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European Economic Diplomacy Facing Contemporary Geopolitical Crises: Between Strategic Autonomy, Competitiveness, and the Transition Toward Sustainable Development

Benhamida hichem[1*]	Benaissa Abderrahmane[2]	Tabea Hirzel [3]
Benhamida.hichem@univ-boumerdes.dz	a.benaissa@univ-boumerdes.dz	thirzel.smcu@gmail.com
0000-0002-3859-8453	**0009-0007-6672-3163**	**0000-0002-2418-4655**
University of Boumerdes (Algeria)	University of Boumerdes (Algeria)	SMC University Canton of Zug (Switzerland)

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ABSTRACT

The return of war to the European continent, the energy shock triggered by Russia's invasion of Ukraine, and the widening trade deficit with China have forced the European Union to rethink the instruments of its economic diplomacy. This article asks how EU economic diplomacy is adapting to the combined geopolitical, economic, and environmental conjuncture while reconciling strategic autonomy, international competitiveness, and sustainable development. Building on the theoretical contributions of Keohane and Nye on complex interdependence, Rodrik's globalization trilemma, Porter's competitive advantage of nations, and Stiglitz's critique of asymmetric globalization, the study develops a qualitative, document-based comparative analysis of four policy instruments adopted between 2022 and 2026: REPowerEU, the Carbon Border Adjustment Mechanism (CBAM), Global Gateway, and the broader "open strategic autonomy" doctrine embedded in the Competitiveness Compass and the Clean Industrial Act. Evidence is drawn from Eurostat trade statistics, European Commission communications, IMF World Economic

[*] *Corresponding author.*

Outlook data, World Bank trade monitoring reports, OECD economic outlooks, and WTO trade statistics covering 2022 through mid-2026. The analysis shows that the EU has shifted from a primarily normative and market-based diplomacy toward a more defensive, security-conscious posture, yet this shift remains constrained by internal contradictions: CBAM advances climate objectives while straining relations with developing-country exporters; Global Gateway pursues geopolitical positioning more than partner-country development needs; and ReArm Europe diverts fiscal space away from the green transition at the exact moment energy security requires accelerated investment. The findings suggest that European economic diplomacy increasingly resembles defensive mercantilism wrapped in sustainability language, a configuration that creates real but partial autonomy rather than the comprehensive sovereignty the EU's own communications claim to pursue. The article proposes a differentiated typology of crisis response and offers policy recommendations addressing the sequencing of defense, energy, and climate spending under tightening fiscal constraints.

1. Introduction

Brussels spent the 2000s exporting market rules. It spends the 2020s defending them. That sentence captures, more economically than any communication from the European Commission, what has happened to European economic diplomacy since 2022. For three decades, the Union's external economic action rested on a fairly stable premise: trade liberalization, regulatory convergence, and multilateral rule-making would, together, deliver prosperity and project European values abroad without requiring traditional instruments of power (Meunier & Nicolaïdis, 2006). Russia's full-scale invasion of Ukraine in February 2022 broke that premise in a matter of weeks. Gas pipelines that had structured Franco-German and Italian energy strategy for fifty years became liabilities overnight; supply chains for semiconductors, critical minerals, and pharmaceutical inputs turned out to run through jurisdictions the Union could neither influence nor, in some cases, trust.

What followed was not a single policy response but a sequence of overlapping ones, each addressing a different vulnerability and each carrying its own institutional logic. REPowerEU, launched in May 2022 with €300 billion in financing, targeted energy dependence (European Commission, 2022). The Carbon Border Adjustment Mechanism, agreed in 2023 and entering its definitive regime on 1 January 2026, targeted carbon leakage and, implicitly, unfair competition from carbon-intensive imports (European Commission, 2025a). Global Gateway, the EU's €300 billion infrastructure investment initiative for partner countries, targeted the loss of geopolitical ground to China's Belt and Road Initiative. And from February 2025, the Competitiveness Compass and the accompanying Clean Industrial Act attempted to fuse all of this into a coherent doctrine under the label "open strategic autonomy" (CPR Asset Management, 2026). By early 2026, that doctrine faced a fifth shock it had not been designed for: a war in the Middle East that, within weeks, pushed the IMF to cut its euro-area growth forecast from 1.4% to 1.1% for the year and to raise inflation projections to 2.6% (Euronews, 2026; IMF, 2026a). Each crisis arrived faster than the previous one had been absorbed.

This accumulation of shocks raises a question that is empirical before it is normative: does European economic diplomacy still operate as a single, coherent project, or has it splintered into a set of parallel, occasionally contradictory crisis responses dressed in a shared vocabulary of autonomy

and sustainability? The literature on economic diplomacy has long debated whether the EU is a coherent "trade power" projecting influence through market access (Meunier & Nicolaïdis, 2006), a normative actor exporting rules and values (Damro, 2012), or, increasingly, a defensive actor reacting to a world it no longer controls (Leonard, Pisani-Ferry, Ribakova, Shapiro, & Wolff, 2019). The events of 2022–2026 give this debate empirical traction it previously lacked. Examining how four flagship instruments interact—REPowerEU, CBAM, Global Gateway, and the broader strategic-autonomy doctrine—offers a way to test which of these characterizations now fits best, and at what cost to the others.

The scientific justification for this inquiry rests on three observations. First, the temporal compression of crises—pandemic, war, energy shock, trade fragmentation, a second war—has not given European institutions the customary multi-year window to design and legislate sequential responses; policies have instead been built and rebuilt under direct pressure, which is a different mode of institutional behavior than the one most existing theory describes. Second, the financial scale involved—REPowerEU's €300 billion, Global Gateway's €300 billion, ReArm Europe's €800 billion, SAFE's €150 billion in loans—now rivals or exceeds the budgetary weight of the policies the EU is best known for internationally, the Common Agricultural Policy and cohesion funds, yet has received comparatively less systematic academic scrutiny as an integrated diplomatic strategy rather than as separate sectoral programs. Third, the simultaneous pursuit of autonomy, competitiveness, and sustainability creates trade-offs that are rarely made explicit in EU communications, which tend to present the three objectives as mutually reinforcing rather than, as this article will argue, frequently in tension. Addressing that gap—rather than producing a fourth descriptive account of any single instrument—is the contribution this article aims to make.

The remainder of the article proceeds as follows. Section 2 reviews the theoretical foundations relevant to economic diplomacy, international political economy, global governance, economic resilience, and sustainable development. Section 3 specifies the research problem; Sections 4 through 7 set out the research questions, hypotheses, objectives, and conceptual framework. Section 8 details the qualitative comparative methodology. Sections 9 through 12 present the empirical analysis across four thematic axes—energy and strategic autonomy, trade and carbon policy, infrastructure diplomacy toward the Global South, and the fiscal trade-offs

of rearmament. Section 13 discusses the findings against the literature, Section 14 offers strategic recommendations, and Section 15 concludes.

