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The EU's Compensatory Power Amid Global Transactionalism

Abstract

The European Union is a postmodern actor in international relations, emphasising values-driven cooperation over coercion. Unlike nation-states that follow *raison d'état*, the EU is guided by *raison de valeur*, focusing on promoting its core values globally. However, the rise of transactionalism challenges the EU's influence. This paper introduces the concept of "compensatory power", a form of soft power that strengthens the EU's so-called "value influence" through structured cooperation with international partners. The study explores the EU's role in global governance and contributes to debates on EU power and transactional foreign policy using document analysis, comparative analysis, and theoretical framework analysis. The findings offer insights into navigating an increasingly-transactional world order.

Keywords: Multilateralism, Compensatory Power, Transactionalism, European Union, International Context, Common Foreign and Security Policy, CFSP, Common Security and Defence Policy, CSDP, International Order

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The following article reflects the geopolitical situation as at 31 December 2024.

Introduction

The European Union positions itself as a postmodern actor in international relations, prioritising cooperation over coercion and grounding its foreign policy in a value-based (axiological) framework. Unlike nation-states, which define their interests through *raison d'état* (state interest), the EU operates on *raison de valeur* – a commitment to upholding and promoting its foundational values. However, in a global landscape increasingly shaped by transactionalism – especially under leaders such as Donald Trump – the EU's ability to exert influence depends on its capacity to transform these values into tangible power. Transactional foreign policy, characterised by bilateralism, short-term economic or security-driven gains, and a zero-sum perspective, contrasts the EU's emphasis on long-term, rules-based engagement. This paper introduces the concept of "compensatory power", a unique form of soft power that enables the EU to reinforce its normative influence through structured, institutionalised cooperation with international actors. Employing a qualitative methodological approach, the study integrates theoretical analysis to examine the EU's postmodern role in global affairs. The research is based on three key methods: document analysis; comparative analysis; and theoretical framework analysis. By engaging with two major theoretical debates – EU power dynamics and the rise of transactionalism in foreign policy – this study contributes to broader discussions on global governance. The findings offer valuable insights for policymakers, scholars, and practitioners navigating the challenges of an increasingly-transactional international order.

The Specifics and Values of the EU

The EU places significant emphasis on its values, presenting itself as a postmodern actor that favours cooperation with other international actors over coercion. The authors Rokas Grajauskas and Laurynas Kasčiūnas (2009) emphasised that the EU "acts as an umbrella, placing the EU Member States under a postmodern framework. When EU countries want to act in a «modern» way, they go on their own. In those areas where the EU is acting as a single actor, the EU's action is postmodern" (p. 4).

Nation-states define the foreign policy of the (Westphalian) modern era as the primary sovereign actors with distinct *raison d'état*.[1] Building on its

[1] Explanation: "*Raison d'état* (much less frequently in the English reason of state) dates from arguments in international law at the time of the formation of the modern states-system in the seventeenth century. It means that there may be reasons for

axiological (value-based) framework, in contrast to the modern (nation-state) concept, the EU's interests as a postmodern actor can be defined as *raison de valeur,* or, value-driven interests (Ilik, 2016, p. 12).

Importantly, Article 21 of the Lisbon Treaty stipulates that the EU's actions on the global stage shall be driven by the principles that have shaped its creation, development, and expansion and which it aims to promote worldwide in order to: (a) safeguard its values, fundamental interests, security, independence, and integrity; (b) consolidate and support democracy, the rule of law, human rights, and the principles of international law; (c) preserve peace, prevent conflicts, and strengthen international security in accordance with the purposes and principles of the UN Charter (...), and promote an international system based on stronger multilateral cooperation and good global governance.

