

Economic NATO ALLIANCE

Europe of Strategic
Partnerships Initiative

How to strengthen transatlantic
relations amid global restructuring

Europe is currently facing a critical juncture in its history. The European Union, with which we joined in pursuit of shared values, is currently grappling with a significant challenge. The initiative has unfortunately fallen into the trap of an "impossible trinity," which is characterized by three ambitious and costly strategic goals. It aims to preserve a model centered on a robust welfare state, expedite defense investments, and concurrently implement increasingly assertive climate policy. These goals are currently incompatible with one another. It is not feasible to develop an industrial base, an armaments industry, and other sectors while concurrently losing the capacity to compete in the global market through a zero-emissions economy, particularly when other countries are effectively safeguarding their own interests.

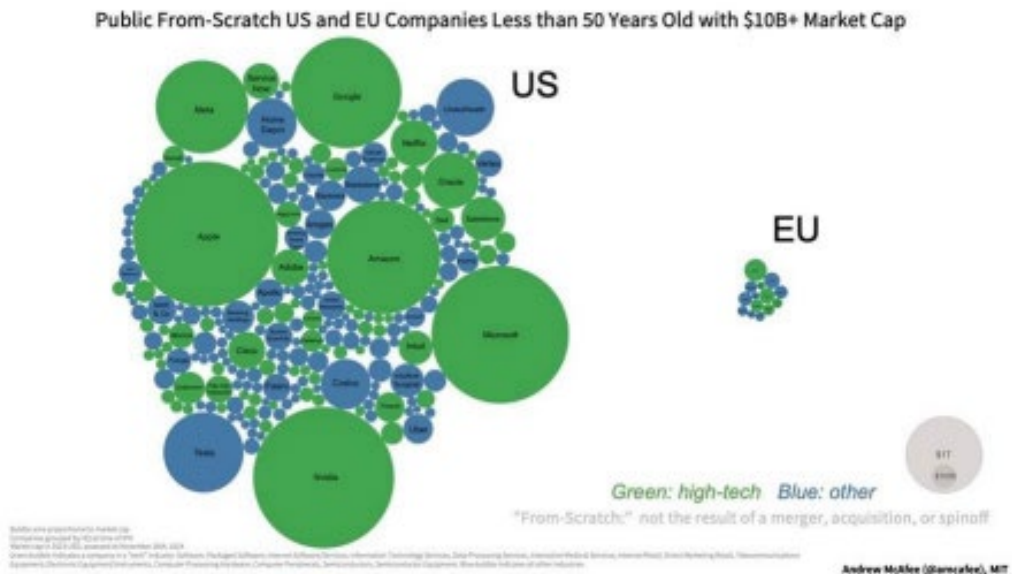
The world is currently experiencing a period of significant change. Global equilibrium is faltering, and the rules on which global trade, technological flows, and investment have been based are undergoing profound revision — perhaps even a complete reconstruction. China and Russia are each challenging the existing order in their own way. Beijing is expanding its network of influence, extending its economic, infrastructural, and technological presence from Africa to the Far and Middle East. In contrast, Moscow's actions have been characterized by a pattern of destruction rather than construction. Its strategy aligns with the principles of warfare, including the use of missiles, migration pressure, disinformation, energy blackmail, and the territorial rebuilding of an empire. It is crucial to bear in mind that these dynamics persist even after the signing of a peace agreement in Ukraine.

Europe is currently experiencing a significant challenge to its social cohesion, competitiveness, and security due to its acceptance of a substantial influx of newcomers with different cultural backgrounds. This has led to a loss of key technologies and a reliance on external sources for security, which has been further compounded by an overreliance on the concept of permanent peace without the necessary deterrence mechanisms to ensure it. In the meantime, the world has undergone significant changes. New challenges are emerging, including illegal migration, digital destabilization, and hybrid attacks. Europe has reached a point of stagnation in its development. This state of affairs is confirmed by the number of the most significant companies in the global economy, as illustrated by the chart on the following page, showing American and European firms valued at at least ten billion dollars [1].

In this situation, the European Union, instead of focusing on key economic challenges, has begun to pursue an expansion of the competences of EU institutions and actions taken ultra vires. In this study, I propose a novel approach that is firmly grounded in contemporary geopolitical realities, traditional economic and trade calculations, historical lessons, the divergent interests of countries as varied as Portugal and Finland, and the principles of common sense.

I hereby present the concept of a **Europe of Strategic Partnerships**. If certain states wish to adopt the euro as their official currency or to pursue climate neutrality objectives, even if it means compromising their own industry, that decision should be respected. However, it is essential to

ensure that there is no coercion or infringement on the sovereignty of other member states in this regard. Therefore, the assumption that all countries should adopt identical speeds in various policy areas (climate, migration, monetary, economic, industrial, so-called fundamental rights, etc.) is not only impractical but increasingly harmful. Our history and circumstances necessitate a reformation of the European Union into a Union of many paths. Each country should have the right to choose its own development trajectory and to enter into alliances (usually regional) with other "like-minded" states. True cohesion can be achieved by building the competitiveness and importance of the continent through the strength of individual states, rather than through the centralization of power in Brussels or through a quasi-federal monstrosity that looks primarily through the prism of the interests of only the so-called old Union states, and above all its largest and wealthiest members.



Above all, however, the primary goal and condition for Europe's development is peace. As threats to security increase, the EU must be prepared to respond promptly. Despite declarations of its own defense concepts, maintaining strong transatlantic relations within NATO is crucial for ensuring security in the coming era of turbulence. It is imperative to enhance the coherence of defense relations with the United States to the greatest extent possible. This enhancement must be grounded in shared interests and a recalibration of economic relations to achieve a more equitable balance. The U.S. National Security Strategy (NSS), published at the end of November, demonstrates a new American perspective on security policy priorities. First, the objective is to

establish dominance in the Western Hemisphere, which would entail a strengthened Monroe Doctrine. The sequence of regions includes Asia, followed by Europe, then the Middle East, and finally Africa. The NSS does not advocate for withdrawal from Europe; however, Europe will undoubtedly have to assume greater responsibility for its own security. It is important to note that the threats to Poland and our region are distinct from those facing other regions, such as the Iberian Peninsula, the Apennines, or Great Britain. The NSS indicates a shift in the U.S.'s strategic approach toward Europe, characterized by a series of reservations and conflicts of interest. These concerns were also evident during the initial year of Donald Trump's presidency, as evidenced by trade disputes, and subsequently reflected in the trade agreement that was concluded during a golfing event.

However, despite these growing tensions—or perhaps precisely because of them—I propose a "leap forward" and new trade and economic solutions between Europe and the United States. The response to these challenges, as outlined in this report, is the idea of establishing an **Economic NATO**.

The road ahead is not only marked by economic challenges, but also by the question of the Union's identity and future. European bureaucrats have not taken on the difficult debates that are necessary for implementing real and necessary transformations. As a result, they have created numerous bureaucratic burdens that are often unnecessary and excessive. These burdens are weakening both Poland and Europe as a whole. It is therefore essential that we make bold decisions and implement genuine reforms. It is imperative that Europe recognizes the urgency of the situation and takes immediate action to address the issues at hand.

Mateusz Morawiecki

Chapter I

Determinants Shaping the Global Economy. Global Economic Restructuring and Its Impact on Poland

In recent years, the global economy has undergone a period of significant transformation, driven by a complex interplay of geopolitical dynamics, the fragmentation of supply chains, rising protectionism, and mounting pressures from technology and climate change. According to global forecasts, GDP growth is expected to remain stable, albeit at a moderate pace. This outlook reflects adjustments in developed economies, productivity gains in certain countries, and rising risks associated with escalating tariffs and political uncertainty. Developing economies face structural challenges, including demographic changes, weakening productivity growth, pressure on the existing—typically ordoliberal—"social contract," high public debt, and the effects of geopolitical shifts. These factors are contributing to a slowdown in their development pace. In this context, the ongoing tensions in Ukraine, the Far East, and the Middle East are contributing to a more challenging global outlook, leading to a yearly increase in the costs of energy and raw materials by several percent. This is particularly affecting countries that rely on imported resources, including those in Central Europe. A multitude of analyses suggest that the global economy may be entering a period of heightened fragmentation, characterized by the emergence of protectionism and trade conflicts. These factors have the potential to constrain economic growth in the medium term [2]. This creates a need for diversification and for building resilience—key factors for national sovereignty, especially in the face of growing competition for strategic resources such as cheap energy, access to capital capable of investing in higher-risk ventures, or rare earth metals, which are becoming an arena of global rivalry. Poland is facing significant challenges, but it can leverage these changes to fortify its position by prioritizing energy sovereignty and forging strategic alliances, navigating the complexities of Brussels bureaucracy, and promoting a **Europe of Strategic Partnerships**, where states select areas of integration based on their own needs. This would prevent the implementation of impractical climate targets and would enhance the competitiveness of the Polish economy.

Russia continues to pose a significant threat to Europe's security. These actions are evident not only in military aggression against Ukraine, but also in hybrid tactics such as cyberattacks, disinformation, and energy blackmail. Since 2021, Russia has methodically escalated tensions, initially applying gas-energy pressure and subsequently attacking critical infrastructure, including Polish investments in Ukraine, which indicates a deliberate strategy to destabilize the region. The consequences of these actions and events are multidimensional. From a military standpoint, these developments necessitate the augmentation of NATO's eastern flank, which will result in substantial defense expenditures amounting to billions of euros. Economically, they contribute to rising energy prices, which, when combined with misguided climate policy, negatively impact the competitiveness of European companies and increase dependence on alternative suppliers.

From a social standpoint, their actions have led to significant migration patterns and internal tensions within the Union, which have contributed to a decline in its overall cohesion. Russia's strategic exploitation of its raw-material resources has led to market manipulation, resulting in economic disruptions for countries that rely on gas and oil imports. To ensure stability, it is essential that Europe strengthen its defense capabilities, including border protection, and increase defense spending to 4–5 percent of GDP. Failure to do so could lead to further destabilization, incur significant economic costs, and potentially compromise the sovereignty of nations. In the longer term, these issues could even threaten the cohesion of the entire European Union.

Poland, as a NATO and EU member state located on the eastern edge of these organizations, is well-positioned to play a leading role in shaping new strategic alliances. The country has proposed initiatives such as the Intermarium concept, which aims to serve as a bastion for the eastern flank, protecting not only itself but also the broader region of Central Europe from what it sees as the imperial ambitions of the Kremlin. This necessitates close collaboration with the United States and the reinforcement of the Three Seas format—and, if Balkan states demonstrate authentic commitment, even the Intermarium itself—including supplementary investments in transmission infrastructure to augment the capacity to diversify energy and raw materials supplies.

In 2024, trade between the United States and the European Union reached more than €867 billion (\$938 billion). Polish exports to the U.S. increased to \$17.9 billion, with goods contributing significantly to this figure. 76.4% and \$13.7 billion; services: 23.6% and \$4.2 billion, according to data sources [bea.gov](https://www.bea.gov/) and [usafacts.org](https://www.usafacts.org/). President Donald Trump's "America First" policy, which includes tariffs, has the potential to impact economic growth in Europe and Poland. Concurrently, it could potentially lead to enhanced collaboration in energy policy and bolster security through an augmented U.S. military presence on our soil. Poland should leverage its ties with Washington to diversify energy supplies, implement and develop innovative technologies, and attract new multibillion-dollar investments.

The global challenges currently facing Europe are not limited to the consequences of a poorly designed energy transition, the lack of alternatives to Chinese sources of metals, or unrealistically ambitious climate policies. From a Polish perspective, the Mercosur agreement, which eliminates most tariffs, poses a threat to agriculture. This is due to the disproportionate effect on agricultural product prices, which could potentially lead to the destruction of local farms. This agreement appears to favor Western EU states over Central Europe, and it may potentially result in the loss of tens of thousands of jobs in Polish agriculture. The estimated losses are significant, reaching many billions of zlotys annually. The liquidation of tens of thousands, and perhaps even hundreds of thousands, of farms could negatively affect the country's security (for example, food security). Poland's protest of this agreement underscores the potential risks to farmers and the environment, including deforestation for new crops in Mercosur countries at a rate of 10 million hectares of forest annually, and an anticipated increase in global CO2 emissions by 5%. To ensure the protection of national interests and the stability of the Polish agricultural production sector, it is

essential that Poland adopts a robust mercantilist approach. This strategy will not only safeguard sovereign decision-making in trade but also reinforce Poland's position on the European stage. Conflicts in the Middle East, which have escalated in recent years, have a twofold impact on Poland: first, they exert an upward pressure on energy commodity prices, and second, they disrupt supplies, thereby weakening our economy. These factors are also contributing to further waves of migration, with forecasts indicating increases ranging from several to more than a dozen percent in the coming years. This will result in an additional rise in the costs of migration policy to at least around €20 billion annually for the entire EU [4]. Poland's discord with Brussels' migration policies necessitates the promotion of sovereign decision-making in this domain to safeguard national interests and circumvent internal tensions.

Europe's Position in Relation to China and the United States

As a continent, we stand at a critical juncture where we must heed the voices of our citizens and closely monitor the economic and trade revolution unfolding before our eyes. European economies currently face significant structural challenges that are gradually impacting their competitiveness in relation to the United States, China, and other rapidly developing regions worldwide. Rising energy costs, complex regulations, and a slowdown in investment in innovation are causing European companies to face significant challenges in maintaining their competitive position in global markets.