2. Literature Review

2.1 Economic Diplomacy and Complex Interdependence

The starting point for any analysis of EU economic diplomacy remains Keohane and Nye's (1977) concept of complex interdependence, developed to describe a world in which military force loses some of its former centrality and economic, informational, and institutional channels of influence multiply. Their framework distinguished sensitivity interdependence—the speed and cost with which a shock in one country transmits to another—from vulnerability interdependence—the cost of adjusting to that shock once policy responses are exhausted (Keohane & Nye, 1977). The European gas crisis of 2022 is close to a textbook illustration of the second concept: dependence on a single supplier for a critical input left the Union with few low-cost adjustment paths once that supplier became an adversary. Nye's later work on soft power (Nye, 2004) supplies the complementary half of the picture relevant to Global Gateway and the EU's broader normative diplomacy: the capacity to shape outcomes through attraction and agenda-setting rather than coercion. The tension this article investigates is precisely whether the EU, confronted with vulnerability of the Keohane–Nye type, has been forced to substitute harder instruments for the soft-power ones on which much of its post-Cold War identity was built.

2.2 The Political Trilemma of the World Economy

Dani Rodrik's (2011) trilemma offers the second pillar of the framework. Rodrik argues that democracy, national sovereignty, and deep economic globalization cannot be maximized simultaneously: any two can be combined fully only at the expense of the third. Applied to the EU, the trilemma operates at two levels at once. Internally, the Union has historically resolved the trilemma by pooling sovereignty at the supranational level, allowing deep market integration among member states without forcing each state to sacrifice an equivalent share of national democratic control—the so-called "European" solution Rodrik himself discusses as one of the trilemma's possible escape routes. Externally, the question becomes sharper: does pursuing "strategic autonomy" in

semiconductors, critical raw materials, or defense industrial capacity require the EU to accept a less open posture toward global markets than its trade policy traditionally assumed? Rodrik's later work on premature deindustrialization and the political economy of trade shocks (Rodrik, 2018) is directly relevant to the CBAM and Clean Industrial Act debates examined in Section 10, since both instruments implicitly accept that open trade in carbon-intensive or strategically sensitive goods can no longer be treated as costless.

2.3 Competitive Advantage and the Diamond Model

Michael Porter's (1990) work on the competitive advantage of nations provides the analytical vocabulary the European Commission itself increasingly borrows, most visibly in the September 2024 Draghi report on EU competitiveness and the subsequent Competitiveness Compass. Porter's diamond model identifies four determinants of national competitive advantage—factor conditions, demand conditions, related and supporting industries, and firm strategy and rivalry—plus the role of government as catalyst rather than direct provider of competitiveness. The European debate since 2024 has effectively become an argument about which corner of Porter's diamond is failing: critics of EU industrial policy emphasize weak demand conditions and capital market fragmentation, while defenders of the Clean Industrial Act emphasize factor conditions, particularly energy costs, as the binding constraint. Porter's parallel concept of the "pollution haven" critique—the idea that environmental regulation, far from undermining competitiveness, can drive innovation that improves it (the so-called Porter hypothesis)—bears directly on how CBAM is justified rhetorically inside the Commission, even where the empirical record on the Porter hypothesis remains genuinely contested in the broader economics literature (Ambec, Cohen, Elgie, & Lanoie, 2013).

2.4 Globalization, Inequality, and Institutional Asymmetry

Joseph Stiglitz's critique of the institutional architecture of globalization (Stiglitz, 2002, 2017) supplies a necessary counterweight to the Porter-inflected optimism of much EU competitiveness discourse. Stiglitz's central claim—that the rules of global economic governance have systematically been written by and for advanced economies, producing benefits that are smaller and more unevenly distributed than the standard liberalization narrative suggests—is germane to the Global Gateway case examined in Section 11. Recent analyses of Global Gateway's project portfolio note that of 256 flagship projects announced between 2023 and 2025, the

overwhelming majority concentrate on climate and energy infrastructure aligned with European commercial interests, while health and education—the sectors developing-country partners frequently prioritize—together account for less than one-fifth of projects (Center for Global Development, 2026). This pattern is consistent with Stiglitz's broader argument that institutions and initiatives nominally designed for mutual benefit tend, in practice, to encode the priorities of the party that designs and finances them.

2.5 Sustainable Development and the Limits of Decoupling

Jeffrey Sachs's work on sustainable development (Sachs, 2015) and the broader literature on planetary boundaries provide the normative anchor for evaluating whether EU climate instruments deliver genuine decarbonization or primarily competitive protection dressed in environmental language. Sachs's framework for the Sustainable Development Goals emphasizes that environmental, economic, and social objectives must be pursued as an integrated system rather than sequentially, a standard against which the EU's own sequencing—climate policy advanced rapidly between 2019 and 2023, then partially rolled back through the 2025 Omnibus simplification packages once competitiveness concerns intensified—appears to fall short (CPR Asset Management, 2026). The European Green Deal's own internal tensions, well documented in recent comparative work on EU sustainability leadership (do Vale, 2026), illustrate Sachs's point: instruments built for one set of conditions (a relatively stable trade and security environment) face pressure to compromise their environmental ambition once a different set of conditions (war, energy scarcity, competitiveness anxiety) takes priority in political attention.

2.6 Global Governance and Regime Theory

A fourth strand of relevant theory concerns global governance and institutional regime design. Keohane's (1984) work on cooperation after hegemony, extending the complex interdependence framework into an account of why states continue to cooperate through institutions even as unilateral hegemonic leadership declines, helps explain the EU's persistent attachment to multilateral instruments—the WTO, the Paris Agreement architecture—even as its own behavior, through CBAM and the Carbon Border Adjustment Mechanism in particular, edges toward unilateral standard-setting that critics characterize as a new form of regulatory extraterritoriality, often discussed under the label of the "Brussels Effect"

(do Vale, 2026). The Brussels Effect concept itself, while not originating in the IPE canon used above, has become central to how EU external action is now theorized: the claim is that EU market size allows it to externalize its regulatory preferences without needing traditional diplomatic leverage. Whether this mechanism still functions as effectively in a more fragmented trading system—one the WTO itself now describes as exhibiting measurable "friend-shoring," with trade flows increasingly sensitive to geopolitical distance since the invasion of Ukraine (WTO, 2023)—is an open empirical question this article addresses through the CBAM case.

2.7 Economic Resilience and Strategic Autonomy

Finally, the concept of economic resilience, developed extensively in the resilience-engineering and economic-geography literatures and adapted to EU policy discourse since 2020, frames the analytical link between the four instruments examined here. Resilience is conventionally defined along three dimensions: the capacity to absorb a shock, the capacity to adapt during it, and the capacity to transform structurally so that the same shock causes less damage next time (Martin & Sunley, 2015). REPowerEU is best understood as an adaptation instrument—reducing Russian gas dependence from nearly 60% of EU gas imports in 2021 to below 20% in 2025 (CPR Asset Management, 2026)—while the Clean Industrial Act and the broader strategic-autonomy doctrine aspire to the transformational dimension, attempting to change the underlying structure of European energy and industrial dependence rather than merely substitute one supplier for another. Whether substitution (more LNG from the United States, now close to 40% of EU gas imports, up from under 10% in 2021) constitutes genuine transformation or simply a change of dependence partner is a question the resilience literature raises directly and one this article returns to in Section 9.