As a result, the EU positions itself as a "guardian" of liberal and democratic values, advocating for its vision of a rule-based international system and multilateralism. However, for the EU to truly fulfil this role, it must possess sufficient power. In a broader context, the "most general use of the word «power» in English is a synonym for «capacity», «skill», or «talent» (…) Some writers have equated power in this general sense with «mastery»" (Wrong, 1995, p. 1). Indeed, Dennis H. Wrong (1995) identified five key problems in the conceptual analysis of power (see table 1), which help define the EU's power and its approach to the evolving international context, particularly with the rise of global transactionalism – especially following Donald Trump's return to the White House. As stated by the authors Ketan Patel and Christian Hansmeyer (2020), "Donald Trump's «America First» potentially represents an abandonment of leadership in the setting of international norms for trade, investment, and security in favour of:

Big wins (…) Trump, a self-confessed «deal-maker», is focused on getter a «better deal» for America through transactional and bilateral engagements on trade, security, and investment, where its superior scale provides negotiating leverage (…). The direction of travel is clear: America is now promoting a new set of values based on transactions, superseding older values that were based, at least in part, on principles" (p. 216).

This reflects a typical transactionalist approach to international relations, or *quid pro quo*, which refers to a favour or advantage granted in return for something.

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acting (normally in foreign policy, less usually in domestic policy) which simply override all other considerations of a legal or moral kind. *Raison d'état* is, therefore, a term which fits easily into the language of political realism and *realpolitik* " (Oxford Reference, n.d.).

Table 1. Five Problems in the Conceptual Analysis of Power

Power Problem	Explanation
Intentionality	This refers to whether power must involve intentional actions or decisions to exert influence on others.
Effectiveness	This concerns whether power must achieve its intended outcomes to be considered actual power.
Latency	This focuses on the dispositional nature of power, highlighting its potential rather than its active use.
Asymmetry and Balance	This addresses the unilateral or reciprocal nature of power relations, questioning the equality of influence.
Nature of Effects Produced	This examines whether power's effects need to be overt and observable and can also include internal, subjective impacts.

Source: the authors' own depiction, based on Dennis H. Wrong's elaboration (Wrong, 1995).

Regarding the EU, theorist Charles Grant (2009) defines its power as follows – "European power represents the ability of the European Union and its Member States to influence the world around them in a direction that is favourable to them" (p. 2). In this context, the EU primarily embodies a combination of civilian, normative, and transformative powers, essentially belonging to "soft power". This approach distinguishes the EU from other international actors, "defining its unique role on the world stage" (Barburska, 2017, p. 27). According to Olga Barburska, the European Union is a *sui generis* entity that does not conform to classical criteria of statehood (Barburska, 2018, p. 79).

For the European Union to function effectively on the international stage, it must possess adequate resources. These resources include significant potential in various areas, which can be assessed through geopolitical factors such as territory, human resources, and economic, social, cultural, and military capabilities – both individually within Member States and collectively, though it is important to note that this approach may be somewhat simplified. In economic terms, the European Union ranks among the world's leading powers, as evidenced by the performance of its economy. The single market and the Economic and Monetary Union enable the effective integration of Member States' economic efforts.

However, the EU's international standing is not limited to material aspects. Its political and diplomatic influence, as well as its cultural impact, play a crucial role. This is largely due to the fact that the EU bases its international relations on a distinct set of European values. Among these, ideological and political norms hold a central place, including respect for democracy, freedom, human rights, and civil liberties. Additionally, the EU's fundamental principles encompass socio-economic values, such as

a market economy and the principle of social solidarity. In the context of international activities, the EU consistently promotes peaceful conflict resolution, supports dialogue and multilateral cooperation, and engages in development assistance.

By adopting such a normative stance, the EU serves as a form of soft power in international relations. This means that it influences its external environment not only through political, diplomatic, and economic instruments, but also by exerting an attractive pull, leveraging its civilisational appeal across various dimensions, and strengthening its influence among third countries, particularly in its neighbourhood. This gives the EU the ability to exert effective influence using peaceful methods of conflict resolution, thereby fostering dialogue and cooperation, and developing multilateral and comprehensive ties, all while considering repressive or retaliatory measures ineffective and counterproductive (Barburska, 2018, pp. 80–81).

