ensures independence.

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Indo-Pacific at the Crossroads: Is a Post-American Order Emerging?

Jagannath Panda

The Indo-Pacific has become the world's most critical geopolitical theatre, a maritime expanse where strategic interests, supply chains, security doctrines, and ideological narratives collide.[1] Long treated as an American-led zone of influence, it is now facing the prospect of something unprecedented: the gradual erosion of the United States' (US) primacy under President Donald Trump, and the potential rise of a post-American regional order.[2]

The question is not whether the US remains powerful or American influence still stays relevant; it unquestionably does. What matters is whether it remains central. In an era where nations increasingly choose strategic autonomy over alignment, the Indo-Pacific's future may no longer revolve around Washington. As global trade reconfigures and maritime chokepoints turn into political flashpoints, the region is shifting from a hierarchy of power to a mosaic of competing coalitions, and President Trump will also need to take note of it.

A Shifting Centre of Gravity

For decades, the US styled itself as the security guarantor of the Indo-Pacific, championing a "free and open" maritime order. Yet its strategic posture has grown inconsistent in the recent years. Washington's withdrawal from the Trans-Pacific Partnership (TPP), imposition of tariff regimes, and rising emphasis on transactional diplomacy have signalled uncertainty to regional partners, including India.[3] The Trump administration's 'America First' approach has stirred concern even among Washington's closest allies.[4] Long-standing partners such as Japan and Australia have voiced unease over what they perceive as a shift in security responsibilities and assertive economic demands.[5] Recent reports indicate internal scepticism within the Trump administration about both the strategic value and financial costs of AUKUS.[6] Should this lead to a diminished US commitment, it could send a clear signal that American leadership in the Indo-Pacific is far from assured. Even as official rhetoric continues to affirm commitment, policy actions oscillate between re-engagement and retrenchment. It is important to note the acute changes and repeated shifts in the Trump administration's outlook from January to October.

This inconsistency has produced a strategic vacuum, now filled by multiple actors rather than a hegemon. China, unfazed by accusations of coercion, advances its alternative order through the Belt and Road Initiative (BRI) and Global Development Initiative (GDI), embedding itself in infrastructure, digital systems, and maritime access.[7] Japan, long a quiet stabiliser, is reimagining itself as a guardian of the international rules-based order. ASEAN, traditionally cautious, now insists on agency rather than alignment. Even the European Union (EU), geographically distant yet economically invested, is crafting its own Indo-Pacific blueprint through digital corridors and connectivity strategies.[8]

The Indo-Pacific is no longer a one-power domain. It is evolving into a balance-of-balances system, where flexible coalitions—rather than hegemonies—will write the future. Despite their incoherent progress, informal "minilaterals" such as the Quad, trilaterals like Japan–Philippines–US, and economic frameworks like IPEF are reshaping how influence is exercised.[9]

India, The Permanent Emerging Anchor

No country's position is more consequential—or more scrutinised—than India's. Geographically central to the Indo-Pacific arc and economically emerging as a critical manufacturing alternative to China, India carries a strategic weight that neither Washington nor Beijing can ignore.[10] Its Act East Policy, deepening ties with ASEAN, expanding partnerships with Japan and Australia, and participation in frameworks like QUAD and IPEF signal newfound confidence. Over 95 percent of India's trade and 80 percent of its energy imports pass through Indo-Pacific sea lanes, making regional stability an existential priority, and not simply a diplomatic preference, for New Delhi.[11]

What gives India unique leverage is its dual identity: democratic yet autonomous, economically ambitious yet geopolitically cautious. It seeks partnerships without pacts, influence without dominance. It does not export ideology or faith; it exports developmental diplomacy, digital governance frameworks, and civilisational legitimacy.

For the US, India is a strategic necessity, the only country capable of blunting China's continental-maritime stretch. For China, India remains the only Asian counterweight capable of contesting influence from the Himalayas to the Indian Ocean. For ASEAN, India is increasingly seen as a stabiliser, a third pillar alongside the US and China. For Europe, India represents a bridge to the Global South, one that can keep multilateralism relevant. If a post-American order is to emerge, India may not design it but could well define it.

China's Expanding Footprint and Strategic Anxiety

China's Indo-Pacific calculus is no longer simply reactive. It is intentionally architectural. Its actions are designed not only to accumulate power but to reshape norms and institutions in a manner that fits its worldview. The militarisation of the South China Sea, the "grey zone" operations around Taiwan, control of strategic ports, and expansion of a blue-water navy across the Western Indian Ocean to the African continent all confirm Beijing's strategic design in the Indo-Pacific. Through the BRI, Digital Silk Road, and various security pacts, Beijing offers infrastructure and investment, precisely what developing Indo-Pacific nations need. Yet these come with hidden costs: debt, dependency, and long-term strategic leverage. This strategy creates a paradoxical perception: China as both benefactor and boundary-setter.