3. Statement of the Problem

The European Union has, since 2022, multiplied the instruments of its external economic action at a pace without precedent in its post-Maastricht history. Each instrument was designed, at least in its official justification, to address a specific vulnerability exposed by a specific shock: energy dependence in the case of REPowerEU, carbon leakage and unfair competition in the case of CBAM, geopolitical competition with China's infrastructure diplomacy in the case of Global Gateway, and territorial defense in the case of ReArm Europe and SAFE. Yet these instruments draw on a shared and limited pool of fiscal space, political attention, and

institutional capacity, and the European Commission's own communications increasingly present them as a single coherent doctrine—"open strategic autonomy"—rather than as a set of context-specific emergency responses. The problem this article investigates is whether that claimed coherence survives empirical scrutiny, or whether the simultaneous pursuit of strategic autonomy, international competitiveness, and sustainable development in fact generates internal contradictions that EU policy discourse tends to obscure rather than resolve. This matters scientifically because the international political economy literature has, to date, analyzed these instruments largely in isolation—as energy policy, as trade policy, as development policy, as defense policy—without systematically testing whether they cohere as a single diplomatic strategy or whether labeling them as such performs more rhetorical than analytical work.

4. Research Questions

RQ1. How has the European Union's economic diplomacy reconfigured its instruments and priorities in response to the cumulative geopolitical shocks of 2022–2026 (the war in Ukraine, the energy crisis, trade tensions with China and the United States, and the 2026 Middle East conflict)?

RQ2. To what extent are the EU's stated objectives of strategic autonomy, international competitiveness, and sustainable development mutually reinforcing, as official communications generally claim, or do they generate measurable trade-offs in the allocation of fiscal resources and policy attention?

RQ3. Does the combination of REPowerEU, CBAM, Global Gateway, and the broader strategic-autonomy doctrine constitute a coherent diplomatic strategy, or a set of parallel, instrument-specific responses whose coherence is primarily rhetorical?

RQ4. What are the distributive consequences of this reconfigured economic diplomacy for the EU's external partners, particularly developing and least-developed countries affected by CBAM and the recipients of Global Gateway financing?

5. Hypotheses

H1. Since 2022, European economic diplomacy has shifted from a predominantly market-liberal and normative posture toward a more defensive, security-oriented posture, without fully abandoning its liberal-institutionalist vocabulary.

H2. The pursuit of strategic autonomy and the pursuit of sustainable development are in partial tension under current fiscal constraints, such that increased defense and energy-security spending after 2025 measurably crowds out the pace, though not necessarily the stated ambition, of climate and just-transition financing.

H3. The EU's flagship instruments (REPowerEU, CBAM, Global Gateway, ReArm Europe/SAFE) function more as a sequence of crisis-specific adaptations than as components of a single, ex ante designed strategic doctrine, and their coherence under the "open strategic autonomy" label is constructed retrospectively in Commission communications rather than demonstrated by their original design or sequencing.

H4. The distributive costs of this reconfiguration fall disproportionately on developing-country trade partners (through CBAM's compliance burden) and on the social-sector financing needs of Global Gateway recipient countries, even as the EU's discourse continues to frame both instruments as mutually beneficial partnerships.

6. Research Objectives

General objective. To analyze how European Union economic diplomacy has adapted its instruments, priorities, and discourse to the geopolitical, economic, and environmental conjuncture of 2022–2026, and to assess the extent to which strategic autonomy, competitiveness, and sustainable development are reconciled in practice rather than merely in official rhetoric.

Specific objectives.

1. To map the sequence and institutional logic of the four flagship instruments examined (REPowerEU, CBAM, Global Gateway, ReArm Europe/SAFE) against the timeline of the geopolitical shocks they purport to address.

2. To assess, using available budgetary and trade data, whether resource allocation across these instruments reveals trade-offs between security, competitiveness, and sustainability objectives.

3. To evaluate the distributive impact of CBAM and Global Gateway on third countries, with particular attention to developing and least-developed economies.

4. To situate the findings within the relevant theoretical literature on economic diplomacy, international political economy, global governance, and economic resilience, in order to characterize the nature of the EU's external economic action more precisely than the "open strategic autonomy" label alone permits.

5. To formulate strategic recommendations for European decision-makers regarding the sequencing and coherence of these instruments under continuing fiscal and geopolitical constraint.

7. Conceptual Framework

This article organizes its analysis around three concepts that recur, often without precise definition, across European Commission communications: strategic autonomy, competitiveness, and sustainable development. Each requires operationalization before it can be used analytically.

Strategic autonomy, and its 2021 reformulation as "open strategic autonomy," is understood here following the resilience literature (Martin & Sunley, 2015) as the capacity of the Union to absorb external shocks, adapt its supply and security arrangements during a shock, and, where possible, transform the underlying structure of dependence so that comparable future shocks cause proportionally less damage. This definition deliberately separates autonomy from autarky: open strategic autonomy does not require self-sufficiency, but it does require diversification sufficient to prevent any single external actor from exercising the kind of leverage Russia exercised over European gas markets in 2021–2022.

Competitiveness is operationalized through Porter's (1990) diamond framework, focusing in particular on factor conditions (notably energy costs and access to critical raw materials, the two factors most directly affected by the instruments under review) and on the government's role as catalyst,

which the Competitiveness Compass and Clean Industrial Act both explicitly invoke (CPR Asset Management, 2026).

Sustainable development is operationalized following Sachs's (2015) integrated framework, requiring that environmental, economic, and social objectives be assessed jointly rather than treated as separable policy silos. This framework is used to test whether instruments justified on environmental grounds (CBAM) or framed as sustainable partnerships (Global Gateway) in fact deliver integrated outcomes, or whether environmental and commercial objectives have been pursued at the expense of social objectives, as Stiglitz's (2002) critique of asymmetric globalization would predict.

The conceptual model linking these three pillars treats them not as automatically complementary, contrary to the EU's own framing, but as occupying a constrained policy space in which gains on one dimension can—though need not always—come at the expense of another, depending on the specific instrument, its financing mechanism, and the fiscal environment in which it is deployed. This is the analytical premise tested empirically in Sections 9 through 12.

8. Methodology

This article adopts a qualitative, document-based comparative case study design, appropriate to a research question concerned with institutional coherence and policy sequencing rather than with statistical causal inference. The unit of comparison is the policy instrument; four instruments are examined in parallel across a common analytical grid covering (a) the shock that triggered the instrument, (b) its stated objectives, (c) its financing mechanism and scale, (d) its documented effects to date, and (e) its interaction with the other three instruments.

Data sources. The empirical evidence draws on primary EU documentation (European Commission communications, staff working documents, and the December 2025 CBAM definitive-regime package), Eurostat trade and price statistics (international trade in goods, EU–China trade statistics, harmonized index of consumer prices), IMF World Economic Outlook releases from January, April, and June 2026, World Bank trade monitoring publications, OECD economic outlook materials, and WTO Global Trade Outlook and Statistics reports from 2025–2026. Secondary academic and policy-analysis sources (peer-reviewed articles, think-tank analyses from the Center for Global Development and comparable institutions) are used to

triangulate interpretation of primary data, particularly for the Global Gateway case, where independent project-level data are more readily available outside Commission communications than within them.

