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# European View

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*Editorial*

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# Invest to lead: Building competitiveness, security and strategic capacity

**Mikuláš Dzurinda**[1]

Europe is confronted today by a series of geopolitical shocks that are shaking the certainties on which the continent has long relied. Russia's war against Ukraine and aggressive policy towards its neighbours, the downgrading of Europe in the list of US priorities and intensifying global economic competition have exposed Europe's vulnerabilities and reminded Europeans of a simple truth: sovereignty requires capability. Europe's future, its capacity to lead and to take its destiny into its own hands instead of being an object in the hands of other more assertive powers, will depend on its ability to generate power, speed and scale. The articles in this issue of the *European View* explore some of the strategic sectors in which Europe must strengthen this capacity.

The starting point is defence. If you cannot defend yourself, you cannot defend your interests either, and you will be subject to the whims of more powerful actors. For decades, Europe outsourced much of its security to the US. Today, it has become clear that we can no longer rely on others and we must become stronger ourselves. We need to develop the European pillar of NATO, integrate Ukraine and its combat experience and military innovation as an important element of Europe's continental defence, create a true European Defence Union and develop the robust defence industry needed to underpin our defence capabilities.

Space has become equally strategic. From communications to climate monitoring, and from defence to economic resilience, access to space has become an essential domain to boost Europe's competitiveness, security and autonomy. Europe must expand its

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infrastructure and capabilities in this area while ensuring pragmatic cooperation with its allies to fill the remaining gaps.

The same logic applies to artificial intelligence. The goal should not be the proliferation of new initiatives and regulations, but rather a clear prioritisation of our ambitions: identifying the few strategic sectors that Europe cannot afford to outsource, those in which European firms are still able to compete and those for which the most realistic path is to manage our dependence by maintaining relationships with trusted partners.

Several articles focus on the resources and supply chains that underpin economic resilience. Batteries are essential to Europe's energy transition and industrial future; agriculture remains a cornerstone of food security, territorial cohesion and strategic resilience; and the complexity of the pharmaceutical supply chain is a reminder that excessive external dependence can create vulnerabilities in times of crisis. In each case, the challenge is not achieving autarky but finding a more intelligent balance between openness and resilience, aimed at safeguarding our critical interests.

Finally, the matter of enlargement highlights that European power is not only about internal capabilities. As the previous issue of the *European View* largely demonstrated, the integration of candidate countries could strengthen Europe's economic weight, resilience and geopolitical influence. Enlargement should therefore be seen not only as a normative project but also as a strategic investment in Europe's future.

These contributions address only some of the sectors that will shape Europe's capacity to remain competitive, prosperous and sovereign. The challenge is much broader. This is precisely why the Wilfried Martens Centre has launched a new long-term project, The European Power Project: An Agenda for a Sovereign Europe, in an ongoing effort to identify the reforms and investments needed to allow Europe to thrive in a more contested world in the fields of defence, technology, energy, the economy, decision-making capacity, demography, culture and identity. The aim is not to provide definitive answers, but to stimulate a debate about how Europe can remain the steward of its own destiny.

## Author biography



**Mikuláš Dzurinda** *is president of the Wilfried Martens Centre for European Studies and a former prime minister of Slovakia (1998–2006). He has also held the positions of minister of transport and minister for foreign affairs.*

*Article*

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# The cost of fragmentation: Why spending less at the EU level costs Europe more

**Siegfried Mureşan**[1]

**Abstract**

Europe has entered a fundamentally different geopolitical and economic era, yet it still approaches continental challenges with fragmented national responses. This article argues that Europe's structural weakness is not only underinvestment but fragmentation: when member states duplicate procurement systems, industrial capacities and investment priorities, they reduce their effectiveness while raising the cost of public goods. The next Multiannual Financial Framework is therefore far more than a budgetary negotiation. It must become a strategic investment budget that finances genuine European public goods, invests in competitiveness and defence, protects traditional policies such as agriculture and cohesion, combines predictability with targeted flexibility and rests on genuine own resources. Spending less at the EU level does not make Europe's challenges smaller. It simply moves the bill to national budgets, where solutions are more expensive, less coordinated and less effective.

**Keywords**

Multiannual Financial Framework, European public goods, Strategic investment, Competitiveness, Defence, Own resources, Agriculture and cohesion policy, Fragmentation

## Introduction: Europe's new reality

Europe has already entered a fundamentally different geopolitical and economic era. The war in Ukraine, growing uncertainty around long-term US security guarantees, industrial competition with the US and China, energy shocks and technological dependencies are

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all forcing Europe to rethink its economic model. Two landmark reports commissioned by the EU institutions reached the same conclusion from different angles: Letta (2024) showed that the single market remains incomplete in precisely the sectors that will define the next decade, while Draghi (2024) demonstrated that Europe faces an existential productivity and investment gap with its global competitors. At the same time, citizens increasingly expect the EU to deliver on security, defence, competitiveness and economic resilience. Yet Europe still approaches many of these challenges through fragmented national responses while competing against continental powers (the US and China) capable of acting strategically and at scale.

The next Multiannual Financial Framework (MFF) therefore represents far more than a budgetary negotiation: it is a test of whether Europe is prepared to act collectively in defence of its economic and geopolitical interests.

## Europe's structural weakness: fragmentation, not only underinvestment

Europe spends significant amounts on public goods, but too often in an inefficient and fragmented manner. In defence alone, member states continue to duplicate procurement systems and industrial capacities instead of building a truly integrated European defence market, with up to 80% of procurement spending going to suppliers outside the EU (Draghi 2024). The same fragmentation exists in industrial policy, energy infrastructure, digital investment and innovation. Europe's challenge is therefore not simply spending more but spending together strategically. Goods such as defence capabilities, cross-border infrastructure and frontier research generate benefits that spill over national borders, and financing them at the national level leads to systematic under-provision and duplication (Fuest and Pisani-Ferry 2019).

While the US combines federal financing with industrial coordination and China mobilises state-driven strategic investment, Europe often disperses resources across disconnected national priorities for each member state. This fragmentation weakens Europe's scale, reduces efficiency, limits innovation and undermines strategic autonomy. Europe behaves economically like a collection of medium-sized states while competing with global continental powers.

Fragmentation is not only financial: it is also institutional and administrative. Beyond duplicating investment, fragmented governance creates parallel funding instruments, overlapping eligibility rules, multiple reporting requirements and higher transaction costs for both public administrations and beneficiaries (Darvas et al. 2025).

In this context, it is important not to lose sight of the broader principle of European added value—which, the European Court of Auditors emphasises, should guide the design and prioritisation of future EU expenditure. Common resources should be

concentrated in areas where action at the Union level delivers greater benefits than fragmented national interventions, ensuring that EU spending generates the greatest collective impact (European Court of Auditors 2026).

A key implication of this fragmentation is cost. When Europe fails to invest at the EU level, it does not eliminate problems; it simply shifts the burden to national budgets, for which solutions are often more expensive, less coordinated and less effective.

In other words, spending less at the European level does not make Europe's challenges smaller; it makes them more costly.

## Why the next MFF must become a strategic investment budget

The traditional logic of the EU budget is no longer sufficient for today's geopolitical realities. The MFF was initially designed around convergence and agricultural support, but it must now also serve as a strategic investment tool capable of financing genuine European public goods. Competitiveness, defence, energy security, technological sovereignty, cybersecurity and resilient infrastructure increasingly require common European financing because no member state can deliver these objectives alone. Instruments such as the European Competitiveness Fund, Horizon Europe and Connecting Europe Facility investments therefore become central to Europe's long-term economic and geopolitical strength.

Ambition in priorities must, however, be matched by ambition in size. Behind the Commission's headline figure of €2 trillion in current prices stands a budget of 1.26% of EU gross national income, of which 0.11% services the repayment of NextGenerationEU debt, effectively freezing the resources available for EU programmes in real terms (Kowald and Pari 2026). This is why the European Parliament has called for the next MFF to be set at 1.27% of EU gross national income, with NextGenerationEU debt servicing accounted for above this ceiling, so that the repayment of past crises does not crowd out future investments (European Parliament Committee on Budgets 2026).

At the same time, strengthening these new priorities cannot come at the expense of traditional policies. Agriculture is not only an economic sector, but a question of food security and territorial resilience. Cohesion policy is not simply about redistribution, but a condition for economic convergence, political stability and the functioning of the single market. This is why the Parliament demands strong, distinct and ring-fenced funding for the common agricultural policy and for cohesion policy, alongside the reinforcement of competitiveness programmes. The Parliament also insists that regional and local authorities remain fully involved in the design, implementation and monitoring of these policies, based on shared management, multilevel governance and the partnership principle, because policies designed in Brussels and national capitals alone cannot respond to the territorial realities they are meant to address (European Parliament Committee on

Budgets 2026). The challenge for the next MFF is therefore not to choose between traditional and new priorities, but to recognise that Europe now needs both.

Strategic investment also has an external dimension. Europe's security and prosperity depend on a stable neighbourhood, on credible and sustained support for Ukraine, and on the capacity to accommodate future enlargement. The Parliament has therefore welcomed the increase in resources for the Union's external action as a sign of Europe's commitment to its role as a global actor, while warning that the proposed level remains insufficient given the scale of global challenges (European Parliament Committee on Budgets 2026).

## From 27 national strategies to a coordinated European investment approach

One of the greatest risks for the next MFF is that increased flexibility for member states could gradually transform the EU budget into a collection of national investment plans, lacking a common strategic direction. This risk is concrete: the proposed national and regional partnership plans would merge 14 programmes, including agricultural and cohesion funding, into a single plan per member state.

The Parliament has warned that this approach risks renationalising common policies, creating unnecessary competition between beneficiaries and reducing predictability for those who depend on EU funding (European Parliament Committee on Budgets 2026).

Flexibility is necessary, and Europe must retain the ability to react quickly to emerging challenges at the EU level. But flexibility without coordination risks undermining the very purpose of common European financing.

At the same time, key sectors such as defence, innovation, energy and strategic technologies require predictability and long-term investment horizons. Without that stability, Europe will not be able to retain or attract researchers, startups, and small and medium-sized enterprises, which might increasingly move to more predictable ecosystems such as the US. In this sense, competitiveness is not only about funding levels, but about certainty and continuity: without investing in research and innovation today, we will be buying other people's technology tomorrow.

Europe therefore does not need 27 disconnected industrial strategies competing against one another for subsidies and investment. It needs a coordinated European investment approach that aligns national and EU spending around shared strategic objectives such as competitiveness, decarbonisation, defence capabilities, technological leadership and energy interconnections.

The added value of the EU budget lies precisely in its ability to combine flexibility with strategic coherence, ensuring both responsiveness in times of crisis and predictability in areas that determine Europe's long-term competitiveness and sovereignty.

## Predictability, flexibility and revision

The EU budget must remain a tool for strategic investment. It should set clear objectives and provide predictable funding for priorities such as competitiveness, research, digitalisation, infrastructure, defence capabilities, agriculture and cohesion. Long-term investments require long-term certainty.

Predictability serves not only public authorities but also private investors. A stable and credible multiannual budget reduces policy uncertainty, facilitates long-term investment planning and helps crowd in private capital alongside public expenditure. In this sense, the EU budget functions not merely as a financing instrument, but also as a mechanism for coordinating expectations and mobilising complementary investment across Europe (Darvas et al. 2025).

The European Parliament acknowledges that a seven-year budgetary cycle is lengthy and that unforeseen developments will occur. This is why the budget should contain adequate crisis reserves and margins and targeted flexibility mechanisms. However, flexibility must not come at the expense of predictability.

This balance between flexibility and predictability has also been highlighted by the European Court of Auditors, which cautions that while flexibility is essential for responding to successive crises, an increasingly complex system of special instruments and flexibility mechanisms could undermine the transparency and coherence of the EU budget (European Court of Auditors 2025).

Transforming the entire budget into a permanent crisis-response mechanism would undermine its core purpose. Constantly shifting resources from one objective to another whenever a new challenge emerges creates uncertainty for beneficiaries and weakens the EU's capacity to deliver on long-term commitments. The current MFF offers a cautionary tale: successive crises have pushed it to its limits, and programmes such as cohesion policy have been repeatedly diverted to emergency response, making it difficult to achieve these programmes' long-term objectives (European Parliament Committee on Budgets 2026).

The European Parliament therefore supports a balanced approach: a sufficiently large budget, dedicated reserves for unforeseen events and flexibility within policy areas to adapt programmes when circumstances change (European Parliament Committee on Budgets 2026).

In times of crisis, the solution should not be to divert funding away from agriculture, research, innovation or digital programmes to finance new priorities. In this context, the mid-term revision of the MFF should be seen positively: it allows programmes to evolve, incorporate lessons learned and adapt to new circumstances through a predictable and transparent process, without dismantling the budget's long-term architecture.

Predictability also has a democratic dimension. Simplification and flexibility must not shift key policy and budgetary decisions away from the co-legislators towards Commission

work programmes. The Parliament insists that substantive policy choices be defined in the basic legal acts and that budget lines remain sufficiently detailed to allow for meaningful parliamentary oversight (European Parliament Committee on Budgets 2026). A budget that citizens cannot scrutinise through their elected representatives will not retain their trust. Transparency and accountability are not administrative burdens—they are the conditions under which a larger and more flexible budget becomes politically sustainable.

## Financing Europe's ambitions: the role of own resources

A stronger European role requires stronger financial autonomy. Relying exclusively on higher national contributions will become increasingly difficult in a context of fiscal constraints and political pressure on national budgets. This is why the question of the size of the budget is central.

If we do not invest at the European level, we do not eliminate problems; we simply move the bill to national budgets, where solutions are more expensive, less efficient and less coordinated. Spending less at the EU level does not make Europe's challenges smaller—it only makes them harder to solve.

Genuine own resources are therefore not only a budgetary issue, but a strategic necessity. Europe cannot continue to ask more from farmers, workers, researchers, and small and medium-sized enterprises while some of the world's largest multinational and digital actors benefit enormously from access to the European single market without contributing fairly in return.

Alongside the next MFF, the Commission proposed five new own resources: revenues linked to the Emissions Trading System and the Carbon Border Adjustment Mechanism, a contribution based on non-collected electronic waste, a tobacco excise duty own resource, and the Corporate Resource for Europe, an annual contribution from companies with a net turnover above €100 million (European Commission 2025).

This is also a question of political balance and fairness. The debate should not be about taxing European farmers or workers, but about ensuring a fair contribution from those who benefit most from Europe's economic scale. New own resources would allow the Union to finance common priorities while reducing pressure on national budgets. The Parliament supports a 'basket approach' and calls on the Council to unblock the stalemate, observed since 2020, to reach revenue of at least €60 billion per year, financing not only the repayment of NextGenerationEU debt but also the Union's enhanced policy ambitions (European Parliament Committee on Budgets 2026). Without financial autonomy, strategic autonomy will remain incomplete.

## Conclusion: Europe must learn to invest together

The next MFF will determine whether Europe remains capable of shaping its own future in an increasingly competitive and unstable world. If Europe continues to rely primarily

on fragmented national responses, it risks strategic decline through the dispersion of resources, duplication of efforts and underinvestment in common priorities. If, however, Europe succeeds in transforming the EU budget into a genuine strategic investment instrument capable of aligning national and European priorities, it can strengthen its competitiveness, resilience and sovereignty.

This choice is not only about ambition, but about effectiveness. Europe can either act at scale or pay a higher price for acting alone in 27 parallel directions. In the end, the question is not whether Europe can afford to invest together, but whether it can afford the cost of not doing so. The Parliament stands ready to negotiate constructively with the Council, with the aim of reaching an agreement by the end of 2026 so that the new programmes can start on 1 January 2028 (European Parliament Committee on Budgets 2026). At the same time, the Parliament has been clear that its consent is not unconditional: it will only approve a long-term budget, including its revenue side, that is fit for purpose for the Union in a changing world.

In a world increasingly shaped by continental powers, Europe will remain strong only if it takes ownership of the bill, instead of shifting the cost elsewhere, and learns to invest together strategically.

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*Article*

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# Defence readiness 2030: The industrial dimension

**Burkard Schmitt**[1]

**Abstract**

The EU and its member states aim to restore Europe's defence capabilities by 2030, primarily to deter Russia. Achieving this objective requires a robust European defence industry capable of rapidly closing military capability gaps, ensuring technological superiority and sustaining military support, including during a large-scale war of attrition. After decades of peace dividends and underfunding, Europe's defence sector was unprepared for the demand shock triggered by Russia's full-scale invasion of Ukraine. Since then, progress has been made, but not at the necessary scale and pace. Reaching defence readiness by 2030 under peace-time conditions remains an enormous challenge, further exacerbated by the change in US policy, geopolitical strains on supply chains and technological developments. To meet these challenges, Europe must reduce its fragmentation and enhance its defence–industrial output. This implies systemic reforms aimed at optimising procurement processes, enhancing cooperation, and investing strategically in critical enablers and research and development. Ultimately, a unified European approach is vital to building a resilient, self-sufficient defence industry capable of supporting a credible deterrence posture.

**Keywords**

Defence readiness, Defence–industrial policy, Defence capabilities, Strategic autonomy

## Introduction: *si vis pacem para bellum*

Under the slogan 'Defence Readiness 2030', the EU has launched a whole series of defence–industrial initiatives in recent years. The term describes the goal of strengthening Europe's defence capabilities by the end of the decade to a level that would credibly

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deter a potential military aggression from Russia, that is, a state that has a huge arsenal of nuclear weapons, extensive and battle-experienced conventional forces, and a fully mobilised war economy that has been found to be both resilient and adaptive (Shkurenko et al. 2025, 8–9).

To deter such an adversary militarily, Europe needs not only capable armed forces, but also a defence–industrial and technological base that is able to

- develop and produce the equipment necessary to close existing military capability gaps as fast as possible;
- ensure technological superiority over the potential aggressor in the short, medium and long term; and
- support European armed forces during a large-scale war of attrition, even over a longer period of time, that is, to repair or replace used and destroyed material, and react immediately and flexibly to emerging technological challenges.

Without the industrial capacity to fulfil these functions, Europe's conventional power of deterrence remains limited and lacks credibility (Dall'Agnol and Duarte 2022; Mearsheimer 1981).

## From peace dividend to demand shock

Building this defence–industrial capacity presents significant challenges. This is particularly true due to the fact that Europe's defence sector was drastically underfunded for many years. Experts suggest that an investment gap of at least €1.8 trillion accumulated between 1990 and 2020 (Dorn et al. 2024, 3). During this period, European defence companies produced small quantities at best and managed to ensure minimum utilisation of their reduced production capacities only through exports to third countries.

Against this background, the Russian full-scale invasion of Ukraine and the subsequent *Zeitenwende* caused a real demand shock for the European defence markets. The need to support Ukraine militarily and, at the same time, close European capability gaps created an enormous demand for military goods within a very short time. For the defence industry, this meant ramping up production as quickly as possible and expanding its own capacities accordingly.

However, trimmed over decades to fit the needs of an economy of scarcity, Europe's armaments sector was not at all prepared for this (Wolff 2024). The prolonged focus on cost-minimisation had forced the industry to adopt lean management models and just-in-time stock systems. While highly capital-efficient in a stable security environment, these practices had completely stripped the industrial base of operational elasticity, leaving no surplus capacity available to accommodate sudden manufacturing surges (Hellberg 2023; Hellberg et al. 2025; Korkmaz 2024). Furthermore, increasing the production of defence equipment is a complex process that requires the mobilisation of the entire

supply chain. This was difficult, as decades of outsourcing had resulted in highly extended supply chains with domestic prime contractors having only limited visibility or control over upstream tiers. In addition, because most military systems had been produced in small batches tailored to unique national specifications, the industry was lacking the standardised components required to achieve traditional economies of scale (Hellberg et al. 2025, 1091).

Thus, ramping up defence production required significant investment in new factories, machines, components, raw materials and personnel. However, in a highly regulated market, where demand is exclusively in public hands and exports are only possible with the approval of national governments, investment in new production capacities can only be justified financially if there are firm orders. The mere prospect of incoming orders is not usually enough to convince shareholders, banks and other investors to provide the necessary financing. Since ministries of defence and procurement agencies were also not prepared for the demand shock, it took some time for the sudden need to be translated into new contracts.

## State of play

Despite these structural issues, considerable progress has been made on the way to defence (industrial) readiness since the beginning of the Ukraine war.

Most European countries have significantly increased their defence spending. According to European Defence Agency estimates, EU defence spending rose by about 30% between 2021 and 2024 to a combined total of €343 billion, and spending is projected to continue to increase further (EDA 2025).

In parallel, European defence companies have increased their production many times over. This applies in particular to the systems and equipment that are most needed and consumed in large numbers in Ukraine, such as ammunition and air defences, among others. This has been possible due to the fact that many companies have taken considerable economic risks and made major investments prior to the conclusion of procurement contracts.

At the same time, the successes achieved so far are relative. Defence budget increases are unevenly distributed across the EU, and in view of limited fiscal space, many member states will find it difficult to reach the agreed-upon NATO spending target of 3.5% of GDP. On the industry side, production growth rates are impressive, but they come from an extremely low starting level. In absolute terms, defence–industrial output in the EU remains far behind that of the Russian arms industry (Wolff et al. 2024). Ramping up is therefore ongoing, but not at the pace and scale that is needed to reach defence readiness by 2030.

This is not surprising insofar as Europe—unlike Ukraine and Russia—has not switched to a war economy: European defence companies still act as traditional market

operators, subject to 'normal' financial and economic, but also social and legal constraints, which they must take into account when growing. The same applies to the public demand side, where decisions on budgets and procurement go through normal democratic processes that inevitably take some time.

Moreover, several new challenges have emerged since 2022 that are further complicating the path to defence (industrial) readiness. Under the second Trump administration, the burdens in the Atlantic alliance have shifted. Europe now has to carry the lion's share of support for Ukraine and will soon have to bear the main responsibility for conventional deterrence against Russia. This implies that the European allies must provide additional military capabilities that have so far come from the US.

Additionally, international supply chains are increasingly subject to geopolitical tensions. Europe's defence industry is affected in two ways: many defence systems made in Europe contain high-value components and subsystems from US suppliers, while China has a quasi-monopoly on many of the low-value components and, above all, the critical raw materials (Hackett et al. 2025, 4–6). These dependencies are not new, but they take on a new quality in the current geopolitical situation and could become decisive in an emergency.

These dependencies also have an impact on new and emerging technologies. This applies in particular to artificial intelligence and autonomous systems, which are being used extensively in Ukraine. These technologies are radically changing modern warfare and will decisively influence the development of Europe's future defence capabilities.

All this means that European defence companies simultaneously face three strategic challenges on the way to defence readiness: they must (a) further ramp up production capacities, (b) keep pace with rapid technological developments, and (c) reduce critical dependencies.

## The way forward

In the face of these challenges, further defence budget increases, while indispensable, are not sufficient to achieve industrial defence readiness by 2030. The political focus must shift from increasing financial input (budget) to increasing industrial and military output (capabilities), with the objective of enhancing efficiency and getting a 'bigger bang for the euro' (Schmitt 2003).

This requires systemic changes in the way Europe's armaments sector is organised and works. The steps outlined below seem particularly important.

### *Optimising procurement*

The entire process, from identifying a military need to providing a solution, is fundamentally not designed for speed. We need to streamline and accelerate development, approval

and procurement processes. This includes, above all, standardising and simplifying technical requirements, as well as qualification and certification processes, which today are very time-consuming. Overcomplexity and the lack of standardisation create significant delays in national procurement systems, which worsen and become even more costly when it comes to cross-border cooperation and transactions.