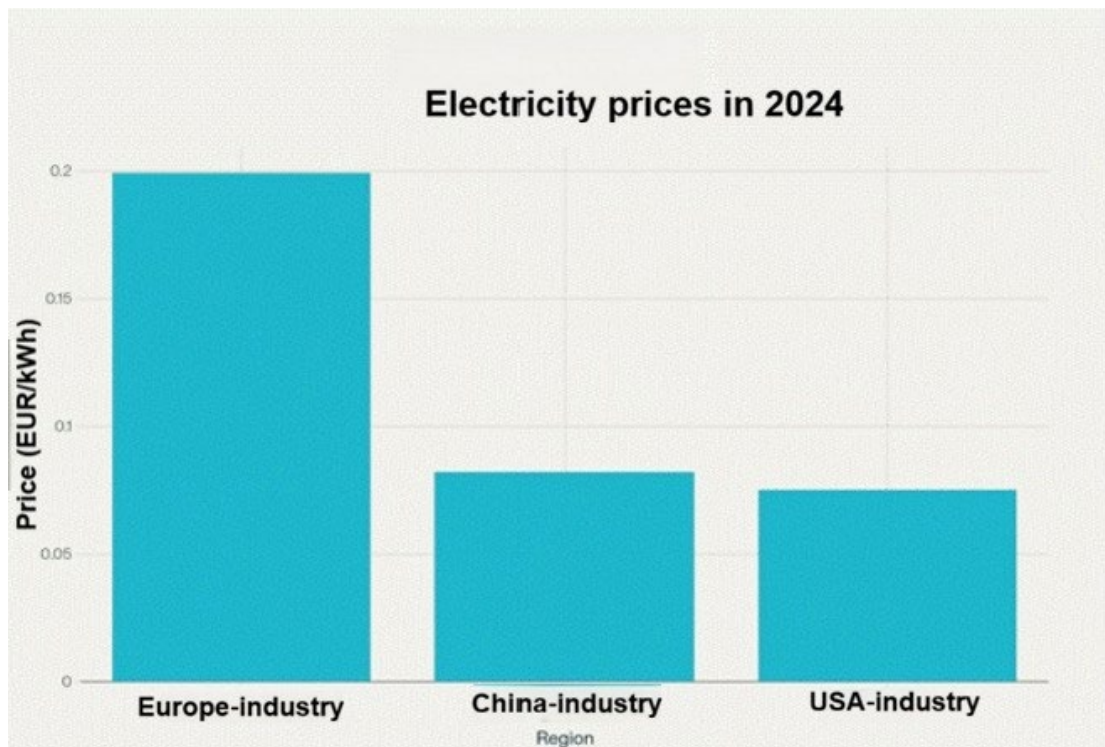
Europe initially prioritized climate objectives and subsequently recognized the persistent and methodical approach of China's strategy, overlooking the comprehensive nature of its plan. The operation, which was defined with precision in 2015 under the slogan "Made in China 2025," will continue to have a significant impact on Europe's problems in the near future. Products from EU member states are facing increasing competition from Chinese counterparts, which are demonstrating a notable rise in quality. Presently, challenges from China are the primary factor influencing global economic relations. The development of new technologies, including AI, the data centers necessary in a globalized world, and emerging innovative industrial technologies require enormous resources of critical raw materials. Beijing's dominance in global rare earth metal extraction, with a 70% share, and its significant influence in processing, with over 90% control, have resulted in strategic pricing and supply chain challenges. These dynamics have led to significant financial costs for the European Union, estimated at billions of euros annually. The price of lithium, in particular, has surged by 300% between 2021 and 2023, underscoring the challenges posed by these market dynamics. In the electric vehicle sector, China's dominance is evident, with a 60% share of global production and sales. The country's exports to EU countries have shown remarkable growth, reaching 1.2 million vehicles in 2024 [5][6][7][8]. This has had a significant impact on European industry, leading to a growing reliance on imports valued at €50 billion. European leaders, with the support of automotive manufacturers, should carefully examine market data indicating a gradual decline in the European producers' market share. Let us consider

some fundamental statistics: Chinese companies, including Geely, SAIC, and BYD, account for 40% of the world's patents for lithium-ion batteries filed annually [9][10].

Europe's climate policy has resulted in a paradox—and a dangerous outcome. With European taxpayers' money, Chinese "green technology" industries are experiencing rapid growth. These sectors are beginning to dominate global markets, which is an unprecedented example in world economic history of how one can not only give up patents and competitive advantages within a few years but also pay for it—in this case through European subsidies for the purchase of Chinese "green" products. According to recent reports, the Chinese green sectors of the economy, which include solar panel production (80% of the global market) and wind turbines (60%), are in fact financed by the taxes of EU citizens [11][12]. Consequently, European funds and taxes indirectly support the Chinese economy, directly contributing to Beijing's economic supremacy and the deindustrialization of the EU. As Lenin is often quoted as saying, even the rope used to hang capitalists will be sold to them by the same capitalists.

Poland, in its criticism of these practices, must in response increasingly follow a policy of real protectionism—one well tailored to our needs and capabilities. This is essential for safeguarding the economy and laying the foundation for technological sovereignty, thereby creating opportunities for future growth.

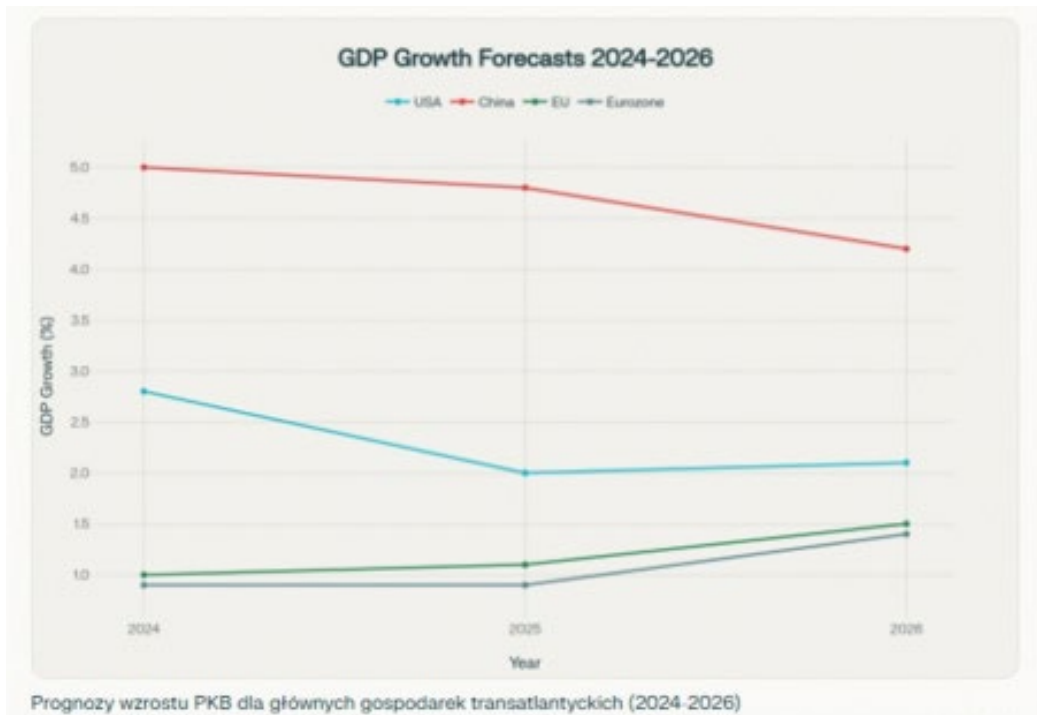
One of the key factors that limit the competitiveness of the European economy is the very high cost of energy, which in 2024 averaged over €0.19 per kWh. By comparison, the cost of energy in the United States was about €0.075 per kWh, and in China, it was €0.082 per kWh [13]. The EU's energy costs are approximately three times higher than those of its primary competitors, resulting in increased production expenses, constrained investment, and the relocation of production facilities to other regions. This assertion was corroborated by Mario Draghi in his report, "The Future of European Competitiveness," which explicitly identified elevated energy costs as a primary challenge to the competitiveness of European industry.



Source: *Business Europe via Eurostat*

A comprehensive reform of economic policy is essential for regaining our competitive edge in a global economy driven by knowledge and innovation. Today, we are relinquishing the steering wheel of a speeding vehicle, assuming the role of passengers in a race that, without the necessary changes, will tragically culminate for us.

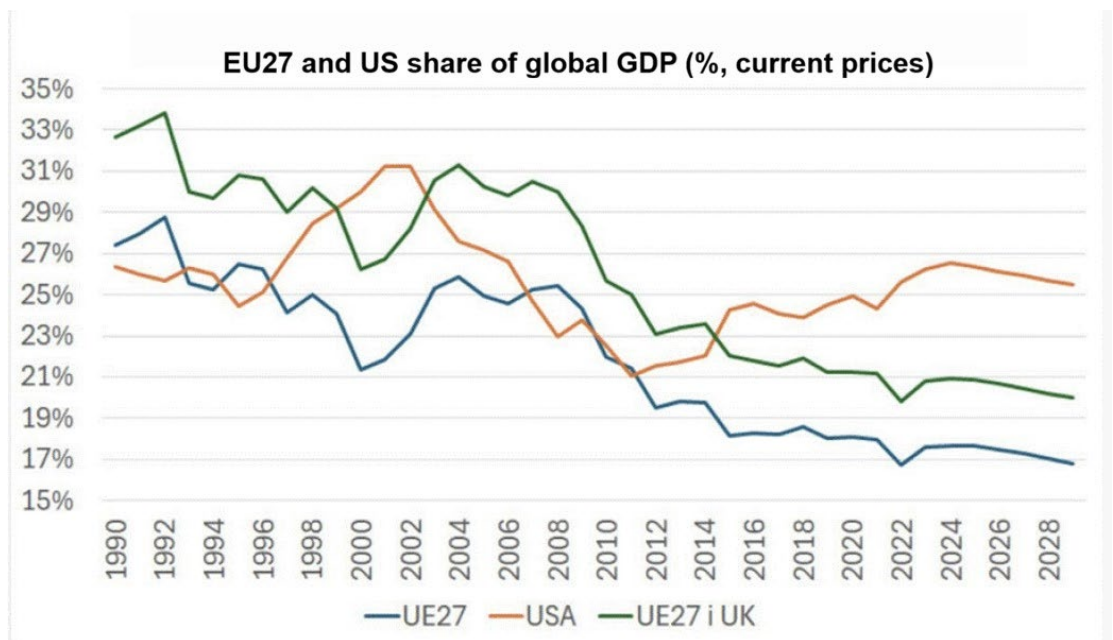
The global economy is currently experiencing a period of turbulence and trade fragmentation, with global GDP growth forecast to decline from 3.3% in 2024 to 3.2% in 2025 and 3.1% in 2026 [14]. Furthermore, this decline is distributed very unevenly. Stagnation in leading European economies reduces the likelihood of the entire Union escaping a downward spiral that could lead Europe into an economic abyss. The ongoing trade tensions between the United States and China, along with the rise in protectionism, pose significant challenges to global economic stability. Meanwhile, the European Union, lacking decisive leadership, fundamental reforms, and a consistent approach, finds itself navigating these complex dynamics between these economic superpowers. The inadequate outcomes of this navigation are evident on a daily basis: a widening gap in innovation, escalating risk of Chinese dominance supported by Russia, declining social cohesion, a talent exodus, crumbling foundations of the welfare state, broken social contracts, and rising tensions between member states of the bloc.



Source: *International Monetary Fund*

In Europe, there is often a tendency to view transatlantic relations as a harmonious dance between the Old Continent and the United States. Conversely, the year 2025 depicts a more desolate landscape, reminiscent of a battlefield. On one side is China, a global power that is working to establish its position on the world stage. On the other side is the United States, which is unwilling to relinquish its influence or abandon the favorable rules of the Pax Americana. The United States has transitioned away from its traditional role as the global police force and is instead pursuing a more independent approach to global governance. The United States will seek to maintain regional political balances and reconstruct economic rules so as to preserve the benefits of the new global system.

In this regard, it is pertinent to consider Europe's position and role in this global context. Two decades ago, Europe's economy was comparable to that of the United States. However, over time, this dynamic shifted significantly. By 2022, the European economy had shrunk by 23% compared to the American economy. During that period, the GDP of the European Union (including the United Kingdom before Brexit) increased by 21%, while in the United States it grew by 72% [15] and in China by an astonishing 290%.



Source: Own elaboration based on IMF data

At present, Europe is adopting a partner–competitor approach toward China, attempting to maintain cooperation where possible while simultaneously limiting risks. However, the EU's actions have not adequately protected the internal market, which has enabled China's rapid development and expansion. Much of the public debate focuses on decisions made by the White House toward Europe. Significant attention is given to China's trade surplus with the U.S. (USD 295 billion). However, it is important to note that in 2024, China's exports to the European Union amounted to approximately €519 billion, while imports from the EU to China reached around €213 billion. This resulted in a significant EU trade deficit with China, which is larger than the deficit with the U.S. (sic!). The total value of trade in goods and services between China and the EU exceeded €845 billion, with China remaining the EU's largest trading partner and the EU being China's third-largest partner. The total trade deficit of the European Union with China exceeded \$300 billion. European sectors are experiencing significant challenges due to the growing presence of Chinese enterprises. Berlin, Paris, and the European Commission are closely monitoring this situation, as they are aware that it could potentially have significant implications for their interests. [^]([16])

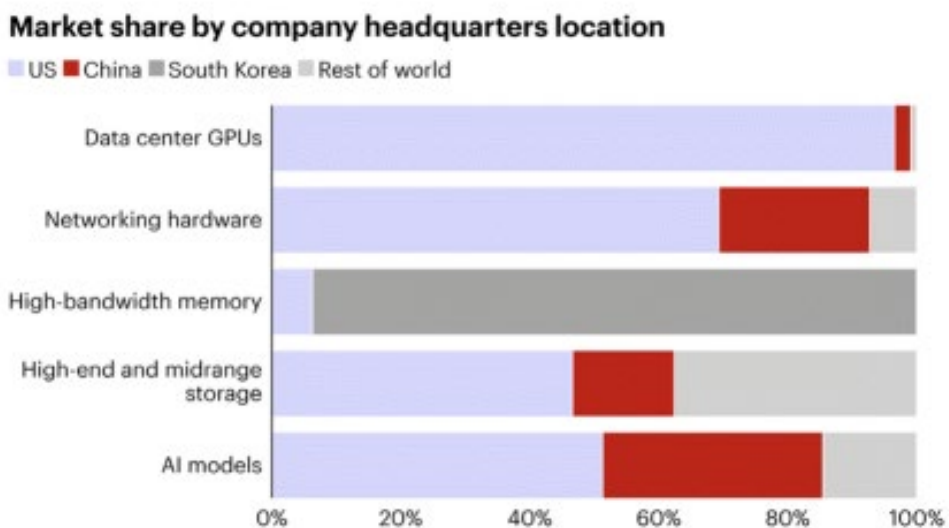
Additionally, China is strategically leveraging Europe's ongoing challenges and disorder to diversify its trade routes. Exports to the Association of Southeast Asian Nations (ASEAN) increased by 13% in the first half of 2025, to Africa by 21%, and to the European Union by 6.9%. This indicates that in periods of global economic fragmentation, countries are actively seeking new partners and alternative trade routes. Concurrently, Beijing is leveraging its dominance over rare-

earth metals, crucial for the manufacturing of contemporary electronic devices and batteries, as a bargaining chip in its negotiations with Washington.