Compensatory Power: A Distinct and Opposed Approach to Transactional Reasoning

This paper explores a different type of power, so-called "compensatory power", which is also rooted in "soft power" logic. The key components of compensatory power could include:

- an offer that encompasses a corresponding value corpus (EU values),
- the institutionalisation of a relationship, formal or semi-formal cooperation (interaction),
- a readiness and willingness of the actor to accept an offer at the cost of relinquishing certain attributes (such as ceding part of its sovereignty, whether in economic, political, social, or security-defense terms), in the interest of higher (or long-term) goals and objectives.

It is essential to incorporate a corresponding corpus of EU values to effectuate an offer, which serves as a form of offer directed toward another international actor. This actor, in turn, is willing to accept it as a means of compensating for its shortcomings while striving to achieve higher, long-term objectives. Thus, the EU provides both support and a framework of tools to help them realise these goals. The compensatory approach seeks to establish a balance that enables the adoption of (new) values, while simultaneously mitigating potential risks or disadvantages. The EU's ability to act in international relations stems from what the authors have previously defined as the EU's *raison de valeur*.

In order to activate compensatory power, formal or semi-formal cooperation must be established. Therefore, the only capacity necessary for

the EU to influence the international milieu with its values is initiating cooperation, particularly at a formal, institutional level (e.g., signing mutual treaties, pacts, or alliances between the EU and third parties, etc.). This level inherently involves normative obligatoriness, mutual responsibility, and, thus, mutual activity directed towards a specific long-term goal.

Indeed, the EU's activity should be directed exclusively towards initiating effective institutional cooperation with international actors as a *conditio sine qua non* for practicing its power in international relations, founded on what the former President of the European Commission, Romano Prodi, referred to as the "ring of friends" (O'Rourke, 2003). Creating and expanding this ring of friends should be the EU's long-term objective. Only through this method will the EU be able to "impose" its operational model and values on other international actors. This power model stands apart from transactional reasoning; the compensatory approach is entirely opposed to the transactional one.

In the absence of a single, established definition for transactional foreign policy, this research will adopt the definition proposed by Galib Bashirov and Ihsan Yilmaz (2020), who describe transactional as a foreign policy approach that "favours bilateral to multilateral relations, focuses on short-term wins rather than longer-term strategic foresight, adheres to a zero-sum worldview where all gains are relative and reciprocity is absent, rejects value based policymaking, and does not follow a grand strategy" (p. 168).

Furthermore, this approach is highly personalistic and closely tied to domestic (state-centered, national) political agendas, focusing on securing a political advantage, consolidating authority, and maintaining a firm grip on power (pp. 166–168). Alternatively, as elaborated in Marina Henke's article *Trump's Transactional Diplomacy: A Primer* (2017): "Transactional diplomacy is based on a *quid pro quo* logic: I don't do anything for you if I don't get something in return. Moreover, transactional diplomats perceive a zero-sum world. What benefits you does not benefit me. That's why if I help you, you need to pay me for it. In a transactional world, the *quid pro quos* – or «deals» – that states can engage in are almost infinite. In essence, if transactional diplomacy is practiced in full force, every cooperative move – whether in the economic, institutional, or security spheres – becomes a fungible and potentially tradable asset."

The essence of transactionalist foreign policy lies in its deliberate focus on bilateral relations, often at the expense of multilateralism (Nye, 2019, p. 70). Transactionalism despises alliances, international institutions, and international law because they hinder transactionalist actors from addressing foreign policy on a case-by-case basis. These entities require political leaders to adhere to the shared goals, interests,

norms, and values of global institutions, according to Ikenberry (2017) and Stokes (2018).

Transactionalism rejects value-based policymaking outright, considering it harmful to *raison d'etat*. It emphasises relationships centered on specific transactions instead of shared values, with historical ties holding minimal significance. By rejecting investment in an open, rules-based international system, transactionalism leans toward bilateral, issue-specific agreements. Its contempt for multilateralism and value-driven approaches fit its zero-sum logic, where gains are relative, and reciprocity is ignored (Zenko, Lissner, 2017).