Procurement contracts should be significantly extended (10+ years). This would de-risk companies' investments and open the way to decisively increasing production capacities. It would also help to secure supply chains: without explicit, long-term contractual commitments from governments that cover the added financial burdens of resilience, privately owned defence firms lack the economic incentives or corporate justification to proactively invest in crisis readiness, supplier diversification or strategic stockpiling.

A complementary or alternative contract design could be the capacity contract, which does not provide for the procurement of certain quantities (e.g. 1,000 units), but for the provision of production capacities (e.g. industrial capacity to produce 1,000 units). Such contracts would de-risk investment and enable production to be ramped up quickly in an emergency. In the case of drones, which would have to be mass-produced and continuously updated during an armed conflict, such contracts would seem to be the only viable option. For other systems, capacity contracts should be seriously considered as a means to establish in peacetime the industrial capacity to immediately ramp up production when needed.

### *Strengthening European cooperation*

The coexistence of 27 independent national procurement processes in the EU is highly inefficient. Overcoming this fragmentation would open the path to economies of scale and make it possible to optimise industrial planning and production. In order to leverage these potential efficiencies, member states should create, as a matter of priority, a mechanism that translates their national military capability targets into common industrial production targets. The goal must be to plan and carry out procurement together.

Today most member states source either from national producers or, if these do not exist, from outside Europe. At least in cases where a national solution does not exist, the first choice should be a European solution. In today's geopolitical situation, such a European preference is not protectionism, but a strategic imperative to secure supply and sovereignty.

The joint financing of European armaments projects is highly controversial. If Eurobonds remain politically impossible, at the very least the budgets for defence and security in the next multiannual financial framework should be significantly increased. To promote European cooperation, EU funding instruments are the means of choice and should therefore receive a budget envelope that goes beyond the original Commission proposal.

### *Investing strategically*

In view of the changing security and defence strategy of the US, Europe must become able to defend itself as quickly as possible, and on its own if necessary. This means, above all, developing and procuring critical enablers, which are currently provided almost exclusively by the US (these include command and control; deep-strike; air defence; satellite reconnaissance and communications; space launch; airborne intelligence, surveillance and reconnaissance; military cloud; software and artificial intelligence; strategic airlift; and electronic warfare capabilities). Kiel Institute and SPARTA Alliance (2026) estimate that Europe has both the technological and the financial means to considerably reduce these capability gaps by 2030 and even close them by 2035—provided that Europeans manage to establish efficient cooperation structures.

The increases in European defence budgets since 2022 have also led to corresponding increases in investment spending. However, most of this investment expenditure has gone into the procurement of existing equipment that was available at short notice. Investment in research and development (R&D), by contrast, is lagging behind. While the US spent 16% of its defence budget on R&D in 2024 (€135 billion), R&D spending in Europe increased only slightly to 4% (€13 billion) (EDA 2025, 14). The focus on off-the-shelf procurement to address short-term urgent needs (EDA 2024, 12) is understandable in the current situation, but the low level of R&D spending is not sustainable in the medium term. Just as important as closing the most critical gaps as quickly as possible is securing technological sovereignty and superiority. The goal should therefore be to rapidly increase the R&D share in Europe to 10% of total defence spending.

Access to critical raw materials and components is essential to sustain production. The resilience of supply chains is therefore crucial for defence readiness and must be improved as quickly as possible. Existing vulnerabilities must be addressed immediately in order to be prepared for the worst-case scenario, in which access to important materials and components could be restricted or stopped.

## Conclusion

The European defence industry plays a crucial role in Europe's defence readiness. It must help close existing military capability gaps as quickly as possible, ensure technological superiority over the potential aggressor, and be able to support European armed forces in the event of a large-scale and prolonged war of attrition. Without such defence–industrial capabilities, credible military deterrence is not possible. The defence industry is therefore not only an economic sector, but a military capability *sui generis*.

In order to quickly build up and sustain the industrial base necessary for military deterrence, Europe needs not only higher defence budgets but also systemic reforms. It is important to set the right priorities, optimise processes, and overcome inefficient and expensive fragmentation. Despite all the increases in national budgets, no member state will be able to defend itself alone. Consequently, we need to act as Europe, rather than as

nation-states, to finance, develop, build and procure the strategic capabilities needed to credibly deter any adversary.

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# From reinforcement to foundation: Ukraine and the future of NATO's high-readiness forces in the new European security environment

**Aliona Hlivco**[1]

## Abstract

This article examines the evolution of NATO's high-readiness force structure amid the rebalancing of transatlantic burden-sharing. It argues that while the Alliance has significantly strengthened its rapid-reaction posture, its force model remains structurally dependent on the US and insufficiently adapted to the operational realities of contemporary high-intensity warfare. Against the backdrop of the US's strategic reorientation towards the Indo-Pacific and Western hemisphere, Europe must develop new sources of military capability. The article argues that Ukraine should be integrated into NATO's Allied Reaction Force not merely as another troop contributor, but as a foundational pillar of Europe's continental defence, bringing its unparalleled combat experience, doctrinal innovation and operational expertise, acquired during the largest conventional war in Europe since the Second World War. Such integration would significantly enhance European military capabilities while strengthening the continent's defence sovereignty and long-term security.

## Keywords

NATO Allied Reaction Force, European security, Ukraine, Military doctrine, Transatlantic relations

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## Introduction

The transatlantic relationship has long been shaped by competing visions of the US's role in Europe. This debate can be traced back to the earliest years of the American republic and the differing worldviews of two of its principal founding fathers. While Alexander Hamilton believed that the US should engage actively in international affairs to protect its political and economic interests, Thomas Jefferson argued that the young republic's security depended upon avoiding permanent entanglement in Europe's conflicts. Two hundred and fifty years later, these positions still pose a strategic tension in American foreign policy: should the US serve as a guarantor of European security or encourage Europe to assume greater responsibility for its own defence?

For much of the twentieth century, the Hamiltonian vision prevailed. Through the establishment of NATO, successive US administrations accepted that maintaining a substantial military presence in Europe was indispensable to preserving stability on the continent and deterring Soviet aggression. The US became the Alliance's principal military power, providing not only troops but also the strategic capabilities that enabled NATO to function as an integrated defence organisation. Command and control, strategic intelligence, long-range logistics, missile defence, cyber capabilities and nuclear deterrence have remained overwhelmingly dependent upon American resources.

Today, those assumptions are under strain. Washington has steadily shifted attention towards the Indo-Pacific and the Western hemisphere, and Russia's full-scale invasion of Ukraine has only emphasised the expectation that European allies will assume greater responsibility for the continent's conventional defence (Greenall 2025).

Recent policy signals reinforce this trend. US Secretary of Defense Pete Hegseth has called for a comprehensive review of NATO burden-sharing, and has argued that Europe must assume primary responsibility for deterring Russia (Britzky 2026). This does not mean the end of the transatlantic alliance or a full American withdrawal. It means that Europe can no longer assume unrestricted access to US military capabilities on the scale and with the immediacy of the post–Cold War period.

In this changing environment, Ukraine reshapes the European security equation. More than four years of high-intensity warfare against Russia have transformed it from a recipient of security assistance into one of Europe's most capable military powers, with unparalleled experience in conventional warfare, drone operations, electronic warfare, cyber defence and battlefield innovation.

Ukraine should therefore no longer be viewed solely as a future beneficiary of NATO security, but as a foundational contributor to the Alliance's evolving high-readiness force structure. Integrating Ukraine's combat-tested forces, operational expertise and doctrinal innovation into NATO would strengthen European deterrence while enabling a more balanced distribution of transatlantic security responsibilities. By making this change, Ukraine would move from reinforcing Europe's security to becoming one of its principal foundations.

Ukraine's contribution in this instance would not only help offset the gradual rebalancing of US military capabilities and fill emerging gaps, but also strengthen Europe's sovereignty in defence and security. At a time of unprecedented geopolitical fragmentation, growing strategic uncertainty and the rapid evolution of asymmetric warfare, Europe's ability to provide for its own security is becoming indispensable. While European states will continue to invest in developing their own strategic enablers and force readiness, integrating Ukraine's battlefield experience and defence innovation into NATO's high-readiness force structure would provide Europe with an immediate strategic advantage and accelerate the development of a more capable, resilient and sovereign European pillar within the transatlantic alliance.

## Existing US capabilities on the European continent

The US remains the indispensable military power within NATO. As of early 2026, approximately 84,000 active-duty US military personnel were stationed across Europe (Carlough et al. 2025), supported by an extensive network of land, air and naval bases stretching from the UK to Romania. Although troop numbers remain significant, the strategic value of the US presence lies less in manpower than in the unique enabling capabilities it provides to the Alliance. These include command and control, intelligence gathering, strategic mobility, missile defence, electronic warfare, cyber capabilities and nuclear deterrence (Center for Arms Control and Non-Proliferation 2021)—capabilities that European allies have yet to replicate at comparable scale.

The concentration of US forces continues to reflect the strategic geography of Europe. Germany remains the centre of the US military architecture on the continent, hosting approximately 35,000 personnel and more than 40 military installations (Military OneSource n.d.a; Carlough et al. 2025). It is home to the headquarters of the US European Command, US Africa Command and US Air Forces in Europe, making it the principal command-and-control hub for US military operations across Europe and Africa (US Army Europe and Africa n.d.; Martin and Mazumdaru 2026). Ramstein Air Base serves as the Alliance's primary strategic airlift and logistics hub (US Air Force n.d.), while US Army Garrison Bavaria remains one of NATO's most important multinational training centres (Military OneSource n.d.a). Together, these facilities provide the operational backbone that enables rapid reinforcement, multinational interoperability and force projection across the European theatre.

The UK represents the second pillar of the US military presence in Europe. Approximately 10,000 American personnel are stationed across several strategically important Royal Air Force (RAF) installations (Mills and Brooke-Holland 2026, 4). RAF Lakenheath hosts advanced fighter aircraft, including F-35s, while RAF Mildenhall provides the only permanent US aerial refuelling capability in the European theatre (Royal Air Force Mildenhall n.d.). RAF Fairford functions as the principal forward operating location for US strategic bombers and high-altitude reconnaissance aircraft. Beyond conventional military capabilities, the UK also hosts some of the Alliance's most important intelligence infrastructure, including RAF Menwith Hill and RAF Croughton, both

of which play central roles in global communications, signals intelligence and satellite operations (Mills and Brooke-Holland 2026, 7).

Further south, Italy serves as the principal hub for US military operations across the Mediterranean, the Middle East and North Africa. Approximately 12,600 US personnel are stationed across a network of air, naval and logistics facilities, including Naval Support Activity Naples, which hosts the headquarters of US Naval Forces Europe–Africa and the US Sixth Fleet, Aviano Air Base and Naval Air Station Sigonella (Military OneSource n.d.b). These installations underpin the US naval presence in the Mediterranean while providing strategic access to multiple theatres beyond Europe.

On NATO's eastern flank, Poland has emerged as one of Washington's closest military partners. Approximately 10,000 US troops are currently stationed in the country, supported by the first permanent US Army garrison established in Poland, the forward headquarters of V Corps, the Redzikowo Aegis Ashore missile defence site and significant investments in logistics infrastructure (Poland, Ministry of National Defence n.d.). Unlike the more mature US presence in Germany, the bases in Poland reflect a forward-oriented posture designed to strengthen deterrence against Russia and facilitate rapid reinforcement of the eastern flank.

Romania has similarly grown in strategic importance, particularly following Russia's full-scale invasion of Ukraine. While hosting a comparatively modest American force of approximately 1,000 personnel, Romania provides critical access to the Black Sea region and increasingly supports both NATO's regional deterrence posture and wider US contingency operations (US State Department 2026; Gozzi 2025).

Yet the significance of the American military presence in Europe cannot be measured solely by troop numbers or the distribution of bases. Its greatest contribution lies in the sophisticated network of strategic enablers that allows NATO to function as an integrated military alliance.

Perhaps the most important of these is the US's command, control, communications, computers, intelligence, surveillance and reconnaissance architecture (MacAskill and Dance 2013). The US continues to dominate NATO's intelligence ecosystem through a combination of headquarters, satellite networks, airborne surveillance platforms and signals intelligence facilities. The National Security Agency and its Cybersecurity Collaboration Center Europe, headquartered alongside US European Command in Stuttgart, coordinates American signals intelligence activities across the European theatre. Supporting this architecture are the European Technical Center and the Consolidated Intelligence Center in Wiesbaden, which process communications and intelligence for US forces operating across Europe, Africa and the Middle East.

The UK hosts several of the Alliance's most important intelligence facilities. RAF Croughton processes approximately one-third of all US military communications in Europe, while RAF Menwith Hill remains one of the world's largest satellite interception

and electronic monitoring stations. RAF Fylingdales contributes to ballistic missile early warning, further reinforcing NATO's strategic awareness (Mills and Brooke-Holland 2026).

American airborne intelligence capabilities remain equally dominant. RC-135 Rivet Joint aircraft provide both communications intelligence (Barrie 2025) and electronic intelligence, while RQ-4 Global Hawk (Litnarovych 2025) unmanned aerial vehicles conduct persistent reconnaissance missions along NATO's eastern flank and over the Black Sea. Maritime surveillance is supported by P-8 Poseidon aircraft operating primarily from Naval Air Station Sigonella in Italy (Coats 2019), while MQ-9 Reaper systems based in Poland provide additional reconnaissance capability over Eastern Europe (Cenciotti 2020).

The US also provides the overwhelming share of NATO's electronic warfare capability. Aircraft such as the EA-18G Growler and the newly introduced EA-37B Compass Call enable long-range electromagnetic attack, disrupting enemy air defences, communications, navigation systems and command networks (Bronk 2025). Although several European allies are investing in electronic warfare capabilities, no comparable indigenous capacity currently exists within Europe at similar scale.

A similar pattern exists in cyberspace (Klimburg 2026, 9). European governments continue to rely heavily on American cybersecurity providers, including Microsoft, CrowdStrike and Cloudflare (Paulus 2025), while US European Command and US Cyber Command remain central to military cyber operations within the Alliance. US leadership also extends into the space domain, where satellite communications, missile warning systems and space-based intelligence remain essential enablers of NATO operations.

Finally, the US nuclear umbrella continues to underpin European deterrence. Approximately 100 US nuclear weapons remain deployed across several NATO member states under the Alliance's nuclear sharing arrangements (Center for Arms Control and Non-Proliferation 2021). Recent discussions in Washington regarding the potential expansion of nuclear-capable aircraft deployments, together with interest expressed by Poland and Lithuania in assuming a greater role within NATO's nuclear deterrence posture, demonstrate that nuclear burden-sharing remains an evolving component of European security (Ciobanu 2026).

Taken together, these capabilities illustrate that Europe's dependence on the US extends far beyond troop numbers. While European allies have significantly increased defence spending and force generation since Russia's full-scale invasion of Ukraine, the Alliance continues to rely disproportionately on US command-and-control systems, strategic intelligence, electronic warfare, cyber capabilities, missile defence and nuclear deterrence. At the same time, Washington's strategic attention is increasingly divided between Europe, the Indo-Pacific, the Americas and the Middle East. The issue, therefore, is not one of US withdrawal but of strategic prioritisation. As the US rebalances its

global commitments, Europe can no longer assume unlimited access to its military capacity. This emerging capability gap requires new approaches to strengthening NATO's forward defence—an opportunity in which Ukraine's battlefield experience, operational innovation and combat-tested armed forces assume strategic importance.

## Ukraine as a foundational pillar of NATO's future high-readiness force structure

If the previous section demonstrates that Europe remains heavily dependent on US military enablers, the logical question is where can the Alliance develop additional capability from within the European theatre itself? Increasing defence expenditure and expanding force generation are necessary, but they cannot rapidly produce the operational experience that modern warfare now demands. In this regard, Ukraine represents a unique strategic asset. After more than four years of full-scale war against Russia, it has evolved from being a recipient of Western security assistance into one of Europe's most capable military powers and an increasingly important contributor to regional security (Hlivco 2026, 3).

Ukraine's armed forces have undergone a transformation unprecedented in modern Europe. Fighting the largest conventional war on the continent since the Second World War has compelled Ukraine to innovate at extraordinary speed, adapting its doctrine, command structures and technological capabilities in real time. In doing so, it has accumulated combat experience unmatched anywhere else within NATO. Ukrainian forces now possess an unrivalled understanding of Russian military doctrine, operational planning, electronic warfare, missile deployment, drone warfare, cyber operations and high-intensity attritional combat.

The significance of these capabilities extends well beyond Ukraine's own defence. Today, Ukraine effectively protects NATO's eastern flank by engaging Russian forces using predominantly Western equipment, NATO-compatible procedures and increasingly interoperable command structures. In practice, Ukrainian forces are already operating within the Alliance's broader military ecosystem. Their experience has therefore become an increasingly valuable source of operational knowledge for European armed forces seeking to prepare for the possibility of a future conflict with Russia.

Ukraine's contribution is not limited to manpower. The war has transformed the country into a laboratory for modern warfare, where new operational concepts are continuously being developed, tested and refined under combat conditions. Ukrainian forces have pioneered the integration of unmanned aerial systems at every level of military operations, combining reconnaissance, first-person-view drones, loitering munitions, electronic warfare and artillery. They have simultaneously developed sophisticated capabilities in electronic warfare, resilient communications, distributed command structures and cyber defence. Ukraine has therefore become a testing ground for the next generation of Western military doctrine (Bronk 2025). The challenge for NATO is no longer

whether these lessons should be incorporated into Allied planning, but how rapidly they can be institutionalised across the Alliance.

One of the most effective mechanisms for achieving this would be Ukraine's integration into NATO's Allied Reaction Force, established in 2024 as the immediate-response component of the broader NATO Force Model (NATO 2024). Rather than viewing Ukraine simply as another contributor of troops, the Alliance should consider it a foundational pillar of the future development of the Allied Reaction Force. Such an approach would fundamentally strengthen NATO's forward defence by integrating combat-tested forces alongside the operational concepts and doctrinal innovation that Ukraine has developed throughout the war.

The benefits of such integration would extend across multiple operational domains. Ukrainian forces possess extensive expertise in countering one-way attack drones, cruise missiles and ballistic missile threats through layered air and missile defence. They have developed advanced counter-drone capabilities, combining electronic warfare with kinetic interception to defeat increasingly complex unmanned systems. Ukraine also offers valuable experience of integrating intelligence, surveillance and reconnaissance with real-time battlefield decision-making, creating highly responsive command structures capable of operating in contested electromagnetic environments. At sea, the innovative deployment of unmanned surface vessels and unmanned subsea systems has fundamentally challenged traditional assumptions about maritime superiority in the Black Sea and demonstrated new methods of denying adversaries freedom of manoeuvre without relying on conventional naval superiority.

Equally important is Ukraine's growing contribution to NATO's intellectual transformation. Ukrainian officers have already participated in Allied exercises as Red Teams, exposing NATO formations to realistic representations of Russian tactics, techniques and procedures (Kharuk 2026). These contributions have accelerated Allied understanding of modern warfare. Rather than remaining an ad hoc arrangement, this cooperation should become institutionalised as a permanent feature of NATO's force development, doctrine and professional military education.

The integration of Ukrainian capabilities into the Allied Reaction Force could realistically proceed in two stages. While active hostilities continue, Ukrainian expert teams could be embedded within NATO formations along the eastern flank, supporting training, doctrine development and operational preparation, similar to advisory models previously employed by the Ukrainian military in the Middle East. Their role would focus on transferring battlefield knowledge, particularly in drone warfare, electronic warfare and contemporary Russian tactics.

Following a ceasefire, this cooperation could evolve into the deployment of a combined-arms Ukrainian contingent of up to 50,000 personnel within NATO's high-readiness force structure. Rather than replacing national contributions, such a force would reinforce the Alliance's forward presence in those member states most exposed to Russian military

pressure, stretching from the Baltic region to the Black Sea. More importantly, it would provide NATO with combat-experienced formations capable of immediate integration into multinational operations, significantly enhancing deterrence and reducing the time required to generate credible combat power in the event of a crisis.

Such a proposal should not be interpreted as an alternative to NATO enlargement, nor as a substitute for Article 5 guarantees. Instead, it represents a pragmatic response to Europe's evolving security environment. The US is likely to remain Europe's indispensable strategic ally, but Washington's growing global commitments increasingly require European allies to assume greater responsibility for conventional deterrence. Ukraine offers Europe things no other ally can currently provide: large-scale combat experience, continuous doctrinal innovation and an armed force already adapted to the realities of twenty-first century warfare.

The future European security architecture will not be built solely through increased defence spending or expanded force structures. It will depend equally upon integrating operational knowledge gained on contemporary battlefields. In that respect, Ukraine should no longer be viewed merely as a state seeking security guarantees. It has become a security provider in its own right. Incorporating Ukrainian capabilities into NATO's future high-readiness forces would therefore represent a strategic investment in the Alliance's long-term military effectiveness and Europe's collective defence.

## Conclusion

Europe's security architecture is entering a period of profound transformation. The transatlantic alliance remains the cornerstone of European defence, and the US will continue to be Europe's indispensable strategic ally. However, the gradual rebalancing of US strategic priorities means that Europe can no longer assume unrestricted access to its military capabilities on the previous scale and with the same immediacy. The challenge, therefore, is not to replace the US, but to strengthen Europe's ability to assume greater responsibility within the Alliance and reinforce its defence sovereignty.

Building credible deterrence will require more than increased defence spending or larger force structures. It will also demand the integration of the combat experience, doctrinal innovation and operational knowledge acquired on today's battlefields.

Ukraine offers precisely these capabilities. After more than four years of high-intensity war against Russia, it has developed Europe's most combat-experienced armed forces and become a laboratory for military innovation. Its expertise in large-scale conventional warfare, drone operations, electronic warfare, cyber defence and multi-domain operations provides capabilities that no other European military currently possesses at comparable scale or intensity.

Integrating Ukraine into NATO's Allied Reaction Force structure would therefore represent not only a logical step in strengthening the Alliance's deterrence posture, but

also an adaptation to the changing strategic balance within the transatlantic relationship. As Europe assumes greater responsibility within the Alliance, Ukraine should no longer be viewed solely as a future beneficiary of European security. It has already become one of its principal providers. At a time of profound geopolitical uncertainty and shifting defence priorities within NATO, integrating Ukraine's combat experience, doctrinal innovation and battle-tested forces into the Alliance's high-readiness force structure would not only enhance Europe's military capabilities in the age of technologically driven, asymmetric warfare, but also strengthen its defence sovereignty and capacity to provide for its own security.

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*Article*

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# European autonomy, competitiveness and security in the new space era

**Connor Horsfall**[1]

## Abstract

Europe is lagging behind the US and China in the new space era. Accounting for only 11% of the global institutional space budget, Europe must transition from fragmented, slow-moving institutional programmes to a highly coordinated, pragmatic strategy that balances strategic sovereignty with operational realism. This article outlines how Europe can boost its autonomy, macroeconomic competitiveness and national security in space. First, Europe must develop sovereign, reusable heavy-lift launch capabilities while streamlining procurement for innovative small and medium-sized enterprises. Second, accelerating the multi-orbital Infrastructure for Resilience, Interconnection and Security by Satellite constellation will secure resilient, quantum-encrypted connectivity. Third, Europe can capture the rapidly growing in-orbit servicing market by leading on space sustainability standards. Fourth, dismantling defence silos in favour of a unified continental space command will optimise resource pooling. Finally, expanding public–private growth funds and anchor-customer frameworks will make Europe's commercial ecosystem less risk-averse. Pragmatic international alliance collaboration remains critical to address the residual resource gaps.