Comparative procedure. For each instrument, the analysis first reconstructs the timeline linking the triggering shock to the policy response, in order to assess whether the instrument was designed proactively or reactively (relevant to H3). It then examines the financing mechanism in relation to the EU's other concurrent commitments, in order to identify potential crowding-out effects (relevant to H2). Finally, it examines available data on third-country and distributive effects, where such data exist (relevant to H4).

Limitations. As a qualitative document-based study, this analysis cannot establish causal estimates of crowding-out or trade diversion with the precision that a structural economic model would provide; it documents patterns consistent with the hypotheses through process-tracing logic and available descriptive statistics rather than through econometric identification. The rapidly evolving nature of the subject matter—several of the instruments examined were still being finalized or revised at the time of writing in mid-2026—also means that some figures, particularly those concerning the 2026 Middle East conflict's economic impact, should be read as provisional IMF and OECD projections rather than realized outcomes.

Table 1 summarizes the four instruments examined, their triggering shock, financing scale, and primary objective, providing the comparative reference grid used throughout Sections 9–12.

Table 1. Overview of the Four Flagship Instruments of EU Economic Diplomacy, 2021–2026

Instrument	Launch date	Financing scale	Triggering shock	Primary objective
REPowerEU	May 2022	€300 billion	Russian invasion of Ukraine; gas dependence	Energy diversification and demand reduction
CBAM (definitive regime)	Jan. 2026 (agreed 2023)	Certificate-based, scales with EU ETS price	Pre-existing carbon-leakage risk (Green Deal, 2019–)	Carbon pricing parity on imports
Global Gateway	Dec. 2021	€300 billion (2021–2027)	Competition with China's Belt and Road Initiative	Infrastructure investment and partnership diplomacy
ReArm Europe / SAFE	Feb. 2025	€800 billion capacity; €150 billion SAFE loans	Cumulative security deterioration, 2022–2025	Defense-industrial capacity and readiness

Source: Author's elaboration based on European Commission (2022, 2025a, 2025b); CPR Asset Management (2026); do Vale (2026).

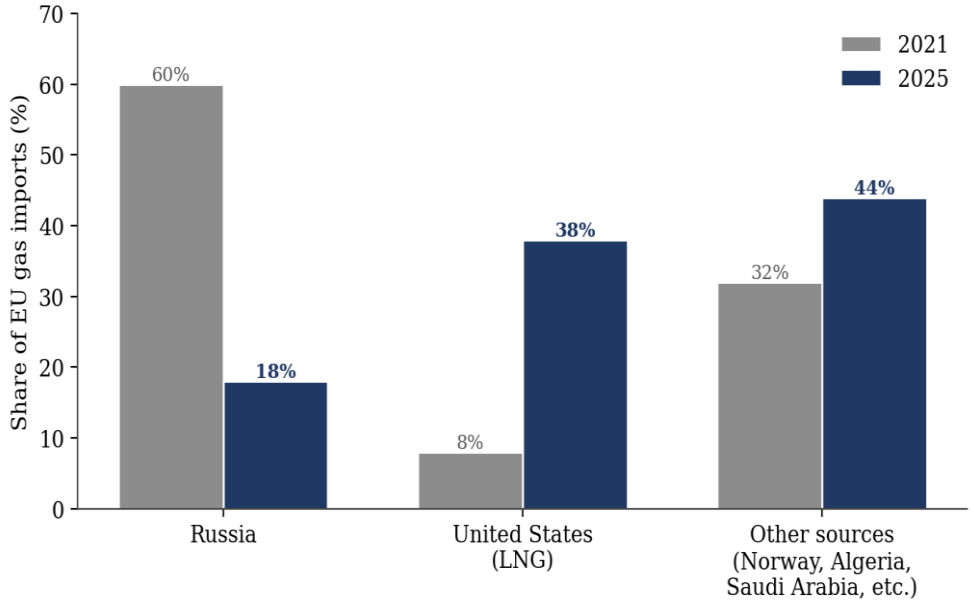
9. Analysis I — Energy Security and the Limits of Substitution: REPowerEU

REPowerEU was conceived, in May 2022, as an emergency response to a single vulnerability: roughly 40% of EU gas imports came from Russia at the time of the invasion, a dependence that had been built over four decades and that several member states, Germany prominent among them, had treated for years as a stabilizing rather than a risky feature of European energy policy (European Commission, 2022). The plan combined demand-reduction measures, accelerated renewable deployment, and diversification of supply, financed through €300 billion drawn partly from existing cohesion and recovery instruments and partly from new resources, including the auctioning of additional emissions trading allowances—itself a telling detail, since it meant financing energy diversification partly through the

carbon market the EU's own climate policy depends on (European Commission, 2025c).

The headline results are genuinely substantial. Russian gas's share of EU imports fell from close to 60% in 2021 to under 20% in 2025; American liquefied natural gas rose from under 10% to nearly 40% of imports over the same period, while supplies from sources other than Russia and the United States—Norway, Algeria, Saudi Arabia, Qatar—grew from 30% to 40% of the total (CPR Asset Management, 2026). Renewable energy investment doubled over a decade, reaching $390 billion in 2025 (CPR Asset Management, 2026). On the resilience criteria set out in Section 7, this looks, at first glance, like successful adaptation: the absolute level of dependence on any single external supplier fell sharply. Figure 1 illustrates the scale of this reconfiguration.

Figure 1. Reconfiguration of EU Gas Import Sources, 2021 vs. 2025



Source: Author's elaboration based on CPR Asset Management (2026), citing European Commission and Eurostat data.

A closer reading complicates the picture. Reducing dependence on Russia by substituting American LNG is diversification in the narrow sense of counting suppliers, but it is not obviously transformation in the sense the resilience literature intends, since it replaces one source of geopolitical leverage with another whose terms—pricing formulas tied to spot markets

rather than the long-term contracts that characterized Russian pipeline gas, and a buyer now exposed to whatever trade or tariff disputes affect the broader EU–US relationship—are arguably less favorable to European energy-cost competitiveness than the relationship it replaced. The IMF's April 2026 assessment makes this exposure explicit: euro-area growth projections were cut to 0.9% for 2026 specifically because disruption to global energy supply routes—this time the Strait of Hormuz rather than Russian pipelines—again translated directly into European inflation and growth costs, with headline inflation projected to rise to 2.8% in 2026, itself 0.8 percentage points above the pre-war IMF baseline (IMF, 2026c). An energy strategy built to escape one geopolitical chokepoint left the Union still exposed to others, because the underlying structure—dependence on imported hydrocarbons priced in volatile global markets—had been only partially transformed rather than replaced by the renewable capacity REPowerEU also funds.