Unlike in previous decades, China now participates in multilateral language. It has begun to appropriate—rather than oppose—popular terms in geopolitical lexicon like “stability”, “openness”, and even “rules-based order”. Such rhetorical adoption is designed to rewrite the script from within, widening acceptable interpretations of international norms. This fuels a deeper anxiety. If the US retreats or hesitates, Beijing may redefine the rules altogether.

ASEAN: Refusing to Choose

At the heart of this transformation lies the ASEAN. Long criticised for hedging, ASEAN’s real strategy is more sophisticated: institutional non-alignment. It refuses to be absorbed into rival blocs, choosing instead to host, convene, and mediate.

ASEAN’s Indo-Pacific Outlook rejects binary contestation, preferring a multipolar equilibrium.[13] It engages China economically, India diplomatically, the US militarily (through exercises), and Japan technologically. Its core fear is not American withdrawal or Chinese assertion but the collapse of regional centrality. For ASEAN, the future Indo-Pacific must remain a platform, not a battleground. The US–China rivalry threatens to turn ASEAN from an actor into an arena.

Europe and the New Western Realism

The EU, once seen as a passive observer, is entering the Indo-Pacific with strategic clarity. Concerned by supply chain vulnerabilities, digital dependencies, and maritime chokepoints, the EU is pressing forward with initiatives such as the Global Gateway,[14] seeking to provide a transparent alternative to the BRI.

Europe’s approach, however, differs from Washington’s. It is less militaristic and more economic, developmental, and normative. It envisions partnerships on data governance, resilient cables, climate action, clean energy, and maritime capacity building. By engaging ASEAN, India, and even the Pacific Islands, Europe signals that it does not view the Indo-Pacific solely through a lens of China-containment, but through a resilience-building framework. Yet Europe too, faces a dilemma: can it act independently of the US while pursuing strategic coherence in Asia?[15] The success of its Indo-Pacific strategy may well depend on whether Brussels can act, not merely react.

The Post-American Possibility

Is a post-American order inevitable? Not entirely. The US retains a massive military presence—to name a few, in Guam, Diego Garcia, and Japan—continues to anchor powerful frameworks such as AUKUS (and the Quad), no matter how cold President Trump might appear.[16] Its alliances are deep, its naval supremacy intact, and its soft power still durable.

What the US no longer holds is exclusive centrality. Influence is no longer synonymous with dominance. The Indo-Pacific is now structured through concentric circles of cooperation—minilaterals, trilaterals, security dialogues, and connectivity platforms—many of which operate without Washington's leadership. More nations are refusing binary choices. Japan leads while embedding itself in multilateralism, Australia seeks diversification, South Korea expands beyond the peninsula, even Pacific Island states are shaping maritime governance and climate diplomacy.

This is not a case of American decline; it is power diffusion. The Indo-Pacific is transitioning from a hegemonic hierarchy to negotiated influence. A post-American order does not mean an anti-American one. It means an order where Washington is a key participant, but not the pivot.

Indeed, uncertainty is the defining reality of the Indo-Pacific. Trade wars intermingle with naval manoeuvres. Strategic partnerships blur into rivalry. Nationalism coexists with deep interdependence. Amid this volatility, one truth crystallises: no single power can guarantee regional stability anymore. The future will belong not to empires, but to networks. Influence will depend less on military bases and more on connectivity through supply chains, data corridors, clean energy routes, and maritime rules. Those who build partnerships, not patronage, will lead.

The US still matters immensely, but others now matter alongside it. India, Japan, ASEAN, Europe, and even smaller powers like Vietnam or the Philippines are redefining agency. The Indo-Pacific is becoming too large, too complex, and too self-aware to be directed by or from any one capital. The more pressing question is no longer whether America can maintain dominance but whether the Indo-Pacific is now unwilling to accept dominance by any single power at all.

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Globalisation After Slowbalisation: The Case for Connectivity Over Fragmentation

Szabolcs Pásztor

Over the last decade or so, globalisation has shifted from "hyper-globalisation" to what the International Monetary Fund (IMF) calls "slowbalisation", marked by trade tensions, sanctions, and mounting talk of "decoupling." An IMF Staff Discussion Note on geoeconomic fragmentation warns that policy-driven disruptions to cross-border ties could cut global output by up to 7 percent in severe scenarios, with even larger losses if technological decoupling is added.[1] Emerging markets and low-income countries are identified as most vulnerable, as they lose access to knowledge spillovers, capital, and markets on which their convergence depends. Against this background, the temptation is to retreat into blocs through "friend-shoring", exclusive regional trade deals, and industrial policy tied to security alliances.