## Keywords

Space capabilities, EU Space Act, European sovereignty, Space launch, In-orbit servicing, Space venture capital, Space competition, Space sustainability

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## Introduction

Europe has made significant progress on space by beginning to address long-standing structural bottlenecks. Yet global competitors, most notably the US and China, are accelerating their efforts at a rate that threatens to leave Europe excluded from the vast benefits space offers. Historically, Europe has been slow to develop robust, sovereign space capabilities. The continent has relied on institutional programmes that have not sufficiently harnessed the commercial sector. This contrasts with the rapid, venture-backed rise of private launch providers in the US and the state-backed military–industrial approach taken by China. Europe accounts for only 11% of the global institutional space budget (ESA 2026, 8).

Space has become an essential domain for ensuring economic resilience, national security, global communications and climate monitoring. European nations are now providing greater funding and political bandwidth for space issues, as seen by European space budgets growing by 12% to €13.5 billion in 2025, led largely by German defence spending (ESA 2026, 10). France also announced a €4.2 billion investment in defence activities and the UK has committed £3.2 billion in direct funding for space capabilities over the next four financial years in the Defence Investment Plan (UK, Ministry of Defence 2026).

Growing tensions between Europe and the Trump administration have also seen questions of sovereignty increase. In the UK, tech sovereignty has become a recurring theme in parliamentary sessions, with both the Science, Innovation and Technology Committee and the Defence Committee scrutinising the country's reliance on foreign providers. US tech giant Palantir has found itself at the centre of this debate across the continent, including with the German national army, which cut ties with the company, and Switzerland's military, which published a risk assessment warning that data could be accessed by the US government (Tobin 2026).

Those posing the question are right to do so, but the reality is that Europe does not have the capability or capacity to be fully sovereign in all aspects of space. Stagnant growth across the continent means that tough trade-offs need to be made. Europe must balance its desire for strategic sovereignty with the pragmatic need to deploy the best technology available, particularly when considering national security. Sovereignty for its own sake is a mistake if it locks Europe into obsolete or uncompetitive technologies.

The EU Space Act has been a positive catalyst for bringing space to the forefront of political discourse, but it remains a long way from becoming law. Whilst its aims of reducing market fragmentation and increasing resilience are welcome, there remain a lot of unknowns, including what assets will be given exemptions under national security and whether attempts to promote European companies may harm Europe's access to the best capabilities on the market.

European strategy must be highly pragmatic, focusing on securing control of critical infrastructure, developing key capabilities where dependencies pose an existential risk

and selectively reducing vulnerabilities. This article outlines five key areas in which Europe should concentrate its political will and financial resources.

## Launch capability: reusability and competitive procurement

Europe's primary bottleneck is access to space. The continent has lacked a competitive sovereign heavy-lift capability and, like most of the world, has become reliant on a thriving US commercial sector, especially market-leader SpaceX. The roots of this dependency are structural. The US commercial sector has capitalised on massive economies of scale, driven by early mover advantages and the support of government. US National Aeronautics and Space Administration and US Space Force contracts gave US launch companies the reliability and long-term backing to invest and take risks (Weinzierl 2018, 180). China has also made progress in this area with its Long March family, alongside a surging state-supported commercial sector.

Europe's flagship heavy-lift launcher, Ariane 6, suffered significant delays before its debut and was always likely to struggle as a one-shot system in a global market dominated by reusable rockets. There remains an extensive launch backlog, which reduces confidence in Europe's space capabilities and keeps production costs less competitive. To become more competitive, Europe must pivot on three fronts.

First, institutional funding is needed for reusable engine technologies. This includes accelerating development of the European Space Agency's (ESA) Prometheus—a reusable, low-cost liquid oxygen–methane engine—and the Themis reusable booster demonstrator. Good progress is being made on this, with the technical hurdles informing the direct design baseline for Europe's upcoming commercial reusable launchers, such as ArianeGroup's MaiaSpace (Simontacchi et al. 2019).

Second, the procurement process should be made less time-consuming and less expensive for firms. This will encourage more small and medium-sized enterprises to participate, and these are often the most innovative. European governments should also increase their risk appetite for procuring from newer companies rather than just established primes. Europe has several growing companies working on launch, including Isar Aerospace and Rocket Factory Augsburg (Germany), PLD Space (Spain), MaiaSpace (France) and Orbex (UK). The expertise and appetite is there, the sector simply needs the backing and reassurance to fully succeed.

Third, Europe needs to better utilise its launch facilities. The continent has geographic advantages at some of its facilities, such as SaxaVord in the UK and Andøya in Norway, and should support these providers to demonstrate orbital flight capability as soon as possible. Their advantages include being at high latitude, in a remote location and on the coast, with the sea and air corridors north of Shetland and northern Norway being relatively quiet. There should also be clear roadmaps for capacity upgrades.

## Secure, high-speed connectivity

The war in Ukraine has illustrated that space-based Internet is an indispensable defence asset. Europe remains dependent on foreign-controlled systems such as Starlink for low-latency low-earth-orbit broadband. Europe needs its own deployment of satellites for this and therefore should accelerate the deployment of the Infrastructure for Resilience, Interconnection and Security by Satellite (IRIS²), its flagship €10.5 billion multi-orbital constellation. To scale IRIS² effectively, investment should move towards an agile, dual-use architecture focused on three technical frontiers.

First, IRIS² is designed as a hybrid network of nearly 300 satellites. It combines low earth orbit for ultra-low latency data transfer with medium earth orbit for continuous, high-throughput global coverage. Funding should prioritise the development of optical inter-satellite links. These terminals dynamically cross-link low-earth-orbit and medium-earth-orbit layers, allowing data to bypass vulnerable ground-based terrestrial infrastructure and route around localised physical or electronic jamming zones.

Second, with quantum computing threatening to break standard public-key cryptography, integrating the European Quantum Communication Infrastructure into IRIS² is important. Investments must target space-qualified quantum key distribution payloads. These payloads transmit cryptographic keys using entangled photons. As any intercept attempt alters the quantum state of the photons, it creates an un-hackable secure loop, protecting government data, military commands and financial networks.

Third, Europe should move away from the strict dividing line between civilian and military hardware. Under a unified model, the EU must retain strict operational control and ownership over dedicated military transponders and security-critical software pipelines. Excess capacity can then be commercialised through public–private partnerships, such as the SpaceRISE consortium (comprising Eutelsat, SES and Hispasat). This commercial window will help to drive down manufacturing costs for user terminals and eliminate broadband dead zones across rural Europe. These systems should be made to withstand kinetic or cyber-warfare.

## Space sustainability and in-orbit servicing

As the earth's orbits become increasingly congested, space sustainability is rising up the geopolitical agenda. With tens of thousands of active and defunct satellites now in low-earth orbit, the increasing risk of collision threatens the long-term viability of critical space assets. Whilst space congestion may not yet be an immediate crisis, the exponential surge in satellite deployments is creating a lucrative new market that Europe could capture. In particular, active debris removal and in-orbit servicing, assembly and manufacture represent two rapidly growing sectors. The emerging in-orbit servicing market is estimated to be worth billions and is expanding fast, fundamentally shifting the space sector towards a sustainable, circular economy model (Lenkart and Williams 2026).

Historically, satellites have been treated as entirely disposable assets—launched with a fixed fuel supply and simply left to decay in orbit or boosted into graveyard trajectories at the end of their lifespans. There is now a growing consensus that this is an incredibly inefficient use of high-value hardware. Fortunately, Europe already boasts innovative, continent-based market leaders within the in-orbit servicing domain, such as ClearSpace, D-Orbit and Astroscale (ESA 2020). However, for this technological capability to be fully realised, it must be backed by a robust regulatory and commercial framework.

To lead the orbital economy, Europe must focus on two strategic priorities. First, it should mandate that all sovereign satellites launched feature standardised docking plates and refuelling valves. Establishing these uniform physical standards will catalyse a highly competitive commercial market for orbital tow trucks and refuelling tankers. Second, the EU and the ESA should explore issuing more competitive commercial contracts to retrieve defunct, European-owned space debris. This institutional backing would provide immediate, predictable revenue for active debris removal startups, giving them the financial runway to scale their technologies for the wider global market. Progress has been made with the planned UK active debris removal mission and the upcoming ClearSpace-1 mission, which is backed by the ESA and set to take place in 2029 (ESA 2024). The ESA has also promoted the Zero Debris Charter, which, whilst voluntary, will have some influence on commercial behaviour as space companies bid for European contracts (ESA 2023).

## Reducing silos across space

Space is now officially recognised as a contested military domain, meaning Europe's traditional separation of strictly civilian space programmes from fragmented national defence initiatives is no longer viable (European External Action Service 2026). The primary hurdle facing the continent is financial and structural fragmentation. While European nations are on track to invest over $100 billion in military space capabilities over the medium term, this capital is currently being spent in a highly inefficient, country-by-country manner (Pobjie et al. 2026, 4). To build genuine, integrated resilience against electronic, cyber and kinetic counter-space threats, Europe must urgently shift away from national silos and move towards a unified European space command structure.

Achieving this required level of resilience demands a fundamental overhaul of how continental space infrastructure is funded and organised. Rather than Germany, France and Italy building separate, redundant radar or reconnaissance satellites, transnational budgets should be pooled into a singular, shared alliance architecture. This consolidated approach is particularly vital for establishing comprehensive space domain awareness and unified missile early warning systems that are fully integrated with NATO protocols. The same is true for the procurement of earth observation data, for which consolidated contracts may provide better value for money.

This new strategic framework must look beyond the borders of the EU. Space defence and security initiatives must actively include highly capable, non-EU ESA member

states—especially the UK and Switzerland—to prevent the costly duplication of infrastructure and to maximise continental expertise (Ivasechko et al. 2026). Finally, strategic funding must target responsive space capabilities, ensuring the ability to launch replacement satellites rapidly in an active crisis. Only through a collective, agile framework will European forces be able to guarantee that they will not be left digitally blind during a hybrid conflict.

## Fuelling the space ecosystem

Even the most sophisticated technological roadmap will falter without a healthy commercial ecosystem to sustain it. European venture capital markets have historically been highly risk-averse and structurally fragmented, a systemic weakness that routinely forces the continent's most promising space-tech startups to look across the Atlantic for growth capital (Arnold and Claveres 2024). To reverse this capital flight and establish Europe as an attractive, high-growth hub for the global commercial space sector, institutional tools must be strategically deployed to crowd-in private finance.

The first step in de-risking private investment is expanding anchor-customer procurement. By shifting ESA and EU funding models away from traditional cost-plus institutional subsidies and moving towards guaranteed anchor-customer frameworks through competitive services agreements, the public sector can give private venture capitalists the revenue certainty they require to confidently back early-stage startups.

Simultaneously, Europe must deploy dedicated growth funds to bridge the Series B and C funding gap that prevents companies from scaling. Establishing and expanding targeted public–private space investment vehicles—such as the CASSINI initiative[1]—will provide the late-stage growth capital necessary to prevent European scale-ups from being prematurely acquired or pushed to relocate by foreign investors. Finally, accelerating time-to-market requires the streamlining of technology transfer. Creating friction-free pathways to transfer intellectual property and patented technologies directly from ESA labs and academic institutions into the hands of agile commercial startups will ensure that public research efficiently fuels market-ready, European-led orbital innovation.

## Conclusion

The geopolitical reality of space has changed. Competitiveness in space is essential for Europe's macroeconomic survival and national security. For Europe to maintain a strategic edge, it must take a more coordinated approach to developing its space capabilities, ensuring that commercial entities operate in an environment that fosters innovation.

The EU Space Act has many revisions to come in the coming years and will be an essential piece of legislation once finalised. The Act must strike the right balance between encouraging European capability development and ensuring our allies continue to provide the world-leading capabilities that Europe would otherwise be without.

Achieving strategic autonomy does not mean embracing isolationism. Fully sovereign capabilities across supply chains are economically and technically impossible in a highly interconnected global economy. Europe instead must be pragmatic in how it reduces its main dependencies, building sovereign capabilities in critical areas while filling the gaps through active collaboration with key allies, especially the US, Canada, Australia and Japan.

By seamlessly integrating independent, reusable launch systems with secure, multi-orbital communication constellations, and taking the global lead on space regulatory development, Europe can dramatically bolster its resilience against emerging counter-space risks. When backed by integrated military resource-pooling and a dynamic, well-funded venture-capital ecosystem, this strategy moves Europe past the idealistic hope of complete self-sufficiency. Prioritising operational realism ensures that Europe's front-line forces maintain the most advanced technology available globally.

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## Note

1. CASSINI is the European Commission's initiative to support entrepreneurs, startups, and small and medium-sized enterprises in the space industry, including New Space. It stands for 'Competitive Access to Space for Start-ups and Innovative New Industrialists', as well as paying homage to the astronomer Giovanni Domenico Cassini, known for discovering Saturn's moons and ring divisions.

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# The EU, artificial intelligence and the politics of more

**Jan Růžička**[1]

**Abstract**

The more domains Europe declares to be strategic, the less strategic each becomes. Three EU announcements within a year; a new chips package, a strategy pushing artificial intelligence (AI) into industry and a delay to the AI Act all illustrate a Union mistaking motion for direction. Draghi's estimate of an €800 billion annual investment gap and Letta's telecoms figures expose ambitions that outrun delivery, while the shortfall of the first Chips Act compared to Asian and American investment confirms the pattern. The next phase of European autonomy requires prioritisation rather than proliferation. This means a short list of true non-negotiables such as digital infrastructure and defence; a contested middle ground where European firms can still lead, including industrial AI, semiconductors and pharmaceuticals; and a third category of managed interdependence, where dependence is negotiated rather than denied. Europe's AI debate has also neglected societal consequences beyond regulation, a gap Pope Leo XIV's recent encyclical exposes and one that should be fixed. The state should build the scaffolding; firms should execute. Europe's credibility will ultimately rest on the courage to subtract, not add.

**Keywords**

Strategic autonomy, European competitiveness, Technology regulation, Artificial intelligence, Semiconductors, Industrial policy, China, AI Act, Digital sovereignty

## Introduction

In the first week of June this year, the European Commission (2026) unveiled a new chips package. This came 14 months after a strategy to push artificial intelligence (AI) into European factories (European Commission 2025), and a few weeks after a quiet

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agreement to postpone the hardest parts of the AI Act until 2028. Three announcements in less than 12 months, on 3 overlapping fronts, each defensible on its own. Taken together, they describe a Union that has come to treat strategic autonomy the way a nervous investor treats his portfolio: adding one more position, then another, hoping that breadth will make up for the absence of a thesis.

This is the paradox of the autonomy decade. The more domains Europe declares to be strategic, the less strategic each becomes. Capital is finite. Political attention is finite. Regulatory bandwidth is more finite still. The Brussels instinct, like that of every large bureaucracy under pressure, is to add, and to mistake motion for direction. The next phase of European autonomy will be defined not by what we add but by what we have the courage to subtract.

## What the numbers actually say

Let us begin with the figure that should hang above every desk in the Berlaymont. Mario Draghi (2024, 63) calculated that closing Europe's investment gap would take roughly €800 billion a year, every year. No credible plan exists to raise that even once, let alone year after year, across the lengthening list of fronts that are now declared strategic. The most ambitious vehicle so far was launched with a €200 billion banner that shrinks under inspection: only a quarter of it is genuine European money, an additional tenth is earmarked for a handful of gigafactories and the rest is private capital, hoped for rather than committed to (European Commission 2025, 14). This package covers one technology family for between five and seven years. Draghi was speaking about overall investment in everything, every year.

Enrico Letta produced the second figure everyone in Brussels can quote and few have absorbed. The average European telecommunications operator serves five million customers; its US counterpart serves 107 million; its Chinese counterpart 467 million (Letta 2024, 52). The single market remains unfinished in the sectors that decide whether any autonomy agenda can actually scale. A European champion of AI still has to navigate 27 data-protection cultures and 27 procurement regimes, and the capital markets union, promised since 2015, is still yet to arrive. No subsidy will cure a disadvantage built into the architecture itself.

The first wave of European chip legislation (European Court of Auditors 2025, 31) now provides the cautionary tale. On closer reading, its €86 billion headline shrinks to about €4 billion that the Commission can directly disburse, with the rest dependent on the 27 member states pursuing their own industrial preferences and on a coordination effort that the European Court of Auditors judged inadequate this spring. In the three years since this legislation was passed, the great manufacturers of Asia and the US have invested more than €400 billion (European Court of Auditors 2025, 31).

The second wave, presented in June, admits this in the polite vocabulary of demand aggregation and shared design. The pivot is welcome, and it has to be realistic. Europe

will not become self-sufficient at the leading edge of logic fabrication. It can, however, become indispensable in the parts of the chain where European firms are already present. ASML in Veldhoven sells every extreme-ultraviolet lithography machine on earth, posted nearly €33 billion in revenue last year and has a backlog larger than the annual budget of several member states. No lab in Arizona, Hsinchu or Dresden runs without it. That is what indispensability looks like, and it was built by holding one vital link in the chain for 20 years rather than chasing the leading node. The same logic applies to advanced materials, to the specialised packaging on which everything else rests, and to the photonics and power electronics in which German and Dutch firms still set the pace. This distinction is not rhetorical, and the political class has yet to understand it.

Behind these gaps lies a regulatory lesson. The compliance perimeter Europe has built over the past five years is necessary in much of its scope and admirable in terms of the rule of law. However, it has also grown thick enough that smaller European firms struggle to climb across it. Brussels has now conceded this point in the cautious language of simplification: the May agreement pushes the obligations of the AI Act that are hardest to meet out to August 2028 and trims the paperwork for smaller users, while leaving the substance itself intact.

## Lead, compete, depend

If the politics of 'more' has reached its limits, what must replace it is a politics of priority; asking, of any ambition, what it is for, who carries it out and at whose expense. The honest version of strategic autonomy rests on three categories, asking different things of public power in each.

For example, starting with the things Europe cannot afford to outsource: the list is short, and ought to stay short. It begins with the physical plumbing of the digital economy: the cables under our seas, the exchange points through which our data traffic moves and the institutions that supervise them. Announcements about plans to triple Europe's data-centre capacity are merely hype, unless the wires beneath it, and the cybersecurity wrapped around them, are unambiguously European. And since the Russian invasion of Ukraine in February 2022 settled the argument, defence has joined the same short list, meaning our industrial base, integrated with NATO and capable of deterring aggression at our borders.

Beyond that short list lies the territory where most of the autonomy debate ought to be fought, and where it has so far been fought badly. These are the fields in which European firms still carry industrial weight, and where they can hold or extend a global position if capital and political attention are concentrated rather than sprayed widely. Industrial and applied AI sit at the heart of the matter. The next decade of European productivity will be quietly won or quietly lost on factory floors and in laboratories, not in slide decks about sovereign foundation models.

Europe will not build the largest foundation model. That race will be decided by capital expenditure and access to the most advanced accelerators. Europe has neither. What

the bloc can still win is the race that fits the economy that we actually have in Europe: the patient embedding of AI into machine tools and chemical reactors, into power plants and hospitals, into the physical infrastructure on which European prosperity rests. The firms that will carry it out already exist. Siemens runs more than 1,000 operational AI deployments inside European factories. Schneider Electric is rewriting how the continent's grids are balanced. BioNTech turned a Mainz laboratory into a global biotech firm in 12 months. Mistral, barely three years old, is one of the few foundation-model laboratories outside America and China that still matters.

The same logic extends, with less drama, into the parts of the semiconductor supply chain where Europe is already strong, and into pharmaceuticals and biotechnology, where our science is world class, but our capital markets are not. Underneath all of it lies the slow, deferred work of completing the capital markets union that has been promised and is now the most consequential industrial policy file the Union owns.

The third category is the one that Europe's political tradition has historically been best at and we are currently worst at. Call it 'managed interdependence'. It is the recognition that there are some things Europe should not even try to build on its own, where the realistic option is to negotiate the terms of dependence rather than to pretend it does not exist. Let us take hyperscale cloud and the frontier foundation models as good examples. The realistic solution is to ensure sovereign access to and contractual safeguards on top of an American stack that we cannot economically duplicate, with selectively scaled European computing in the background for those cases that require it. The question is the price and terms of our dependence, not the pretence that it can be undone. An EU that admits where it has dependencies can negotiate from a position of clarity rather than denial. That, more than any subsidy programme, is what strategic autonomy looks like.

## What the debate is missing

There is a substantive omission in the output of the past 18 months, more serious than any operational gap. The European conversation about AI is conducted almost entirely using the vocabulary of risk. That vocabulary is necessary, and Europe is right to have built much of it. But it narrows the conversation to what can be enumerated, regulated and inspected. It is a vocabulary about inputs. It is a vocabulary that almost completely ignores what AI will do to European societies: to work and authority, to expert judgement and to the institutions through which European democracies have slowly organised consent.

The most arresting European-language contribution to this second debate has come, perhaps surprisingly, from the Bishop of Rome. Pope Leo XIV's first encyclical, *Magnifica Humanitas*, published on 25 May, was presented in Rome in the company of one of the co-founders of Anthropic (Leo XIV 2026). It characterises AI as a new industrial revolution. Left to the gravitational pull of capital and military demand, the technology will deepen inequality, weaken human relationships and concentrate power in fewer

hands. Its author is an American-born pope with a Peruvian passport writing from Rome—an inhabitant of three worlds at once. One need not share its theological premises to recognise it as the strongest sustained European-language attempt to treat AI as a civilisational event rather than a procurement category.

What European societies are about to encounter is not a list of risks to be enumerated. It is a set of changes almost nobody in our political class is reckoning with: in the labour market, in how professions are formed, in where expert authority resides and, in the end, in the institutions through which consent is organised. We need to admit that these changes are coming and will not be contained by any existing regulation. No European institution has yet asked what will be *different* about a European society in which industrial AI is deployed at the scale we are planning. The encyclical does, however. And we should, too.

This relocates the autonomy debate from a contest of capital expenditure with the US and China to a contest of purpose. What is European AI for? Whose flourishing does it serve? No current strand of European action is answering those questions. A strategy that wins on capital expenditure and loses on consent is not a strategy at all.

## Public scaffolding, private execution

The autonomy debate has been strangely silent on the most basic operational question—who does what. The creeping assumption, encouraged by transatlantic envy, is that the US model is the one to imitate, with supply-side subsidies and industrial-policy losses on a scale that European treasuries simply cannot afford. The correct division of labour for a Union of our shape is closer to what Christian Democrat political economists have always argued.

The public sector's job is to build the scaffolding on which private investment can stand. That means the grids, networks and data infrastructure on which everything else depends; the construction of regulatory consistency across borders and parliaments; and, above all, the single market in services and capital that still defines how European firms operate. At the moment, Brussels is tempted to chase American subsidies; the more useful instinct is to lean on the demand side and harmonise conditions upstream—the new data-centre acceleration zones are quietly useful precisely because they do not pretend to pick winners. The private sector carries the execution risk. European firms are not asking for protection. They are asking for a market large enough to amortise their investments, merger rules calibrated for global competition, and a regulatory tempo that does not change between the decision to invest and the day the factory comes online. Industrial AI is a private-sector capability.

Christian Democrat political economy has never been at ease with statism, nor with libertarian indifference to industrial capacity. It is at its strongest when it insists, calmly, that the state sets the rules and firms then play by them.