This is precisely the trade-off Rodrik's trilemma logic anticipates at the sectoral level: the EU could not simultaneously achieve rapid de-Russification of energy supply, continued reliance on global hydrocarbon markets for the transition period, and full insulation from whichever geopolitical actor next disrupts those markets. REPowerEU bought time and reduced one specific vulnerability quickly; it did not, by mid-2026, deliver the structural transformation toward energy self-sufficiency that "strategic autonomy" rhetoric implies, and the Iran-related shock of 2026 exposed that gap within roughly four years of the plan's launch—a shorter interval than the multi-decade dependence the plan was designed to unwind. IMF staff, in their June 2026 concluding statement on the euro area, explicitly call for "a comprehensive EU-level energy strategy and predictable, consistent policies" covering planning, investment, and market design as still outstanding requirements (IMF, 2026d), a recommendation that would be unnecessary if REPowerEU had already delivered the structural transformation its name implies.

10. Analysis II — Trade, Carbon, and the Politics of CBAM

If REPowerEU addressed an energy vulnerability, the Carbon Border Adjustment Mechanism addresses a different and more contested one: the risk that European industry, bound by the EU Emissions Trading System's carbon price, loses competitiveness to imports from jurisdictions without comparable carbon pricing, a phenomenon the literature calls carbon leakage. CBAM entered its transitional phase in October 2023, requiring importers to report embedded emissions without yet paying for them, and moved to its definitive regime on 1 January 2026, at which point importers of cement, iron and steel, aluminium, fertilisers, electricity, and hydrogen

must purchase CBAM certificates corresponding to the carbon price they would have paid under the EU ETS had the goods been produced domestically (European Commission, 2025b; Taxation and Customs Union, 2026). The mechanism is explicitly designed to mirror the phase-out of free ETS allowances for the same sectors, which fell from roughly 54% of total free allocation in 2021–2025 and will continue declining as CBAM's financial obligations take over (European Commission, 2025c).

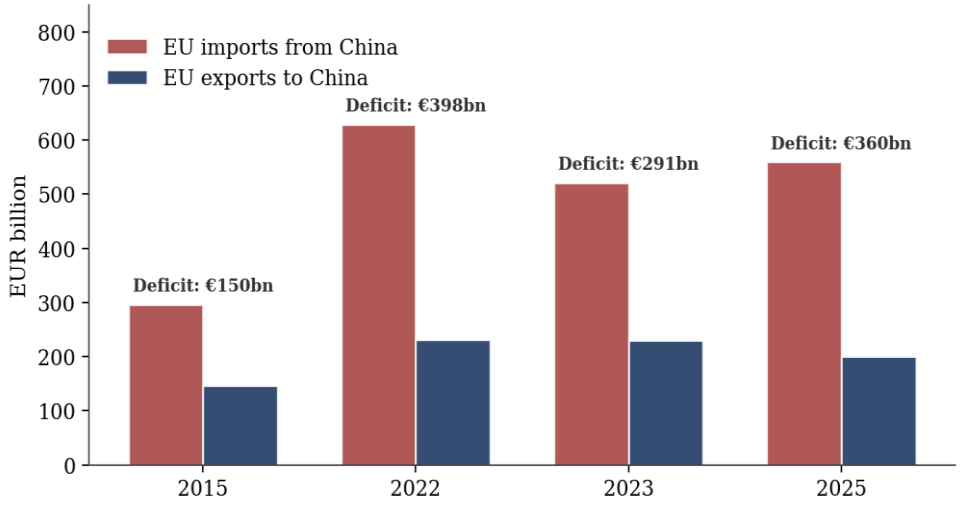
CBAM is simultaneously a climate instrument and a trade instrument, and the European Commission's own review report on the transitional period documents both functions operating at once. On the climate side, the Commission notes that the number of carbon-pricing instruments worldwide has risen to 80, covering 95 jurisdictions and roughly 28% of global greenhouse gas emissions in 2025, explicitly crediting CBAM with accelerating this trend, alongside parallel measures under consideration or already adopted in Australia, Canada, Taiwan, the United Kingdom, Brazil, and Türkiye (European Commission, 2025d). This is consistent with the "Brussels Effect" mechanism discussed in Section 2.6: a sufficiently large market can export its regulatory preferences simply by making market access conditional on compliance.

On the trade side, the picture is less comfortable for the EU's preferred framing of CBAM as a neutral climate-protection device rather than a competitiveness shield. The mechanism's review report itself acknowledges extensive industry pressure for simplification, leading to a December 2025 package introducing a 50-tonne de minimis threshold expected to exempt the large majority of occasional importers—overwhelmingly small and medium enterprises—from compliance costs, alongside anti-circumvention measures extending coverage to downstream steel and aluminium products from January 2028 (European Commission, 2025a, 2025e). The political economy of these adjustments suggests an instrument whose design is being actively shaped by the competitiveness concerns of EU industry, not solely by the emissions-accounting logic its environmental justification emphasizes—precisely the blurring between climate policy and protectionism that critics, and a strand of the academic literature on carbon border measures, have anticipated since CBAM's initial proposal.

The distributive question this raises for H4 is the EU's relationship with developing-country exporters. The Commission's own review describes "minor aggregate economic impacts" on non-EU countries, including least-developed economies, while emphasizing "strong incentives for cleaner

production" as the intended channel of adjustment (EY Global, 2026). Independent assessment of this claim is constrained by the fact that the most detailed impact data originate from the Commission itself, the same actor designing the policy—a methodological asymmetry the international political economy literature, following Stiglitz's (2002) broader critique, would flag as a structural reason for caution rather than a reason for confidence. What is less disputed is the scale of the trade relationship CBAM intersects with: the EU recorded a €359.8 billion goods trade deficit with China in 2025, the third-largest deficit category after the 2022 peak, with imports of €559.4 billion against exports of just €199.6 billion, concentrated heavily in machinery, electrical equipment, and basic manufactured goods—exactly the product categories CBAM and its prospective extensions target (Eurostat, 2026a, 2026b). Figure 2 traces the evolution of this imbalance since 2015, and Table 2 situates it within the EU's broader pattern of trade with its main partners. Whether CBAM, the Clean Industrial Act, and the broader Competitiveness Compass succeed in narrowing this deficit by encouraging reshoring, or instead simply raise costs for EU importers and downstream manufacturers without commensurate gains in domestic production capacity, remains, as of mid-2026, an open empirical question that the available trade data cannot yet resolve definitively, since the definitive CBAM regime had been in force for less than six months at the time of writing.

Figure 2. EU-China Goods Trade: Imports, Exports, and Deficit (Selected Years, 2015-2025)



Source: Author's elaboration based on Eurostat (2026a, 2026b). Years shown are those for which Eurostat figures were directly confirmed in the sources consulted; intermediate years are not interpolated.

Table 2. EU Extra-EU Trade Concentration by Main Partner, 2025

Partner	Share of extra-EU imports (2025)	Rank among EU partners	Notable feature
China	22.3%	Largest supplier of EU imports	EU goods deficit of €359.8 billion in 2025
United States	14.1%	Second-largest supplier	EU runs an overall trade surplus
United Kingdom	—	Second-largest export destination (13.1% of EU exports)	Long-term decline in euro-area import share since 2015
Switzerland	8.3%	Third-largest export destination	Stable, chemicals- and machinery-driven trade

Source: Author's elaboration based on Eurostat (2026a, 2026c). Import shares refer to extra-EU goods imports; UK and Switzerland figures refer to their rank as EU export destinations, since their import-side shares were not separately confirmed in the sources consulted.

