

# Europe in a World of Continental Powers: Why institutional reform has become a geopolitical imperative

Rogier Vergouwen

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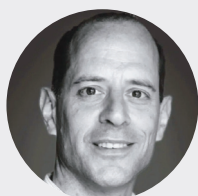


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## ABOUT THE AUTHOR



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# Executive summary

The world is changing rapidly. Europe has been at the centre of global economic, scientific and geopolitical life for five centuries, but that position ended in the 20th century, when two self-inflicted world wars exhausted the continent. After 1945, Western Europe stabilised under American protection, as US military power shielded the region from external threats and

internal rivalries that had plagued the continent for centuries. *Pax Americana* reshaped Europe's security architecture, enabling unprecedented peace, integration and prosperity. With the rise of Asia, however, the global centre of gravity is shifting once again, and Europe will have to reorganise itself if it is to remain successful in the decades ahead.

# The return of Asia

For much of recorded history, Asia stood at the heart of the global economy. Until well into the 19th century, Asia was home to most of the global population, accounted for more than half of global GDP and maintained a trade surplus with the West.<sup>1</sup> Western industrialisation, technological leadership and colonial expansion temporarily reversed that balance, marking an era of Western predominance. But that period proved historically exceptional rather than permanent.

Following the restoration of their independence, Asian nations embarked on a far-reaching transformation. Sustained investment in education, infrastructure and industrialisation – combined with ambitious populations

and growing political stability – propelled Japan, South Korea, Taiwan, and later mainland China into the centre of global growth. China has become the region's economic heart, having emerged as a technological and industrial superpower within just a few decades.

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## A world of continental-scale powers

Meanwhile, Europe is no longer the world's primary strategic theatre as it was in 1945. Its colonial empires have disappeared, other regions – particularly Asia – have developed at an unprecedented pace, and Europe's relative economic and technological weight has declined.

The United States increasingly recognises that Europe is no longer the central arena of global competition.

Europe's fragmented institutional structure – at times recalling the Holy Roman Empire or Polish-Lithuanian Commonwealth (see boxes below) – limits its ability to act decisively, weakening both its economic and geopolitical position. As American resources are not unlimited, Washington is increasingly concentrating its efforts on its own hemisphere and on what it now considers the most consequential region: East Asia. Much as the Romans once

### THE HOLY ROMAN EMPIRE: A POLITICAL ORDER THAT DID NOT ADAPT TO NEIGHBOURS' CENTRALISING

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

In the late Middle Ages, power gradually shifted toward territorial princes and autonomous cities. After the extinction of the Staufen line, the imperial title became elective. Emperors were chosen by *Kurfürsten* (prince-electors), whose support was secured through concessions, privileges and promises. These arrangements strengthened the electors and further limited imperial authority. During the Renaissance, the growing importance of standing armies and sustained warfare favoured large, centralised states capable of regular taxation and organised logistics. As a result, monarchies such as France, Spain, and England curtailed feudal autonomy and consolidated political power. Within the Holy Roman Empire, by contrast, governance depended on consensus

among princes, bishops, and cities, all of whom resisted any surrender of their autonomy. The Peace of Westphalia confirmed their sovereignty, reducing the Empire to a loose confederation of states, each with its own laws, taxation and armed forces. Its members increasingly pursued their own interests rather than acting collectively, allowing foreign powers to exploit their fragmentation for their own benefit. By the eighteenth century, the Holy Roman Empire had become a shell of its former self, prompting Voltaire's remark that it was "neither Holy, nor Roman, nor an Empire."

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

withdrew from *Britannia*, American engagement in Europe is gradually receding, and Europe will increasingly need to assume responsibility for its own future.

In a world defined by continental-scale powers, Europe can remain secure and prosperous only if it organises

## Centralising governance

Individually, European countries no longer shape global outcomes. Collectively, however, they possess all the attributes of a major power: a vast internal market, advanced economies, deep capital pools and a highly educated population. Europe's weakness lies not in its resources, but in how they are organised.