## The courage to subtract

The Union's credibility in the next decade will be judged not by the breadth of its ambitions but by the depth of its delivery on a smaller number of them. A Europe that leads where it must, competes selectively where it can and manages dependence deliberately where it has the will, will be more autonomous 10 years from now than a Europe that proclaims sovereignty across every value chain and underdelivers on most.

The June package can be decoded in multiple ways. The easy reading is that it is another bundle of acronyms layered on top of those that came before it. The more demanding reading is that the retreat from headline capacity in semiconductors and the postponement of the imposition of the strictest obligations on AI are tacit admissions that the previous generation of strategic legislation was over-promised and is being recalibrated under pressure. The third reading is that the Union now has the materials to make a focused industrial AI offer to the world.

The piece missing from the European debate is not another instrument. It is the question the papal encyclical puts plainly, and no European institution has yet made a similar case with equal force. It is not what AI will cost, but what it will change. Therefore, discipline is the precondition for sovereignty. The courage the moment requires is the courage to subtract. To choose fewer fights. To win the ones that matter.

This is not despair masquerading as realism. It is the opposite. In 2021, 45% of European gas and almost a third of crude oil imports were from Russia. Every serious analyst said the Union would buckle if those flows were cut. Four years later, imports of Russian gas are down to 14% and Russian oil to 2%, and no European capital has frozen in the dark. In the same four years, Europe has sustained Ukraine through the longest war on the continent since 1945 and is now a much larger donor of military aid than the US.

What those four years prove is that Europe works under pressure when it knows what it is doing. It does not work when it is asked to do everything at once. The lesson of the energy decoupling and of Ukrainian endurance is not that the Union is stronger than its critics admit. It is that the Union becomes strong when it has a few big goals rather than infinite small ones. That is the discipline this decade asks of us. The courage to subtract is not the courage of retreat. It is the courage of a continent that has already shown, twice in four years, what it can do when it chooses.

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*Article*

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# Europe's battery moment: The long game in energy security starts with accelerating deployment now

**Kostantsa Rangelova[1] and Sonja Risteska[2]**

**Abstract**

Battery storage has reached a cost and performance tipping point and is transforming power grids worldwide. Lithium iron phosphate batteries have become the dominant technology for grid storage, sharply reducing costs while improving safety and extending project lifetimes. Sodium-ion batteries could drive the next major cost reduction, particularly as rising lithium prices strengthen their business case. Yet while global deployment is accelerating, Europe is falling behind leaders such as Australia, China and the US. Faster battery deployment would help Europe revive solar growth, reduce price volatility and capture more value from domestic renewable electricity. Europe should accelerate deployment of mature technologies with limited short-term energy security risks, while using targeted investment in domestic science, engineering and high-tech manufacturing to manage the more critical long-term security risks. It should especially focus on areas where it can build strategic advantage and lead globally, such as battery recycling and circular value chains.

**Keywords**

BESS, Battery storage, Solar, Clean-energy flexibility, Clean energy, Grid security, Import dependence, Energy security, Electricity prices

## Introduction

As of 2026 batteries have reached the cost and technological maturity necessary to revolutionise power grids and unlock clean power growth at an unprecedented scale. The past five years of rapid cost and technological improvements have driven a profound

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transformation, establishing lithium iron phosphate batteries as a disruptive technology that has reached a critical tipping point. Now deploying at a meaningful scale globally, such batteries are fundamentally rewriting the economics of renewable energy. This shift has been so rapid that policymakers and energy executives relying on assumptions from even just a few years ago are already disconnected from the current market reality.

Relying on outdated technology assumptions risks missing a critical opportunity, especially for the EU power market. The EU power grid is already rich in renewable electricity thanks to the strong growth of wind and solar, which generated more electricity than all fossil sources combined for the first time in 2025 (Petrovich 2026, 6). Affordable batteries are an essential 'clean flexibility' tool (Ember n.d.a), enabling these cheap, homegrown sources of electricity to be more efficiently harnessed. They reduce the need for expensive fossil back-up power and help to keep the power grid more stable and secure by providing frequency and voltage control.

Yet, EU battery deployment remains in its infancy compared to the situation among leaders such as Australia, Chile, the US and China, with nearly half of EU grid-scale batteries concentrated in just two countries (Italy and Germany) (Petrovich 2026, 23). Even in a regional leader such as Italy, batteries met just 3% of early evening demand in 2025, mirroring California's market back in 2021. While the EU is currently lagging, battery deployment could scale exponentially once market conditions align, as the California market has demonstrated: battery contributions to evening demand there have surged from 3% in 2021 to 22% in 2025. Europe faces a strategic choice: capitalise on this momentum to catch up rapidly, or risk falling decisively behind as other markets continue to accelerate.

## The global battery industry has reached a tipping point

The price of batteries saw a sharp drop in 2025, which was the culmination of over a decade of falling prices. This helped them reach a tipping point that has fundamentally changed the economics of grid-scale batteries.

The global weighted average price of battery packs for stationary storage applications fell by 45% year on year in 2025, bringing the cost down to just $70/kWh (see Figure 1). As a result, prices are now less than half of what they were in 2023, when prices stood at about $160/kWh.

Lithium iron phosphate batteries have recently emerged as the dominant technology for stationary storage applications, accounting for over 80% of new batteries deployed globally in 2024 and 2025 (Volta Foundation 2026, 193). Their greater safety performance, longer cycle life and lower cost than previous chemistries have improved the economic and operational viability of battery storage. The average global storage duration has also increased from 1.8 hours in 2020 to 2.5 hours in 2025 (Volta Foundation 2026, 189), with more projects now extending to 6–8 hours (*BloombergNEF 2025*), and even to as long as 11+ hours (Murray 2026). Now, with rising lithium prices, sodium-ion batteries could bring the next technological step up. While still very early on their cost

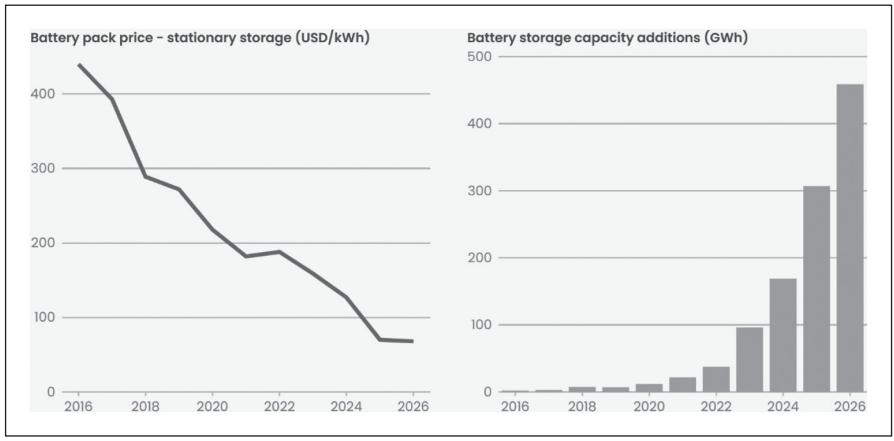



**Figure 1.** Global battery prices and installations (2016–26).
*Source*: EMBER based on *BloombergNEF* 2025. Reproduced with permission.
*Note*: Volume-weighted average prices in 2025 in US dollars. Prices for 2026 are the authors' own estimates; 2026 capacity additions are BloomberNEF projections.

learning curve, they could become cheaper and even safer (Mashfy et al. 2026, 23), and they use abundant and low-cost elements such as sodium and aluminium.

As costs have plummeted and technology has improved, overall deployment has naturally surged, reaching 307 GWh in 2025.

## Dispatchable solar at just $76/MWh with low-cost equipment from China

On average, the cost of battery storage in Europe in 2025 was largely in line with the global average but nearly three times more expensive than in China (IRENA 2026, 57), reflecting local content requirements, tariffs and higher installation costs. However, as of the end of 2025, markets importing battery equipment from China without high tariff exposure, including a European country such as Italy, could achieve a full project cost of just $125/kWh (Rangelova and Jones 2025, 7). At this cost for storage, the blended levelised cost of electricity from solar paired with enough batteries to shape it into a dispatchable profile would be $76/MWh, just $33/MWh more than solar alone (see Figure 2) and well below the marginal cost of coal and gas generation, which often exceeds $100/MWh (Ember n.d.c). Apart from cheaper equipment costs, longer lifetimes, higher efficiencies and lower financing costs—thanks to clearer revenue models such as auctions—are key factors for achieving such low blended levelised electricity costs.

Crucially, importing cheaper battery equipment from China still keeps a large portion of the project's value in the local economy. Around 40% of the total project cost, or about $50/kWh out of $125/kWh, is spent on engineering, civil works, grid connection, and other engineering, procurement and construction activities to turn the core

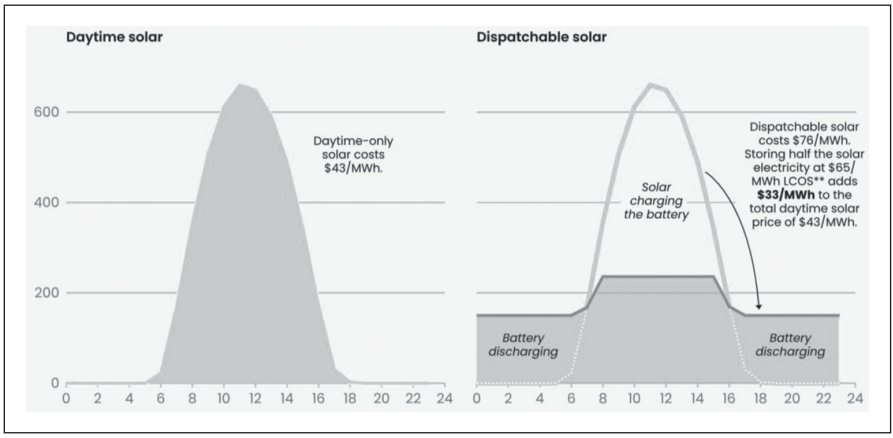



**Figure 2.** Example hourly solar profile without and with battery, in kW.
*Source*: Rangelova and Jones 2025, 16. Reproduced with permission. EMBER
*Note*: Solar profile is based on an average day in Rajasthan, India with 1,000 kW (direct current) fixed-axis solar photovoltaics, using data from the Photovoltaic Geographic Information System of the Joint Research Centre of the European Commission. The $65/MWh levelised cost of storage is based on Ember's price assessment for October 2025 for utility-scale long-duration BESS projects outside of the US and China, using core equipment from China.

equipment into an operational Battery Energy Storage System (BESS) project. This is without accounting for the economic value generated by the BESS project after it becomes operational.

## The economic case for batteries is already strong in the EU

In the EU, the economic case for battery storage has become increasingly attractive over the last three years (Petrovich et al. 2024) amid the increasing frequency of negative prices and widening price spreads within the day. In particular, batteries are a true game changer for Europe's solar industry, as they can counter the slowing deployment and unlock the next stage of growth.

Many EU countries are already experiencing very high midday shares of solar power, accounting for over 50% of their noon demand (see Figure 3). While the EU's well-interconnected grid and other flexibility solutions have historically helped maximise solar utilisation during daytime hours, the current high solar penetration at midday has introduced significant structural challenges. These challenges include negative wholesale prices, increased curtailment of clean energy, and a weakening business case for solar due to cannibalisation and falling capture rates—the price received for solar electricity compared to the baseload price.

The consequences of failing to address these flexibility needs are beginning to manifest in solar deployment trends. In 2025 EU solar deployment actually fell by 0.7%, contracting for the first time in a decade to 65.1 GW installed (SolarPower Europe 2025).

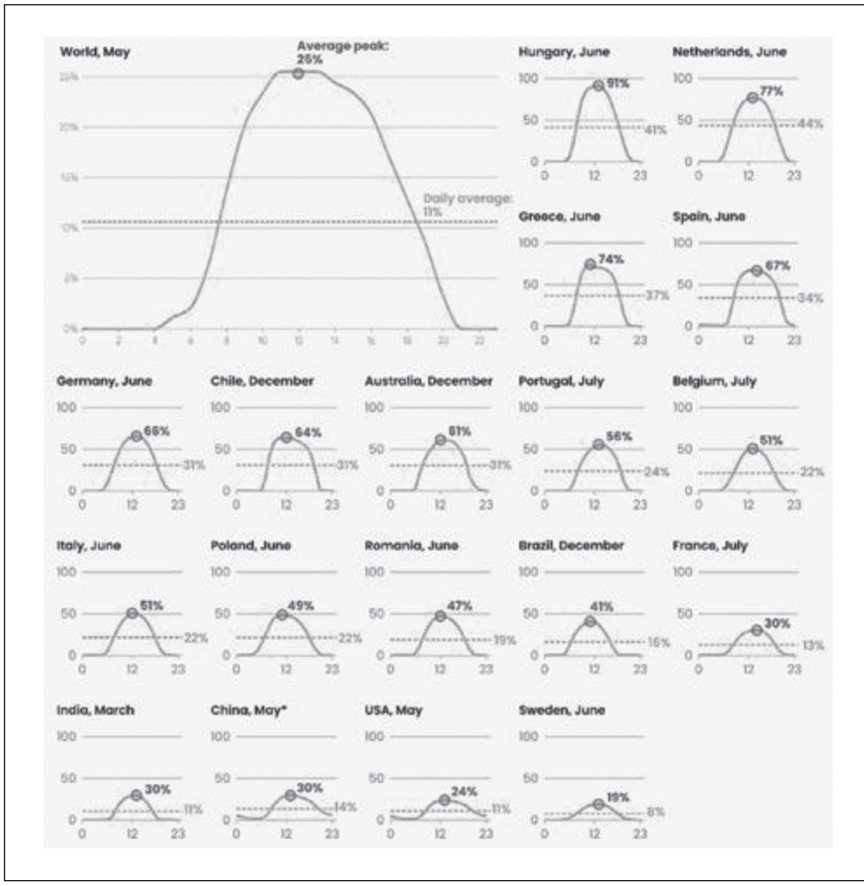



**Figure 3.** Average solar share of electricity demand by hour of the day during the peak month by country, %.
*Source*: Fulghum et al. 2026. EMBER
*Note*: Peak month is the month with the highest solar share in 2025. World and China hourly data is estimated based on representative load curves, scaled to the monthly average share.

Squeezing more solar into the midday power mix in Europe would be possible with a stronger focus on demand response, including dynamic tariffs and smart electrification and other 'clean flexibility' tools (Ember n.d.b). However, delivering a large portion of that additional solar into the evening is the key to unlocking a new wave of accelerating solar growth at scale. New solar projects paired with batteries also have a considerable competitive advantage as they can capture more of the higher evening prices.

## The EU is falling behind on battery deployment compared to other regions

Despite the attractive business case, battery deployment in the EU relative to its solar generation growth was significantly below the global average in 2025.

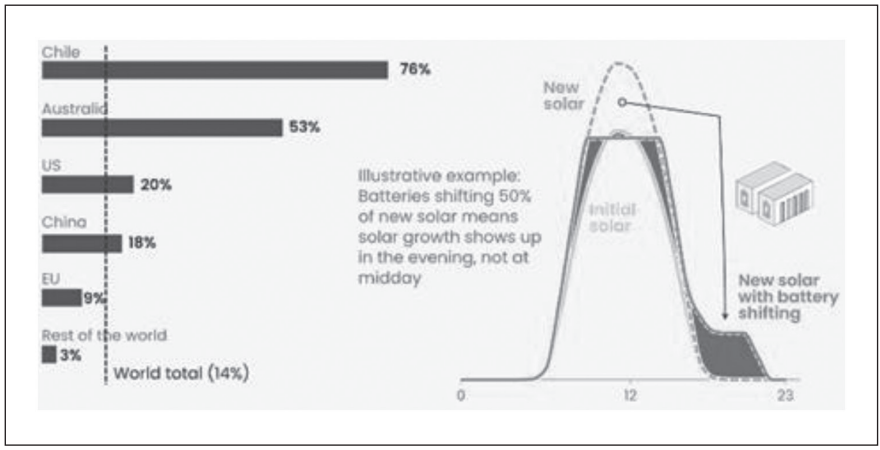



**Figure 4.** Share of new solar generation that can be shifted using new battery storage.
*Source*: Fulghum, N., Suarez, W., & Altieri, K. 2026. Reproduced with permission. EMBER
*Note*: Shifting solar refers to the theoretical amount of the average daily solar generation added in 2025 that can be absorbed by battery capacity and redistributed to a different time.

The utility-scale battery capacity installed in the EU in 2025 was only large enough to absorb 9% of the new daily solar generation added in that year (see Figure 4). This falls drastically short of the situation in leading markets such as Australia and Chile, which added enough new utility-scale battery capacity to store more than 50% of the new daily solar generation that each added in 2025. Europe is thus a long way from the 50% mark—the battery-to-solar ratio that would mean that solar growth no longer shows up as midday generation, but can instead meet evening electricity demand.

Battery-leading markets such as Australia are already seeing lower price volatility (Fulghum et al. 2026, 47), with batteries helping to cut evening peak spot prices in the fourth quarter of 2025 to around AU$100/MWh, less than half the price in the fourth quarter of 2024, and pulling average wholesale prices down 44% year on year to AU $50/MWh.

## Battery deployment can scale very quickly once market conditions align

Batteries are a modular technology that can be deployed very quickly, unlike large infrastructure projects such as gas power plants. A typical battery project can become operational within 12–18 months of permitting, and even within months (Kumanov 2026) of securing financing in some cases.

California offers a leading example of how quickly batteries can become a meaningful part of a large power system. In September 2025 batteries supplied 22% of California's evening peak electricity (see Figure 5). Just four years before, in September 2021, that contribution was just 3%—similar to the level Italy could supply in September 2025

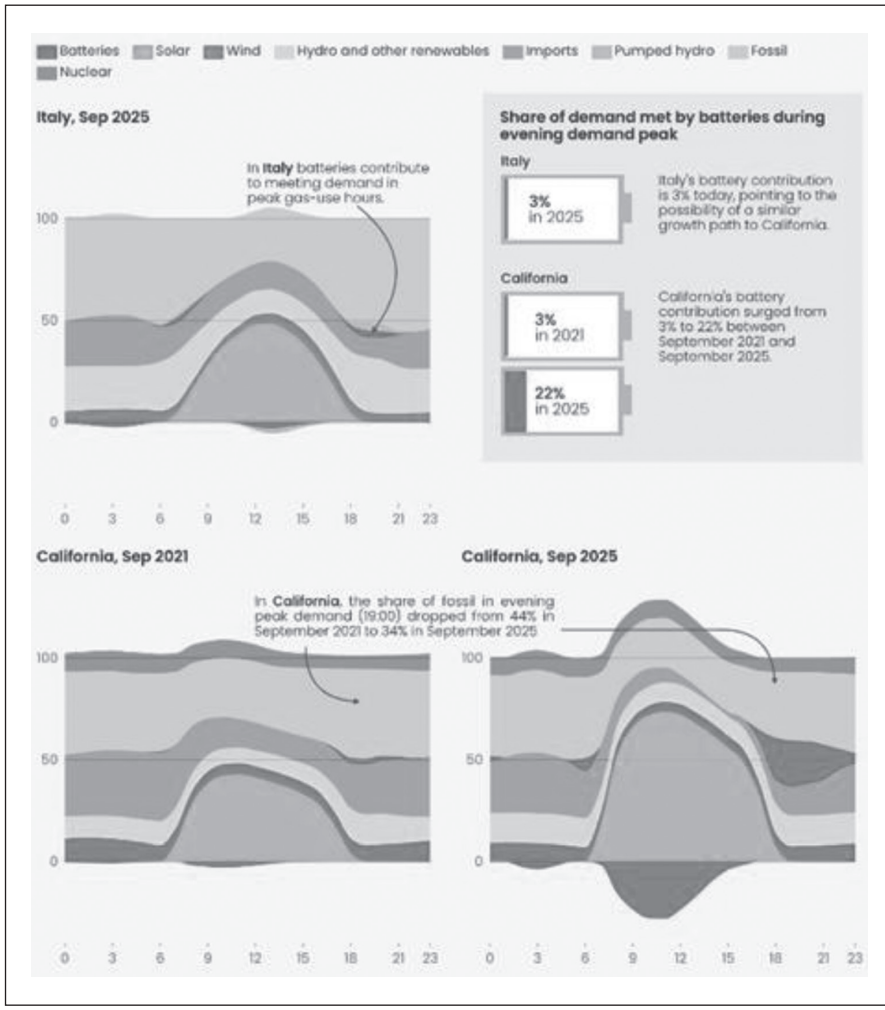



**Figure 5.** Share of demand met in Italy and California in September, hourly average, by source, in %.
*Source*: Petrovich 2026, 25. Reproduced with permission. EMBER
*Note*: Negative shares for batteries and pumped hydro indicate charging from the grid.

(Petrovich 2026, 24). If Italy adopts a similar growth path, its battery storage landscape could resemble California's current state within just four years.

Bulgaria offers another example of fast growth, which is supported by government investment and fast permitting. By the end of 2025, 1.4 GW of BESS capacity had been installed (Electricity System Operator EAD 2026, 3), putting the country just behind Germany and Italy in terms of installed capacity, despite having a much smaller power system. Italy had a comparable 2 GW of battery capacity installed as of the end of 2025

(Petrovich 2026, 24), but its typical daily peak load stands at around 40 GW compared to just 6 GW for Bulgaria. In the five months to May 2026, installed battery capacity in Bulgaria more than doubled to more than 3 GW (Todorović 2026)—roughly half the typical peak load in the country.

## The EU's strategic choice: deploy now, specialise where it can lead

As more countries capitalise on the breakthrough in cheap battery storage, Europe faces a strategic choice: accelerate deployment now and catch up rapidly, or risk falling decisively behind.

Central to this choice is the growing concern that fast deployment now would require Europe to become heavily dependent on imports from the few countries that manufacture these technologies, especially China. These concerns are real—Europe has a sizable battery manufacturing industry (Harrison and Rosslowe 2026, 12), but it remains strongest in final assembly and heavily dependent on imports for sub-components and processed and raw materials. The security and geopolitical risks associated with this dependency are reflected in the warning from European Commission President Ursula von der Leyen that trade 'interdependencies' can be 'leveraged and weaponised' (Guillot 2025). However, import dependence in clean technologies is not simply a case of replacing a fossil-fuel dependency with a new one (see Figure 6). It is fundamentally different and calls for a different approach to energy security.

For batteries and other clean technologies, imports create a stock of infrastructure. Once installed, this lasts for years and continues to deliver value. Fossil-based energy systems, by contrast, rely on continuous imports of single-use fuels that need constant replacement to maintain operations.

This means that accelerating battery deployment, even with a high import dependence, carries a relatively limited short-term risk. A supply disruption may slow the pace at which new infrastructure is added, but it does not stop the existing battery stock from operating.

The longer-term risk is different. Europe cannot afford to lose capacity in science, engineering and high-tech manufacturing. It should focus on areas where it can build durable specialisation and strategic advantage. Battery recycling is especially important because it will allow Europe to recover the materials embedded in imported infrastructure—made-in-Europe requirements for battery components are gradually being added to public auctions and procurement under the recently announced Industrial Accelerator Act (European Commission, Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs 2026). As the installed battery stock grows, so too does the future pool of recoverable materials, with up to 90% of the lithium being recoverable. Sodium-ion batteries are another potential area for development, as the supply chain, while currently dominated by China, has yet to reach scale.