Artificial Intelligence

One of the key battlegrounds is artificial intelligence. Recently, NVIDIA's CEO shared a forecast that China may overtake the U.S. in the race for AI thanks to lower future energy costs and less restrictive regulations [17]. The intensifying rivalry among major players in the field, as well as the notable dominance of the U.S., China, and South Korea in specific AI domains, is highlighted in the data presented in Bain & Company's Technology Report 2025[18]. It is evident that Europe is not currently competitive in this particular field.

Figure 2: Chinese companies offer options in many of the critical AI tech components



Notes: Market share based on 2024 revenue, except for the AI models category, which is based on the number of large-scale models released since OpenAI's ChatGPT 3.5 in November 2022; large-scale models defined as those released after November 2022 that are estimated by EpochAI to have been trained on more than 10^{23} floating point operations (FLOP); GPUs stands for graphics processing units
Sources: New Street Research; OpenRouter Leaderboard; Bank of America; RampAI; IDC; Gartner; company websites; news reports; EpochAI; Bain analysis

The world is entering a phase in which the key challenges are energy intensity, the pace of development of new technologies and their deployment, infrastructure costs, access to chips, and data centers. For Europe, with its high energy costs and excessively restrictive investment and environmental regulations, this is a particularly challenging situation. Europe risks ending up with very strict regulations but without its own technological solutions and sufficient computing infrastructure.

The Changing Role of the European Union on the Global Stage

In the year 2000, the European Union was a dominant force on the international stage. It accounted for nearly one quarter of global GDP, 30% of global patents, and more than one third of foreign direct investment. It was the world's largest trading bloc, with ambitions to create a pole equal to the United States. The Lisbon Strategy, adopted in 2000, anticipated that the EU would achieve preeminence in innovation by 2010. However, these plans did not come to fruition. In response, Europe adopted a new innovation strategy that is equally ambitious and has a target year of 2020. This represents yet another failure. In a recent report, Mario Draghi identified a lack of adequate innovation momentum as the primary cause of Europe's current economic stagnation. Christine Lagarde, the head of the European Central Bank, stated that Europe has not merely fallen behind in the field of the newest technologies—it has not even joined the race. Paul Krugman, a Nobel laureate who typically expresses favorable sentiments regarding the left-liberal elites in Brussels, has identified significant deficiencies in the EU's technology strategy. Accordingly, in 2025, the EU's share of global GDP has decreased to less than 16.5%, and its share in goods exports has fallen from 19.5% to 14%. Europe has lost its dominant position in global patents to China. While European and American patents constituted the majority of applications worldwide in the period of 1990–2000, in 2024 China accounted for 49.1% of all patent filings globally. Collectively, Europe and the U.S. account for only 15–20% of global patents. This is not a temporary slowdown; it is a systematic, multidimensional process of losing advantages. Europe is losing the race for innovation, capital, and demographic vitality. Europe's energy dependence has increased from 42% to nearly 60%, and the U.S. currently has 4.5 times more unicorns than Europe (611 versus 134), indicating its dominance in the billion-dollar startup ecosystem. The available data indicates that Europe is no longer a "normative power," but rather a bloc that is increasingly reliant on imports of technology, raw materials, and security. To reverse this trend, the EU must make significant changes, including bold investments, a rapid and broad retreat from excessive bureaucratic burdens, changes to climate policy, and openness to talent from abroad. Only by taking these steps will the EU be able to strengthen its voice on the international stage.

From Europe's viewpoint, we often observe the U.S.–China dispute as if both countries are performing on a stage while European states are spectating from the audience. I have a different perspective on the matter. We are not merely observers. We are not merely supporting actors. In this theater, we are increasingly becoming props in someone else's play.

We continue to operate within a Western-centric model, as if the global landscape revolves exclusively around Europe and the United States. We fail to recognize that a transformation on the scale of a Copernican revolution has taken place. We are no longer the center of the system. It is important to recognize that nearly seven billion people on Earth live outside the Western circle. From their perspective, the situation has changed in a manner consistent with India's foreign minister, Subrahmanyam Jaishankar's, recent remarks at a conference. In response to inquiries

regarding India's position on Russia's actions toward Ukraine, he stated that Europe must move beyond the perception that Europe's challenges are globally significant, while global issues are not inherently Europe's concerns. That is precisely how it is.

The European Union must implement comprehensive reforms to address its inertia, substantial bureaucratic overhangs, and a lack of agency, which have led to delayed responses to global challenges such as the dominance of the United States and China in technology and Russia's aggression.

The Union's challenges in maintaining its competitive edge in the pursuit of resources, innovation, and security can be attributed to a lack of leadership, vision, and courage. This state of affairs necessitates prompt reforms to reestablish Europe's role as a leader rather than an observer of global change. The increasing level of regulation with excessive provisions has hindered innovation, reduced competitiveness, and consequently limited GDP growth. Poland should advocate for a shift in the European Union's operational philosophy. We are committed to supporting the concept of a "Europe of many paths," meaning a Europe of strategic alliances. It is not in Poland's interest—nor in the interest of the entire EU—to move toward centralization of decision-making processes. Under such circumstances, contradictions and diverging interests will tear the Union apart. However, it is in our common interest to strengthen competitiveness, also through a kind of regulatory competition rather than a one-size-fits-all policy. Concurrently, we must engage proactively in EU forums to streamline bureaucracy and enhance economic competitiveness through a comprehensive review of the Green Deal. As I previously advocated, this should include the suspension or abolition of the current ETS mechanism, ETS 2, and climate targets, with the aim of aligning them with contemporary realities.

Brussels bureaucracy, instead of acting dynamically, is bogged down in further excessive regulations that hamper development and weaken competitiveness. This has led to the loss of hundreds of thousands of industrial jobs, with the costs of administrative burdens (reporting, permits, excessive documentation, ESG requirements, DEI, or compliance rules) at a level of at least 2% of the entire EU's GDP.^{^([20][21])} Mario Draghi has identified administrative and regulatory burdens as the primary obstacles hindering EU competitiveness, innovation, and economic growth. The proliferation of regulations and bureaucracy has had a significant impact on businesses, particularly those in innovative and digital sectors. This has led to a migration of these companies outside the EU.

Europe is experiencing a rapid decline in industrial activity. In 2024 alone, industrial production experienced a 2.0% decline. Additionally, between 2019 and 2023, European industry witnessed the loss of 850,000 jobs [22, 23, 24]. This is a direct consequence of unrealistic climate targets and the EU's expanded bureaucracy. In 2024, the industry's contribution to the EU's GDP stood at 16%, marking a decline from the 20% recorded in 1995. This shift has prompted the industry to explore new geographical opportunities in Turkey, the Far East, India, and the United States. For instance, the German chemical sector experienced a 10% decline in production in 2023 due to

significant energy cost increases. It is imperative that this misguided policy be rectified to avoid Europe's transformation into a cultural museum and its subsequent decline into irrelevance. In order to enhance competitiveness, a Schumpeterian revolution in regulations is imperative. This entails the substantial deregulation of specific industries, a level of reform that currently falls beyond the capacity of today's Brussels bureaucrats. The implementation of selective protectionism is intended to provide a safeguard for pivotal sectors, safeguarding them from competition that may be deemed as unjust. Strengthening Central and Eastern Europe is a key strategy to ensure the region's resilience against Russian pressure, with the objective of preventing exploitation of the region by Russia. The establishment of a new north-south axis has the potential to stimulate economic growth in Europe. A sensible energy transition that considers the varying starting points and energy mixes of the member states is essential. Poland stands to benefit from this transition by fortifying its position through energy sovereignty and strategic alliances. A transformed Europe should operate on more flexible principles as a **Europe of Strategic Partnerships**, where states choose areas of deeper integration according to their own needs. A pragmatic approach would allow for a revision of EU regulations, with the goal of reversing de-industrialization and protecting key sectors from external pressure. The EU's recently adopted climate targets, which include a 90% emissions reduction by 2040 goal, could potentially lead to further de-industrialization if not addressed effectively. The targets, which were adopted in November 2025, allow for a 5% offset through foreign credits, reducing the target to 85%. According to McKinsey reports and other analyses, the annual cost of the climate operation is approximately €800 billion. Such targets not only require immediate suspension; the entire EU climate policy should be fundamentally revised. As detailed in the report *Unleashing Potential – A Rescue Plan for Europe*, this is an issue that I have written about. European states must allocate an additional USD 400–500 billion to bolster military resilience. By implementing a climate policy that involves the absorption of several hundred billion euros, Europe is likely to experience a significant increase in social unrest. From the "impossible trinity," I advocate for a defense policy that is combined with maintaining the welfare state and strengthening the innovativeness of the European economy. I also propose placing—if not shelving entirely—then at least freezing as much climate policy as possible, especially those parts affecting industry and economic competitiveness and contributing to the impoverishment of EU citizens. Achieving the target of reducing emissions by 55% by 2030 is already proving impossible to achieve under current economic conditions. Instead, it should be suspended until the EU returns to a stable growth path and restores global competitiveness measured by objective indicators. The Global Competitiveness Index (GCI) is a key tool for evaluating climate actions, considering the varying levels of development among member states. In order to consider a return to more ambitious climate policy, it is necessary to first reach another threshold indicator: equalization of GDP per capita with that of the United States.

Introducing more flexible milestones (e.g., for 2040 or 2045) would allow for better adjustment of regulations to local conditions. When evaluating progress, it is essential to consider emissions per capita and emissions per unit of GDP to ensure a fair treatment of all countries. If the policy were to continue at all—which poses a medium-term risk of collapse—it should prioritize reducing CO₂ consumption over increasing production. If France or Germany import goods from Pakistan, India, China, or Russia that are highly energy-intensive and emit CO₂, what "climate gain" does that bring to Earth? None. The emissions are simply recorded in the balances of non-EU countries, CO₂ is released into the atmosphere, and wealthy Western European countries register further emission reductions in their own statistics. Profound hypocrisy.

Achieving a 90% emissions reduction by 2040 without taking into account Europe's actual technological and economic capabilities could lead to significant challenges, including the collapse of key industrial sectors, social impoverishment, and a decline in everyday living standards.

The Emissions Trading System (ETS) is in need of immediate modifications. The presence of financial institutions in the ETS market has been linked to speculation that has led to significant price increases for allowances. Introducing a ban on their participation and increasing the supply of allowances would reduce prices and mitigate their negative impact on the economy. An arbitrarily set maximum price would block further uncontrolled cost spikes. Furthermore, the impending ETS2 system, scheduled for implementation in 2027 or 2028, must be repealed and subjected to a comprehensive re-evaluation.

It is imperative to revise the buildings directive and the timetable for emissions reductions in transport and industry to avert energy destabilization. The potential for coal and gas utilization as energy sources should be explored, with a focus on aligning with the genuine energy requirements of individual Member States. Amending the directive on reducing emissions from combustion engines and postponing the ban on their sale until 2050 is a necessary condition for preserving the European automotive industry—something Poland advocated very intensively in 2021–2023. Implementing a suspension and subsequent reform of the system of guarantees of origin for renewables and the long-term strategy for natural gas would allow for more effective management of the energy transition. Revising the CBAM strategy and maintaining anti-dumping and anti-subsidy instruments are necessary to protect European industry from the negative effects of global competition.

Introducing mechanisms to compensate for indirect costs, offering a choice between purchasing emission allowances and investing in low-emission technologies, and extending free ETS allowances (unless a significant reform of this system occurs) would help maintain the competitiveness of European enterprises. The suspension of the requirement to purchase allowances in exchange for investments in industrial modernization would provide a significant stimulus to accelerate innovative investment.

It is essential that each new climate regulation be evaluated for its implications regarding energy security and the competitiveness of European industry. It is also crucial to include transport emissions in the carbon balance of products imported from outside the EU and to develop gas infrastructure, including LNG terminals, to ensure stable energy supplies.

In summary, the Green Deal must be rejected in its current form and the EU's climate-energy policy rethought. Innovation, a renaissance of nuclear power, the development of low-emission industrial technologies, energy storage, independence from Chinese technologies, and gradual—rather than abrupt—decarbonization adapted to the needs of individual economies must be prioritized. A "multi-speed" Union is also required, as Member States vary significantly in terms of geographical, hydrological, and meteorological conditions, as well as the history of their energy systems. If Denmark, Sweden, Finland, Austria, Germany, and Belgium wish to pursue aggressive climate policies even at the cost of their industry, they are at liberty to do so—however, they should refrain from forcing the same on the remaining EU countries.

A key factor influencing both the EU's economic landscape and its transatlantic partnerships is the potential implications of economic relations with Ukraine. An opportunity exists in the future post-war reconstruction, estimated at approximately USD 500 billion by 2035. Polish companies could participate in energy, transport, and infrastructure projects. The primary concern is the uncontrolled influx of inexpensive agricultural and food products that are not subject to EU climate policy, as well as the transport sector that is not governed by EU regulations. This underscores the importance of strategic decision-making within a **Europe of Strategic Partnerships** to maintain fair competition. The absence of EU regulations in Ukraine has resulted in price dumping, which has negatively impacted Polish producers, agriculture, and the transport sector.

The concept of a multi-speed Europe offers a chance for a calmer—though not trouble-free—process of integrating Ukraine into the European economy. Conversely, robust transatlantic partnerships could play a pivotal role in Poland's involvement in strategic projects related to Ukraine's post-war reconstruction.

The Intermarium format is poised to play a pivotal role in integrating countries in the region, fostering cooperation among 10–11 states, and fortifying Central and Eastern Europe's standing. Poland has the potential to integrate many regional initiatives and strengthen joint pressure for a fairer distribution of EU funds, genuine consideration of defense needs, and more balanced representation of the entire Union's economic interests.