Transactionalists are capable of forming bilateral partnerships with other actors. However, because these relationships are evaluated solely based on their immediate benefits to the country (cost-benefit logic), seemingly strong partnerships can quickly fall apart. Their fragility stems from lacking robust institutional, ideational, and long-term strategic foundations (Bashirov, Yilmaz, 2020). Transactionalism's aversion to long-term strategic commitments and preference for bilateral agreements results in the absence of a cohesive grand strategy to guide foreign policy (Bashirov, Yilmaz, 2020). The grand strategy involves the identification and prioritisation of: 1) national interests, goals, and objectives; 2) potential threats to such interests; and 3) resources and/or means with which to meet these threats and protect these interests, according to the author Colin Dueck (2015, pp. 14–15). A grand strategy must provide well-defined guidelines on using policy instruments, including military spending, diplomatic prowess, alliance commitments, the use or the threat of use of force, and foreign aid. Transactionalism, in contrast, does not follow a "political military means-ends chain" necessary for any grand strategy, according to Barry Posen (1986, p. 13), and often drifts into incoherent and inconsistent policies that demonstrate a lack of long-term planning.

To better understand the compensatory power concerning transactionalism, the authors conducted a comparative analysis through the lens of multilateralism[2] (see Table 2) because the EU is built on multilateralism as its foundational and operational principle.

[2] This is often included in the founding treaties of the EU, as well as in its other documents (strategies, guidelines, guides, etc.). Lastly, this is confirmed by the European Parliament Resolution on Multilateralism (2020), which underscores the importance of multilateral diplomacy and cooperation in addressing global challenges. In this resolution, the Parliament reaffirmed that "the EU and its Member States remain fully committed to multilateralism, global governance, the promotion of UN core values as an integral part of the EU's external policy, and the three pillars of the UN system: human rights, peace and security, and development".

Table 2. Compensatory vs. Transactional Approach: A Comparative Analysis Through the Lens of Multilateralism

	Compensatory Power	Multilateralism	Transactional Approach
Basis	Emphasising norms and values	Emphasising norms and values	Interest (Cost-benefit logic)
Goals	Long-term goals	Long-term goals	Short-term gains
Scope	Grand strategy	Grand strategy	Issue-specific agreements
International Law	Shaping international norms. (Placing great value on international law and unafraid of being bound by international legal norms)	Shaping international norms. (Placing great value on international law and unafraid of being bound by international legal norms)	Strengthening of one's own national position. (Doubtful about international law)
Openness	Interdependence. (Receptive to international cooperation and optimistic about the growing interdependence, viewing it as crucial to security)	Interdependence. (Receptive to international cooperation and optimistic about the growing interdependence, viewing it as crucial to security)	Independence. (Efforts to reduce reliance on other international actors and to keep political and economic life as self-sufficient as possible)
Attitude	Solidarity and support	Solidarity and support	Egoism and holding onto one's interests
Orientation	International-oriented	International-oriented	State-centered
Actors	EU-plus-international actors. (An approach involving the EU and international actors)	Multiple actors. (It conveys the idea of various stakeholders or participants acting within the framework or system of multilateralism, where multiple parties cooperate and make decisions together)	It can be multilateral, but a bilateral partnership is preferred
Logic	Positive-sum	Positive-sum	Zero-sum

Source: the authors' own depiction.