11. Analysis III — Global Gateway and the Asymmetries of Infrastructure Diplomacy

Global Gateway, launched in December 2021 and scaled to a target of €300 billion in public and mobilized private investment through 2027, is the instrument most directly framed as a sustainable-development partnership rather than a defensive or competitiveness tool. Commission communications describe it as the EU's answer to global infrastructure gaps in digital connectivity, energy, transport, health, and education, explicitly positioned against China's Belt and Road Initiative without naming it directly in most official text (do Vale, 2026).

The empirical record on project composition complicates this framing considerably. Of the 256 Global Gateway flagship projects announced between 2023 and 2025, the overwhelming majority concentrate on climate and energy infrastructure, while health and education combined account for less than one-fifth of the total portfolio (Center for Global Development, 2026)—precisely the sectors where, as the same analysis notes, grants and concessional finance matter most for the poorest recipient countries, because these sectors generate limited direct commercial return and therefore attract little private co-financing of the kind Global Gateway's blended-finance model depends on. The pattern is consistent with a more general critique articulated in the Center for Global Development's assessment: Global Gateway projects "often lack commitments to local value addition, social sectors, and long-term institutional capacity building," favoring instead "large-scale investments that align closely with European commercial and strategic interests" (Center for Global Development, 2026).

This is not, on its own, evidence of bad faith; it is consistent with a structural feature any blended-finance instrument will exhibit, given that private capital mobilization (one of Global Gateway's explicit design goals) is naturally easier to achieve in commercially viable sectors like energy and digital infrastructure than in social sectors with limited revenue-generating potential. But it is directly relevant to H4 and to Stiglitz's (2002) broader argument: an instrument designed by the financing party will tend, almost mechanically, to encode that party's institutional constraints and commercial priorities into its sectoral allocation, even where its stated purpose is mutual development. The same Center for Global Development analysis notes a further complication that sharpens this asymmetry: several EU member states are simultaneously reducing traditional official development assistance to redirect resources toward Ukraine and defense spending—Sweden's announced phase-out of development aid to several countries being one explicit example—even as Global Gateway is presented as compensating for, rather than substituting, this withdrawal (Center for Global Development, 2026). The November 2025 EU–African Union summit, where European leaders' attention was reportedly drawn away by a concurrent US announcement on a Ukraine peace framework, is cited in the same source as symptomatic of how thinly stretched European diplomatic and financial attention has become across competing priorities (Center for Global Development, 2026).

Read through the conceptual framework of Section 7, Global Gateway scores reasonably well on the competitiveness dimension—it is explicitly designed to secure European commercial access to critical minerals, energy infrastructure, and digital markets in partner countries—but considerably

less well on the integrated sustainable-development dimension Sachs's (2015) framework requires, since the social pillar of sustainability (health, education, institutional capacity) is structurally underweighted relative to the environmental and economic pillars. This is the clearest case among the four instruments examined here of the trade-off this article's H2 anticipates: sustainability and competitiveness, presented in EU discourse as mutually reinforcing, in practice compete for the same limited pool of blended-finance instruments and political attention, and competitiveness considerations appear, on the available project-level evidence, to be winning that competition.

12. Analysis IV — ReArm Europe, Fiscal Space, and the Crowding-Out Question

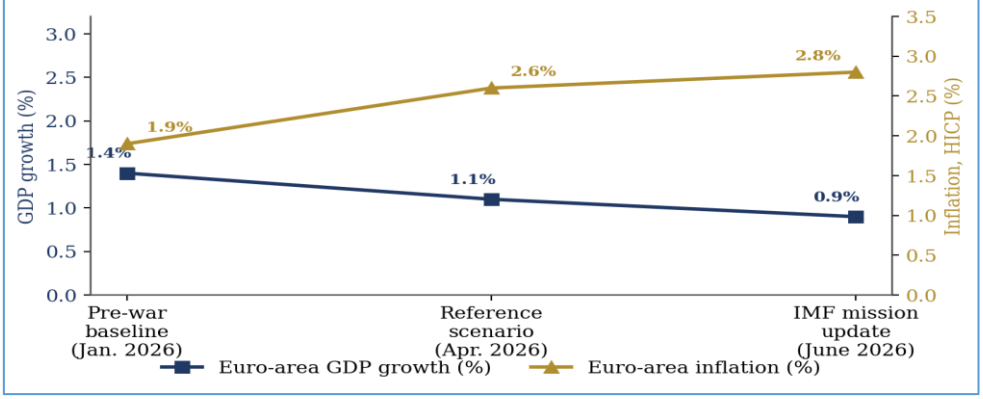
The fourth instrument, and the most recent, is the rearmament package announced in February 2025: ReArm Europe / Readiness 2030, comprising up to €800 billion in financing capacity, alongside the SAFE programme (Security Action for Europe) providing €150 billion in loans for joint military procurement (CPR Asset Management, 2026). Implementation has moved quickly by EU standards: national derogation clauses under the Stability and Growth Pact have been activated specifically for defense spending, German military expenditure is set to rise by €22 billion (21%) and French by €6.7 billion (13%) in 2026 relative to 2025, and the Commission approved a first wave of €38 billion in SAFE loans to eight member states, followed by a second wave of €74 billion to eight others, with first disbursements beginning in March 2026 (CPR Asset Management, 2026).

This is the instrument most directly relevant to testing H2, the hypothesis that strategic-autonomy spending crowds out climate and sustainability financing under tightening fiscal constraint. The mechanism is structural rather than merely circumstantial: activating the Stability and Growth Pact's national escape clause for defense spending allows member states to run larger deficits specifically for military procurement without the fiscal consolidation pressure that would normally accompany comparable increases in, for instance, renewable energy subsidies or just-transition financing for coal-dependent regions. In a fiscal environment where the IMF's June 2026 euro-area mission statement already calls for "EU-level and complementary national reforms" to fund energy strategy and grid investment, and where high-debt member states "cannot afford to widen deficits" for energy-related measures without offsetting savings elsewhere

(IMF, 2026d), the existence of a privileged fiscal channel for defense spending—but not, equivalently, for climate investment—creates exactly the asymmetric crowding-out risk H2 specifies. Defense spending gains a temporary escape from fiscal discipline; climate and just-transition spending does not receive a comparable carve-out, even though both compete for the same constrained national budgets and the same investor base for sovereign debt issuance.

The IMF's April 2026 World Economic Outlook chapter on defense-spending booms provides corroborating macro-level evidence, even though its analysis is not EU-specific: across the historical sample of large defense-spending booms it examines, outlays typically increase by about 2.7 percentage points of GDP over two and a half years, roughly two-thirds financed through deficit, with fiscal deficits worsening by approximately 2.6 percentage points of GDP and public debt rising by about 7 percentage points within three years (IMF, 2026b). Applied to the European context, where several member states—Italy, France, Belgium—already carry elevated debt-to-GDP ratios and limited fiscal headroom, a defense boom of this magnitude occurring concurrently with the energy-transition investment needs REPowerEU and the Clean Industrial Act identify, and at a moment when the IMF's own April 2026 update attributes a 0.3-percentage-point growth downgrade specifically to defense-spending-related and energy-shock-related pressures compounding each other, constitutes precisely the kind of competing fiscal claim the crowding-out hypothesis predicts (IMF, 2026a, 2026c). Figure 3 and Table 3 summarize how quickly this compounding effect has moved through the IMF's own successive forecasts within a single year.