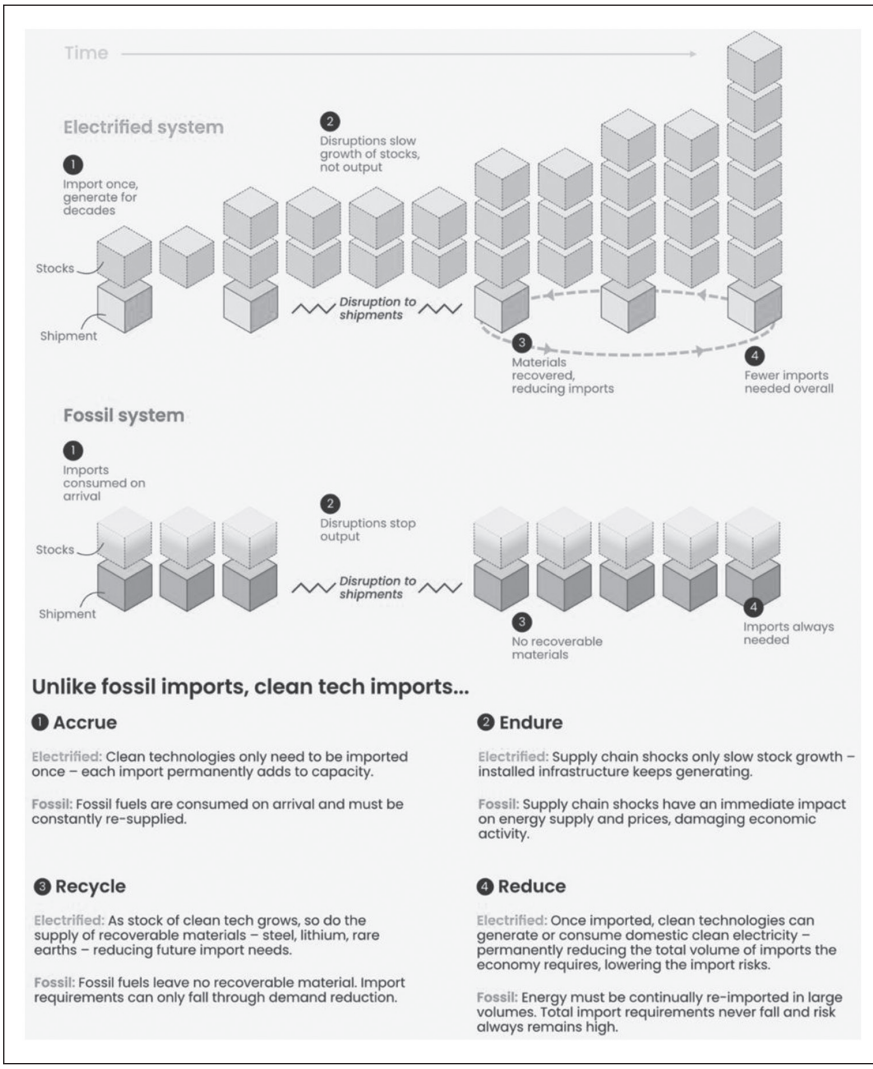



**Figure 6.** A comparison of imports in an electrified system compared to a fossil system.
*Source*: Harrison and Rosslowe 2026. Reproduced with permission. EMBER

Building this specialisation will take time. But the risk is not immediate. Europe should therefore deploy storage at speed today, without waiting for full supply-chain independence, while at the same time building its clean-energy industries for tomorrow. This will enable the timely build-out of strategic infrastructure at low cost, while also retaining a considerable part of the project value locally though delivery and system integration.

## Conclusion and policy recommendations

Cheap battery storage is essential for a competitive, efficient and stable clean power system. Europe needs to catch up with leading markets on battery deployment, while keeping costs low. Europe can import low-cost battery equipment now without locking itself into fossil-style dependency, provided it manages the long-term challenges through targeted specialisation, recycling and local capacity-building.

### *Accelerate battery deployment now*

Batteries are now cost-competitive and mature enough to scale without generous subsidies. The EU should focus on creating a stable, low-risk policy environment that gives investors confidence, lowers financing costs and allows batteries to compete fairly as a clean flexibility asset.

This should start with clear, ambitious and measurable battery deployment targets, supported by indicative milestones and regular assessments beyond 2030 as part of a broader EU strategy for 'clean flexibility' (Petrovich et al. 2024, 23). Member states should reflect these ambitions in their national energy and climate plans, helping to coordinate public and private capital around a credible long-term trajectory.

The EU should also make it easier for battery operators to access markets and earn revenues from multiple services, including capacity markets, frequency response and other grid services. This means removing restrictive participation rules, simplifying grid connection processes, accelerating access in congested areas, and including storage in spatial planning and permitting.

Competitive auctions could further reduce investment risk by giving battery operators a route to guaranteed revenue streams, while ensuring they compete on an equal footing with other flexibility asset operators. Lower risk means lower financing costs, helping to make battery storage cheaper for the system as a whole.

### *Build up domestic stockpiling to protect against supply disruptions*

The EU should put in place a coordinated strategic reserve of the critical components and materials used in batteries. The EU should assess the feasibility of establishing strategic stockpiles of components such as power conversion systems, battery-management systems, cells, power electronics and other essential components where supply chains remain highly concentrated or exposed to geopolitical risks. Such a framework would enhance security of supply, provide a buffer against market disruptions and support the continuity of deployment during periods of shocks in the supply chain. Any stockpiling mechanism should be proportionate, regularly reviewed, and aligned with broader objectives under the Critical Raw Materials Act and European industrial resilience policies, as well as carried out jointly by all EU member states.

### *Apply clear and targeted local-content criteria in public support schemes, aligned with domestic manufacturing objectives and national security concerns*

When earmarking EU funding, whether for public procurement, auctions or other types of support schemes, EU regulation should apply clear and transparent 'made in the EU' requirements, as envisaged under initiatives such as the Industrial Accelerator Act. Crucially, these criteria need to align with clear and measurable targets for battery manufacturing that address the share of the BESS capacity expected to be supplied by European manufacturing and be calibrated against a clear assessment of EU manufacturing capabilities across the BESS value chain.

A key priority should be distinguishing scaling up genuine manufacturing from assembly, which limits technological spillovers and does not strengthen the European industrial base. A robust made-in-the-EU definition should therefore be based on (i) explicit value-added thresholds (e.g. at least 50% of ex-works value generated in the EU), (ii) component-level substantial transformation aligned with EUR.1 origin principles,[1] and (iii) the exclusion of pass-through assembly or repackaging activities.

Schemes such as public procurement or capital expenditure support should focus on prioritising genuine EU manufacturing, rewarding firms that invest in European production capacity, engineering and system integration. Finally, support schemes should be calibrated against a clear assessment of EU manufacturing capabilities across the BESS value chain to ensure funding effectively drives scale-up and industrial competitiveness.

For security-critical components, made-in-the-EU requirements should be more targeted and risk based. Priority should be given to the connected and controllable parts of battery systems, such as inverters, power conversion systems, energy management systems and control units, given their roles in grid interaction, data exchange, software control and remote access. These should be treated differently from less connected components such as cells.

A proportionate approach, aligned with EU cybersecurity and industrial policy rules and updated through periodic risk assessments, would strengthen system resilience while supporting strategic European capabilities in the battery storage sector.

### *Build up Europe's domestic recycling capacity*

The EU must prioritise the rapid scale-up of domestic battery recycling capacity as a core pillar of its industrial, energy and circular economy strategy. As current capacity remains significantly below future needs, at only around 10% of that required by 2030, the EU should accelerate investment and de-risk projects through targeted financial support for both pre-treatment and advanced material recovery facilities. This should be followed by

streamlining of permitting and logistics, including the facilitation of intra-EU transport for end-of-life batteries and production scrap. The Union should also bring the recycling capacity into European industrial ecosystems, ensuring proximity to battery manufacturing and deployment hubs. Furthermore, structural barriers, such as high energy costs and limited access to finance for recyclers, should be addressed to build up this industry in the locations where batteries are deployed. Scaling domestic recycling capacity will be essential to secure access to critical raw materials, reduce import dependencies, and enable a competitive and circular European battery value chain.

### *Ensure tech transfer through joint ventures*

While attracting manufacturing investment is important, long-term industrial resilience depends on developing domestic capabilities across the value chain rather than simply hosting production facilities. Using the Industrial Accelerator Act, the EU should support joint ventures and industrial cooperation arrangements that facilitate the transfer of technology and skills to European manufacturers and workers. Joint ventures have often been used when one region or country wants to attract a strategic industry to its domain in order to accelerate capability building and industrial development. Rewarding projects that demonstrate meaningful contributions to technology transfer, the building up of workforce skills, research and development in that sector, and the creation of enduring industrial ecosystems within Europe could be achieved by providing access to public funding, accelerated permitting and other benefits.

### *Strengthen Europe's domestic innovation space, with a special focus on next-generation technologies such as long-duration energy storage*

Europe should reinforce its domestic innovation ecosystem by increasing support for next-generation technologies, particularly new battery technologies such as sodium-ion and long-duration energy storage. Lithium ion will remain central to near- and mid-term deployment, but a diversified technology base will be essential for a decarbonised and decentralised energy system. To secure its technological leadership, EU support should focus on bridging the gap between research and industrial scale-up. This means funding demonstration projects, pilot manufacturing and first-of-a-kind commercial deployment, especially for technologies that reduce reliance on critical raw materials such as sodium-ion. Existing financing instruments, such as Horizon Europe, the Innovation Fund and the European Investment Bank, provide a strong base, but more targeted support is needed to help promising technologies become commercially competitive.

However, breakthrough technologies still face major barriers to scaling up and commercialisation, particularly the difficulty of competing with intense price pressure from other markets. Future support should focus on bridging the gap between research and industrial deployment, ensuring technologies developed with European funding are tested, manufactured and commercialised in Europe, while becoming competitive in terms of price and value. This will require supporting early-stage manufacturing before

projects are profitable. A greater appetite for risk would strengthen the pipeline from lab innovation to industrial scale, helping Europe to build competitive advantages in next-generation clean technologies rather than relying on imports.

## Funding

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## Note

1. EUR.1 origin principles refer to the principles applied for establishing the compliance of a specific product with the applicable rules of origin to qualify it as originating in the EU. These rules establish that the product is fully or in large part produced within the territory and specifies the operations deemed insufficient to qualify, such as simple packaging or labelling.

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# Securing Europe's food system: Innovation, resilience and the common agricultural policy

**Thia Hennessy**[1]

**Abstract**

This article examines the competitiveness and resilience of the EU agri-food sector amid growing geopolitical, environmental and economic pressures. Using the Draghi framework, it evaluates the sector's performance across innovation, decarbonisation and strategic autonomy. While the EU remains a leading agri-food exporter, productivity growth has slowed, and dependence on imported inputs increases vulnerability to external shocks. The article highlights the rising importance of food security and identifies key investment priorities for the post-2027 common agricultural policy, including digital innovation, climate-smart practices and reduced input dependency, in order to strengthen long-term competitiveness and resilience.

**Keywords**

Competitiveness, Innovation, Resilience, Decarbonisation

## Introduction

The common agricultural policy (CAP) has been a cornerstone of European integration since its establishment in 1962. Founded on the principles of increasing agricultural productivity, ensuring a fair standard of living for farmers, stabilising markets, guaranteeing food supplies and providing affordable food to consumers, the CAP has evolved significantly over the past six decades. While initially focused on production and market support, successive reforms have broadened its objectives to encompass environmental

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sustainability, rural development, climate action and social cohesion. Today, European agriculture faces a considerably different operating environment. Geopolitical instability, supply chain disruptions and international conflicts have highlighted the strategic importance of food production and the need for greater autonomy. Simultaneously, more frequent extreme weather events linked to climate change have exposed vulnerabilities within agricultural systems and increased concerns about resilience and long-term food security. Alongside these challenges, the question of European competitiveness more generally has moved to the centre of policy debate. Recent discussions, including those stimulated by the Draghi report on European competitiveness (Draghi 2024), have emphasised the need for stronger productivity, innovation and investment across strategic sectors, including agriculture. Ensuring that European farming remains economically viable while meeting environmental and social objectives represents one of the principal policy challenges of the coming decade.

Against this backdrop, this article examines the competitiveness and strategic independence of European agriculture and assesses the opportunities presented by the impending CAP reform. Further, it identifies priority areas for investment to strengthen the sector in the years ahead.

## How competitive is European agriculture?

Before examining the competitiveness of the European agri-food sector, it is first useful to define what we mean by competitiveness. Competitiveness is a multidimensional concept that has no universally accepted definition or measure but is typically understood as the ability of a sector to sustain productivity growth, maintain or expand market share, and remain resilient in the face of external shocks (Cele et al. 2022). Traditional definitions emphasise price and cost competitiveness and productivity measures, such as total factor productivity, which are widely regarded as the central determinants of long-run economic performance (OECD 2023). Another approach, following Balassa's (1965) framework, focuses on revealed competitiveness through trade outcomes, including export shares and revealed comparative advantage. Reflecting Porter (1990), other approaches incorporate innovation capacity, institutional quality and structural factors such as human capital and firm organisation. More recently, competitiveness has also been conceptualised in terms of resilience and strategic autonomy, particularly in sectors exposed to geopolitical and climate-related risks, such as agriculture. The European debate on competitiveness has been strongly influenced by the Draghi report, which defines competitiveness through three strategic pillars: closing the innovation gap, aligning decarbonisation and growth, and enhancing security and reducing dependencies (Draghi 2024). Applying Draghi's approach to EU agriculture implies that competitiveness must be assessed not only in terms of cost efficiency and trade performance, but also in relation to innovative capacity, environmental sustainability, and food security and sovereignty.

Total factor productivity (TFP) is an indicator of agricultural competitiveness. It is an aggregate index that measures the amount of agricultural output produced from a given set of inputs, including land, labour and capital, from technical and resource inputs to

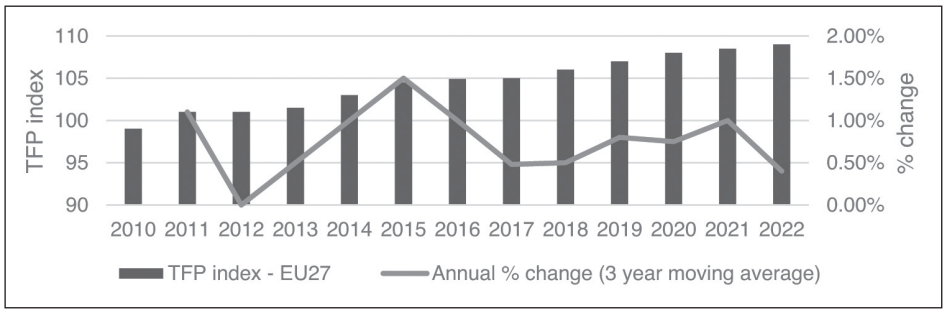



**Figure 1.** EU TFP 2012–22 in per cent (3-year average, 2010 = 100) and annual change.
*Source*: Data from Beck et al. 2024.

production. According to Beck et al. (2024), TFP growth in the EU is positive although the growth rate has been slowing since 2015 (see Figure 1). It has been driven mainly by labour productivity growth rather than technical efficiency. EU TFP growth remains slightly above the OECD average, but is well below that of Canada (2.7%), Brazil (2.2%) and China (1.7%) (Beck et al. 2024). It is concerning that productivity growth in the EU, a leading competitiveness indicator, is lagging behind other major international agricultural nations.

Revealed comparative advantage is another widely used measure of international competitiveness that infers a country's comparative advantage from observed export patterns (Cele et al. 2023). Beck et al. (2024) reviewed a number of studies of EU agri-food trade flows and concluded that while the EU is a net exporter of agri-food products, with its trade surplus driven primarily by exports of higher value-added processed foods and beverages, it is a net importer of primary agricultural commodities, and the trade balance for these products has steadily deteriorated, reaching its lowest level in 2022. Although agricultural exports have continued to grow, the overall trade balance has weakened, reflecting declining competitiveness in primary production. EU agriculture also depends heavily on imported inputs, particularly protein-rich feed, fertilisers and plant protection products.

## How food secure is Europe?

The Food and Agriculture Organization of the UN (FAO) defines food security as existing when 'all people, at all times, have physical, social and economic access to sufficient, safe and nutritious food that meets their dietary needs and food preferences for an active and healthy life' (FAO 2009, 1, footnote 1). While Europe remains one of the most food-secure regions globally, the FAO estimates that 11.5% of people in Europe and Central Asia experienced moderate or severe food insecurity in 2023, compared with a global average of 28.9%, highlighting overall resilience but also a growing vulnerability within certain population groups (FAO 2024). Climate shocks such as droughts and floods, alongside Russia's invasion of Ukraine, have exposed the EU's dependence on imported

fertilisers, feed and energy inputs, increasing volatility in food production costs and availability. Recent EU monitoring also highlights that high input prices and extreme weather are now among the most significant risks to food supply stability (European Commission 2023). The European Commission highlights that the EU remains structurally dependent on imported agricultural inputs, including approximately 30% of its nitrogen fertilisers and 70% of its phosphate fertilisers, with additional reliance on imported natural gas, soy and potash, leaving EU food production exposed to global price and supply shocks. In response, EU policy has increasingly shifted towards using the language of 'strategic autonomy', reflecting a desire to reduce critical dependencies rather than pursue full self-sufficiency. This marks the growing emergence of food sovereignty in EU discourse, which emphasises control over food systems, the resilience of domestic production and reduced reliance on volatile global markets rather than simply ensuring adequate food availability.

## Opportunities for the CAP (2028–34)

The CAP is entering a major reform phase as the EU prepares the post-2027 framework, aligned with the 2028–34 Multiannual Financial Framework. This transition comes at a time of profound change in the global policy environment, requiring a reassessment of priorities in agriculture and food systems. Increased geopolitical risk, disruptions to global supply chains and more frequent extreme weather events are all disrupting agri-food markets and affecting the availability and affordability of food. At the same time, the next CAP is likely to be constrained by the availability of funding. The EU faces competing demands on its long-term budget, including those for defence, the energy transition, the digital transformation and industrial competitiveness. Early European Commission communications on the post-2027 CAP have highlighted the importance of resilience, competitiveness and sustainability as the three guiding pillars of future agricultural policy. Rather than relying primarily on income stabilisation through direct payments, the CAP is expected to shift further towards incentivising investment, innovation and risk-management tools.

A central theme emerging from these communications is the need to invest more strategically in agriculture. This includes directing funding towards productivity-enhancing technologies such as precision farming, digitalisation and climate-smart agriculture, as well as strengthening supply-chain resilience. There is also increasing emphasis on reducing critical dependencies, particularly in fertilisers, protein feed and energy inputs, which have been exposed as structural vulnerabilities in recent years.

Overall, the next CAP reform is increasingly being framed as a balancing act between competing objectives. On one hand, it must ensure food security and food sovereignty in an uncertain geopolitical environment. On the other hand, it must drive long-term competitiveness and resilience, enabling EU agriculture to remain globally competitive while adapting to climate and market pressures. So the key question for policymakers is how best to allocate a declining budget to boost the resilience and competitiveness of EU agriculture.

## How to boost the competitiveness of European agriculture

The competitiveness of European agriculture can be assessed through the analytical lens proposed by Draghi (2024), who argues that Europe's future prosperity depends on three strategic priorities: closing the innovation gap, aligning decarbonisation with competitiveness and economic growth, and enhancing security by reducing strategic dependencies. These pillars provide a valuable framework for considering the future direction of the CAP and the investment priorities needed to strengthen the sector. The first pillar, closing the innovation gap, highlights the importance of investment in research, technology, digitalisation and knowledge transfer to drive productivity growth. The second, aligning decarbonisation with competitiveness, emphasises that the transition to more sustainable production systems should reinforce, rather than compromise, economic performance. The third, enhancing security and reducing strategic dependencies, recognises the growing importance of resilient food systems, secure supply chains and reduced reliance on external inputs in an increasingly uncertain geopolitical environment. Collectively, these priorities provide a robust basis for evaluating the future competitiveness of European agriculture and the evolution of the CAP.

### *Closing the innovation gap in agriculture*

Draghi emphasises that Europe's productivity slowdown is driven less by a lack of invention than by weak commercialisation, insufficient scaling, and uneven technology diffusion across regions and sectors. These structural weaknesses are particularly evident in agriculture, where productivity-enhancing technologies exist but remain unevenly adopted across farm types and member states. Empirical evidence suggests that digitalisation and precision agriculture offer significant productivity and sustainability gains. Technologies such as sensors, artificial intelligence (AI), satellite monitoring and farm management platforms can improve input efficiency, reduce environmental pressures and enhance climate resilience. However, adoption is highly uneven, with larger and capital-rich farms disproportionately benefiting due to high upfront costs, limited digital skills and infrastructure constraints in rural areas. According to Tur Cardona et al. (2025), around 85% of EU farms report adequate Internet access, and most have basic digital devices, but their use is mainly limited to communication rather than advanced applications. While 93% of farms use at least one general information technology tool, adoption of specialised precision technologies remains low (about 3%–23%) and is heavily concentrated among larger farms and in intensively farmed regions. As a result, closing the innovation gap is increasingly understood not as an innovation creation problem, but as a diffusion and adoption challenge within the European agricultural system.

According to the report by Tur Cardona et al. (2025), digitalisation policy should focus on targeted support for smaller and older farmers, alongside stronger investment in digital skills, training and advisory services. Policy should also focus on improved rural connectivity and interoperability through integrated data spaces and stronger innovation and extension systems. Clear, transparent data governance is needed to address concerns over privacy, security and farmer control. Finally, adoption should be driven by delivering

clear benefits such as efficiency gains, tailored advice and reduced administrative burdens. EU initiatives such as SmartAgriHubs (smartagrihubs.eu) demonstrate that networked innovation ecosystems that link farmers, researchers, agri-tech firms and advisory services can significantly enhance the uptake and scaling of innovation across heterogeneous farming systems.

Apart from technology adoption, regulation also plays an important role in promoting innovation. While regulation can stimulate demand for new technologies by setting environmental and sustainability standards, it can also slow adoption when it is complex, fragmented or slow to adapt. Evidence from the European Commission's assessment of CAP administrative burdens shows that compliance requirements and administrative procedures can impose significant costs on farms, with smaller farms often facing disproportionately high burdens that may constrain the resources available for investment and innovation (European Commission 2019). Similarly, regulatory complexity and uncertainty can reduce incentives for experimentation and slow productivity-enhancing investment. For example, the Farmer's Horizon survey (CropLife Europe 2025) found that 57% of farmers report that administrative burdens hinder innovation, highlighting frustration with overlapping or complex rules. Furthermore, delays in the approval of certain inputs can hamper innovation. A clear example is the lengthy EU approval process for biological crop protection products, such as microbial-based biopesticides, which can take several years under Regulation (EC) no. 1107/2009, despite such products being available more quickly in other regions such as the US or Brazil. Similarly, uncertainty and compliance requirements around data use under EU rules such as the General Data Protection Regulation may slow the rollout of digital and AI-driven precision farming technologies, delaying innovation uptake in European agriculture. Policy literature therefore increasingly supports 'smart regulation' approaches, including simplified CAP compliance, faster risk-based approval systems and regulatory sandboxes to test new agri-technologies (Klerkx et al. 2019).

### *Aligning decarbonisation with competitiveness and economic growth*

Draghi emphasises the need to align decarbonisation with competitiveness. The objective is to ensure climate and environmental transitions enhance, rather than reduce, productivity, profitability and long-term resilience. In agriculture, this means prioritising investments that jointly deliver emissions reduction, productivity growth and competitiveness enhancement, ensuring that the environmental transition becomes a source of long-term economic strength rather than a constraint. This is reflected in EU policy, including the European Green Deal, the Farm to Fork Strategy and the CAP Strategic Plans Regulation (EU) 2021/2115, which integrates environmental performance through eco-schemes, agri-environment-climate measures and climate-related investment support.