At first glance, compensatory power may resemble the conditionality principle, but it is not the same. The conditionality principle in the EU refers to applying specific conditions or requirements that a candidate country or a Member State must fulfil in order to access certain benefits or privileges within the EU framework. This principle is primarily employed in EU enlargement to ensure that countries comply with the EU's values, standards, and policies before joining the EU or receiving specific forms of support. Additionally, it is used in the context of financial assistance for current Member States. For example, when providing financial support or aid, such as under the EU's cohesion or structural funds, the EU may attach conditions to ensure that the funds are used effectively and that the recipient state aligns with EU policy objectives. These objectives might include promoting economic reforms, combating corruption, or strengthening governance structures. Furthermore, the EU often invokes the conditionality principle when addressing issues related to the rule of law and democracy within existing Member States. In such cases, the EU can suspend certain privileges – such as EU funding or voting rights in the Council – if a Member State fails to uphold democratic standards or violates EU laws and regulations. In accordance with the principle of conditionality, the European Union employs economic instruments to support democratic reforms and the protection of human rights, as well as to promote economic reforms and responsible governance. Its primary objective is to achieve positive outcomes, such as strengthening democracy and safeguarding human rights. A key factor in this process is positive motivation and to have a constructive influence on the beneficiaries of EU support. In contrast, the use of sanctions may prove ineffective or even counterproductive, limiting the EU's ability to influence the internal situation and foreign policy of neighbouring countries and those aspiring to membership.

However, despite their apparent similarities, compensatory power should not be equated with the principle of conditionality. Compensatory power relies on "gaining compliance through the promise or reality of benefits" (Galbraith, 1995, p. 28). However, as with conditionality in the EU, it never involves punishment or a withdrawal of specific benefits, positions, or privileges. Compensatory power should be understood in the context of Dennis H. Wrong's (1995) concept of "legitimate authority", which he defines as a "power relation in which the power holder [in this case the EU], possesses an acknowledged «right to command» and the power subject an acknowledged «obligation to obey» [in this case, other international actors]. The «source» [in this case, the EU's value corpus] rather than the «content» of any particular command endows it with legitimacy and induces willing compliance on the part of the person [or

international actor] to whom it is addressed (…) Legitimate authority presupposes shared norms" (Wrong, 1995, p. 49). The "pressure of values" (or "social pressure" in a broader sense) is a key element in this power approach projection.

To put it colloquially, if we do not align with certain values or norms, we cannot achieve our long-term goals and objectives, as our shortcomings can only be compensated for by embracing those values and norms. In this case, our interest is focused on the values that should compensate for our shortcomings in achieving our long-term goals rather than on money or material gain, which is characteristic of transactional reasoning. Hence, compensatory power is rooted in positive-sum logic, which assumes that cooperation, collaboration, and creative problem-solving can produce outcomes for all parties. This perspective highlights that by working together and uniting around shared values, it is possible to create growth and expand opportunities, enabling everyone to benefit rather than simply dividing a finite resource. Positive-sum logic, by contrast, fosters the possibility of mutual gain and innovative solutions that benefit all parties involved. In contrast, zero-sum logic is based on the belief that a situation's total resources, wealth, or value are fixed. In such a scenario, any gain by one party necessarily comes at the expense of another. This view assumes limited resources are available, so if one group benefits, others must inevitably lose.

Compensatory power, rooted in "empathetic interdependence", a term coined by Keohane (1984), underscores the importance of recognising and valuing the benefits gained by others, thereby promoting a spirit of cooperation. However, this dynamic can significantly shift in competitive settings such as power struggles or arms races. In such circumstances, one party's gain is often perceived as a direct loss for the other, resulting in zero-sum logic. Furthermore, negative externalities, such as overcrowding or resource scarcity, can exacerbate tensions, reducing actors' willingness or ability to appreciate the gains of others and complicating efforts toward international cooperation.

This idea of empathetic interdependence assumes a foundation of *shared values*, essential for fostering mutual understanding and trust. Without shared values, differing perceptions of what constitutes a benefit can distort empathy into a tool for domination or control. Thus, while empathetic interdependence offers positive-sum outcomes, it is contingent on mutual respect, shared principles, and a genuine commitment to collaboration (Keohane, 1984, p. 123).