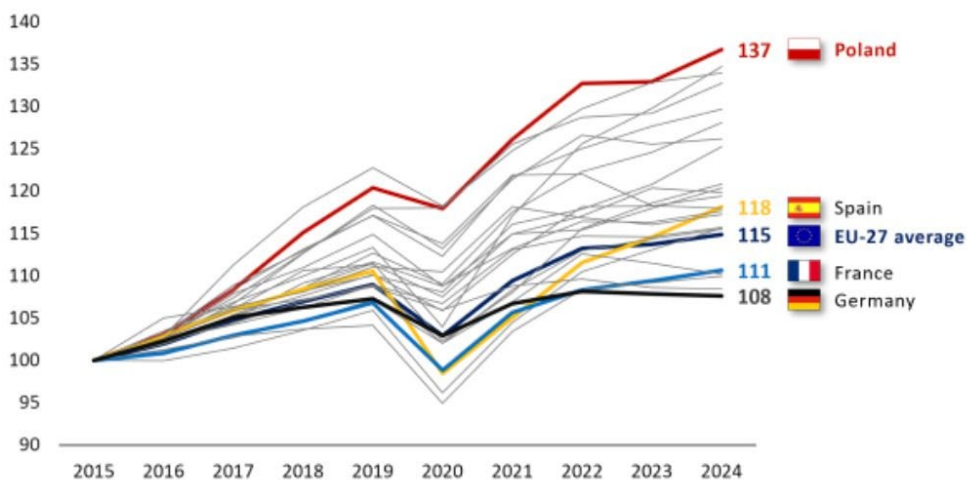
In light of these challenges, Poland's economic strategy must be based on a "Powered by Poland" policy, a **Europe of Strategic Partnerships**, and an "**Economic NATO**"—strengthening transatlantic relations. The Intermarium format should serve as the primary integration mechanism in the region. This approach would facilitate diversification, protectionism in key sectors, and the restoration of competitiveness, while moving away from EU "levelling" and centralization. The result would be a competitive economy more resilient to external shocks.

Challenges Facing Poland

Poland's economy is currently facing a number of significant challenges. If these challenges are not properly addressed, they could substantially limit our development pace. In the post-2015 period, our economy demonstrated the strongest growth among EU economies. It is imperative that we take every possible measure to ensure the continuity of this positive trend.

No other EU economy has grown as much as Poland since 2015

Cumulative real GDP growth, index, 2015 = 100

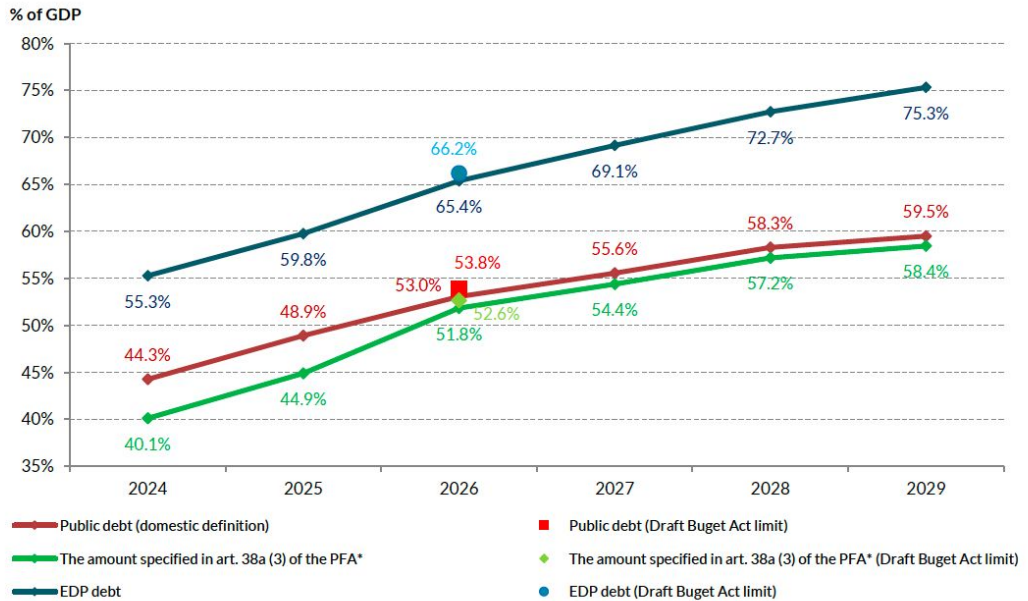


¹ With the exception of Cyprus, Malta and Ireland, whose statistics are distorted by the financial activities and capital flows of multinational companies, making them not an objective reflection of trends in their real economies.

Source: Eurostat, Pekao Research

Poland's budgetary situation has undergone fluctuations over time, largely influenced by the fiscal policy implemented by respective governments during specific periods. For instance, between 2008 and 2015, budget revenues increased by only PLN 35 billion (rising from 253.5 billion in 2008 to 289.1 billion in 2015). However, in the 2016–2023 period, revenues surged by PLN 259 billion (rising from 314.7 billion in 2016 to 574.1 billion in 2023). Notably, this figure could have been even higher in 2023, had potential lost revenues and the operation of shifting approximately PLN 20 billion by the Minister of Finance to 2024 been included. According to the EU methodology, debt stood at 51.1% of GDP in 2015, while it decreased to 49.5% in 2023. However, starting in 2024, we have documented a significant surge, which could reach over 75% by 2029 [26]. Therefore, the rapidly growing public debt is a significant threat to the Polish economy.

Chart 14. Debt-to-GDP ratio



Other fundamental challenges for the Polish economy include:

1. The struggle for economic sovereignty and Polish capital.
2. The implementation of AI, blockchain, and other new technologies, including the expansion of data centers.
3. Raising the level of investment.
4. Real deregulation, primarily connected with accelerating investment processes at all levels (private, local-government, state).
5. Defense spending and investment in dual use technologies;
6. Epoch-making demographic changes;
7. Maintaining a high rate of economic growth.

Chapter II

The Functioning of European Freedoms within the Internal Market

Since the entry into force of the Treaty of Rome (1957) and later the Single European Act (1986), the European Union has based its internal market on four fundamental freedoms: the free movement of goods, services, capital, and persons. In European legal doctrine, the freedom to conduct business activity and establish enterprises within the Community is sometimes added as well. These freedoms, enshrined in the Treaties on the Functioning of the European Union, form the foundation of economic integration by eliminating trade barriers and enabling competition within the Single Market of more than 450 million consumers.

The foundation of the Community's establishment is the common market and the freedom of exchange of goods, services, and capital, along with the freedom of movement of people. The effective functioning of this system necessitates a set of common regulations that ensure uniform quality standards for all Member States and facilitate the removal of barriers between them. The European Union's primary value is the establishment of a unified economic market.

The Four Fundamental Freedoms

The introduction of EU freedoms has facilitated the establishment of one of the world's largest economic zones, underpinned by the principle of free market access and the principle of equal treatment of economic entities. However, in practice, despite formal implementation, there are still numerous barriers to their effective functioning.

The free movement of goods remains the most developed pillar of integration. The customs union eliminated tariff barriers, and the case law of the Court of Justice of the EU, established in cases such as Van Gend en Loos, Cassis de Dijon, and Keck, consolidated the principle of mutual recognition of products legally placed on the market in one Member State throughout the Union. However, restrictions persist due to differences in technical regulations, safety standards, or environmental norms, which in fact hinder full access to the market. Therefore, the International Monetary Fund defined existing barriers to trade in goods between Member States in its report and assigned them a tariff-equivalent weight of as much as 44% [27].

The free movement of persons has allowed EU citizens to seek employment and establish themselves in any Member State. This dynamic resulted in a significant demographic shift within Central European countries, characterized by an exodus of skilled individuals from less economically prosperous states to more affluent Western European nations. Citizens place a high value on freedom of movement; however, it should be emphasized that the loss of approximately 30 million—typically young—people from Central and Eastern Europe constitutes an irreparable loss for countries such as Poland, while affluent states of the so-called old Europe benefited from it. Recently, there has been a noticeable shift toward safeguarding the labor markets of wealthier

countries, which has further exacerbated the situation of citizens from states that joined the EU in the 21st century. These include restrictions on access to social benefits for workers from other countries and regulations on the posting of workers that differentiate employment conditions to the detriment of former Eastern Bloc countries. Consequently, the advantages of demographic shifts are enjoyed by stronger Western European economies, while the burden is shouldered by post-communist states. This distribution of costs and benefits is suboptimal.

Of the four freedoms, the freedom to provide services is the least fully realized. Despite the provisions of the Services Directive, the EU services market remains highly fragmented and subject to numerous national regulations. According to the IMF analysis cited above, barriers to trade in services between Member States can be compared to quasi-tariffs of up to 110% [28]. Examples of such obstacles include provisions of transport directives or the so-called Mobility Package, which in practice limited the competitiveness of entrepreneurs from Central and Eastern Europe in the transport sector.

The free movement of capital has largely been implemented, but its practical functioning is constrained by increasing supervisory regulations, differences in tax systems, the lack of a banking union, the absence of a capital markets union, and uneven investor protection. Most notably, there is a significant disparity in access to capital between the older EU states and those of Central Europe. Capital resources and disparities in accumulated wealth remain the primary cause of the net outflow of capital from Poland and other countries with similar historical experiences to wealthy Western European states. This transfer occurs as a result of a growing negative balance of primary income, which includes outflows of dividends, interest on foreign loans, interest on bonds held by non-residents, and other portfolio investments. In the case of Poland, it is evident that the net capital outflow has surpassed PLN 100 billion annually in recent years [29]. A clear distinction between the core and the periphery of the Union persists, with capital from wealthier states maintaining a substantial presence in emerging markets, including Poland.

Consequently, despite their fundamental importance, the four freedoms do not currently result in a fully unified market. Instead, they are increasingly forming mechanisms to serve strong and wealthy countries in the western part of the EU.

These freedoms are fundamental to the internal market and must be reinforced to ensure its continued strength. The European Union should return to the stage of the European Economic Community, when Member States primarily integrated their economic markets and ideological or worldview-driven policies did not undermine cohesion within the Union as a whole.

It is also important to note that the EU, which was once a global leader in regulation, is currently struggling with excessive regulatory burdens that are hindering the flexibility, efficiency, and productivity of its internal economy.

A Halt in the Formation of Additional Unions

In addition to the well-known four freedoms, the EU has for years expressed its aim to advance economic integration through the establishment of additional "unions": banking, capital markets, or fiscal. In this report, the discussion of creating integrative mechanisms is omitted in order to focus on the practical aspects of their implementation. It is important to note that progress in this area has encountered challenges and is currently stalled.

The banking union, established following the 2008 financial crisis, was designed to implement a unified supervisory framework, a streamlined bank resolution process, and a comprehensive deposit guarantee scheme. While the first two pillars have been partially implemented, the third—which is crucial for citizens' financial security—remains unresolved due to resistance from northern states who are unwilling to assume the risks associated with southern Europe's banking sector. It is likely that this situation will continue in the coming years.

The capital markets union was conceived to facilitate investment flows within the EU and reduce reliance on bank lending. Despite the European Commission's efforts, there is still a lack of effective instruments that would allow for genuine capital flows toward higher-risk ventures, especially for small and medium-sized enterprises. Capital markets continue to be dominated by Western states, thereby perpetuating economic asymmetries within the EU.

The fiscal union project has been the most controversial. The introduction of a common currency was not accompanied by the implementation of a unified budgetary policy or fiscal redistribution mechanisms. The concept of eurobonds or joint debt has encountered resistance from countries like Germany and the Netherlands, who are concerned about the potential implications for their financial stability, particularly regarding the possibility of guaranteeing the obligations of heavily indebted southern states. Consequently, the euro area remains an incomplete construction, as common monetary policy conducted by the European Central Bank is not supported by a coherent fiscal policy.

Additionally, as previously mentioned, initiatives to expand the provision of services and establish common mechanisms for recognizing professional qualifications—intended to deepen labor-market and services integration—have also failed to deliver the expected results. However, it is precisely in these areas that significant reserves of productivity gains are hidden across virtually all service sectors. There are ongoing differences in the recognition of qualifications, and administrative barriers and national regulations restricting competition remain in place.

New EU freedoms are often controversial proposals, and they are not always beneficial for Poland. However, it is essential to ensure that differences between Member States do not hinder the implementation of freedoms that other EU countries aspire to introduce. The proposed approach is rooted in the principle of freedom of choice, entailing the implementation of specific solutions by those who are willing to adopt them, without imposing these solutions on others.

This objective is central to the concept of a **Europe of Strategic Partnerships**. The common denominator would be the Internal Market—that is, the European Single Market—competition

rules, and the four freedoms. In other areas, greater flexibility in integration among individual Member States would be necessary. Such fields could include cooperation in migration or climate policy—likely to be outside Poland's interest—as well as cooperation in defense within the Intermarium/Three Seas format, where Warsaw could become one of the integrators. Further development of this concept is presented later in the report.

Conclusions

The European Union continues to be a significant economic entity with considerable potential. However, this potential is being hindered by its own internal contradictions. Despite its formal existence, the common market is not unified and shared. This is due to a lack of progress in sectoral unions and growing tensions between the center and the periphery. In this situation, it becomes necessary to redefine the directions of integration. These should be based not on political coercion but on real competitiveness, subsidiarity, and equal opportunities for all Member States.

Chapter III

The Loss of the EU's Economic Competitiveness in a Multipolar World

On a global scale, the EU and the United States share the most developed bilateral trade and investment relations [30]. Collectively, these relationships represent nearly 30% of global trade in goods and services and approximately 43% of global GDP. In 2024, the value of transatlantic trade amounted to almost €1.7 trillion. The EU recorded a positive balance in goods trade of almost €198 billion, with exports of €532.3 billion in 2024. In contrast, the services sector experienced a €148 billion deficit, with imports of US services amounting to €482.5 billion. The EU's total surplus in trade with the United States was therefore estimated at around €50 billion. Mutual investments between the EU and the US are also the largest globally, with an estimated value of just over €5 trillion.

Analogous to EU-US trade relations, the EU and China together account for nearly 30% of world trade in goods and services and more than 34% of global GDP [31]. In 2024, the value of trade with the Middle Kingdom amounted to almost €850 billion. The EU's negative balance in goods trade reached nearly €306 billion, with exports amounting in 2024 to €213.2 billion. In contrast, the services sector saw a €22 billion surplus, with imports of services from China reaching €45.5 billion. The EU's total trade deficit with China was therefore estimated at around €284 billion. The European Union is China's largest trading partner. Consequently, China has become a significant recipient of European investments, with an estimated €232 billion in investments received in 2023. Meanwhile, Chinese investments in the EU amounted to approximately €65 billion.