Figure 3. Euro-Area Growth and Inflation Projections Before and After the 2026 Middle East Conflict



Source: Author's elaboration based on IMF (2026a, 2026c, 2026d).

Table 3. Successive IMF Forecast Revisions for the Euro Area, January–June 2026

Forecast vintage	Euro-area GDP growth, 2026	Euro-area inflation (HICP), 2026	Stated driver of revision
IMF WEO Update, Jan. 2026	1.4%	1.9%	Pre-conflict baseline
IMF WEO, Apr. 2026 (reference scenario)	1.1%	2.6%	Middle East conflict; energy-price shock
IMF Euro Area mission statement, June 2026	0.9%	2.8%	Persistent disruption to energy supply routes

Source: Author's elaboration based on IMF (2026a, 2026c, 2026d).

It would be analytically careless to claim this crowding-out has been fully realized and measured in the data available at the time of writing; the SAFE programme's first disbursements began only in March 2026, too recently for its budgetary displacement effects on national climate spending to appear clearly in available fiscal statistics. The broader trade environment in which this fiscal squeeze is occurring is itself deteriorating: the WTO's March 2026 Global Trade Outlook projects world merchandise trade growth slowing from 4.6% in 2025 to a baseline of 1.9% in 2026, with a high-energy-price scenario tied directly to the Middle East conflict cutting that figure to as low as 1.4%, and explicitly flags net fuel-importing regions such as Europe as the most exposed to the resulting import-growth losses (WTO, 2026). The same report notes that the share of world trade still conducted under standard most-favoured-nation tariff terms has fallen to 72%, down from 80% a year earlier, a measure of declining multilateral predictability that compounds, rather than offsets, the EU's own internal fiscal trade-offs (WTO, 2026). What the evidence supports, more cautiously, is that the institutional and fiscal architecture put in place for defense spending since February 2025 is structurally more permissive than the architecture available for climate and just-transition spending, which continues to compete for ordinary budgetary headroom and Multiannual Financial Framework allocations that the European Commission's own July 2025 staff working document describes as "too rigid," with "more than 90% of the 2021-2027 MFF and NextGenerationEU pre-allocated for specific purposes," leaving little room to redirect funds toward emerging needs

without protracted negotiation (European Commission, 2025f). This asymmetry in fiscal flexibility, rather than any single budget line, is the structural mechanism through which H2's predicted tension between autonomy and sustainability is most likely to operate in the years immediately ahead.

13. Discussion

The four cases examined above point toward a more differentiated answer to the article's central research question than EU communications typically offer, and they allow each hypothesis to be assessed against direct evidence rather than against the assumption embedded in the instruments' own framing.

On H1, the evidence supports a partial but real shift toward a more defensive posture. REPowerEU, CBAM's definitive regime, and ReArm Europe all share a family resemblance the Union's pre-2022 trade and climate policy did not exhibit: each treats a specific external dependence as a security problem requiring defensive substitution—of energy suppliers, of carbon-intensive imports, of military procurement reliance on non-European suppliers—rather than as a market inefficiency to be corrected through standard liberal instruments. Yet the vocabulary surrounding all three instruments remains resolutely liberal-institutionalist: REPowerEU is framed as accelerating an already-planned green transition, CBAM as a climate-leadership instrument rather than a tariff by another name, and even ReArm Europe is justified partly through the language of European "readiness" and resilience rather than traditional balance-of-power reasoning. This combination—defensive substance wrapped in liberal-institutionalist language—is consistent with what Keohane's (1984) cooperation-after-hegemony framework would predict for an actor whose institutional identity was built around multilateral cooperation but whose material circumstances now reward more unilateral defensive behavior: the institutional vocabulary changes more slowly than the underlying policy substance.

On H2, the crowding-out hypothesis receives support primarily through the fiscal-architecture asymmetry documented in Section 12 rather than through fully realized budgetary outcomes, which the short time elapsed since SAFE's first disbursements does not yet allow researchers to observe with confidence. This is a more cautious conclusion than the hypothesis as originally stated, and it is worth being explicit about that caution: what the evidence shows is a structural mechanism for crowding-out (privileged fiscal treatment for defense, ordinary fiscal constraint for climate spending) operating in an environment of mounting fiscal pressure (the IMF's own warnings about limited fiscal space for high-debt member states), not yet a

measured reallocation of euros away from climate budgets toward defense ones. Future research using national budget execution data from 2026 to 2028 would be needed to confirm whether the mechanism identified here in fact produces the crowding-out it makes structurally possible.

On H3, the case for "open strategic autonomy" as a retrospectively constructed label rather than an ex ante design is strong. REPowerEU was launched in May 2022, three months after the invasion of Ukraine, as an unambiguous emergency response. CBAM's legislative origins predate the war by several years, rooted in 2019-era Green Deal carbon-leakage concerns rather than in geopolitical strategy. Global Gateway was announced in December 2021, before the invasion, as a response primarily to China's Belt and Road Initiative rather than to energy or security concerns. ReArm Europe followed in February 2025, three years after the war began, once the scale of required defense investment had become politically undeniable. These four instruments were not designed together, did not share a common drafting process, and emerged in response to four analytically distinct triggers separated by as much as three years. Their integration under the single label of "open strategic autonomy," most visible in the Competitiveness Compass framework from February 2025 onward (CPR Asset Management, 2026), is therefore better understood as an exercise in retrospective narrative coherence—politically valuable, and not without genuine substantive overlap in places—than as evidence that the instruments were jointly engineered to function as a unified strategy from the outset. This finding is consistent with, though more granular than, existing characterizations of the EU as a reactive rather than proactive geopolitical actor (Leonard et al., 2019).

On H4, the distributive evidence from both CBAM and Global Gateway points in the same direction, though through different mechanisms. CBAM's compliance architecture, even after the December 2025 simplification package, places the burden of emissions accounting and certificate purchase on importers and, indirectly, on exporters in jurisdictions without comparable carbon pricing—disproportionately developing economies that lack the administrative and financial capacity to rapidly decarbonize export-oriented heavy industry. Global Gateway's sectoral composition, concentrated in climate and energy infrastructure aligned with European commercial interests rather than in the health and education sectors recipient countries frequently prioritize, produces a comparable asymmetry through the channel of project selection rather than

compliance cost. Both findings align with Stiglitz's (2002) broader argument that institutions designed predominantly by advanced economies tend to encode the priorities and constraints of their designers, even when the explicit purpose is described as mutual benefit or partnership.