A first investment priority is climate-smart production systems, particularly technologies that improve input efficiency and reduce emissions intensity. Precision agriculture, variable-rate application systems, methane-reducing livestock technologies and improved nutrient management systems can simultaneously lower environmental

impact and increase productivity by reducing waste and input costs (Merlo et al. 2026). In particular, AI technologies can play a role. For example, precision farming tools use machine learning and satellite data to optimise fertiliser application, lowering nitrous oxide emissions and input costs. In livestock systems, AI-enabled monitoring and smart feeding technologies improve feed conversion efficiency and reduce methane intensity per unit of output. AI-based advisory platforms also support climate-smart decisions on irrigation, planting and soil management, enhancing resilience and productivity. Across supply chains, AI improves logistics and carbon tracking, reducing transport emissions and food waste.

A related investment priority is regenerative agriculture, including soil health restoration, improved water management and biodiversity-enhancing practices. These practices can strengthen long-term productivity and resilience by improving the underlying natural resource base while supporting environmental and climate objectives (Kriek et al. 2025). These technologies are central to decoupling output growth from emissions growth, a key requirement of the EU's 2050 climate neutrality objective.

Finally, investment in renewable energy integration and circular bioeconomy systems is also required. On-farm renewable energy production, anaerobic digestion and waste-to-energy systems reduce dependency on fossil fuels and improve farm-level income diversification. For example, anaerobic digestion of livestock manure can reduce methane emissions by up to 80%–90% compared with conventional slurry storage, while also producing renewable energy equivalent to 10%–20% of a farm's total energy demand (European Environment Agency 2023). These investments also support rural energy resilience and reduce exposure to volatile input markets, particularly investments in fertilisers and energy. The European Environment Agency (2023) has identified a number of barriers to the decarbonisation of agriculture, including high capital costs for infrastructure, limited farmer training on emission mitigation, a lack of younger farmers to drive change in the sector and low digital literacy. The Agency recommends expanding communal facilities and providing startup grants for farmers for infrastructure investments.

## *Enhancing security and reducing dependencies*

Draghi also calls for the enhancement of security and the reduction of dependencies. In European agriculture these can be achieved by strengthening resilience and strategic autonomy by reducing reliance on imported inputs, stabilising supply chains, and improving the sector's capacity to withstand geopolitical and climate-related shocks.

A first investment priority is reducing dependency on imported fertilisers and critical inputs. The EU remains heavily reliant on imported nitrogen fertilisers derived from natural gas, primarily from external markets. Priority should therefore be given to technologies and practices that optimise fertiliser use, alongside the development and scaling of alternative fertilisers produced within the EU that can reduce reliance on imports. Precision nutrient management systems and digital fertiliser optimisation tools can

reduce overall input demand while improving efficiency. AI developments make these tools particularly effective. The EU should invest in the development and deployment of such tools across the farming community.

Ammonia is a key ingredient in most synthetic fertilisers. Traditionally, it is made using natural gas, which is carbon intensive and ties fertiliser prices to volatile fossil fuel markets. Green ammonia, produced using renewable electricity rather than natural gas to generate hydrogen, offers a low-carbon alternative to conventional nitrogen fertiliser production while reducing dependence on imported fossil fuels. However, deployment in the EU remains at an early stage, with most projects still at pilot or early commercial scale and current production accounting for only a very small share of total ammonia output. Policy initiatives such as REPowerEU and the Net-Zero Industry Act are expected to accelerate investment in development and scaling over the coming decade. Biofertilisers provide an additional alternative to synthetic fertilisers by using natural organisms such as nitrogen-fixing bacteria and microbial inoculants to enhance soil fertility and nutrient availability. Unlike conventional chemical fertilisers, they can reduce reliance on imported mineral inputs while improving soil health and supporting more sustainable production systems. However, their effectiveness is often crop- and site-specific, meaning wider adoption depends on further investment in research, farmer knowledge and tailored agronomic support.

Apart from fertiliser, the EU's reliance on imported soy and protein for animal feed exposes livestock systems to global price and trade shocks. A clear example is soybean meal imports from Brazil and the US, which are a core input for EU poultry and dairy production systems but subject to climate shocks, export restrictions and currency fluctuations, creating instability in feed costs and farm margins. Investments in expanding domestic protein-crop production, innovating plant-based feed systems, and supporting alternative feed sources such as insects and algae could reduce strategic vulnerabilities while enhancing sustainability. Emerging alternatives such as insect-based feed proteins (e.g. black soldier fly larvae) are being scaled in countries such as France and the Netherlands, offering a lower-land-use, lower-emissions substitute for imported soy. Investment in expanding domestic protein crops such as peas and fava beans under EU protein diversification initiatives could further reduce dependence while improving soil fertility through nitrogen fixation. Together, these approaches support both strategic autonomy and sustainability in livestock production systems.

Reducing dependencies also requires sustained investment in the resilience of the European food system to enable it to better withstand both geopolitical and climate-related shocks. The increasing frequency of extreme weather events requires stronger investment in insurance schemes, climate-risk tools and adaptive infrastructure such as water storage and irrigation systems. While the CAP already provides a suite of risk-management instruments, adoption is inconsistent and often constrained by administrative complexity and limited awareness, suggesting the need for simplification and stronger incentives (Beck et al. 2024). Furthermore, enhancing resilience requires investment in digital early-warning systems, such as satellite-based drought-monitoring

platforms, which can provide near-real-time climate and soil moisture data to support decision-making. Coupled with climate-smart advisory services, these tools enable farmers to respond proactively to shocks, adjust production strategies and reduce exposure to volatility.

## Conclusions

European agriculture faces a number of critical challenges, and its future success will depend on the ability to reconcile productivity growth, environmental ambition and strategic autonomy. The EU's lagging TFP relative to global competitors is not just a concerning technological issue, but also reflects deeper deficiencies in innovation diffusion, investment priorities and system-wide resilience. The Draghi (2024) framework provides a useful lens through which to reorient policy and identify key areas for investment, highlighting three interdependent pillars: closing the innovation gap, aligning decarbonisation with competitiveness and reducing strategic dependencies.

Delivering on Draghi's framework requires investment in accelerating the uptake of digital and biological innovation, supporting climate-smart productivity-enhancing technologies, and strengthening circular and renewable input systems to reduce reliance on external fertiliser, feed and energy markets. Furthermore, regulatory design will play a crucial role. While standards and environmental rules can sometimes drive innovation, overly complex, fragmented or slow-moving regulation risks constraining investment and slowing diffusion, which results in lagging productivity growth. A shift towards 'smart regulation' is essential and could be delivered through simplification, faster approval pathways for low-risk innovations, and greater policy coherence across CAP, environmental and innovation frameworks. Finally, further investment in risk-management tools and resilience capacity will also be critical to ensure that farmers can adapt to increasing climate and geopolitical volatility without compromising output. As with innovation and technology, the investment should not just focus on the development of new solutions but should also prioritise implementation through incentives, training programmes and investment in agricultural advisory services.

Ultimately, enhancing EU agricultural competitiveness is not about choosing between productivity, sustainability and security, but about designing policies and investments that deliver all three simultaneously. The next phase of the CAP will be critical in determining whether European agriculture regains its productivity leadership and secures its role as a resilient, innovative and globally competitive sector.

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*Article*

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# The challenge of manufacturing critical medicines in the EU

**Stefano Riela[1] and Tommaso Sonno[2]**

## Abstract

Over recent decades, freer trade and international specialisation have progressively concentrated pharmaceutical production, particularly for generic medicines, in a limited number of countries, especially China. As a result, excessive dependence on imported medicines has become a major vulnerability for the EU amid geopolitical tensions and the weaponisation of trade. In response, the EU has proposed the Critical Medicines Act, which seeks to strengthen supply security through trade strategies (such as supplier diversification) and by reinforcing domestic manufacturing capacity. Focusing on selected active pharmaceutical ingredients—the key inputs in medicines—included in the Union List of Critical Medicines, this article examines the complexity of pharmaceutical supply chains and the structural challenges affecting reshoring strategies. The article concludes by arguing that the EU should be highly selective in identifying which domestic production capacities to promote, not only to ensure the availability of essential medicines when imports become unreliable, but also to improve its bargaining power vis-à-vis foreign suppliers during geopolitical crises that may culminate in export restrictions.

## Keywords

Health, Medicines, Chemicals, International trade, Industrial policy

## Introduction

Over recent decades, the search for lower production costs has progressively concentrated the production of medicines and their components in a limited number of

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countries. The supply chain of a medicine comprises several inputs, the most important of which is the active pharmaceutical ingredient (API), the substance responsible for its therapeutic effect. The production of APIs relies on complex supply chains that involve precursors and key intermediates, which are transformed through chemical or biological processes into the final active ingredient. Other essential components include excipients, such as fillers, preservatives and coating materials, which contribute to the effectiveness of the medicine. The increasing international fragmentation of pharmaceutical supply chains has made them more vulnerable to disruptions. As recent crises have demonstrated, shortages may result from involuntary factors—such as pandemics, natural disasters and industrial accidents—as well as from voluntary measures, including export restrictions and strategic stockpiling decisions. The concentration of API production in a limited number of countries has therefore transformed pharmaceutical supply chains into a strategic vulnerability for the EU, contributing to the growing frequency of medicine shortages (Pharmaceutical Group of the European Union 2024, 5–6; 2026, 8–10).

In response to these challenges, the EU has progressively strengthened its policy framework on medicine shortages and supply-chain resilience, culminating in the 'Critical Medicines Act' regulation proposed in March 2025 (European Commission 2025). The proposal aims to improve the security of supply and availability of critical medicines by promoting the diversification of supply chains, facilitating joint procurement among member states, and strengthening European manufacturing capacity for critical medicines and the APIs required to produce them (European Council 2026).

This article examines the challenge of strengthening EU manufacturing capacity for critical medicines through 'reshoring strategies', namely, the relocation of previously offshored production activities back to the EU. To this end, the article analyses six APIs associated with medicines included in the Union List of Critical Medicines (European Medicines Agency 2026), examines the structure of their supply chains and evaluates the main constraints affecting the feasibility of reinforcing API manufacturing capacity within the EU. The article concludes by discussing the principal policy options available to improve the resilience and strategic autonomy of European pharmaceutical supply chains.

## The critical medicines and their APIs

Since the EU seeks to reduce the risk of shortages of medicines considered essential for public health and patient safety, the European Commission, the Heads of Medicines Agencies[1] and the European Medicines Agency[2] have compiled the Union List of Critical Medicines. Medicines are classified as critical primarily according to two criteria: the severity of the conditions they treat and the availability of suitable therapeutic alternatives (European Medicines Agency 2025).

Although the Union List is defined at the level of finished medicinal products, many of the vulnerabilities associated with shortages originate upstream in the supply chains for APIs, which are indispensable inputs in pharmaceutical production.

For this reason, this article focuses on six APIs associated with medicines included in the Union List of Critical Medicines: amoxicillin, atracurium, ceftriaxone, clindamycin, hydrocortisone and paracetamol. All six APIs are off-patent in the EU and are predominantly supplied as generic medicines.[3] Generic medicines account for approximately 70% of pharmaceutical treatment volume in Europe (IQVIA 2024, 2) and are disproportionately affected by shortages (Napier et al. 2024, 5; Pharmaceutical Group of the European Union 2024, 20).

Each API fulfils a distinct therapeutic role within modern healthcare systems. Amoxicillin is one of the most commonly prescribed antibiotics for the treatment of bacterial infections, particularly in children and primary care, including respiratory, ear and urinary infections. Atracurium is used during surgery and intensive care to relax muscles and facilitate mechanical ventilation. Ceftriaxone is a broad-spectrum hospital antibiotic used to treat severe and potentially life-threatening infections, including pneumonia, meningitis and sepsis. Clindamycin is particularly important for treating serious infections in patients with penicillin allergies. Hydrocortisone is a corticosteroid used to treat severe allergic reactions, shock and hormone deficiencies, and it may be life-saving in emergency situations. Paracetamol is one of the most widely used medicines globally for the treatment of pain and fever.

To provide an indication of the EU's dependence on imported APIs, this study examines the HS6 trade classifications associated with the six selected APIs: amoxicillin (HS6 code 294110), atracurium (293349), ceftriaxone and clindamycin (294190), hydrocortisone (293721) and paracetamol (292429). Across all five HS6 product categories,[4] the EU records a trade deficit with the rest of the world in terms of both quantity and value. Figure 1 shows that over recent years, China's share of imports to the EU has increased significantly across all categories, reaching particularly high levels for hydrocortisone (293721) and amoxicillin (294110).

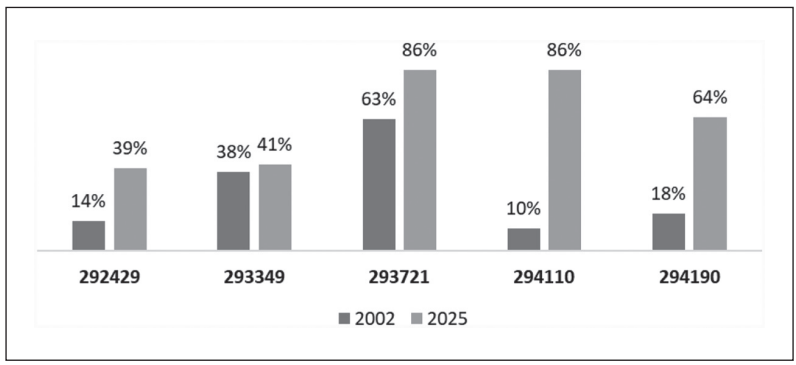



**Figure 1.** EU imports from China in quantity as a percentage of total extra-EU imports for the five product categories.
*Source*: Authors' elaboration based on Eurostat (2026).

## The supply chains of the six APIs

The industrial production of APIs relies on various manufacturing processes, the main ones being extraction from natural sources, fermentation and chemical synthesis, although many medicines combine more than one of these methods.

Extraction from natural sources involves obtaining the active substance, or one of its key ingredients, from plants and other naturally occurring biological sources, followed by purification. This production route depends heavily on access to vegetable and animal raw materials, land availability, climate conditions and extraction infrastructure. Environmental impacts linked to land use, solvent consumption and biological waste can increase production costs.

Fermentation uses microorganisms, such as bacteria or fungi, grown in large industrial tanks (bioreactors) to naturally produce pharmaceutical substances. This method is widely used for antibiotics and other biologically derived medicines. Fermentation requires large industrial facilities and substantial upfront investment, including bioreactors, sterile production systems and purification infrastructure. Production conditions are also strongly influenced by access to low-cost energy, abundant water, and agricultural feedstocks such as sugars and nutrients.

Chemical synthesis produces APIs through sequences of industrial chemical reactions that transform chemical intermediates into the final pharmaceutical ingredient. These processes may involve oxidation, reduction, nitration, hydrogenation, purification and crystallisation. Chemical synthesis relies heavily on petrochemical raw materials, chemical intermediates, solvents, low-cost energy and integrated chemical supply chains. Production generally requires large industrial plants equipped with reactors, solvent recovery systems and waste-treatment facilities, involving substantial investment. Environmental regulation is also an important factor because chemical synthesis can generate significant waste and emissions and require solvent-intensive processing.

Among the six APIs analysed in this article, amoxicillin is manufactured by combining fermentation and subsequent chemical synthesis. Ceftriaxone and clindamycin are also produced through combined fermentation and chemical synthesis processes. Hydrocortisone has a more complex production process that begins with the extraction of natural steroid precursors from plants such as species of *Dioscorea* (yam plants) and soybeans, followed by multi-step chemical synthesis and biotransformation. By contrast, atracurium and paracetamol are primarily produced through chemical synthesis, although they differ significantly in molecular complexity.

More broadly, pharmaceutical manufacturing frequently relies on substances derived from crude oil and natural gas, such as toluene, xylenes, ethylene and propylene. These compounds are used either as building blocks for APIs[5] or, more indirectly, as solvents, reagents, catalysts and industrial processing materials throughout pharmaceutical production.

## The challenges of rebuilding EU manufacturing capacity

Even assuming that the proposed Critical Medicines Act introduces EU-level financial instruments or grants greater flexibility to national governments in the use of state aid, significant challenges would still affect the maintenance and expansion of API production within the EU due to a range of structural constraints:

### *Unfair international competition*

Sustainable expansion of API production within the EU is difficult to achieve in the absence of a level global competitive environment. Part of China's industrial efficiency reflects the significant role of state intervention through subsidies and influence over the allocation and pricing of key production factors, including credit, energy and land (European Commission 2024; United States Trade Representative 2026). China is therefore frequently targeted by trade-defence instruments, particularly in the World Trade Organization (2026) category 'Products of the chemical or allied industries'. At the time of writing, 360 anti-dumping measures are in force worldwide, of which 37% concern Chinese exports. Similarly, China is targeted by 51% of the 47 countervailing measures currently in force. These figures are consistent with the broader price differentials observed in this study: the average unit value of EU imports from China is systematically lower than that of the EU's exports to extra-EU countries across the product categories examined.

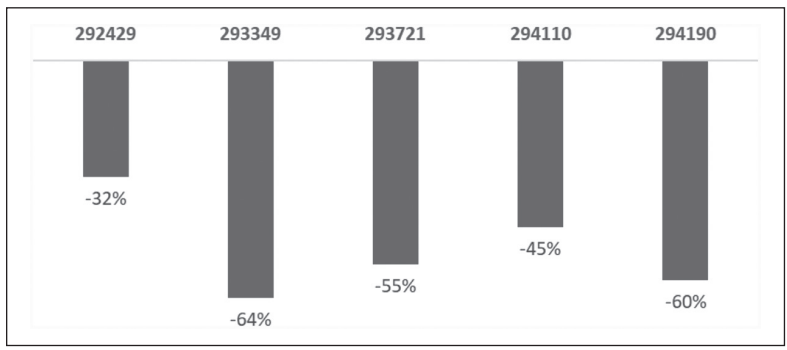



**Figure 2.** Difference between the average prices of China's exports to the EU and the EU's extra-EU exports for the five product categories.
*Source*: Authors' elaboration based on Eurostat (2026).

Although trade-defence instruments are applied by importing countries, they are typically introduced only after material injury to domestic producers has already occurred. Moreover, demonstrating the existence of state subsidies is often difficult, particularly when support mechanisms are indirect and opaque.

## Energy costs

Energy costs are among the main structural disadvantages affecting European API manufacturing, particularly for fermentation-based and chemically synthesised products. Fermentation requires continuous temperature control, aeration, sterilisation and downstream purification, whereas chemical synthesis relies on energy-intensive operations such as controlled heating and cooling, pressure control, solvent recovery and multi-step transformations.

According to the International Energy Agency (2026, 113–14), electricity prices for energy-intensive industries in the EU were approximately twice as high as in the US and around 50% higher than in China in 2024. Natural gas prices show a similar pattern. While prices have declined from the exceptional peaks reached during the energy crisis, European gas prices remain structurally above those in major competing economies, reflecting the EU's greater reliance on imported liquefied natural gas and the progressive replacement of cheaper Russian-pipeline gas. Gas prices in major producers such as the US remain significantly lower, while gas prices in China have increased less than in the EU (Jagtenberg et al., 2025, 74–5).

## Raw materials and the regulatory framework

Raw materials and environmental constraints differ significantly depending on the production process adopted. Extraction-based APIs rely on medicinal plants, naturally occurring compounds and biological materials, whereas fermentation-based production requires large quantities of water, sugars and nutrients to sustain microbial processes. Within the EU, the availability and affordability of these inputs are constrained by higher land and agricultural production costs and stricter environmental standards and water-management requirements. Climatic conditions and biodiversity constraints may also limit the domestic availability of certain natural compounds, thereby increasing dependence on imports of selected raw materials.

The greatest vulnerabilities concern chemically synthesised APIs, which depend heavily on petrochemical feedstocks, solvents, reagents, catalysts and intermediates derived from crude oil and natural gas, that is, segments of the upstream chemical industry in which the EU has progressively lost production capacity over recent decades (Cefic 2025, 74).

Compared with Asian countries currently specialising in the production of pharmaceutical inputs and intermediates, the EU imposes significantly stricter environmental and industrial regulatory requirements, particularly regarding industrial emissions, hazardous substances, waste-water treatment, waste management, chemical handling and permitting procedures under frameworks such as the Industrial Emissions Directive and the REACH Regulation. While these standards reflect important public health and environmental objectives, they also increase compliance costs, administrative complexity, investment requirements and permitting times for European manufacturers.

### *Capital investment and industrial scale*

API manufacturing requires substantial fixed capital investment regardless of the production technology adopted. The economic sustainability of these investments depends heavily on the ability to operate at scale, since high fixed costs can only be absorbed efficiently through continuous high-volume production and economies of scale. However, even if European manufacturers were to receive public support to strengthen production capacity, they would still face structurally higher production costs than many Asian competitors, particularly in energy, environmental compliance and upstream inputs. In addition, the construction and operation of large industrial plants in Europe are often constrained by high population density, land-use conflicts, lengthy permitting procedures and local opposition to industrial facilities (the 'Not In My Back Yard'—or NIMBY—syndrome).

As a result, lower-cost Asian APIs have captured a substantial share of the global market, limiting the production volumes available to European producers and thereby reducing their ability to generate economies of scale and production efficiency.

These disadvantages are reinforced by differences in industrial organisation. In China and India, API production is frequently concentrated within highly integrated industrial ecosystems that combine petrochemicals, intermediates, solvents, fermentation capacity, utilities, logistics, API manufacturing and downstream pharmaceutical production. Although the EU continues to host important pharmaceutical and fine-chemistry clusters—particularly in Italy, Germany, Spain and Ireland—the European production base remains comparatively fragmented and less vertically integrated than the industrial ecosystems developed in China and India (Chemical Pharmaceutical Generic Association 2025, 30).

## A strategy for the EU

The proposed Critical Medicines Act aims to strengthen European manufacturing capacity for critical medicines in response to the EU's growing dependence on a limited number of suppliers of essential pharmaceutical ingredients, particularly in China. If the EU intends to rebuild pharmaceutical manufacturing capacity through industrial policy, it will need to pursue a balanced strategy. On the one hand, policy efforts may focus on the selective reshoring of APIs for which European production could become economically viable through technological innovation. On the other hand, the EU will also need to strengthen the resilience of global supply chains for medicines whose production cannot realistically be repatriated because of cost structures and technological constraints.

### *Dependency risks in supply chains*

The structural risks associated with these dependencies can be analysed through the concept of 'weaponised interdependence' (Farrell and Newman 2019). Supply-chain dependencies may become instruments of economic coercion when three conditions coincide: production is geographically concentrated in a limited number of suppliers, the

product is essential and not substitutable in the short term, and the importing country lacks a credible domestic alternative.

The first condition is structural. As shown in Figure 1, China's share of imports to the EU has increased substantially across several of the APIs analysed in this study, particularly hydrocortisone (HS6 code 293721) and amoxicillin (294110). The second condition derives from the inclusion of these molecules in the Union List of Critical Medicines. The third reflects the long-term erosion of upstream chemical and fermentation capacity in Europe, discussed above. Taken together, these conditions expose European pharmaceutical supply chains to the risk of external supply manipulation.