In contrast to interdependence, which is characteristic of multilateral behaviour and, consequently, compensatory power, transactional

behaviour is primarily grounded in the logic of independence. This approach is characterised by a cost-benefit analysis, where actors prioritise immediate, short-term gains over long-term cooperation and grand strategy. Moreover, the transactional approach is grounded in self-interest and state-centered policies, typically toward bilateral interactions. This approach often overlooks the importance of values in shaping international dynamics. Consequently, the transactional approach fundamentally relies on "independence", understood as the ability of a state to freely articulate and pursue its immediate interests in international relations without necessarily considering broader collective goals or shared values.

A transactional policy in international relations, based on the principle of *quid pro quo*, leads to a series of negative consequences that weaken the stability of the global order. First and foremost, it results in a lack of predictability and credibility for the state pursuing such a policy, affecting its relationships with other international actors. Mutual commitments lose their significance as political interests become volatile and subordinated to short-term benefits. Consequently, uncertainty about the situation and the durability of connections increases, introducing an element of chaos into the international system.

The transactional nature of diplomacy leads to the conclusion of *ad hoc* agreements that are short-term and lack strategic depth. The absence of long-term planning causes the fragmentation of international relations, weakening groups, alliances, and international organisations. Questioning the benefits of membership in multilateral institutions – without considering long-term advantages in both economic and security dimensions – limits the potential for stable economic development and leads to the disintegration of existing cooperation structures. As a result, a transactional foreign policy contributes to deepening polarisation and diversification in the world. International relations become increasingly dependent on current economic and political calculations, undermining the foundations of cooperation based on shared values. Alliances lose their cohesion and strategic importance, which, in the long run, leads to the erosion of global security and an increase in international tensions.

However, it is crucial to exercise caution when applying this model to the EU, as the Union is a unique international actor with a postmodern nature and the absence of traditional *raison d'état*. Instead, the EU operates based on what the authors have previously called *raison de valeur*. This is further reinforced by solidarity, an essential phenomenon within multilateralism, ensuring that cooperation and mutual benefit take precedence over zero-sum dynamics. Solidarity holds fundamental importance for the EU, as reflected in several key legal documents (such

as the founding treaties, Charter of Fundamental Rights of the EU, etc.), which underscore the EU's commitment to mutual support, cooperation, and collective action in addressing challenges affecting its Member States and citizens. Specifically, Article 2 of the Treaty on European Union (TEU) defines solidarity as one of the core values upon which the EU is founded, emphasising that Member States share advantages and burdens equally and justly. It is important to emphasise that solidarity is not just an abstract concept, but a guiding principle shaping the EU's policies and actions. Also, as stated by Ilik and Adamczyk (2017), solidarity represents a "precondition for building a political/international political identity" (p. 9).

In contrast to this approach, the European Union's policy is based on the principles of multilateralism, solidarity, and predictability, which contribute to the stabilisation of the international order. The EU strives to build lasting alliances and strengthen institutional cooperation, ensuring greater stability and trust among Member States and external partners. The Union's long-term engagement strategy supports economic development and security, minimising the risk of destabilisation and fragmentation of the international system. As a result, the EU, through its values-based approach and lasting commitments, plays a key role in maintaining global balance and counteracting the erosion of international cooperation.

There is a significant risk that the transactional approach to foreign policy, as promoted by Donald Trump's administration, could take root in Europe, particularly in the face of growing populist and nationalist tendencies. This type of policy, driven by short-term benefits and a disregard for long-term commitments, contradicts the core values of the European Union – namely, solidarity, cooperation, and predictability. A clear example of this phenomenon was Brexit, which questioned the benefits of the United Kingdom's EU membership by focusing on immediate costs and gains rather than the long-term advantages of European integration. If similar thinking were to spread to other Member States, it could weaken EU structures, deepen divisions, and gradually lead to the disintegration of the Union. If transactional politics were to dominate the European political landscape, it could result in the breakdown of EU cooperation mechanisms, the weakening of common security policies, and economic and political destabilisation across the continent. In the worst-case scenario, this could lead to a return to national rivalries, a diminished European presence on the global stage, and heightened tensions – ultimately triggering a deep crisis or even a catastrophe in Europe.