The European Union remains more an institutional framework than a unified political entity. National governments retain decisive authority, while European institutions operate primarily through consensus among 27 member states. Veto rights, divergent legal frameworks and fragmented implementation slow decision-making and dilute outcomes. As a result, national interests often prevail over collective goals, producing compromises that are acceptable to all but rarely optimal for Europe as a whole.

To strengthen its security and competitive position, Europe will need to act at scale. That requires a decisive shift of political authority to the European level. Issues that require continental scale, speed, and coherence – such as security, foreign policy, trade, capital markets and strategic technologies – should be decided primarily at the European level. Policies rooted in social preference, cultural identity and local conditions – including

itself at that same scale – economically as a single entity, militarily autonomous and institutionally able to act with speed. This will lay the foundation for Europe's future security and economic strength.

education, healthcare, welfare systems and cultural affairs – should remain the responsibility of member states. Such a reallocation of competences would strengthen Europe's capacity to act, simplify governance and reduce administrative fragmentation.

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### THE POLISH-LITHUANIAN COMMONWEALTH: A STATE THAT RECOGNISED THE NEED FOR REFORM, BUT REACTED TOO LATE

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

But times – and its neighbours – changed. Russia centralised and built massive armies, Prussia became a disciplined military state, and Austria strengthened its bureaucracy and taxation. During the Great Northern War, the Commonwealth was no longer a player but the battlefield. Wars devastated its cities, farms and trade, killed millions, and weakened royal authority. Economic

decline and a paralysed *Sejm* – where a single veto could block all reform – made it impossible to modernise the army or raise taxes, leaving the state vulnerable to foreign interference and increasingly dependent on its neighbours.

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

# Underpinned by democracy

Stronger centralisation can only be sustainable if it rests on stronger democratic support – a principle deeply rooted in Europe’s political culture. Yet many Europeans experience the European Union as distant, technocratic and opaque. Executive authority is exercised by officials not directly elected by citizens. Key decisions emerge from negotiations largely out of public view, and citizens often struggle to understand where responsibility ultimately lies. Although the treaties define citizens’ rights, these remain fragmented and difficult to grasp as a coherent whole.

This democratic gap has fuelled resistance rather than support for integration. Brexit was not simply a rejection of Europe, but an expression of political disempowerment. The EU has evolved beyond a purely economic project into a political and regulatory union, but its democratic structures have not kept pace.

If centralisation is to endure, the Union itself must become more democratic. Only a European Union grounded in clear constitutional authority and democratic accountability can generate the consent required to govern effectively at scale.

Deeper integration therefore requires the following parallel democratic reforms:

► **Direct election of the President of the European Commission**

As European governance becomes more centralised, the executive role functions as the continent’s de facto political leadership. To reflect this reality, Europe must introduce the direct election of its executive leader, providing clear political leadership and granting citizens a direct mandate over Europe’s direction. A directly elected President would strengthen democratic legitimacy by giving citizens a

tangible sense that they themselves choose Europe’s course, while empowering the leader responsible for carrying it out.

► **Strengthening the European Parliament**

At the same time, the European Parliament must develop into a fully empowered legislature, equipped with legislative initiative and strong oversight powers. European elections should become genuinely transnational, allowing citizens to vote for candidates from across the continent rather than only within national lists, and helping transform the Parliament into a truly European political arena rather than a forum of national delegations.

► **Binding referenda**

As national vetoes recede under deeper integration, binding referenda can anchor major decisions in direct popular consent. Switzerland offers a proven model. The country once operated under a system in which cantons held veto powers. To improve collective decision-making among diverse regions, it gradually replaced rigid cantonal vetoes with stronger common institutions combined with direct democratic participation.<sup>2</sup> Binding referenda became a central element of this system, and today, major changes require both a majority of voters and a majority of cantons, ensuring democratic legitimacy while preserving the voice of individual regions.

► **A single European Constitution**

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

# Centralised security

In order to build an effective security organisation, Europe will also need to centralise its defence structure for two reasons.