The evidence is not merely theoretical. During the early stages of the Covid-19 pandemic, India temporarily restricted exports of paracetamol and several other APIs to protect the country's domestic supply, giving limited warning to European generic manufacturers. Earlier examples—such as China's restrictions on rare-earth exports to Japan in 2010 or the reduction of Russian natural gas supplies to Europe in 2022—similarly illustrate how concentrated interdependencies may become instruments of geopolitical leverage. Pharmaceutical supply chains exhibit comparable vulnerabilities because many APIs and intermediates are highly concentrated, essential and difficult to rapidly substitute.

## *Selective reshoring*

The domestic production of life-saving medicines could strengthen the resilience of pharmaceutical supply chains by reducing exposure to trade disruptions and external dependencies. However, given the complexity of pharmaceutical value chains and the structural disadvantages facing European manufacturing, reshoring strategies are likely to be more feasible for high-value, low-volume, quality-sensitive or strategically critical APIs, such as sterile injectables, complex APIs and certain antibiotics. In these cases, considerations related to supply security, strategic autonomy and regulatory oversight may justify production costs that are higher than those prevailing in low-cost manufacturing regions.

Technological innovation may help mitigate some of these structural constraints. Advanced manufacturing technologies—including continuous manufacturing, advanced chemical processing and improved biological production methods—may increase efficiency, reduce waste generation and lower operating costs. These innovations may be particularly relevant for chemically synthesised APIs such as atracurium and paracetamol, and may also support more sustainable production processes for steroid APIs such as hydrocortisone. Similarly, improvements in fermentation technologies may enhance the production of antibiotics that require large bioreactors and complex downstream purification stages, such as amoxicillin, ceftriaxone and clindamycin.

Digitalisation and automation may further support European pharmaceutical manufacturing by reducing labour intensity and improving operational efficiency. Technologies such as artificial intelligence, robotics, predictive monitoring systems, digital twins and automated quality-control systems may improve production reliability, strengthen

supply-chain traceability, reduce operational risks and lower environmental impacts. Together, these innovations could support the development of a more advanced, resilient and sustainable pharmaceutical manufacturing base within the EU.

### *Selective offshoring*

During the expansion of globalisation, offshoring was largely driven by cost efficiency and was generally considered geographically and politically neutral. More recently, however, new approaches have emerged. Nearshoring seeks to reduce geographical distance and logistical complexity, while friendshoring involves sourcing critical inputs from politically aligned partner countries. In this context, the EU may attempt to strengthen pharmaceutical supply-chain resilience through diversification strategies and by redesigning the geography of production and sourcing in favour of countries that are geographically and politically closer. At the same time, European pharmaceutical firms may need to develop more stable, long-term relationships with foreign suppliers of critical inputs to improve the coordination, transparency and security of supply.

Nevertheless, diversification remains difficult after decades of concentration and consolidation of global pharmaceutical production, particularly for APIs and key intermediates whose manufacturing capacity remains heavily concentrated in China. Moreover, friendshoring strategies rely on the assumption that politically aligned countries will remain reliable suppliers during periods of crisis. The Covid-19 pandemic illustrated these limitations clearly, as several countries imposed export restrictions on personal protective equipment, vaccines and pharmaceutical products to prioritise domestic needs and national security.

## Conclusions

The EU must recognise that, despite being one of the world's largest economies, it cannot rapidly reverse decades of de-industrialisation in the pharmaceutical and chemical sectors. Industrial policy should therefore focus on identifying those segments of pharmaceutical production, especially of critical APIs, that can realistically and sustainably be strengthened within Europe.

The strategic value of selectively rebuilding domestic production does not lie primarily in completely replacing imports, which, for many products, would be neither economically feasible nor efficient. Rather, it lies in creating a credible outside option that can improve the EU's bargaining position vis-à-vis foreign suppliers (that is, the countries in which the production of critical components is concentrated), even if such production capacity is not fully utilised under normal conditions.

The implementation of the Critical Medicines Act should therefore be evaluated not by the overall share of pharmaceutical production reshored to Europe, but by the credibility, scalability and technological readiness of the manufacturing capacity that can be mobilised during periods of crisis. Even relatively limited but strategically targeted

domestic production capacity, combined with diversified sourcing and coordinated EU procurement mechanisms, may significantly reduce the structural vulnerability of European pharmaceutical supply chains.

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## Declaration of conflicting interests

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## Notes

1. The Heads of Medicines Agencies is the network that brings together the national medicines regulatory authorities of the European Economic Area to coordinate cooperation and regulatory activities in the field of medicines.
2. The European Medicines Agency is the EU agency responsible for the scientific evaluation, supervision and safety monitoring of medicines, and for providing scientific recommendations on their authorisation within the EU.
3. Generic medicines are pharmaceutical products that are equivalent to branded medicines whose patent protection has expired, are marketed at lower prices, and are the same in terms of API, dosage, safety, quality and therapeutic effect.
4. HS6 refers to the six-digit level of the Harmonized System (HS), the international classification system used for traded products in customs and international trade statistics.
5. For example, paracetamol production ultimately depends on petrochemical value chains: a key intermediate in its synthesis is phenol, which is generally produced from benzene, itself obtained through refinery and petrochemical processes involving hydrocarbons derived from crude oil.

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*Article*

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# The missing element of enlargement: SMEs, competitiveness and convergence in the Western Balkans

**Peter Hefele[1] and Katerina Jakimovska[1]**

## Abstract

This article argues that small and medium-sized enterprises (SMEs) are the missing link between EU enlargement, economic convergence and Europe's competitiveness agenda in the Western Balkans. While enlargement debates have focused mainly on geopolitics, rule of law and institutional preparedness, the capacity of firms to benefit from integration remains underexplored. SMEs dominate the region's economies yet face cumulative constraints: limited access to finance, fragmented markets, regulatory burdens, skills shortages, weak digitalisation, insufficient representation and growing sustainability pressures. Existing EU support instruments, including the Instrument for Pre-Accession Assistance III, the Growth Plan, the Western Balkans Investment Framework and European Investment Bank–backed lending, have mobilised significant resources but remain insufficiently targeted to firm-level productivity and absorptive capacity. Europe needs a more strategic SME policy that links enlargement to single-market readiness, value-chain integration, brain-drain prevention and EU strategic autonomy. Strengthening Western Balkan SMEs is essential for making enlargement economically tangible, socially legitimate and geopolitically resilient in concrete practice.

## Keywords

Western Balkans, SME, Enlargement, Competitiveness, EU, Single market

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## Introduction

The debate on EU enlargement has been focused predominantly on geopolitics, rule-of-law standards and institutional capacities, in both the EU and the candidate countries. Significantly less attention has been paid to a more substantive and decisive question: to what extent are companies in those countries already prepared for and benefiting from integration? Here small and medium-sized enterprises (SMEs) deserve attention, as they are an important channel through which integration becomes tangible and translates into investments, jobs, growth, tax revenues and local development. Factors such as access to finance and to the market, the development of adequate skills, meeting standards and coping with compliance will decide the success and public acceptance of the next round of enlargement.

In a world increasingly contending for resources, power and influence, Europe's economic integration with its immediate neighbourhood is of key importance. The Western Balkans region will either become an integral part of the EU's productive base, helping to diversify Europe's supply and value chains, or remain structurally vulnerable, open to (geo)political influence from external actors. SMEs form, as the Western Balkans Investment Framework (WBIF) puts it, 'the backbone of the Western Balkan economies and are the stepping stone to their economic convergence and path towards the [*sic*] EU accession' (WBIF 2024).

Across the seven economies in the region (Albania, Bosnia and Herzegovina, Croatia, North Macedonia, Montenegro, Serbia and Kosovo), SMEs account for between 99.2% and 99.9% of all enterprises and generate roughly 73% of employment (OECD 2026). Yet labour productivity (GDP per person) in the region varies between €15,000 and €25,000—less than half of the EU average of €52,000. As long as firms in the region are unable to compete in the EU market, to scale up, and to attract and retain talent and capital, it will become increasingly difficult to meet the objective of convergence.

This article argues that, beyond attracting foreign direct investment, the Western Balkans' competitiveness can only be achieved through a more targeted and comprehensive strategy for SME development. This not only matters in terms of convergence but directly serves the EU's strategic interests. The Draghi report (2024) highlighted the need for EU-wide industrial renewal, supply-chain diversification and the reduction of strategic dependencies. The Western Balkans, geographically located in the centre of continental Europe and surrounded by EU member states but institutionally outside the single market, represent an underused asset. Integrating the region's SMEs into EU value chains, digital networks and sustainable transition frameworks could advance both EU strategic autonomy and regional convergence.

## Why SMEs matter

The success of Europe's unique socio-economic model ('social market economy') depends on a landscape of economic actors, diverse in size, products and services, and

spatial allocation. SMEs, representing 98% of all European companies, serve as the backbone of employment, local development, entrepreneurial activities, and political legitimacy and stability. This is true for both Europe as a whole and the Western Balkans.

According to OECD statistics, SMEs in the Western Balkans account for 99% of firms, generate 65% of value added and employ roughly 75% of the workforce. However, a closer look at the structure of Western Balkan SMEs reveals significant differences between them and those in more advanced economies in Western and Central Europe. We find in the Western Balkans a larger number of microenterprises—so that for the region we should speak of 'micro, small and medium-sized enterprises' or 'MSMEs'. These have low capitalisation and limited capacity for innovation and integration into larger, transnational supply chains. Many of them are located outside the capitals and the few major industrial centres. They are often family-run and concentrated in small manufacturing, agri-food, tourism and trade. These specifics characterise the current shortcomings. However, they also strongly indicate that (economic) policy interventions in favour of MSMEs should aim to strengthen their role as key economic actors in the region and as indispensable agents in the integration process. The very few large companies, and those embedded in foreign value chains, are better positioned to adapt. But even for them, many obstacles remain.

These structural weaknesses largely limit opportunities for rapid productivity growth, which often occurs through integration into wider value chains and 'trickle-down effects' such as skill and technological upgrading and capital influx.

The crucial role of MSMEs, therefore, lies not only in their mere number or employment capacities. They determine whether the necessary economic convergence during the enlargement process becomes a tangible benefit for all citizens; they achieve this by embedding all groups within the area's societies and regions into a diverse economic landscape. So far, the conditions have produced a dual-track economy, in which internationally connected firms have moved ahead faster than smaller domestic firms.

Beyond pure economic logic, successful integration will contribute massively to the overall political legitimacy of the enlargement project. Massive demographic and regional imbalances are already creating a powder keg made up of Euroscepticism and the vulnerability of the political and party systems to corruption and foreign influence.

## Support architecture

While this article is intended to point out the weaknesses of the entrepreneurial landscape and make the case for more targeted support, it should be noted that the EU and the candidate countries have indicated their willingness to address the situation. The EU's institutional support for SMEs in the Western Balkans has grown substantially over the past decade, combining EU pre-accession instruments, multilateral development bank financing and regional cooperation mechanisms. The following section describes this framework and its strengths and weaknesses. A gap analysis of what already exists and what remains to be done will be the basis for our final recommendations.

## *The EU pre-accession framework: promise and performance*

The principal EU financial instrument for candidate and potential candidate countries is the Instrument for Pre-Accession Assistance (IPA III), in effect from 2021 to 2027. It allocates approximately €14.2 billion across the Western Balkans and Türkiye. Within IPA III, support for private-sector development and SME competitiveness is channelled through the WBIF, which blends grants and loans for infrastructure and business development. The framework has mobilised significant capital across both public- and private-sector investment. By March 2026 the WBIF had contributed €4.3 billion to public-sector projects, leveraging €15.9 billion in total public investment, and €885 million to private-sector support, mobilising €8.4 billion in additional private investment—a combined total of €24.3 billion (WBIF 2026). The framework has so far supported more than 390,000 MSMEs across the region (WBIF 2026).

In response to the limitations and slower economic growth despite the IPA instruments, the European Commission stepped in with a new programme in November 2023. This is the Growth Plan for the Western Balkans, a four-pillar strategy explicitly designed to accelerate socio-economic convergence by bringing some benefits of EU membership to the region before formal accession (European Commission 2023). The Plan's centrepiece is the Reform and Growth Facility, a €6 billion package (€2 billion in grants, €4 billion in concessional loans) for 2024–7, with payments and availability conditional on proven reform progress. The actions aimed at integration into the single market cover goods, services, workers, payment systems, transport, energy decarbonisation and digital infrastructure. These measures are structurally significant for SMEs, as they lower the costs of cross-border transactions and begin to extend the logic of the EU's internal market to the region before full accession, resulting in gradual integration. As convergence stood at 41.4% at the time of the announcement in 2024, the EU admitted that genuine advances are needed to boost growth and bring it closer to that of the single market and the EU average in economic performance.

The Growth Plan is primarily a macro-fiscal and infrastructure instrument, though it formally includes private-sector development and the business environment (European Commission 2024). Its reform conditionality focuses on the rule of law, governance and macroeconomic fundamentals. SMEs appear to be incidental beneficiaries of broader fiscal and regulatory reforms more than direct targets of a firm-level policy. The programme did not include specific SME productivity benchmarks, the scaling up of conditionality or dedicated access-to-risk-capital steps among the conditions of payment (OECD 2026). One major gap lies in its fragmented policy frameworks.

## *The European Investment Bank: the bank that lends—and the market that does not*

The European Investment Bank (EIB) has been the single most consequential external financier of SMEs in the region. Since 2008, the EIB has channelled credit to more than 28,400 firms across Bosnia and Herzegovina, Montenegro, North Macedonia and Serbia

through intermediary banks under favourable terms (EIB 2023; see also *EuropaWire* 2023). The results of this intermediated lending are striking: firms that received EIB-backed loans recorded a 15% increase in employment growth compared to comparable non-beneficiary firms, equivalent to roughly 15 additional jobs per €1 million lent (Bending et al. 2024, 12). By 2025, annual commitments stood at €822 million, mobilising over €1.5 billion in new investments (EIB 2026). The European Investment Fund has expanded its instruments through the Western Balkans Enterprise Development & Innovation Facility's Guarantee for SME Resilience, now expected to unlock €885 million, supporting tens of thousands of small businesses across the region (Directorate-General for Enlargement and Eastern Neighbourhood 2025). Around 20% of SMEs across the region are credit-constrained—rejected for loans, offered less than what is requested or deterred from applying—and by 2024 nearly half identified a lack of access to finance as a major or moderate obstacle (OECD 2026). Banks dominate the financial landscape, comprising roughly 90% of total financial assets in most economies of the Western Balkans six (WB6: Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia and Serbia), compared to 50% in the euro area (OECD 2024). Domestic credit guarantee portfolios typically amount to around 0.1% of GDP, compared to 1% in the EU—too small to shift banks' risk perceptions for SME lending (OECD 2026) in a market in which no other domestic substitute exists at a meaningful scale.

## *The regional cooperation architecture: building a single market without being in one*

The Regional Cooperation Council (RCC) coordinates the political economy of regional economic integration through the Common Regional Market (CRM). The CRM 2.0 Action Plan (2025–8) extends the logic of free movement of goods, services, capital and skilled labour within the WB6 to create a regional single market in preparation for EU accession. The RCC estimates that a supportive regional environment, if fully integrated, could add up to 2% to annual GDP growth, attract 6.5% more investment, increase job growth by 1% per year, and boost SME productivity by between 5% and 10% (RCC 2024b).

However, the OECD's conclusion remains unambiguous, even in 2026, that the current pace of structural transformation is too slow to close the productivity and convergence gap within a reasonable timeframe (OECD 2026). Three structural deficits account for much of this gap. First, the persistence of large informal economies—estimated at between 25% and 33% of GDP—has depressed the demand for formal credit and distorted competition. According to the RCC's Balkan Barometer Business Survey taken in 2024, unfair competition from the informal and grey economy ranks as the single most cited obstacle to doing business (RCC 2024a). Second, for SMEs to operate at scale, better regional coherence is required. But instead of this, one finds a number of fragmented policy frameworks, due to the WB6's varying institutional capacities, the complex institutional architecture within Bosnia and Herzegovina and antagonisms between the entities, the unresolved status of Kosovo and the political volatility in certain governments. Third, a deepening demographic and human capital crisis is undermining the long-term viability of the SME sector.

## Main bottlenecks for SMEs

As outlined in the section above, SMEs in the Western Balkans face several severe constraints that limit their capacity to contribute to successful convergence, and these are structural, financial, institutional and organisational. Fatally, these challenges (often) reinforce each other: limited financial resources reduce the ability to invest in aligning with European standards, digitalisation and sustainable upgrading; low skill levels, both of the management and the workforce, constrain the use of EU programmes and productivity gains; fragmented markets limit scale and expansion beyond local and regional markets; and administrative burdens 'lock' many firms into local or informal business models—and none of these informal networks will easily fade away.

### *Access to finance*

Access to finance remains one of the most persistent constraints on SME development in the Western Balkans. Many firms depend heavily on bank lending, as other capital market options are beyond their reach. This comes with larger collateral requirements due to high perceived risk, limited credit histories and insufficient equity capital. This is particularly problematic for microenterprises, startups, innovation-oriented companies, and women- or youth-led enterprises. To prepare SMEs for EU integration, significant upfront investment is also needed to fund compliance with standards and certification requirements, product testing, digital systems, cybersecurity, energy efficiency, staff training and the ability to apply for EU-funded projects. As Kos and Cormann (2026) have pointed out, many SMEs struggle with co-funding requirements, long payment cycles, and limited access to credit for intangible investments such as innovation, advisory services or compliance capacity. This creates a paradoxical situation: while, in principle, sufficient instruments exist (see the section above), many SMEs cannot use them because they lack the financial capacity to access them. The EIB's 2024 activity report on the Western Balkans shows slight improvements, including access to more favourable and targeted SME financing, but better transmission mechanisms between financial institutions and smaller firms remain underdeveloped (EIB 2025).

### *Fragmented markets and limited scaling options*

The small size of Western Balkan domestic markets—their intraregional trade volume accounts for only €15.34 billion (CEFTA 2026), which equals 0.085% of the European single market—limits SME growth. Many firms operate in narrow local or national markets, which restricts investment incentives, productivity gains and export readiness. Fragmentation also reduces specialisation and delays adaptation to new demands, which makes it harder to expand into the EU single market. Yet, as the CRM Action Plan 2025–8 (RCC 2024c) shows, implementation is still sluggish: reducing non-tariff barriers, simplifying customs procedures, recognising qualifications and certificates, and improving cross-border logistics are all yet to be realised. Without further achievements, fully fledged integration into the single market would find many SMEs too small, too local and too weakly networked to survive in a much more competitive environment.

### *Regulatory and administrative burdens*

The complex regulatory environment of the EU creates significant adjustment costs for SMEs: product safety, food standards, environmental compliance, procurement, competition, digital regulation and sustainability-related requirements—all of this requires significant capabilities at the level of firms. Larger firms can rely on specialist in-house and external expertise; SMEs often cannot. Kos and Cormann (2026) point to an important distinction: information on EU rules and funding may exist, but access hurdles are (too) high, as this information is fragmented, technical and poorly targeted. Firms are aware of EU standards but not what they mean for, for example, packaging, traceability, documentation, certification, digital reporting or supply-chain management. Any attempts on the EU level towards administrative simplification are therefore not only a governance issue; they also immediately impact competitiveness, not only within the EU but also in the candidate countries.

### *Skills shortages and managerial capacity*

No analysis of SME competitiveness could be complete without addressing the issue of brain drain. From 2015 to 2023 the working-age population declined by more than 10% on average across the Western Balkans—five times the rate of decline in the EU—with recent censuses in North Macedonia, Albania and Kosovo prompting substantial downward revisions to official population figures (Ayerst et al. 2025). The annual cost in lost education investment and foregone GDP growth is estimated at between €840 million and €3 billion (Westminster Foundation for Democracy, as cited in Icoski 2022). A third of Montenegro's citizens, over 213,000 people, lived outside the country (Statistical Office of Montenegro 2025). In 2021 the North Macedonia census recorded a 36% reduction in the youth population over two decades. In Serbia, the emigration of high-skilled workers costs the economy approximately 1% of GDP annually (Zavisa 2025). The 2024 Balkan Barometer Business Opinion survey found that labour force shortages and brain drain were the two most prevalent obstacles to doing business across the WB6, even surmounting access to finance, which had dominated in previous years (RCC 2024a).

The EU's enlargement progress reports have treated brain drain as an adjacent concern, not as a core enlargement variable (Jansen et al. 2024). This represents a significant and inexcusable analytical blind spot. The Commission's own framework notes emigration as a factor exacerbating skills shortages but rarely integrates brain-drain prevention as a structural pillar of the pre-accession process. Yet without a skilled labour base, both the upgrading—whether digital or green—of SMEs and value-chain integration are impossible. A company that cannot recruit a qualified software developer, an environmental compliance officer or a logistics manager cannot participate in the high-value supply chains that are a prerequisite for EU single market integration.

Labour markets are marked by large-scale emigration, ageing, skills mismatches and weak vocational systems. EU integration adds another layer of complexity: firms need not only production skills, but also regulatory literacy, project-management capacity,

foreign-language competence and knowledge of EU funding procedures. As Hefele (2026) highlighted, the digitalisation of SME operations is particularly severely restricted by skills shortages, from basic digital literacy to advanced information and communication technology expertise. This constitutes a persistent constraint on SME transformation. Management capacity is decisive, since digital and organisational change needs to be developed inside the organisation and cannot be completely outsourced to consultants or providers. In micro and small firms, owners often combine operational, financial, human resource and strategic functions in a single person. Even where support schemes exist, firms may lack the time and expertise to identify opportunities, prepare applications and absorb advisory support.

### *Innovation and digitalisation gaps*

Digitalisation is a major challenge for enterprises striving to be competitive. But contrary to common understanding, it is not only about purchasing software or hardware. Many SMEs adopt basic digital tools—websites, accounting software, online communication or e-commerce—but do not take more advanced steps such as transforming workflows, using sophisticated data management or rethinking business models. The OECD notes that, although digital adoption accelerated during the pandemic, SMEs in the region still lag behind their EU peers in more advanced technologies such as cloud computing, artificial intelligence and big data (OECD 2022)—and even among Western European SMEs, the uptake is still comparatively low (Hefele 2026). Many SMEs digitalise only superficially, using selected tools without undertaking deeper organisational transformation. Digitalisation (if it happens at all) is more a matter of operational optimisation than a strategic reorientation in value creation. For Western Balkan SMEs, digitalisation is a key component in their successful EU integration: from supporting traceability and automating customs procedures to supply-chain management, procurement, certification and reporting as well as eliminating systemic vulnerabilities (cybersecurity). The European Bank for Reconstruction and Development and the EU's joint Go Digital in the Western Balkans programme, established in 2025, acknowledges these gaps. This initiative combines loans, grants and technical assistance to support investments in digitalisation, automation and green technologies (Press and Information Team of the Delegation to Bosnia and Herzegovina 2025).

### *Weak interest representation and limited public–private dialogue*

SMEs often lack effective channels to participate in and influence policy design and implementation. Larger companies, foreign investors and well-established business associations are more likely to participate in consultations, while smaller firms, regional businesses and sector-specific associations remain underrepresented. This is already a structural disadvantage on the regional and national level. Effective representation becomes almost impossible on the European level. However, enlargement-related reforms are largely decided in Brussels and shape the business environment (directly or indirectly) in which Western Balkan SMEs must operate. Most SMEs—and even their local- and regional-interest associations—lack the staff, procedural knowledge, language

capacity and networks needed to participate meaningfully in EU-level consultations and national reform debates. Further, representation is often concentrated among capital-based or well-resourced actors, while regional and sectoral voices remain weaker (Kos and Cormann 2026). If SME needs are not heard early, regulatory alignments will be insufficiently designed and sequenced, and may impose costs, even before support mechanisms are in place. Public–private dialogue is weakly institutionalised; occasional consultations are insufficient.