Yet the economic logic of production and exchange has moved in the opposite direction—towards complex, networked connectivity that makes hard borders and rigid blocs particularly costly.

Richard Baldwin describes this transformation as the “second unbundling”: information and communication technologies now make it possible to separate where ideas are created from where labour-intensive tasks are performed.[2] Instead of whole products crossing borders, the world trades tasks, data, and intermediate inputs along global value chains (GVCs). In *The Great Convergence*, Baldwin shows how this form of globalisation enabled emerging Asian economies to plug into multinational production networks, accelerating their catch-up with advanced economies.[3] Connectivity is no longer limited to containers and ports; it depends on the movement of ideas, designs, code, and standards across borders. Parallel work by James Manyika and co-authors at the McKinsey Global Institute identifies a similar shift on the digital side: by 2016, cross-border data flows were already contributing more to global Gross Domestic Product growth than goods trade.[4] For developing countries and small firms, digital platforms have become a low-cost “on-ramp” into global markets—another bridge that cuts across traditional North–South hierarchies.

Crucially, these new forms of globalisation have shifted economic weight toward the Global South. UNCTAD’s *Trade and Development Report 2024* estimates that developing economies in Africa, Asia, and Latin America now account for nearly 40 percent of world gross income, up from under 17 percent in the 1970s, with developing Asia contributing around 31 percent.[5] The report also notes that the Global South now hosts more than 65 percent of inward foreign direct investment (FDI), up from just 16 percent in 1990, and accounts for about one-third of outward FDI.[6] In network terms, emerging markets have become hubs rather than spokes. Their role extends beyond supplying raw materials to the North: they intermediate flows among themselves and between South and North—Brazilian soy and iron ore to China; Vietnamese electronics assembled for Asian and Western markets; and Indian pharmaceuticals supplied to Africa and Europe.

The rise of South–South trade makes this shift particularly visible. An UNCTAD study argues that trade among developing countries has grown from marginal levels in the late-twentieth century to more than one quarter of world trade today.[7] Updated UNCTAD data show that South–South trade increased from 11 percent of total merchandise trade in 2000 to 26 percent in 2024—US$6.2 trillion in goods exchanged among developing economies.[8] Over the same period, North–North trade remained larger but grew more slowly, while combined North–South and South–North trade reached US$8.7 trillion. In practice, global production networks do not resemble clean blocs but a dense mesh: Chinese capital and know-how in Ethiopian manufacturing zones; Turkish construction firms building Gulf infrastructure; and South African retailers sourcing from East Asia and shipping across Africa.

UNCTAD's work on *Global Value Chains and South–South Trade* underscores that much of this expansion reflects deep integration into production networks rather than a simple reorientation of traditional commodity exports.[9] GVCs allow emerging economies to specialise in specific segments—assembly, component manufacturing, business-process outsourcing—while importing sophisticated inputs from both North and South. The result is a web of South–South connections running through East Asian electronics, South Asian textiles, and Latin American agribusiness. These connections are not a substitute for South–North ties; they are the infrastructure that makes those ties more valuable and resilient, by diversifying suppliers and markets across regions.

Baldwin's analysis of global supply chains is helpful here as well. Using input–output data, he distinguishes "headquarter" economies, whose exports embody relatively little foreign value added, from "factory" economies, whose exports contain a high share of imported intermediates.[10] Many emerging markets—Mexico, Vietnam, Poland, and Türkiye—have positioned themselves as factory economies that bridge headquarter economies in the North (the United States, Germany, Japan) with suppliers and consumers across the South. The same supply chain that carries German automotive design into a Mexican plant for assembly may source steel from Brazil and electronics from China, with vehicles sold in both North American and Latin American markets. In their World Bank volume, *Making Global Value Chains Work for Development,* Daria Taglioni and Deborah Winkler argue that this type of connectivity, when supported by appropriate domestic policies, can lift productivity, create jobs, and facilitate technological upgrading in low- and middle-income economies.[11]

This "bridges not blocs" logic is most visible in large connectivity initiatives originating in the South. China's Belt and Road Initiative (BRI), analysed by the World Bank in *Belt and Road Economics,* aims to reduce trade costs by investing in ports, railways, and energy corridors across Eurasia, the Middle East, and Africa. The study finds that well-designed transport corridors could significantly cut travel times and boost trade and income in participating economies, especially in Central Asia, East Africa, and parts of South Asia.[12] Properly governed, such investments create new links among Southern economies (for example, between landlocked Central Asian states and Indian Ocean ports) while also deepening their connections to Northern markets in Europe and East Asia.