First, effective security cannot be achieved through 27 separate armed forces. Strategic effect requires an integrated military capability able to act decisively as a single political entity. This requires unified command structures, shared strategic objectives, joint procurement and standardisation, and an integrated defence-industrial base. Fragmentation undermines deterrence, slows crisis response and weakens Europe’s capacity to act.

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**Without a centralised European authority, a renewed wave of national rearmament would risk a return to political and military competition among its own states – a dynamic the 20th century showed to be catastrophic.**

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Second, international politics operates in an anarchic environment, lacking a central authority capable of guaranteeing security. Historically, European states ensured their safety through relative power, often at each other's expense. This balance-of-power logic defined the continent for centuries and repeatedly led to rivalry and war. The postwar period marked a historic exception: under the American security umbrella, internal arms

competition was neutralised. But as the United States pivots away from Europe, this arrangement can no longer be assumed.

Without a centralised European authority, a renewed wave of national rearmament would risk a return to political and military competition among its own states – a dynamic the 20th century showed to be catastrophic.

## Economic scale as a foundation for growth

Europe's centralisation also provides the foundation for economic growth far beyond what fragmented national policies can achieve. Strategic autonomy in economic affairs requires industrial and technological investment at a continental scale, as global competition now operates at that level. To that end, Europe should:

► **Integrate capital markets and forge a single corporate legislation**

Divergent corporate, insolvency and securities laws still prevent firms from scaling across Europe.<sup>3</sup> Full integration would unlock economies of scale, deepen capital pools and allow companies to easily expand within Europe, massively boosting innovation and scale-ups as a result.

► **Create a European Treasury with fiscal capacity**

A common Treasury empowered to levy European taxes, issue permanent debt and stabilise the economy would enable large-scale investment in infrastructure, energy systems and strategic industries while providing the EU with the fiscal capacity to respond to economic shocks.

► **Centralise the continent's industrial and technological approach**

Global competition is increasingly driven by large-scale public investment in sectors such as semiconductors,

artificial intelligence, energy, defence and critical raw materials. Centralised coordination would allow Europe to identify strategic sectors, mobilise capital at scale, align regulation and procurement, and use infrastructure and defence spending as engines of technological progress.

Centralised governance, integrated defence and economic scale are not isolated reforms. They are different expressions of the same strategic necessity: the ability to act at continental scale in a world shaped by continental powers. Together, they define the institutional threshold Europe must cross to remain secure and prosperous.

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## Changing institutions, remaining European

Europe's long and rich history has shaped its identity, institutions and political culture. That heritage fosters continuity, which can make adaptation in a rapidly changing world more difficult. Yet by organising itself to act at scale where necessary and aligning its institutions

with its own democratic principles, Europe can preserve its identity while equipping itself for the demands of the 21st century. In doing so, Europe would emerge as a cohesive political actor, capable of shaping its own destiny in an increasingly competitive world.

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- <sup>1</sup> For centuries, Europe had a large trade deficit with Asia. Imports of Asian goods were not offset by European exports but balanced by precious metals. See: Nuno Palma & Andre C. Silva, "[What would you do if you found a mountain of gold and silver? Exorbitant privilege then and now](#)", Centre for Economic Policy Research, 25 February 2024.
- <sup>3</sup> The loose Swiss confederation proved increasingly incapable of addressing common political and economic problems, leading to the creation of a federal state with stronger central institutions in the Constitution of 1848. See: Wolf Linder & Sean Mueller, *Swiss Democracy* (Palgrave Macmillan, 2021 ed), pp. 59-60.

- <sup>3</sup> Remaining regulatory and legal fragmentation within the EU continues to impede cross-border expansion and the scaling of firms across the single market. See Enrico Letta, *Much More Than a Market* (2024), pp. 107–108; Mario Draghi, *The Future of European Competitiveness* (2024), Part A, p. 6; International Monetary Fund, *Lifting Binding Constraints on Growth in Europe* (2025), pp. 3–7.



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