Taken together, these findings suggest that European economic diplomacy in the 2022–2026 period is best characterized neither as the purely normative, rules-exporting actor of earlier IPE accounts (Damro, 2012) nor as a fully coherent geopolitical strategist successfully executing a unified doctrine, but as something closer to defensive mercantilism conducted in the vocabulary of sustainability and partnership—a configuration in which genuine, partial gains in autonomy (the REPowerEU diversification achieved by 2025) coexist with genuine, partial costs to the EU's stated sustainability and partnership commitments (the social-sector underweighting in Global Gateway, the compliance burden CBAM places on developing-country exporters). This is a less flattering characterization than the Commission's own communications offer, but it is also a less damning one than critics who dismiss "open strategic autonomy" as pure rhetoric would suggest: the instruments examined here have produced measurable, if partial and unevenly distributed, results. The honest assessment is one of incomplete and internally contradictory progress rather than either successful strategy or empty branding.

14. Strategic Recommendations for European Decision-Makers

The four cases examined above point toward a more differentiated answer to the article's central research question than EU communications typically offer, and they allow each hypothesis to be assessed against direct evidence rather than against the assumption embedded in the instruments' own framing.

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14. Strategic Recommendations for European Decision-Makers

The following recommendations follow directly from the trade-offs identified in Sections 9 through 13, rather than restating generic competitiveness or sustainability ambitions already present in EU communications.

1. Make the fiscal trade-off between defense and climate spending explicit rather than implicit. The asymmetric fiscal architecture identified in Section 12—a national escape clause for defense spending under the Stability and Growth Pact, with no equivalent mechanism for climate and just-transition investment—should be addressed directly rather than left to operate by default. The Commission and Council should assess, before the 2027 Multiannual Financial Framework negotiations, whether a comparable, time-limited flexibility mechanism for energy-transition and grid investment is warranted, given the IMF's explicit call for "a comprehensive EU-level energy strategy" as an outstanding requirement (IMF, 2026d) and given that energy security and defense security are, on the evidence reviewed here, more interdependent than the EU's separate budgetary treatment of the two currently implies.

2. Decouple Global Gateway's social-sector financing from its commercial co-financing requirement. The structural underweighting of health and education in Global Gateway's portfolio, documented in Section 11, follows mechanically from a blended-finance model that requires private capital mobilization in sectors with limited commercial return. A dedicated grant-based facility for social-sector projects, financed separately from the blended-finance instruments driving the climate and energy portfolio, would address this asymmetry without requiring the EU to abandon the commercial logic that makes the rest of Global Gateway attractive to private investors.

3. Conduct and publish an independent, non-Commission assessment of CBAM's distributive impact on least-developed-country exporters before the 2028 downstream-product extension takes effect. The methodological asymmetry noted in Section 10—impact assessments produced primarily by the same institution designing the policy—should be corrected through a genuinely independent review, ideally conducted jointly with the WTO Secretariat or UNCTAD, before CBAM's scope expands further in January 2028 as currently scheduled (European Commission, 2025a).

4. Resist further erosion of Green Deal instruments under competitiveness pressure without a corresponding sustainability impact assessment. The ten Omnibus simplification packages adopted in 2025, which the Commission itself acknowledges "roll back…some flagship measures of the Green Deal" in pursuit of €37.5 billion in administrative cost savings (CPR Asset Management, 2026), should be accompanied by a published assessment of the sustainability cost of each rollback, not solely its competitiveness benefit, to give the Council and Parliament a basis for genuinely weighing the trade-off rather than approving simplification as a costless administrative exercise.

5. Treat energy diversification as incomplete until renewable capacity, not alternative fossil-fuel suppliers, constitutes the majority of import substitution. The shift from Russian pipeline gas to American LNG documented in Section 9, while a genuine reduction in exposure to a single hostile supplier, does not yet constitute the structural transformation "strategic autonomy" implies. Future REPowerEU reporting should disaggregate diversification achieved through alternative fossil-fuel suppliers from diversification achieved through renewable capacity and grid interconnection, since only the latter addresses the underlying vulnerability to global hydrocarbon-market volatility that the 2026 Middle East conflict has again exposed.

6. Build institutional capacity for cross-instrument coordination rather than retrospective narrative integration. The absence of joint ex ante design across REPowerEU, CBAM, Global Gateway, and ReArm Europe, documented in Section 13, suggests a structural gap in the Commission's capacity to coordinate instruments across Directorates-General (Energy, Trade, International Partnerships, Defence Industry) before launch rather than to narrate their coherence after the fact. A standing inter-service task force with explicit authority to flag resource competition across instruments at the design stage—rather than at the point of MFF negotiation, when most allocations are already largely fixed—would reduce the gap between the EU's claimed strategic coherence and its observed sequential, reactive pattern of instrument creation.

15. Conclusion

This article set out to test whether European Union economic diplomacy, reshaped under the cumulative pressure of war in Ukraine, energy crisis, trade tension with China and the United States, and a second war in the Middle East, functions as a coherent strategic doctrine or as a sequence of instrument-specific adaptations retrospectively narrated as coherent. The qualitative comparative analysis of four flagship instruments—

REPowerEU, CBAM, Global Gateway, and ReArm Europe/SAFE—supports the second characterization more strongly than the first, while finding genuine, partial, and unevenly distributed substantive achievement within each instrument considered separately.

Strategic autonomy, competitiveness, and sustainable development are not, on the evidence examined here, automatically mutually reinforcing, as official EU communications tend to imply; they compete for the same constrained pool of fiscal space, institutional attention, and political capital, and the outcome of that competition has so far tilted toward security and competitiveness concerns at the partial expense of the social and distributive dimensions of sustainability—visible in Global Gateway's sectoral composition, in CBAM's compliance burden on developing-country exporters, and in the asymmetric fiscal treatment of defense versus climate spending. None of this amounts to failure: REPowerEU achieved a documented, substantial reduction in Russian energy dependence; CBAM has measurably accelerated the global spread of carbon-pricing instruments; Global Gateway has mobilized genuine infrastructure investment, however imperfectly distributed across sectors. The more accurate characterization is incomplete and internally tensioned progress, conducted under conditions—the 2022 invasion, the 2025 rearmament decision, the 2026 Middle East conflict—that gave European institutions little opportunity for the deliberate, integrated design process the "open strategic autonomy" label implies.

The theoretical contribution of this analysis lies less in proposing a new framework than in demonstrating, through systematic cross-instrument comparison rather than single-instrument case study, that existing IPE concepts—Keohane and Nye's interdependence, Rodrik's trilemma, Porter's competitiveness diamond, Stiglitz's critique of institutional asymmetry—remain analytically productive when applied jointly to a genuinely contemporary and still-unfolding case, rather than retrospectively to settled historical episodes. The practical contribution lies in identifying specific, addressable points of institutional friction—the fiscal-architecture asymmetry between defense and climate spending, the methodological self-assessment problem in CBAM impact evaluation, the structural sectoral bias in Global Gateway's blended-finance model—rather than offering the kind of general exhortation to "balance" competing priorities that policy literature on this topic frequently defaults to.

Future research should revisit this analysis once national budget execution data for 2026–2028 permit a more precise empirical test of the crowding-out hypothesis advanced in H2, and once CBAM's definitive regime has operated long enough to generate independent assessment of its distributive impact on least-developed-country trade partners, a question this article could only address provisionally given the limited time elapsed since the regime's January 2026 entry into force.

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