On the African continent, the African Continental Free Trade Area (AfCFTA) is an overt attempt to turn a fragmented post-colonial trade geography into a continental bridge. A World Bank study estimates that full implementation—combining tariff reductions with trade facilitation and services liberalisation—could raise real incomes in Africa by around 7 percent and double intra-African trade, lifting up to 30 million people out of extreme poverty.[13] Far from creating an inward-looking bloc, AfCFTA is designed to complement Africa's North–South ties by strengthening its industrial and services base and making African firms more competitive in regional and global markets. The South–South bridge (within Africa) is what enables more balanced and diversified South–North engagement.

Connectivity is not only "hard" infrastructure; rules, standards, and institutions that keep networks open rather than exclusive. The Asia-Pacific Economic Cooperation (APEC) forum adopted the principle of open regionalism, analysed by C. Fred Bergsten, to ensure that regional liberalisation would remain outward-oriented rather than form a closed bloc.[14] Instead of preferential tariffs restricted to members, APEC members experimented with non-discriminatory liberalisation and trade facilitation—customs cooperation, mutual recognition of standards, and regulatory transparency—that could be extended on a most-favoured-nation basis. This is a concrete institutional expression of "bridges not blocs": regional cooperation used to support, not replace, multilateral openness.

Multilateral development banks (MDBs) have increasingly become the financial architects of this connectivity agenda. A 2023 article by Tapio Nykänen examines the Asian Development Bank (ADB) and the Asian Infrastructure Investment Bank (AIIB) as "agents of connectivity," arguing that they function simultaneously as strategic nodes, developmental actors, and bankers.[15] By prioritising cross-border transport, energy, and digital infrastructure, these MDBs help integrate poorer countries with wealthier neighbours—the classic South–South and South–North bridges. Their multilateral character can also depoliticise otherwise contentious projects, making it easier for states with divergent geopolitical alignments to cooperate on shared connectivity.

To be sure, connectivity is not automatically benign. Large-scale infrastructure projects can generate unsustainable debt, environmental damage, and local social conflict. UNCTAD's analysis of the Global South warns that many developing countries experienced a "rise and retreat": stronger integration and commodity-driven booms in the 2000s, followed by stagnation, debt distress, and limited structural transformation after 2014.[16] Connectivity financed on opaque terms or concentrated in a few enclaves can exacerbate vulnerabilities rather than reduce them. Nykänen also notes that MDBs often struggle to reconcile their banking logic—protecting credit ratings and loan portfolios—with developmental mandates, at times prioritising safer borrowers over those with the greatest need.

Moreover, connectivity can be instrumentalised in geopolitical competition. Transport corridors, fibre-optic cables, and payment systems are increasingly treated as strategic assets, raising the risk that "bridges" become tools in wider contests for influence. The challenge is not only to build more connections but to embed them in governance frameworks that preserve openness, transparency, and sustainability. That requires debt disclosure, robust environmental and social safeguards, and regional institutions strong enough to defend collective interests when powerful partners—whether in the North or the South—overreach.

Despite these risks, abandoning connectivity in favour of blocs would be a cure worse than the disease. The empirical record shows that aggressive reshoring and decoupling would entail large output and welfare losses, especially for emerging markets that rely on access to multiple markets, technologies, and sources of finance. The alternative is to double down on bridges: to use South–South trade, investment, and knowledge sharing to broaden development pathways, while preserving and reforming South–North ties through more equitable multilateral rules. Connectivity, understood in this way, is not an antidote to globalisation but to a brittle model of globalisation that treated the South as a passive periphery and viewed integration mainly as tariff-cutting among wealthy economies.

For emerging markets, the agenda is clear. Investing in hard and soft connectivity—ports and power lines, but also digital infrastructure, trade facilitation, and regulatory cooperation—can position them as indispensable nodes in global networks. That strengthens their bargaining power, diversifies their options, and makes South–South and South–North interdependence more symmetric. For advanced economies, supporting such connectivity through open regionalism, MDB finance, and technology partnerships is not charity; it is a strategy to stabilise a multipolar global economy that they can no longer dominate but in which they remain deeply embedded.

If globalisation is to survive its current backlash, it will do so as a more networked, inclusive, and resilient system. In that system, bridges—not blocs—will form the critical economic architecture, and the most important of those bridges will be the dense, mutually reinforcing links that tie the Global South to itself and to the Global North.

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