According to World Bank estimates, the nominal GDP of the United States in 2024 amounted to \$29.2 trillion (compared with \$10 trillion in 2000). For comparison, the corresponding figures for the EU were \$19.4 trillion and \$7.3 trillion, and for China, they were \$18.7 trillion and \$1.2 trillion. The following year, in 2024, the GDP per capita was, respectively, \$86,000 for the USA, \$43,000 for the EU, and \$13,300 for China. From 2000 to 2024, the USA experienced average annual GDP growth of 2.8%, the EU recorded 1.0%, and China achieved as much as 5.0%.

This indicates that over the last twenty-five years, the EU, the USA, and China have experienced significant shifts in their respective shares of the global economy. Notably, the EU has seen a substantial decline in its economic importance, particularly in relation to the USA and, most significantly, China. This shift has led to a growing dependency on these two economies for the EU's economic growth and stability. With regard to the USA:

- Europe depends on American digital technologies for a variety of purposes, including operating systems, databases, cloud services, GPS systems, and satellite communications.
- Europe did not fully participate in the digital revolution and the subsequent productivity growth that accompanied it. The productivity gap between the EU and the USA stems mainly from the technology sector. The EU's position in emerging technologies that will fuel future economic growth is not as strong as it could be. In the global technology sector, only four of the fifty largest companies are based in Europe.
- Europe is not performing as well as the USA in terms of innovation and competitiveness. The USA allocates 3.5% of its GDP to research and development, which is twice the amount invested by the EU (2.3% of GDP). This higher investment has been linked to faster economic growth.[33]
- Europe is reliant on oil and gas imports, with Russian supplies being a significant source until recently. The European Union has since diversified its sources, including the United States and the Middle East. The EU's attempts to establish a global leadership position in green energy generation and sustainable use, despite significant engineering potential, have resulted in a reliance on China. The shift in dependency from Russian hydrocarbons to Chinese suppliers of "green" technologies is a notable development. It is challenging to consider this a success.
- Europe's security is closely tied to the NATO alliance, which in turn is dependent on the presence of the USA within it. For many decades, Europe has greatly benefited from this, gaining a significant "security dividend" and allocating its surpluses primarily toward increasing prosperity and providing extensive social benefits, not only for its citizens but also for large-scale immigration attracted by the promise of a better life and safety. The so-called peace dividend of Western Europe, measured by declining defense spending and rising social expenditure, is estimated by various analyses at between \$3 and \$4 trillion.

- Europe was originally positioned as an "exporter" and "champion" of universal values that are not shared by today's competing great powers. The concept of liberal values and human rights has been a point of contention in many situations and is not the subject of this study. Among the most significant economic values were global freedom of trade and economic activity, independent of geopolitics. It is now appropriate to speak of this in the past tense, given that even EU leaders have realized that the dogma of separating economics and trade from geopolitics is not shared either by the leaders of global powers or by Russia, which is no longer recognized as a superpower. It is evident that these states are prepared to utilize raw materials as instruments of coercion, and information and digital technologies—ranging from operating systems to AI—as means of achieving economic, informational, and military superiority. Financial instruments such as debt or currency, sanctions, and tariff barriers are part of a deliberate strategy to make Europe dependent and subordinate, particularly its eastern and southern regions. This strategy is akin to a "war of attrition."
- For years, the EU has enjoyed a favorable global environment and the development of world trade, particularly with China. The American security "umbrella" freed up defense budgets that could be allocated to other priorities. In a stable geopolitical environment, the EU had no reason to fear growing dependence on countries that were expected to remain "friends" indefinitely. That paradigm is no longer applicable. Europe lost its primary energy supplier, Russia, and the United States responded by opening large-scale LNG import opportunities.
- In 2024, European defense-industry procurement in the form of "joint" public purchases amounted to €88 billion, representing less than one quarter of total member state spending.[34] Approximately 80% of total defense-procurement spending went to suppliers outside the EU, with around 60% of these expenditures going to the USA.

With respect to China:

- Europe's highly competitive industry, which has been in existence for the better part of the last century, was transferred to China and, at times, to other Asian states that do not depend on China, ranging from Turkey to the Far Eastern "tigers." These measures are intended to yield short-term benefits, including higher profits, lower labor costs, and the enhancement of European workers' conditions and the environment.
- Europe has lost its capacity to independently produce digital machinery, hardware, and software. This has resulted in a situation where Chinese and Asian suppliers of computer equipment, digital transmission, and terrestrial telecommunications have become the primary providers of these products to the European market. In this low-margin, highly saturated telecommunications-services market, which has become a mass-market utility, the role of such giants as Siemens, Ericsson, Nokia, Alcatel, and Philips is much smaller or even fading.

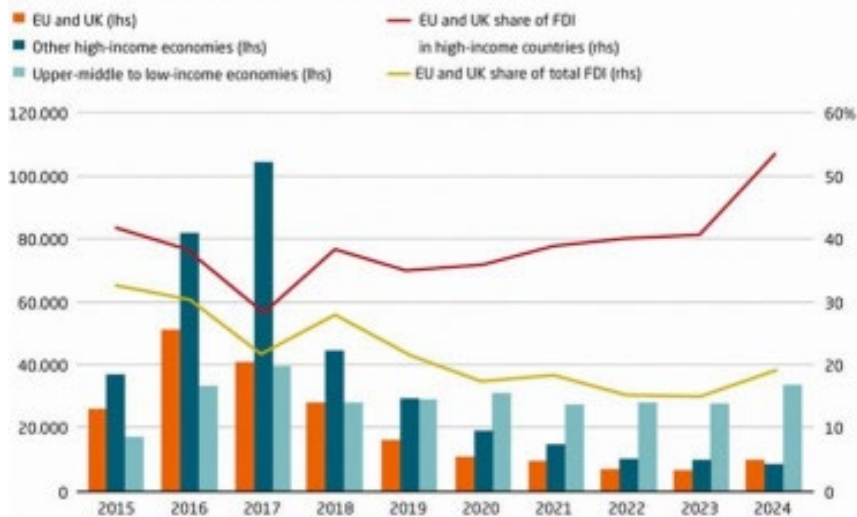
- Europe is also heavily dependent on imports of digital technologies. In the field of semiconductor manufacturing, 75–90% of global capacity is situated in Asia or under U.S. control, and initiatives such as the European Chips Act are not yielding sufficient results.[35]
- Europe is reliant on a small number of suppliers of critical raw materials, particularly from China, despite the global demand for these materials experiencing significant growth due to the transition to clean energy and the electrification of various sectors.
- Europe is rapidly becoming dependent on key products in its strategic sector—renewable energy. These include photovoltaic panels, batteries, fuel cells and electrolyzers, electric vehicles, and offshore-energy installations. The processes of energy transition and decarbonization are also of great importance. In 2024 alone, Chinese firms (CATL, Sunwoda Electronics, BYD, Envision AESC, and Gotion) invested tens of billions of euros in Europe's battery and EV sectors in Hungary, Germany, and France.[36]
- Europe is a net importer of chemical and pharmaceutical raw materials from China. The region is witnessing a shift in its industrial landscape, with energy-intensive industries such as steel, aluminum, and cement production, and more recently even its own agriculture, becoming sources of CO2 emissions. This transition is occurring in favor of South American countries grouped in Mercosur.
- Meanwhile, China is becoming increasingly dependent on the European Union's capacity to absorb its production surpluses. Nevertheless, Europe has been selling Chinese suppliers and manufacturers a growing number of research-and-development, engineering, design and technology firms, as well as many highly regarded brands (MG Motor, Volvo Cars, Lotus, Benelli, LDV, Pirelli, Krauss Maffei, Syngenta, EEW Energy from Waste, FiconTEC, Nexperia, Imagination Technologies, Kuka, Techland and many others).
- Europe is losing its dominance over shipping companies in maritime transport and over many strategically important ports to China. It has relinquished its dominance in shipbuilding and transport machinery and equipment. Over the past two decades, Chinese firms have made significant investments in European ports, with a total of more than 30 investments recorded.[37] These investments include:
 - stakes in container terminals in key ports such as Piraeus in Greece, CSP Zeebrugge in Antwerp, Belgium, Tollerort in Hamburg, Germany, Euromax in Rotterdam, the Netherlands, CSP Valencia and Bilbao in Spain, and Vado Ligure in Italy.
 - China Merchants Group has strategic investments in key European and Ukrainian ports, including Brittany, Marseille, Dunkirk, Le Havre, Rotterdam, and Odessa, where it holds a 50% stake.
 - Hutchison Ports has strategic holdings in key ports worldwide, including the ECT Delta terminal in Rotterdam, ACT and TMA in Amsterdam, Velsen and IJmuiden in

the Netherlands, Antwerp in Belgium, Barcelona in Spain, Stockholm in Sweden, GCT in Gdynia, Poland, and Felixstowe, Harwich, and London in the United Kingdom.

- Europe is selling or making available to China many companies and assets of strategic importance across numerous manufacturing and service industries. These include, but are not limited to, the automotive, automation, and logistics sectors, as well as the hospitality sector (e.g., Deutsche Hospitality, which operates brands such as MAXX by Steigenberger, Jaz in the City, IntercityHotels, and Zleep, as well as Carlson Hotels and Club Med), the clothing industry (e.g., Shanghai Jingqingrong Garment, Shandong Ruyi Technology Group Co., Shein, and Temu, which sells the products of most European brands), and others. As a result, the European market is becoming increasingly accessible to key Chinese producers.
- Despite the significant slowdown in the outflow of domestic capital since the record year of 2016, total Chinese corporate investments in Europe are estimated at over \$160 billion since the beginning of this millennium. [^]([38])

Europe's share of Chinese global investment rebounds in 2024

Global Chinese FDI by income level of host countries, in million USD



Notes: Major transactions include transactions above \$5 million only. All EU countries count as high-income countries. Source: Rhodium Group China Cross Border Monitor.

Poland is a country of particular concern due to its strategic location as a land gateway to the EU, with control over rail and road crossings from Belarus. On a smaller but growing scale, similar pressure could be exerted via container terminals in Gdańsk and, in the future, also in Świnoujście.

The Union faces a critical decision in navigating its position amidst the dynamics of global power.

In this context, Europe is poised to be a pivotal theater for potential conflict between major powers. The United States, a nation viewed with skepticism by Europe's liberal elites, could become a primary source of tension. Russia, seen as a "hybrid" aggressor, and China, regarded as a "harbinger" and the sole "guarantor" of peace and reconciliation, could play a significant role in either maintaining or disrupting the balance of power in this region. This dynamic has the potential to influence economic development and prosperity for the EU and its member states. However, it appears that the current U.S. administration still believes that the EU has sufficient resources to defend its territories and interests independently, as outlined in the NSS strategy. The EU has identified a number of areas for improvement with regard to effective and coherent defense, including the following:

- The presence of decisive leadership and leaders is lacking.
- The development of a coherent defense strategy for the entire European Union, or at least for the territories and domains most exposed to threats, is necessary.
- The presence of soldiers and armies that are ready and motivated to fight is essential.
- The implementation of long-standing and practically proven intelligence and reconnaissance techniques and tools is crucial.
- The adoption of standardized and coherent weapons systems, air and electronic defense, communications, etc., is imperative.

Therefore, the EU is dependent on NATO, from which it expects an updated strategy, because the last version was adopted in 2023, still during President Joe Biden's administration. NATO is awaiting an update to the U.S. Grand Strategy, which is currently being developed by the Trump administration. The initial framework for this strategy is beginning to take shape in the National Security Strategy document.

Just as the EU exhibits a range of economic speeds, Europe's approach to defense is also divided, with different member states demonstrating varying levels of commitment to addressing current security challenges. The determination to defend, and sometimes to accept coexistence with Russia, varies significantly across different regions. In the eastern flank and northern Europe, this determination is pronounced, while in the south and west, it is much weaker. Depending on one's political views, perceptions of threats vary significantly within member-state societies that are deeply divided. Finally, the degree of dependence and the perception of threats from Russia and China differ between the EU administration and the United States. Meanwhile, the majority of Europe's economic, industrial, technological potential—and, crucially, nuclear deterrence—is linked to the United Kingdom, France, and Germany. The leaders of these countries, along with

the President of the European Commission and leaders of Italy, Hungary, and Finland who are aligned with U.S. interests, have been invited to geopolitical talks with the United States. At the same time, at the EU–China summit in July 2025, China's leader Xi Jinping hosted the EU's High Commissioners, speaking of "shared respect for the rules-based international order and cooperation in safeguarding multilateralism"—most likely reflecting the intentions of the summit participants—in contrast to what was portrayed as rising American mercantilism.

"We are committed to strengthening our bilateral partnership and working towards constructive and stable relations based on a rules-based international order, balanced engagement, and reciprocity." Although these statements were made by an EU politician—the President of the European Council, António Costa—they bear a striking resemblance to a resolution of the Communist Party of China, founded in 1921 and in power since 1949.

These are not the only EU values said to be "shared" with China. Both parties concurred to assume a shared "leading role in a global just transition in the context of sustainable development and poverty eradication." Leaders expressed their appreciation for the "positive and productive bilateral cooperation on climate change," though the veracity of China's economic data remains a subject of scrutiny. They acknowledged the imperative for the EU and China to "lead global efforts to reduce greenhouse-gas emissions, including at COP30."

The EU has expressed its "deep concern over the human rights situation in Xinjiang and Tibet, the treatment of human rights defenders and persons belonging to minorities."

In the same press communiqué from the summit, the EU reaffirmed its "One China" policy, expressing "concern over heightened tensions in the Taiwan Strait and the lack of stability in the East and South China Seas."