Conclusions

The EU's compensatory power, rooted in soft power and empathetic interdependence, emphasises long-term goals, institutionalised cooperation, and shared values. Unlike transactional diplomacy, which focuses on short-term, zero-sum outcomes and state-centered interests, it operates on a positive-sum logic, fostering mutual gains through collaboration. The EU's model relies on interdependence, solidarity, and multilateralism.

It can be concluded that the EU's compensatory power, analysed through Dennis H. Wrong's "five problems of power" framework, must "intentionally" attract international actors into formal cooperation, initiating the compensation process. This is evidenced by the significance of expanding the EU's so-called "ring of friends". However, the effectiveness of compensatory power as a form of soft power is largely limited to peacetime and engagement with political systems that share, even partially, the EU's values. Its main limitations arise in interactions with authoritarian or illiberal regimes, during military conflicts, or when other actors reject cooperation and/or the EU's values.

Compensatory power is latent, relying on the potential to impose values only if other actors agree. Otherwise, its active use is impossible. It is also reciprocal (balanced), requiring actors to internalise EU values to address their deficiencies and align with long-term strategic interests. This reciprocity is a significant limitation in today's dynamic, uncertain international landscape. Ultimately, the effects of compensatory power are internal and subjective, as they rely on a willingness to cooperate rather than on coercive economic or military means. However, compensatory power faces challenges from rising transactionalism and must ensure it has the capacity and legitimacy to uphold its principles. By leveraging compensatory power, the EU can promote a cooperative global order, but its success depends on adapting to an evolving international landscape while staying true to its values. Furthermore, it is important to emphasise that the EU should adopt a more balanced approach to current international relations while addressing several challenges outlined below.

Through the compensatory power model, the EU acts as a legitimate authority, where its power relations are based on an acknowledged right to command and an obligation to obey by international actors. This legitimacy stems from shared norms rather than the content of specific commands, fostering willing compliance. However, this presupposes a foundation of common values, which may not always exist. As a soft power model, compensatory power faces significant challenges during

global crises, such as wars (e.g., the Russia-Ukraine conflict, where the EU relies heavily on NATO and US support), power struggles, or arms races. Compensatory power is inherently a power of and for peace, making peace the EU's natural environment. Thus, the EU must prioritise peacebuilding and conflict resolution.

The EU should actively use the UN framework to expand its ring of friends and position itself as a key player in multilateral forums. Initiating global summits, meetings, and forums can help promote its value system and foster cooperation with other international actors.

The Lisbon Treaty should be revised to enable a more dynamic and decisive EU, free from the constraints of unanimity, particularly in foreign, security, and defense policy. This revision should also reevaluate internal leadership to ensure more coherent and effective global action.

While the EU's compensatory power is rooted in soft power, it should begin redefining its hard power capabilities. This includes leveraging its economic strength, advancing military structures such as rapid reaction forces and EU battlegroups, and enhancing its defense and security autonomy.

The EU should not entirely reject the transactional approach. However, given its multilateral foundation, it can adopt transactional strategies as a tool in an increasingly transactional global environment, but not as an end goal. It must act as a unified, cohesive, international actor under a postmodern umbrella, discouraging individual Member States from engaging in transactional behaviour to maintain internal and external cohesion.

Finally, this study of compensatory power has its limitations in that it relies on theoretical frameworks. While the EU is portrayed as being value-driven, its foreign policy can be pragmatic and inconsistent, and hindered by internal divisions. The study also overlooks internal challenges including Euroscepticism, political fragmentation, and economic disparities constraining the EU's global influence. Additionally, the compensatory-power model assumes international actors will embrace EU values, which may not hold for authoritarian regimes or states with differing value systems.

Ultimately, it can be concluded that this research makes a modest contribution to the theory of EU power and transactional foreign policy, which should be continuously developed and expanded, particularly with empirical evidence and specific case studies.

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