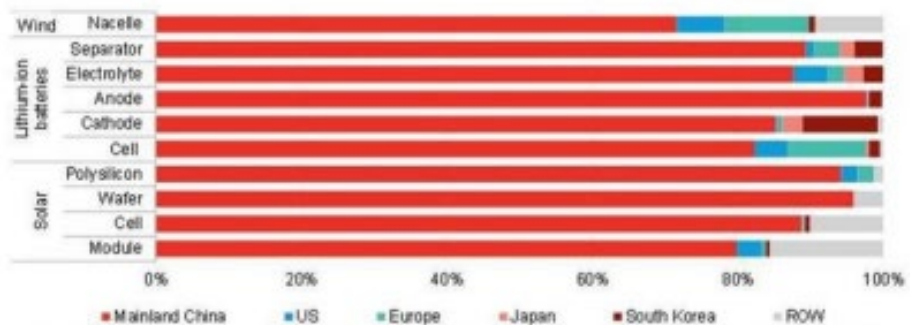
These issues are a consequence of the United States' clear, albeit unstated, position on Taiwan. Concurrently, the bilateral EU-U.S. trade agreement of July 2025 is expected to reduce the U.S. trade deficit and potentially generate a surplus over time. Its symbolic significance lies in the fact that it was signed by the President of the European Commission on a golf course owned by the U.S. President, under pressure from threatened 50-percent tariffs on everything imported from the EU. The basic arrangements stipulate that, as of August 1, 2025, the EU will allow most American goods to enter the European market duty-free, while European exports to the U.S. market will be subject to a 15-percent tariff. It is also important to note that goods imported into Europe are subject to value-added tax (VAT), which is not a tax in the U.S. (where state taxes apply). The EU has also committed to purchasing U.S. energy carriers worth USD 750 billion (USD 250 billion annually) and to investing USD 600 billion in the United States over the next three years. These arrangements have the potential to eliminate a significant number of European firms from the American market or force them to invest in the U.S. The state of the EU's bilateral relations with China and the United States is therefore not balanced and clearly favors relations with China, despite the EU's enormous trade deficit. If this is not a political preference, such a practice may nevertheless lead to a clear economic and one-sided dependence of Europe on China. An

additional concern is that this reliance would be on a power that, despite shared declarations, clearly does not align with the values of the West.

Meanwhile, the parliamentary majority in the EU has assessed relations with the United States as unstable, unpredictable, and leading to European dependence on the U.S. It therefore seems that the EU will maneuver for as long as possible—by choice or under pressure—between China and the United States, because it lacks the strategic capacity and leadership to articulate, define, and carry through a new policy direction. The Draghi Report succinctly outlines the root causes of this structural weakness:[42]

- It is imperative that Europe concentrate its joint efforts on narrowing the innovation gap with the United States and China, particularly in the field of advanced technologies.
- The European Union is facing challenges due to its high energy costs, which are affecting its competitiveness in the global market. The EU has not yet become a leader in decarbonization technologies, a position that China has increasingly overtaken. China currently possesses more than 50 percent of global manufacturing capacity, and in the case of solar energy, nearly 90 percent. In the current business environment, Chinese competition is intensifying in sectors such as clean technologies and electric vehicles. This growth is driven by several key factors, including substantial industrial policy and subsidies, rapid innovation, control of raw materials, and the ability to produce at levels comparable to the entire European continent and its own domestic needs. In this scenario, the EU will continue to rely on energy resources currently imported from the United States for an extended period.
- Thirdly, the EU must enhance security measures and reduce dependencies. Security is a prerequisite for sustainable growth. As the era of geopolitical stability comes to a close, the risk is rising that growing uncertainty will threaten growth and independence.

Figure 1: Clean energy manufacturing capacity by location in 2024



Source: BloombergNEF. Note: Chart reflects the share of capacity by market and is based on the locations of production facilities (not location of corporate parents). Solar photovoltaic (PV), hydrogen and battery components expressed in megawatt, megawatt-hour, square meter, or metric tons. ROW refers to rest of world.

In this situation, the EU will need a new "foreign economic policy" in order to preserve its sovereignty, *raison d'être*, and great-power status, which is gradually being reduced to tourism.

The EU's reluctance to assume a leadership role in emerging information and digital technologies stems from its desire to maintain its position as a global leader in climate responsibility and to continue operating as an autonomous entity in this domain. It will be difficult for the country to simultaneously increase its social spending and defense budget. The EU will be compelled to curtail some—if not all—of its objectives. By not selecting two of the three areas of the "impossible trinity" (defense, climate, social contract), Europe is gradually forfeiting potential in each of these areas.

The EU will have to coordinate preferential trade agreements and direct investments with resource-rich countries, build stockpiles in selected critical areas, and create industrial partnerships to secure supply chains for key technologies. However, it is highly likely that the country will be compelled to make a strategic choice regarding its global partner-power, without the possibility of compromise or pursuing its own independent path.

Chapter IV:

The Mandate of the European Union and the Sovereignty of the Member States

The European Union is a union of member states that have formed a common market. The impetus for its establishment stemmed from the shared objective of the six founding states to establish a unified oversight mechanism for coal and steel production, recognizing the pivotal role these resources played in the conduct of warfare. As the risk of renewed Franco-German conflict diminished, the member states concluded that the customs union should evolve into an internal market, enabling the European Economic Community to be transformed into a unified internal organism—economic rather than political. This transition was facilitated by the Single European Act of 1986 and the Maastricht Treaty of 1993. The subsequent phase of development, the economic and monetary union, evolved into a voluntary association; not all states of the internal market opted to adopt the euro.

In the twenty-first century, despite the accession of a dozen new member states and growing problems in strengthening internal cohesion, the main EU capitals and institutions opted for an even deeper stage of integration—namely, political union. Adopted regulations began to extend far beyond what was necessary to maintain the common market, and unpopular decisions such as climate policy or so-called "common values" in the area of civil-law norms began to be imposed by majority voting or through the jurisprudence of the Court of Justice of the European Union.

This change goes far beyond the arrangements of the Maastricht Treaty and the Accession Treaties. It is also significantly different from the provisions of the Lisbon Treaty, which, in both spirit and text, was not intended to create a political union or a European federation with a centralized decision-making mechanism. However, EU institutions interpreted this development, in conjunction with the events of the 2009–2013 financial and economic crisis and the rise of climate ideology, as a tacit approval to establish a federalized EU, employing the strategy of *faits accomplis*.

The common market, while still functioning at its core, has important unfinished elements, making it an insufficient subject of EU regulation. Consequently, both the European Commission and the Court of Justice of the European Union began to act *ultra vires*, that is, beyond the scope of their competences, or at best by presuming them. The Commission has taken several actions that have given it more authority than it would have under the usual rules. For example, it has used a system of voting called "qualified majority voting" in the Council of the European Union. In the past, this system required the agreement of all members of the Council. The Commission has also been recognized as having the authority to take action in areas that go beyond its traditional role. Finally, the Commission has sought to expand its own competencies, including the ability to safeguard the common market, as well as to decide on the political system and internal values of member states. This initiative has not yielded the desired results. This usurpation poses a significant challenge for the entire European Union. If not addressed and reversed, it could potentially lead to the Union's disintegration.

These actions are driven by a lack of democratic mandate, both for the European Commission and the Court of Justice. These institutions are characterized by their internal closure, with a tendency to replenish their ranks through co-optation and a strong commitment to maintaining their independence from the sovereign. We are reaching a point where these corporate bodies have become independent of democratic control while simultaneously assuming more and more competencies.

The current functioning of the European Union can be analyzed at four different levels:

- 1) The common European market necessitates a unified set of regulations to ensure fair competition and seamless market access for enterprises across member states. However, it should be noted that these regulations pertain exclusively to specific areas of economic law and cannot be applied to other domains without explicit authorization from a treaty.
- 2) Euro-federalists and EU institutions have decided not to differentiate between the phrases "we, the government" and "we, the nation." This is a fundamental distinction, because only a nation can grant institutions such as the European Commission the legitimacy to legislate in its name. Governments do not possess such competencies, especially not the right to limit the sovereignty of their own parliaments.
- 3) Institutions such as the Court of Justice of the European Union and the European Central Bank possess even less social legitimacy. However, they assert the authority to interfere in

domestic regulations concerning family law or to impose climate policy (CJEU, Commission), and to determine the conduct of fiscal policy and the resulting expenditure policies of the member states (ECB).

- 4) In Brussels, technocratic elites have come to regard themselves as the sole and proper authorities for determining (and imposing) how EU bodies function and what policies the European Union pursues. The states of the so-called "new Union" may merely be recipients of their decisions.

Europe of Many Paths, Europe of Strategic Partnerships

The Europe of Strategic Partnerships is a new proposal. It is a concept of European integration in which EU member states are obliged to respect a certain canon of economic law. This is similar to the situation before the Treaty on European Union entered into force. However, it is essential to ensure that no additional integration mechanisms hinder the sovereign right of member states to exercise their policy discretion. Furthermore, member countries may establish strategic partnerships with other states to integrate their policies in additional areas.

Instead of a uniform model of integration, member states should have the autonomy to decide with which other countries they want to enter deeper consolidation, harmonization of specific regulations, or unification of actions. However, it is imperative that these decisions do not have a negative impact on the smooth functioning of the Internal Market. This model of flexible, differentiated integration contrasts with the traditional quasi-federalist approach, in which all states are expected to strive toward the same level of integration in all fields.

There is an increasing divergence among EU states in how they identify their interests. Attempts to impose uniformity in successive areas may intensify social tensions. However, EU institutions are increasingly compelling member states to adopt their own top-down approach to integration. This dynamic has the potential to create significant challenges for the EU, with consequences that may unfold more rapidly than anticipated by European technocrats. The European Union is at risk of disintegration if political forces opposed to further centralization of power in Brussels gain power in one of the key member states.

The concept of a **Europe of Strategic Partnerships** is not a reference to the once-widely discussed "two-speed Europe." The fundamental premise of this concept was that all member states should aspire to a uniform community model (federal or quasi-federal), with a group of "pioneers"—the so-called EU core—taking the lead and other states following suit when prepared. According to the views of centralists and federalists, the euro area—the single currency zone—was to be the symbol of a two-speed Europe, and all EU states were ultimately to accede to it, without the possibility of retaining sovereignty in this area.

In reality, however, the euro zone has become an example of a Europe of many paths: societies and governments of countries such as Poland, Denmark, Sweden, Hungary, and the Czech

Republic rule out adopting the common currency, thereby separating themselves from the obligations and consequences associated with joining the euro.

The following are examples of the real-world existence today of a "multi-speed" European Union.

Area	Participating States	Not-participating States
Currency	21 States (Euro Zone)	Poland, Hungary, Czech Republic, Sweden, Denmark (opt-out)
Schengen	25 UE States plus Iceland, Liechtenstein, Norway i Switzerland	Ireland, Cyprus, recently Romania and Bulgaria (until 31 March 2024)
Justice	European Arrest Warrant – all except for the exceptions	Denmark i Ireland – opt-out in police cases

Direct comparison: Europe of Strategic Partnerships vs. Multi-speed Europe

Criteria	Europe of Strategic Partnerships	Multi-speed Europe
Goal of unification	Lack of a single overarching goal of integration – states choose the elements of integration they want	Common goal – all states aim at communitarisation, but at different speeds
Nature of differences	Voluntary, resulting from intergovernmental agreements	Temporary and transitional

Hierarchy	Equality of states – no one is “inferior”	Core vs. periphery – “leaders of integration” and the remaining states
Opt-outs	Standard, negotiated individually	Exception, applied only in the context of adopting new treaties
Institutions	Possibility of creating parallel structures	Structures exclusively within the European Union

Guidelines for Ensuring Development

In the current global climate, Europe finds itself confronted with two distinct models of development. One path leads to a stalemate, an increasing number of disputes, and ultimately, the implosion of the European Union as a project. The other presents an opportunity to adopt a novel perspective, to achieve greater autonomy in integrating individual sectors, and to facilitate economic revitalization. This approach would enhance the quality and effectiveness of standard policies implemented in this manner.

The first model, promoted by Berlin, Paris, and Brussels, involves further centralization, namely a push toward federalization or even outright centralization. This model would essentially transform the European Union into an empire, effectively subordinated to the two most powerful states. However, when we examine Europe from a historical perspective, considering both past differences and current priorities, we conclude that our continent has always been a diverse group of monarchies, republics, and nations that have cooperated or competed with one another. In contrast to the United States, Europe lacks a federal tradition. All historical attempts to subordinate the nations of Europe by the strongest state organism of a given era lost to centrifugal forces and aspirations for sovereignty. It is evident that any additional efforts to pursue centralization are likely to be unsuccessful.

Europe’s strength will be ensured only when its member states demonstrate a commitment to genuine and meaningful collaboration. In the face of significant challenges, such cooperation around common interests should be the norm. Indeed, individual nations have distinct interests. This will not change. The European Union should prioritize the establishment of frameworks for economic cooperation and healthy internal competition. These frameworks will enable our continent to rebuild its productivity without the imposition of excessive regulation.

Therefore, a model is needed that emphasizes national diversity, protects against external threats, and at the same time stimulates cooperation and competition within the community. This is the

only rational response to the present stagnation of the Union, the decision-making paralysis, and the growing number of external and internal threats.

It is imperative that we safeguard the unified market and trade policy, while ensuring that collective objectives are aligned with the distinct economic and political contexts of individual states. In certain situations, such as defense, a coalition of the willing may be sufficient. In certain contexts, such as climate policy, the implementation of flexible frameworks is essential to empower each nation to develop its own unique scenario and model.

Migration policy can serve as an example here. According to the provisions of the treaty, member states are not obligated to open their borders to migrants from outside the Union. If certain states are prepared to accommodate a significant influx of such individuals, they should possess the authority to do so, along with the full responsibility for any ensuing consequences. It is essential to emphasize that these states should not be required to "share" the associated responsibilities with other member states. If they propose an obligation to admit migrants and only then send them onward, they also have the right to do so, but only within such a coalition of the willing. However, they are not permitted to impose restrictions on other states that do not concur with these actions. However, a consistent and unified EU policy regarding border defense and the prevention of illegal migration at these points should be established. Any other approach would constitute a clear breach of EU commitments, and no member state should be compelled to accept such persons. The same should apply to climate policy. States that are ideologically committed to decarbonization and zero emissions may, of course, implement such a policy, also with all its consequences. Nevertheless, Brussels or Berlin elites cannot claim the right to impose irrational standards and restrictions on the societies of individual member states. It is noteworthy that Brussels-based commissioners, who are at the forefront of green ideology, implement bans through EU regulations in the area of so-called emissions. However, these commissioners do not subject these bans to public debate or evaluation. If any states wish to pursue this course of action, they are entitled to do so. However, this should take place within the framework of their individual and sovereign decisions, which voters will later be able to assess.

We must shift away from a strategy that relies on forced integration as a response to national diversity. The solution lies in flexibility—an EU tailored to the real needs of individual countries. A coercive model, which is predicated on compulsion and punishment, has been demonstrated to result in significant negative outcomes and has been shown to be ineffective. We propose to test a new, flexible approach to new policies, new economic or social proposals.

There is potential for a more effective model of the Union. It is a community founded on transparent and voluntary principles—one in which the energy transition is not a compulsory burden but an opportunity for economic advancement and cooperation adapted to the realities of a given country's energy system. One potential avenue for such collaboration could involve the utilization of Polish maritime terminals to enhance the region's gas security. A strategic transatlantic partnership, supplemented by existing and recently constructed infrastructure for

reception and cross-border transmission, will enable the supply of sufficient LNG to Central and Eastern Europe. This will position Poland as a regional gas hub while concurrently ensuring synergistic benefits for other states in the region.

Electricity periodically produced in excess by Polish or Lithuanian offshore wind farms in the Baltic Sea could be used for cost-effective production of green hydrogen and for reducing the emissions of petrochemical technological processes, and in the future—synthetic fuels. This could be achieved through cooperation with coastal refineries.

A more effective connection of energy systems—the renewables-dominated Iberian Peninsula and nuclear France—could benefit both sides by reducing blackout risks and lowering average energy prices. A natural mechanism in this case could be the exchange of supply and demand. For example, a country with nuclear technology or wind turbines could link up with a state that needs such solutions, provided that both countries see an interest in it.

This principle similarly applies in the realm of defense. States that possess specific military technologies and develop them effectively can provide crucial support to those countries that must swiftly bolster their security. Investments and cooperation are the result of economic calculation and real needs, not ideological pressure. There is no rational basis for centrally planning and imposing such cooperation on everyone.

The logic of "many paths" is applicable in other areas as well. What are your thoughts on the possibility of joint purchases of energy resources? Affirmative—provided they are advantageous. In light of China's growing dominance in critical raw materials, Europe's strategic response should center on collaborative initiatives to secure and process these materials. This is the only way for European states to offset the impact of scale. Voluntary integration of energy resource purchases will allow for the securing of more attractive contractual terms while ensuring sufficient volumes. Could you please clarify what the company's migration policy is? Yes, provided that it is adapted to local needs. Poland has demonstrated remarkable capacity in managing a significant influx of war refugees from Ukraine, effectively implementing solutions tailored to both the needs of newcomers and the challenges posed by their presence. Applying a pan-European regulatory matrix here would be inefficient and counterproductive.

For Europe's future, maintaining competitiveness is of greater importance than enforcing artificial convergence in many areas. The heightened competitiveness among member states will ultimately contribute to the overall competitiveness of the European Union. Successful models of interstate cooperation will be replicated by other states, while unsuccessful ones will be abandoned. It is imperative that EU institutions refrain from imposing new patterns and doctrines on member states that are not aligned with their preferences. A diverse array of models, a healthy rivalry, and the limitation of central, long-term planning and bureaucratic superstructures can once again unlock Europe's potential. A return to the stage of a trade and economic union—a community of freely circulating products, capital, services, and freedom of movement—may

restore Europe's competitiveness. It is only through these measures that we can foster a new economic boom.

A Community of Freedoms, Not Compulsion

What factors contributed to Europe's rapid and effective post-war reconstruction? This was made possible by selecting a development concept based on a community of freedoms and the logic of the free market. Economic integration has been a catalyst for growth, as evidenced by the fact that, as recently as the 1990s, the combined GDP of European countries exceeded that of the United States. Unfortunately, since the Maastricht Treaty, the role of economic synergy has diminished, giving way to forced political and ideological integration. The centralization of power that we are currently experiencing is not a unifying force; it is a source of internal division within the Union.

Instead of imposing further regulatory restrictions, Europe should once again foster entrepreneurial and innovative energy within clear and stable rules of the game. The market requires both freedom and predictable institutions, as well as strategic public investments that will guide development. In summary, the time is right to once again encourage the energy of explorers and visionaries.

For this to occur, a reform is required that would clearly delineate the respective competencies of nation-states and EU institutions. The Brussels administration should adopt a service role toward governments rather than a supervisory one. The Union's primary responsibility is to safeguard the free market and ensure the freedom of movement for all. It is essential that the Union does not favor the strongest at the expense of smaller entities.

It is time to definitively end the constant expansion of EU competences against the will of nations. The Court of Justice must refrain from imposing norms that have not been codified into EU law by the member states. Laws should be established through treaties, directives, and regulations rather than through arbitrary rulings issued by an institution without democratic oversight. Above all, however, the law should be based on the constitutions of member states, established by individual nations in a completely sovereign manner and independent of technocratic authority in Brussels. In recent years, however, a mode of action involving the imposition of judicial power—juristocracy—has become commonplace. Therefore, I propose that member countries have the possibility to appeal judgments of the CJEU to their own constitutional courts when there is suspicion that it has exceeded its competences. Sovereign states should not be subject to one-sided rulings from a court in Luxembourg.

The European Commission, operating in a manner that is largely independent from democratic oversight, has been accused of a lack of transparency. Current regulations prevent member states from effectively dismissing it. Only the European Parliament has the authority to do so, and only in relation to the entire Commission, with the support of two-thirds of the members. This is a hypothetical mechanism that results in a lack of accountability. The appointment and dismissal of

Commission members should be a collective responsibility of the European Parliament and the European Council, determined by a majority vote. Each country should have its representative in the Commission, who would be responsible for regularly reporting on their work to the Council. During the current term, the Commission's organizational structure and individual commissioners' portfolios have been modified to centralize decision-making processes within the office of the President of the Commission. This adjustment serves to limit the autonomy of individual commissioners and promote a quasi-presidential management style. A matrix organization of competencies, with cross-cutting areas of responsibility overlapping among commissioners, can lead to a blurring of accountability. It also contributes to the passivity of commissioners who, faced with imprecise mandates, show less decisiveness, relying on guidelines from the President's cabinet. This structure has the potential to weaken the collegial character of the Commission, where commissioners traditionally represented the interests of their member state. It could also lead to a concentration of power in the hands of the president and a technocratic bureaucratic apparatus lacking democratic control, which conflicts with the principle of subsidiarity.

The Commission is obligated to operate within the mandate established by the European Council and the Council of the European Union—institutions that possess direct democratic legitimacy. At present, the European Commission frequently exceeds these boundaries, as evidenced by its migration policy. Decisions made by the European Council at the highest level are often influenced by the actions of the Commission, which lacks a clearly defined social mandate. This has led to a rise in both misunderstanding and resistance among the citizenry.

The Brexit referendum served to underscore the existing disparities not only in terms of political and geographical divisions within the EU, but also in the economic and social spheres. Central Europe, one of the Union's three regions, has historically faced underrepresentation and has frequently experienced a decline in votes within the Council. The practice of the Commission and the CJEU of converting the requirement of unanimity into qualified majority voting is all the more dangerous. Another issue is the Commission's caste-like structure, which does not include new officials from states that joined the EU in 2004 and later. The expansion into new states did not result in the opening of Brussels corridors and offices by its left-liberal elites. The preeminence of Germany and France, both in institutions and in personal influence, has led to the Union serving as a vehicle for pursuing the interests of the most dominant nations. This has the effect of weakening cooperation and contributing to an increase in accumulating conflicts. Ultimately, the existing political and decision-making processes within the EU could potentially result in its disintegration.

Concerns Regarding the Concept of EU Centralization

In the present EU system, the European Commission functions as a technocratic and highly bureaucratized entity that exerts its authority over other EU bodies and Member States. Concurrently, it is an institution that is not subject to democratic control, and the influence of the Member States on its actions is steadily diminishing. The European Commission can be compared to a corporation. Its mandate does not come from an election, it is not subject to external oversight, and it is made up of officials convinced of their own correctness. These officials arrogate to themselves the right to define programs—not only economic, but also political—that should be implemented by the Member States.

This results in a paradoxical situation in which officials who are not subject to democratic processes, who are not accountable to society, and who often come from Brussels elites, impose their will on Member States with which they have little familiarity and which did not grant them a mandate to decide their fate. In many cases, a single department of the Commission wields more influence over a specific sector of a member state than the elected authorities do. Is this typical? Would you please clarify whether this is appropriate?

The Court of Justice of the EU (CJEU) serves as the guardian of the European Commission's powers. In reality, this body has become the guardian of the extra-treaty expansion of competences that the Commission claims for itself. It is also important to note that CJEU rulings are often issued by single judges, which means that the fate of Member States and their societies depends on one person. A notable example of a single-judge decision impacting a state's vital interests is the Turów case, where a panel of one judge issued an order suspending the operation of a power plant, which was a significant component of the country's energy security. This is not the kind of community where one person, a foreigner, decides matters concerning a 38-million-strong state, as its founders had envisioned.

The mutual interdependence of the Commission and the CJEU was clearly demonstrated during the adoption of the Green Deal. This program, which exceeds the bounds of treaty competences, should have been adopted unanimously by all Member States because it concerns the energy mix and energy security of each state. In matters of energy security and the energy mix, it is essential that all member states cooperate. Implementing these regulations in any other manner would violate the constitutional principle of sovereignty, the European treaties, and the principle of conferred competences. The Commission, recognizing the challenge of achieving unanimous consensus, implemented a majority voting procedure. This breach of treaty rules was nevertheless approved by the CJEU, which thus became not so much a guardian of the law as of the Commission's usurpation of competences.

The European Commission and the CJEU play pivotal roles in preserving and overseeing the smooth functioning of the single market. However, it is essential that these provisions are strictly confined to the specific economic and trade domains initially granted under the original EEC Treaty. Today, we are observing a tendency to significantly exceed the scope of the single market

and to enter areas that were not transferred to the Union's competence. The Commission and the CJEU have come to regard themselves as entitled to coordinate not only an economic union but also a political one, with very strong ideological elements (such as the Green Deal or the redefinition of the concept of marriage).

The postulate of a **Europe of Strategic Partnerships** is to maintain the necessary authority of the Commission and the CJEU in the area of the single market and to exclude them entirely from matters going beyond the treaty framework. At the same time, we mustn't prevent states that choose to do so from pursuing deeper integration in areas that are beneficial to them. However, it is essential to emphasize that this form of community integration should never be imposed on states that do not express a desire to participate in this process.

The following are examples of the areas of operation of a European Strategic Partnership (of many paths).

No	Policy Area	Assumption
1	Euro zone	States choose to adopt the euro voluntarily, without coercion
2	Schengen	Voluntary participation in the Schengen Area
3	PESCO (Defence)	A group of interested states deepens integration in defense (e.g., defense of the eastern flank)
4	EPPO (prosecutor's office)	Freedom of choice in European criminal prosecution
5	Migration/Asylum	A coalition of willing states creates a common asylum system
6	Green Deal/Climate	Only interested states participate in climate policy regulations

7	Taxes (CIT/VAT)	Harmonization of tax policy or joint action against tax havens
8	AI Act/Digitalization	A coalition of willing states develops common regulations in the field of AI
9	Energy (market)	Harmonization or unification of the energy mix by selected states
10	Drone Policy	A coalition of willing states develops the drone industry and implements this technology in their common defense system

Chapter V

Economic NATO

The issues surrounding EU–U.S. relations were most vividly reflected in the questions—and even postulates—voiced publicly by Vice President J.D. Vance during the Munich Security Conference in February 2025.[44] Unsurprisingly, the greatest outrage among liberal European elites was provoked by his statement that the most serious threat to Europe is neither Russia nor China, but the erosion of civilizational and democratic norms—such as the introduction of censorship, the destruction of political opponents under the banner of combating populism and "fascism," and the exclusion of certain opinions from public discourse. In summary, he contended that the internal threats to democracy in Europe are more significant than the external ones. However, it is precisely the latter that constitutes the fundamental premise for reflection on deeper economic and defense integration between the EU and the United States.

- First, J.D. Vance accused the EU of benefiting for decades from U.S. subsidies for Europe's security infrastructure and demanded a fairer burden-sharing arrangement, suggesting an increase in defense spending to 3 percent of GDP.

- Secondly, he proposed that Europe should not serve as a "permanent security vassal" of the United States and must assume greater responsibility for its own continental security. This would allow the U.S. to focus on challenges in East Asia (the offshore-balancing strategy).
- Thirdly, he stated that mass immigration is among the most pressing threats facing Europe and called on European leaders to take decisive action to curb it.
- Fourth, he defended the new tariff policy intended to rebalance the global trading system. The United States cannot be treated merely as a market for other countries' export surpluses while its own industrial production weakens.

This shift is indicative of a larger trend in U.S. foreign policy under President Donald Trump's administration, which aims to prioritize domestic American interests and encourage allies to contribute more significantly to global security efforts.

The EU must first demonstrate to itself that it has the will and the capacity to defend its own security, and only subsequently demonstrate to the American taxpayer that it is worth dying for. It must address J.D. Vance's inquiry: in the interest of which values are Americans expected to defend Europe? If this diagnosis is accurate, it appears that Europe's position is relatively marginal when viewed in relation to the major global powers. Europe, while possessing significant economic potential, has seen a decline in this capacity. The U.S. views Europe as a valuable partner due to its alignment with Washington's strategic approach in East Asia and its capacity to balance America's geopolitical interests. Europe should aspire to be a reliable ally of the United States, rather than merely a client.

A new U.S. national security strategy has been published, which I discussed above. However, there is not yet an official U.S. defense strategy under the new administration, including confirmation of the scale and nature of American engagement in Europe. However, it appears that only countries located on the "outer," or overseas, frontier of the United States, Canada, and Greenland (namely Norway, the United Kingdom, France, and Spain), or those situated around globally significant strategic resources (such as the Middle East, Turkey—especially Israel—and NATO's eastern flank, that is Poland), may remain in a close alliance with this power. In this regard, it is imperative to recognize the pivotal role that a nation's internal strength, as reflected in its military capabilities and its defense policy, plays in facilitating such cooperation. Therefore, it is imperative for Poland to fortify its comprehensive system of state resilience, in conjunction with a comprehensive reform of the Polish armed forces, their rearmament, and the establishment of defense industries in Poland that are globally competitive.

In the current geopolitical landscape, the economic frontiers of the United States with China are of particular importance, given the country's proximity to the northern territories of Russia, extending from Alaska to Norway. The Middle Kingdom aims to develop trade routes through these regions to reach Europe and the Atlantic market. These territories also contain significant untapped energy resources. These factors contribute to Russia's status as a point of "concern" for the two leading

contemporary superpowers, while the Central European region becomes a peripheral area of less significance in terms of economic and defense policy formulation for China and the United States, the latter of which faces challenges in establishing straightforward overland access.

To maintain a favorable balance of power in the region and align with U.S. military interests, particularly in the context of potential challenges from Eurasia, it is essential for countries in the eastern flank, including Poland, to enhance their defense capabilities, technological expertise, population dynamics, and human-capital resources. As Poland's reliance on the United States diminishes, its resilience and the likelihood of Washington maintaining its presence in the eastern region increase. This, in simplified terms, is the most important axiom of a policy aimed at encouraging the U.S. to remain in NATO or to undertake any future intervention on the territory of Eastern European states. It is evident that Poland's capacity to address military and hybrid threats is comparatively less substantial than that of the Intermarium states or the EU as a whole.

According to recent estimates, Poland's defense expenditures in 2024 are projected to amount to approximately 3 percent of the country's nominal GDP, 10 percent of China's, 20 percent of Russia's, nearly half of Germany's, and slightly less than Israel's. The EU as a whole allocates a greater portion of its budget to defense than China, ranking second globally in defense spending. However, its defense potential is lacking in several respects. First, it is uncoordinated, dispersed, and fragmented, which limits its capacity for large-scale production. Second, there is a lack of standardization and interoperability of equipment. Third, there is internal competition. Of even greater concern is the absence of a unified command.

This underscores the necessity for a robust economic partnership between the EU and the U.S., one that mirrors the level of cohesion seen during the most successful periods of NATO. Trade, security, and resilience should complement one another and be intertwined. This will require EU states to abandon the assumption that free trade and the economy can be separated from geopolitics.

How to Strengthen the West?

Avoidance of a dangerous rivalry between Europe and the United States—a spiral that could pull Europe downward, especially given China's growing economic power—is possible by creating an **Economic NATO**.

This term is used to refer to a proposal for the establishment of a free-trade area among NATO member states. It is important to note that not all EU countries are members of NATO. Therefore, this proposal, known as Economic NATO, should be understood broadly. Such an area could include not only Canada, Turkey, and Norway—NATO members—but in the more distant future also Japan, Korea, Australia, and New Zealand. Consequently, the "North Atlantic" economic organization would no longer be applicable in this context. The nomenclature, however, is of secondary importance.

A free-trade area is a well-established solution that has been extensively documented in economic literature. It enables countries to maintain distinct external tariff rates while eliminating internal tariffs and non-tariff barriers. It is a specific pattern or model that can be implemented in stages, stages that are politically acceptable to today's NATO states. This initiative is a strategic response to the growing security threats facing the Alliance's member states, which encompass a wide range of challenges, including territorial integrity, hybrid warfare, economic interests, and raw materials, among others. NATO's original mandate was to defend Europe and the United States from a potential Russian attack. However, in today's multipolar world, China is increasingly seen as the primary source of conflict or domination. The concept of an **Economic NATO** would serve as an effective counterweight to China's rising power.

The establishment of a free-trade area in this region could help prevent disputes, enhance complementarity, and facilitate the exploration of new common interests in trade, technology, dual-use applications, and security. At the stage of forming a free-trade area, both economic blocs could create common norms and standards in a number of fields, which in itself would give the states of "Economic NATO" a competitive advantage over China, India, and other regions. Ultimately, the EU, the United States, and potentially other NATO allies could collaborate on rules similar to a customs union, although it should be noted that this is a more extensive form of trade and economic integration.

The economic rationale for such an "alliance" is twofold: first, the reconstruction of a united transatlantic zone sharing the values of the free world, and second, the creation of a powerful economic bloc with a combined GDP amounting to between 45 and over 50 percent of global GDP (depending on the number of countries that would ultimately be included). This potential would significantly exceed that of its rivals, thereby strengthening economic, trade, and military security and enabling joint problem-solving and confidence-building. The economic strength of such a bloc would serve as the foundation for its military power, deterrence, and stability.

Positive Economic and Defense Effects

The potential economic effects of NATO include the following:

- The elimination of trade barriers and the establishment of the world's largest relative common market would contribute to the economic prosperity of the allied countries and increase their competitiveness vis-à-vis China and other regions.
- The combined economic potential of the NATO Economic countries is about half of global GDP.^[46]
- The removal of trade disputes caused by previous trade disparities and current US customs policy would also contribute to this end.
- Furthermore, the creation of fair taxation conditions for big tech companies and encouragement of their investment and development in Europe would be a significant step forward.

- This would result in one less competitor for the EU in global competition
- One more ally for the US in the event of a conflict with China.
- Finally, the agreement on who is an enemy and who is a friend would maintain the assertive criticism that a full-fledged ally is entitled to. In practice, this could entail rejecting and constraining China's territorial expansion in Europe, regulating technology transfer to China, limiting trade relations with China, and demonstrating a willingness to use military force to defend national interests.

An Economic NATO could potentially offer the following defense benefits:

- Recognition of NATO as the primary security guarantor for Europe.
- The United States' continued involvement in NATO is essential for maintaining global stability and security.
- The importance and public perception of coordinated action in defense matters, including nuclear deterrence, may soon reach levels reminiscent of the early Cold War.
- A coordinated and synchronized level of defense financing is aligned with the objectives of the U.S. and EU.
- The coordinated arms production and reserve capacity is managed through dual-use (civilian and military) manufacturing facilities.
- There is a need to reduce "internal" competition within NATO regarding weapons systems. For example, the U.S. has one main battle tank for all global theaters, while the EU has several tank models in almost every country, despite limited combat involvement.
- The adoption of a unified transatlantic strategy toward the Russia–Ukraine war is crucial for achieving peace and maintaining a cohesive stance toward Russia and China, which have divergent and negatively correlated relations. Many experts assume that China could use the violation of borders and occupation of Ukrainian territory as a convenient "justification" for potential annexation of Taiwan or any Far-Eastern territory falling within its geostrategic interests. At that point, the U.S. might prefer to have Russia—both a European and Far-Eastern state—"on its side."

An **Economic NATO** should introduce shorter and more effective decision-making processes in defense matters into the European and transatlantic system, depending on the autonomy, scope, and degree of freedom of such a structure. NATO's existing responsibilities could be expanded to include the coordination and codification of arms-supplier lists, ensuring their coherence, and the establishment of priorities in line with current tactical and strategic security threats. These threats include military, economic, technological, energy-related, and digital aspects. Member states—and, in practice, companies—could develop their own systems on a larger and more economical scale in accordance with NATO standards, while avoiding unjustified competition for financial resources and excessively fragmented supplier bases. Additionally, NATO could plan and

recommend appropriate locations for manufacturing plants, their diversification, protection, and logistics.

An **Economic NATO** would command more than twice China's economic potential and potentially more efficient decision-making processes than the current need to coordinate defense policy and tactics among several dozen states that also compete with one another in trade.

An **Economic NATO** could also coordinate policies for channeling funds into facilities capable of maintaining dual-use production in peacetime and activating their capacities in the appropriate place and threat environment. A new alliance—expanded to include economic and trade functions—should possess the ability to assess the degree of dependence on raw materials and other resources from non-member states and to create risk maps affecting member-state development. Concurrently, it should promote near-shoring, friend-shoring, and the localization of key industries and manufacturing capacities within member states. This approach will establish the foundation for Europe's reindustrialization, ensuring independence from China and other Asian countries. In collaboration with the U.S., which maintains a strong presence in space, air, and maritime domains, Europe has the potential to resume its role as a leader in technological innovation, with much of today's innovation driven by advancements in military technologies. The proposal for an economic alliance analogous to security structures and dubbed an **Economic NATO** could open entirely new perspectives for both Europe and the United States. Rather than engaging in trade disputes that are ultimately self-destructive, I propose a "leap forward." To mitigate the social effects of an **Economic NATO**, it would be necessary to include exceptions and derogations (for example, for Polish and European agriculture). However, the direction of mutual economic opening and the construction of a great transatlantic bloc could constitute a real counterweight to the growing power of China, or more broadly, the BRICS states and the Global South.

The combined economic and regulatory strength of the United States and Europe would enable the effective imposition of norms, standards, and new rules of the game. The economic clout of such a free-trade area would also be of enormous importance for strengthening global peace. An economic NATO could also guide capital flows in a manner that aligns with strategic interests, ensuring that investments are directed not only to regions offering the highest rates of return, but also to areas where capital allocation can contribute to the security of allied nations. This approach would differ from the historical practice of outsourcing a significant number of corporate functions, which has been a source of concern.

An Economic NATO could help resolve disagreements regarding the taxation of major technology companies. Over time, it could eliminate customs tariffs, leading to the formation of a comprehensive and stable free-trade zone. This would enhance complementarity and mutual reinforcement between economies, potentially accelerating economic growth on both sides of the Atlantic. Poland, as part of a robust economic alliance, stands to become a pivotal hub for American investment in cutting-edge technologies. This strategic partnership involves multi-billion-

dollar investments in sectors such as semiconductors and artificial intelligence, along with a collaborative involvement in new military and energy projects, including nuclear power. A transatlantic format could effectively reverse current trends in the global balance of economic power, with China's increasingly dominant position and the shifting of the world's main financial-economic center toward Asia — with the rising role not only of the Middle Kingdom but also of India, Indonesia, and other Asian players.

The aforementioned considerations concerning the concept of an Economic NATO should be regarded as a preliminary political, trade, and economic proposal intended to underscore the significance and rationale of preserving the EU–U.S. alliance, notwithstanding substantial disparities in perspectives and values. This proposal is founded on substantial and rational economic and military premises inherent in the present, multipolar geopolitical system. This proposal stems from Poland's commitment to safeguarding its national sovereignty within the EU while fostering a strong alliance with the United States.

Conclusion

Europe stands on the threshold of a transformative era, and the decisions we make in the coming years will shape our continent's future standing in the global landscape. The previous model, predicated on the illusion of boundless prosperity, unconditional integration, and dogmatic climate policy, has led the Union to stagnation, a diminution of competitiveness, and an increase in dependence on external actors.

It is time to abandon illusions and confront reality. China, Russia, and the United States are pursuing their own strategies, which often contradict Europe's interests. It is essential that we find our place in this new reality, defend our interests, and build alliances based on mutual benefits. The traditional model of centralization and uniformity has proven to be ineffective. We must establish a Europe of many paths — a Europe of Strategic Partnerships — in which each Member State has the right to choose its own development trajectory, and integration is based on voluntariness and mutual benefits. If several countries wish to pursue a course of action that may prove to be disadvantageous due to perceived national interests, they are at liberty to do so. However, it is not appropriate to impose similar measures on the remaining states.

The concept of a **Europe of Strategic Partnerships** is not only a call for flexibility and diversity; it is, above all, a call for pragmatism and responsibility. This means:

1. It is essential to reject ideological dogmas and instead adapt climate policy to economic and social realities. A rational energy transition is essential, one that considers the unique circumstances of each member state and utilizes innovative technologies rather than ideological mandates.
2. Protecting sovereignty: Member States must retain the right to make sovereign decisions in matters of migration, culture, and values. The European Union must respect the identities

and traditions of nation-states, as it cannot impose patterns or ideologies that are unacceptable to them.

3. Strengthening competitiveness: Europe must regain its position as a leader in innovation, technology, and industry. To ensure European companies maintain a competitive presence in the global market, it is essential to implement policies that promote deregulation, investment in research and development, and a supportive environment for entrepreneurship.
4. Partnership over centralization: Europe should reconsider its approach to the concept of ever-closer union in a centralist sense. Instead, it should prioritize the establishment of resilient strategic partnerships among Member States and with the United States, founded on mutual benefits and shared interests.

In light of China's growing influence and the current global climate of uncertainty, it is imperative to fortify transatlantic relations and establish a robust economic alliance grounded in shared values and mutual interests. The concept of an **Economic NATO** has the potential to significantly impact Europe's economic and geopolitical landscape.

To reiterate, the advantages of this initiative are manifold. It could:

- Eliminate trade barriers by creating a free-trade area between the EU and the United States. This would establish the world's largest internal market and stimulate economic growth on both sides of the Atlantic.
- Coordinate economic policy by agreeing on common positions regarding trade, investment, regulation, and competition. This would allow us to effectively defend our interests on the international stage.
- Support innovation and technology by investing in research and development, developing shared technological standards, and creating favorable conditions for innovative companies. This would help Europe and the United States maintain their technological advantage.
- Strengthen economic security by diversifying energy and raw-material sources, creating strategic reserves, and protecting key sectors of the economy against external threats.
- Reverse harmful trends in trade and industry by re-industrializing Member States and limiting Chinese expansion in European markets. This would help strengthen the EU economy..

An additional, crucial element of such an allied bloc appears to be the revival of a format modeled on COCOM (the Coordinating Committee for Multilateral Export Controls). This informal mechanism, in place from 1949 through the Cold War, facilitated coordination of exports of strategic technologies and dual-use goods from Western countries to the Soviet bloc, thereby hindering the strengthening of its military and economic potential. Given China's growing dominance, renewing such an arrangement in the form of COCOM 2.0 within the transatlantic and

economic NATO framework is an obvious choice. A coordinated transatlantic economic and technological response is necessary to effectively counter their expansion. Making Western technologies available to China, deepening dependencies in supply chains, opening markets, or even subsidizing Chinese products — all based on the dogma of a global market and short-term economic gains — may, in the current geopolitical situation, be comparable to analogous potential transfers to the USSR and its satellite states during the Cold War. In the absence of COCOM 2.0, Europe faces a range of potential challenges, including the risk of industrial, technological, and economic collapse, a deepening of its dependence on China, and even a military threat. In light of these developments, I propose the initiation of a new COCOM 2.0 agreement, with the objective of controlling the proliferation of key technologies and maintaining the economic strength of the free and democratic world.

Poland, as a frontline state and an important regional actor, has a key role to play in building the new Europe. To achieve this goal, it is essential to prioritize investment in innovative sectors, dual-use technologies, infrastructure, and the energy sector. It is imperative that we persist in the modernization of our armed forces and the cultivation of our own defense industry to bolster our national security. Collaborating with partners in the region and around the world who share our values and interests is essential.

The future of Europe is contingent upon the maturity of its political elites and state leaders, who bear the responsibility for pivotal decisions. The future of this initiative depends on a new generation of leaders who will be able to chart new courses and shape public opinion rather than merely following it. We must decide whether to follow a course of stagnation and dependence, which may ultimately result in the loss of sovereignty, or a path of development, competitiveness, and building strength commensurate with our potential. These are the questions we must pose to those in positions of authority, ensuring that they are held responsible for their decisions. It is essential that we abandon illusions, confront reality, and establish a new vision of Europe that effectively addresses the challenges of the twenty-first century. **A Europe of Strategic Partnerships, Economic NATO**, and a strong Poland are the keys to our future. It is time to take action and embrace change.

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