### *Green transition and sustainability pressures*

As the EU is undergoing a major transformation towards a more sustainable future, SMEs face growing pressure to adapt. Driven by new EU standards, customer expectations and value-chain requirements, the demand for energy efficiency, emissions reduction, waste reduction, sustainable packaging, traceability and environmental documentation has dramatically increased. For SMEs, this can be an opportunity, but in most cases, it is a massive burden. Many firms (small and large) perceive sustainability primarily as compliance rather than as a source of innovation or competitiveness. Hefele and Chikh M'hamed (2026) hint at a paradox: although EU policy links the green and digital transitions, many SMEs lack the skills, finance and technology to use digital tools for environmental optimisation. The EIB Investment Survey 2024 shows that already, among EU firms, energy costs, regulation and finance gaps remain major investment obstacles. This suggests that Western Balkan SMEs will need especially targeted support to manage the green transition under pre-accession conditions (EIB 2024).

In sum, the transformation and adaptation challenges of Western Balkan SMEs are cumulative. They result from an interplay of finance, scale, regulation, skills, digitalisation, representation and sustainability pressures. Existing mechanisms often fall short because they address only parts of the problem and are not aligned with or adapted to SMEs. SMEs can only become drivers of convergence if support is targeted to the realities of SMEs and designed around usability, absorptive capacity and practical preparedness for the single market.

## Strategic opportunities and policy direction

Against the structural challenges of the SME sector in the Western Balkans, the existing support architecture and mechanisms for Western Balkan SMEs are not inadequate in design. The real obstacles lie in a lack of resources during implementation, fragmentation in delivery and insufficient alignment with the EU's own emerging strategic priorities.

Previous enlargement rounds offer an instructive reference model. The PHARE programme (MWH Consortium 2007) proved most effective when it combined SME-specific financial instruments with complementary institution-building: this took place in trade facilitation agencies, regional development agencies and business support networks. In Czechia and Poland, PHARE-supported regional development agencies matched EU technical standards with export-readiness programmes for SMEs,

contributing to a substantial increase in intra-EU trade after accession (EUR-Lex 2006). Estonia's embrace of e-government reduced compliance costs for SMEs, attracted digital investment and used the accession process as a forcing function for digital transformation. The Berlin Process, the Digital Agenda for the Western Balkans and the CRM 2.0's digital chapter offer similar policy windows that offer comparable advantages.

The EU's own competitiveness agenda creates the strongest strategic argument for the successful integration of the Western Balkans. Mario Draghi's report identifies three pillars: closing the innovation gap, decarbonising industry and reducing strategic dependencies (Draghi 2024). The Western Balkans, geographically aligned, euro-compliant and on an accession path, are the natural beneficiaries of the near-shoring logic that follows (RCC 2024d). The EU Competitiveness Compass (European Commission 2025) reinforces this position: without competitive, digitally capable firms in candidate economies, the EU's supply-chain resilience strategy has a structural gap on its own doorstep.

### *Five recommendations*

1. SME productivity, export share, digital adoption and green compliance should be incorporated into annual progress reports with the same rigour as judicial reform: the OECD SME Policy Index already provides the methodology.
2. The Reform and Growth Agenda should establish a dedicated SME competitiveness window of not less than 15% of the grant envelope, prioritising micro enterprises.
3. European Investment Fund equity instruments should be scaled to all six Western Balkan economies by 2028.
4. Brain-drain prevention and diaspora engagement should be part of the Reform Agenda conditions, with enhanced allocation for countries demonstrating coherent talent-retention strategies. A circular economy strategy should help the region to deter or mitigate brain drain.
5. Politically most significant, the EU institutions and the Berlin Process should explicitly frame Western Balkan SME integration as a component of the EU's strategic autonomy. The region is not only a beneficiary of EU policy but a strategic resource for European competitiveness in an era of geopolitical fragmentation.

As the case of the Western Balkans shows, SMEs are the missing link between enlargement policy and economic convergence. If SMEs cannot access and use the support architecture, enlargement will remain macroeconomic and politically fragile.

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*Article*

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# Alcide De Gasperi and the European Defence Community: Lessons for Today's Europe

**Paolo Alli**[1]

**Abstract**

In March 2025, opening a European Parliament debate on defence, Commission President Ursula von der Leyen cited Alcide De Gasperi, recalling that 70 years earlier he had urged Europeans not merely to keep the peace but to build a common defence. The reference was not simply a rhetorical flourish: the collapse of the European Defence Community in 1954 still shapes Europe's unfinished security architecture. This article traces the European Defence Community from the Pleven Plan (1950) to the rejection of this proposed treaty by the French National Assembly (1954), and reconstructs De Gasperi's federalist reading of it, embodied in Article 38, which tied military integration to a democratic political community. The article then weighs that vision against what the EU has since built and what is still missing, concluding with three lessons learned from the analysis: this is Europe's last call for a common defence, unpopular decisions demand courage, and the future lies not in ceding sovereignty but in maintaining it within an association of sovereign states.

**Keywords**

Alcide De Gasperi, European Defence Community, Article 38, European federalism, Common defence, Pooled sovereignty, Strategic autonomy, ReArm Europe

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## Introduction

Europe is being forced to think about its own defence with an urgency unknown since the early days of the Cold War. It was in that earlier moment of danger that Alcide De Gasperi argued that Europeans needed not merely peace among themselves but a common defence—a conviction Commission President Ursula von der Leyen referred to when she quoted him to open a European Parliament debate on European security in March 2025, calling it the task of our generation as it had been of his (von der Leyen 2025).

The project De Gasperi advocated, the European Defence Community (EDC), collapsed in 1954, and its failure still marks the unfinished architecture of European defence. This article asks what that episode can teach today's Europe. It traces the EDC from the Pleven Plan to the defeat of the proposed treaty, reconstructs De Gasperi's federalist reading of the treaty, weighs that vision against today's EU and concludes with three lessons for the present that we can draw from this history.

## From the Pleven Plan to the empty chair of 1954

The EDC was a child of the early Cold War. The outbreak of the Korean War in June 1950 convinced Washington that Western Europe had to be rearmed, and that West German manpower was indispensable. For France, barely five years after the occupation, the prospect of a new German army was politically intolerable. The solution, devised in Jean Monnet's circle and announced by Prime Minister René Pleven on 24 October 1950, was to dissolve the German contribution within a supranational structure: a European army, with German units but no German general staff and no German national army, placed under a common European political and military authority, a European defence minister, a council of ministers and an assembly. The logic of the Schuman Plan, then being negotiated for coal and steel, was thus extended to the most sensitive domain of all.

After two years of difficult talks, the EDC Treaty was signed in Paris on 27 May 1952 by the Six: France, the Federal Republic of Germany, Italy, Belgium, the Netherlands and Luxembourg. The signatories included De Gasperi, Robert Schuman and Konrad Adenauer. The treaty provided for an integrated European army, a commissariat of nine members, a council of ministers, a court of justice and a parliamentary assembly. Ratification proceeded in West Germany and the Benelux countries; Italy was ready and waiting to ratify; France, the very author of the plan, hesitated.

By 1954 the climate had changed. Stalin's death in March 1953 and the Korean armistice that July softened the sense of imminent threat that had made German rearmament seem urgent. In France a heterogeneous front hardened against the treaty: Gaullists, for whom General de Gaulle condemned the EDC as 'un essai d'abdication nationale' (an attempt at national abdication, De Gaulle 1985, 188), and Communists opposed to binding France to the Western bloc, were joined by deputies anxious about both the absence of the UK and renouncing the national army. Pierre Mendès France, prime minister as of June 1954, sought at a conference in Brussels that August to strip the treaty of its supranational features; the other five signatories refused to reopen what they had ratified.

Unwilling to make ratification a question of confidence in his government, Mendès France let the matter come to the floor unprotected. On 30 August 1954 the National Assembly, voting 319 to 264, adopted a procedural motion (the *question préalable*) declining even to debate the treaty. Without a vote on the merits, France had killed the European army it had itself proposed. West German rearmament went ahead instead through the Western European Union and NATO, and the federal moment passed.

## A federalist, not functionalist, design: Article 38

The EDC is usually remembered as a defence project. For De Gasperi it was something larger: the lever for a political union. Here, two competing logics of integration met. The functionalist method, associated with Monnet and Schuman, proposed beginning with limited, technical sectors, creating concrete solidarities of fact, and letting integration 'spill over' into politics gradually and almost imperceptibly; the political finality was real but deferred. De Gasperi shared the destination but distrusted the postponement, above all in defence. An army is the most political of all instruments; to place it under a supranational command without a corresponding democratic political authority was, in his eyes, both dangerous and unfinished. His conviction was federalist in the proper sense: military integration had to be accompanied, from the outset, by the deliberate construction of a democratic, federal political authority able to control it and to legitimise it.

De Gasperi had sketched that architecture in concrete terms before the treaty was even signed. In a memorandum on German rearmament and the defence community sent to Antonio Segni in December 1951, he set out four principles. The defence community was to be 'the nucleus of a European federation', which the participating states would bind themselves to build, endowing the community with the mandate and the means to do so. Its institutions were to be recast accordingly: the bulk of powers would shift to the parliamentary assembly, which would also draft a European electoral and fiscal law; the commissariat, preferably a collegial executive based on the Swiss model, would become a genuine government, appointed and removable by that assembly and subject to its political, technical and financial control; the council of national ministers would be reduced to a Bundesrat-style upper chamber wielding mainly a power of veto in defined cases; and the common budget would become a true federal budget, voted on and amended by an assembly that would 'draw its sovereign power directly from the peoples' (De Gasperi 1951, 680).

This conviction was written into the treaty. At Italy's insistence, and thanks to pressure from De Gasperi personally, Article 38 of the EDC Treaty charged the Community's Assembly with studying the creation of a new, democratically elected chamber. This body was conceived as the seed of a future federal or confederal structure founded on the separation of powers and a bicameral system of representation (Centre Virtuel de la Connaissance sur l'Europe n.d.). To move quickly, the task was entrusted to an enlarged version of the Common Assembly of the European Coal and Steel Community, the so-called Ad Hoc Assembly, chaired by Paul-Henri Spaak. This is the true link between Article 38 and the European Coal and Steel Community: the Coal and Steel Assembly

was the instrument, but the provision itself belonged to the defence treaty. In March 1953 that Assembly produced a draft Treaty for a European Political Community, an embryonic federal constitution with a directly elected people's chamber, a senate and a European executive council.

Historians still debate De Gasperi's motives. Some have read Article 38 as a tactical device, a way to anchor Italy to the construction and to reassure domestic opinion; others, following Daniela Preda, see in it the mature expression of a lifelong federalism (Preda 1989; Craveri 2006). The design itself, however, was unambiguous: defence was to be the occasion for political union, with democratic legitimacy built in rather than bolted on afterwards. For De Gasperi, Europe was to be a political and moral community and not merely a market or an army, a conviction rooted in his formation as a man of the borderlands who had watched nationalism twice ruin the continent. He gave that conviction its most vivid form when he described the army the Community was meant to create:

> If we call upon the armed forces of the various countries to merge together in a permanent and constitutional body, and if they are to serve in the defence of a wider homeland, then that homeland must be visible, solid and alive, even if the whole edifice is not yet perfect. Its main walls must already be in sight, and a common political will must keep constant watch, so as to gather up the purest ideals of the associated nations and make them shine in the light of a common hearth. (De Gasperi 2004, 120)

When the EDC fell in 1954, the European Political Community fell with it. Integration reverted to the functionalist path that would lead to the Treaties of Rome in 1957, defence was left to NATO and the federalist road was not taken. De Gasperi, who died that same August, did not live to see either the defeat or its long-term consequences.

## The relevance of De Gasperi's vision: what remains, and what is still missing

Measured by institutions, Europe has travelled a great distance. The Union now possesses an apparatus for security and foreign affairs that it lacked entirely in the 1950s. The Lisbon Treaty created a high representative for foreign affairs and security policy, a double-hatted vice-president of the Commission (currently Kaja Kallas), served by the European External Action Service. The Common Security and Defence Policy, the European Defence Agency (founded in 2004), Permanent Structured Cooperation (in 2017), the European Defence Fund (which has seen over €4 billion committed to it since 2021) and the 2022 Strategic Compass have steadily built shared planning and capability development. The year 2025 brought a qualitative leap: the first-ever commissioner for defence and space (Andrius Kubilius); the ReArm Europe Plan/Readiness 2030, presented on 4 March, aiming to mobilise up to €800 billion; the *White Paper for European Defence* of 19 March; the Security Action for Europe (SAFE) instrument, offering €150 billion in joint loans; and the activation of the national escape clause of the Stability and Growth Pact, allowing up to 1.5% of GDP in additional defence spending, with 12 member states requesting it in the first months (European Commission 2025). It is telling that

the Commission president opened this turn of events by quoting De Gasperi: it was an admission that the unfinished business of 1954 is back on the agenda.

And yet, the heart of his design remains unbuilt. There is still no European army, no integrated command, no genuine common defence—only the coordination of national forces. Above all, there is no adequate common foreign policy. The Common Foreign and Security Policy still runs on unanimity, so that a single dissenting capital can paralyse the whole, and Europe too often speaks with 27 voices on precisely the questions that decide its fate, from Ukraine to the Middle East to relations with Washington and Beijing. The instruments of 2025 are overwhelmingly financial and intergovernmental: they encourage national spending, but they stop short of the political and constitutional leap. A common defence without a common foreign policy would be a body without a head: armed forces presuppose a political will to direct them, and that will is precisely what 27 competing national diplomacies cannot reliably supply. The new mechanisms fund hardware and industry; they do not yet create the single political authority that would decide when, where and why that hardware is used. Joint defence bonds have been set aside, procurement remains fragmented along national lines and the most heavily indebted states struggle to use debt-based tools at all. Europe, in short, has acquired the means without acquiring the political sovereignty to wield them. De Gasperi's central insight, that capabilities without a democratic political authority are incomplete, describes today's gap with uncomfortable precision. The institutions exist; the federal political will does not yet.

## Lessons for today's Europe

### *This is the last call*

Von der Leyen has described Donald Trump's return as Europe's third wake-up call after the pandemic and the invasion of Ukraine, and has warned that it may be the last (Alli 2025). The current strategic environment leaves little room for the leisurely gradualism of the past: we face a revisionist Russia, an inward-looking and transactional US, and the prospect of a settlement in Ukraine negotiated over Europe's head. In 1954 the continent could afford to fail because the American guarantee filled the vacuum; today that safety net is fraying. The window to build a credible common defence is narrow, and it is closing. De Gasperi regarded the EDC as an opportunity that, once it passed, would be lost if it was not seized; seventy years on, this judgement reads less as history than as a warning.

### *The courage to take unpopular decisions*

The EDC did not fail because the idea was wrong, but because its leaders lacked the courage to defend it. Mendès France declined to stake his government on ratification, and the Assembly hid behind a procedural motion rather than vote on the substance. The lesson is that European defence demands leaders who are willing to take politically costly decisions, on spending, on the pooling of capabilities and on relinquishing the comfort of the national veto, even if this means going against a public opinion shaped by

pacifist sentiment and by hostile information operations. Von der Leyen herself conceded that more courage would be necessary and that difficult choices lay ahead (von der Leyen 2025). In a crisis, Europe is built by courage rather than by consensus.

### *Not ceding sovereignty, but belonging to an association of sovereignties*

The sharpest weapon of populists and sovereigntists is the claim that integration strips nations of their sovereignty. De Gasperi's answer, decades ahead of its time, was that this claim rests on a false premise. As Ballini records, he held that it was precisely on the foundation of an association of national sovereignties, secured by democratic constitutional institutions, that national forces could expand—not merely by setting up common administrations, but through a superior political will in which the several national wills would meet and merge their individual interests in a higher synthesis, an objective he regarded as not to be renounced (Ballini 2023, 45). Sovereignty in the modern world is not a fixed quantity that one either retains intact or surrenders; for a medium-sized European state acting alone, formal sovereignty is increasingly hollow, being insufficient to enable that state to secure its borders, defend its currency or shape global rules. Pooled or associated sovereignty does not subtract from national power. By acting together, states recover an effective sovereignty that none of them commands alone: a common European defence would give each member more security and more influence than its national army can offer, not less. No European state today can deter a nuclear-armed great power single-handedly, sustain a defence–industrial base at continental scale or finance credible deterrence on its own; together they can. The real choice is not between national sovereignty and its loss, but between an empty sovereignty exercised in isolation and a real, shared sovereignty exercised in common. De Gasperi had refused the nationalist label long before today's quarrels, and without ever disowning the nation:

> When we say that we are not nationalists, we mean it in this sense: that we do not want every problem solved through the force of the nation, through national initiative. We are not saying anything that limits our real strength, that diminishes, compresses or depresses our Italian national feeling. The basis of all cooperation is the nation within a consortium of free nations. (De Gasperi 1985, 793)

This is De Gasperi's most enduring lesson, and the most precise rebuttal of the sovereigntist objection.

## Conclusion

The failure of the EDC in 1954 was not merely a missed treaty but a missed model: the federalist binding of defence to a democratic political union. Seventy years later, Europe has assembled an impressive toolkit yet still lacks the political sovereignty to make it count, which is exactly the gap De Gasperi foresaw. The present crisis offers, perhaps for the last time, the chance to complete the unfinished design. Whether Europe seizes it depends on the one variable that has not changed since 1954: political courage. As von

der Leyen reminded the Parliament by quoting him, the task of De Gasperi's generation has become the task of our own.

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*Article*

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# The mutual assistance clause in European defence policy: On the meaning and relevance of Article 42(7) of the Treaty on European Union

**Christian Calliess**[1]

**Abstract**
This article analyses the legal meaning and relevance of the mutual assistance clause under Article 42(7) of the Treaty on European Union, highlighting its role as a legally binding obligation to provide aid in the event of an armed aggression. Although its activation occurs automatically on an intergovernmental basis, this does not preclude EU coordination. To deliver on the promise of the mutual assistance clause, the EU must upgrade its strategic, financial and institutional planning structures. In the future, bodies such as a European security council or a European operational headquarters could strengthen strategic guidance. Mechanisms such as Permanent Structured Cooperation or Article 44 of the Treaty on European Union further enable flexible operations via a 'coalition of the willing'. Regarding Article 5 of the North Atlantic Treaty, the mutual assistance clause subordinates itself to NATO ('NATO first').

**Keywords**
Article 42(7) TEU, Mutual assistance clause, European Defence Union, Common Security and Defence Policy, NATO–EU relations, European security architecture

## Introduction

Europeans must adapt to the changing geopolitical environment. In this regard, the EU must strengthen its own capacities in order to be able to act as a true global player on the

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international stage (i.e. to be able to influence global politics to promote European interests and values). Today, the EU and its citizens are confronted with a security environment of high fragility and instability. Neither external nor internal security can be guaranteed at the national level anymore. In terms of external security, the mutual assistance clause (MAC) of Article 42(7) of the Treaty on European Union (TEU) constitutes the European promise. But can the EU deliver? And using what means?

## Historical background

The MAC of Article 42(7) TEU is not an entirely new phenomenon. As early as 1952, the Treaty of the European Defence Community (EDC) provided a MAC (art. 2) which obliged the participating countries, as well as the planned European army, to provide automatic military assistance in the case of an armed aggression (i.e. the clause eliminated the need for a prior decision by a European or national governing body). Ultimately, the EDC Treaty was not ratified by the French Assemblée Nationale, so this first European MAC remained theoretical in nature.

In addition, Article V of the former Modified Brussels Treaty, which governed the Western European Union (WEU), also included a clause of mutual assistance. Like the EDC Treaty, it contained an automatic obligation to provide military and other assistance. It was, however, only binding on the 10 full members of the WEU, and the WEU ceased to exist with the entry into force of the Treaty of Lisbon. Prior to this, the integration of the WEU into the EU had been discussed, but it was never agreed upon.

The current Article 42(7) TEU has its origins in Article I-41(7) of the rejected Constitutional Treaty. Initially, this draft treaty had included an obligation to provide military assistance, but this was not accepted by the neutral states. Therefore, the term 'military' was excluded from the article. The MAC remained unchanged after the 'reflection phase' that followed the negative referendums in France and the Netherlands in 2005 and found its way into the TEU as part of the intergovernmental structure of the Common Security and Defence Policy (CSDP). Moreover, there is a safeguard for neutral states: through the so called 'Irish clause', the 'specific character of the security and defence policy of certain Member States' (Article 42(7) TEU) remains without prejudice. The extent of this clause is not, however, undisputed.

## Constituent elements of Article 42(7) TEU

For Article 42(7) TEU to apply, a member state has to be the victim of an 'armed aggression'. Even though this wording is not exactly the same as what occurs in Article 51 of the UN Charter ('armed attack'), the same principles of interpretation can be applied: the 'Definition of Aggression' (UN General Assembly 1974, art. 3) can—in accordance with the finding of the International Court of Justice—be used as a means of interpretation, as it names several examples of an 'act of aggression' (Charter of the United Nations 1945). In addition, Article 42(7) TEU directly refers to the right of individual or collective self-defence in accordance with Article 51 of the UN Charter. However, also in relation to the latter, the interpretation of 'armed aggression' is not undisputed.

Different opinions exist as to the required intensity of the attack for the MAC to apply. Especially with regard to terrorist or cyber-attacks, this question is of vital importance. In any case, there can be no doubt that the term needs to be interpreted in a narrower sense than the term 'use of force' as it is defined in Article 2(4) of the UN Charter, because not every use of force amounts to an armed aggression. Other interpretations could create a considerable danger of escalation. Additionally, Article 3(g) of the Definition of Aggression requires such acts to be acts of 'gravity' (UN General Assembly 1974, art. 3). This indicates that a certain intensity of attack is required. In any case, the principle of proportionality would have to be respected, even more so in relation to the choice and use of a method of self-defence.

In addition, distinct stances are held regarding the state-like quality of the attacking party. The International Court of Justice prefers a restrictive interpretation of state-like quality: in the case of non-state groups or 'armed bands', their actions must be attributable to a state. This interpretation is in line with the historical intention of Article 51 of the UN Charter, which gives states, as primary subjects and actors in international law, a right to self-defence.

Finally, the armed aggression must take place on the territory of the member state. The many overseas territories of EU member states thus increase the geographical scope of the MAC considerably. Furthermore, when it comes to cyber-attacks, the notion of territory that underlies Article 42(7) TEU must not be read in a purely physical sense. While the classical understanding ties territory to land, internal and territorial waters, and airspace (and, functionally, to the vessels and aircraft registered in a member state), it is increasingly recognised that the territorial scope of state sovereignty extends to the cyber environment as well. Cyberspace lacks physical boundaries, but its constitutive elements such as servers, cables, integrated circuits and communication infrastructure are physically located within a state's territory and subject to its sovereign powers. A state may therefore exercise its sovereign authority over the cyber infrastructure situated in its territory, and unauthorised cyber operations conducted there by another state may amount to a violation of sovereignty.

## Quality of obligation

When a member state is the victim of an armed aggression on its territory, the other member states 'shall have . . . an obligation of aid and assistance by all the means in their power' (Article 42(7) TEU). Due to the vague wording, the exact content of this obligation is disputable.

On the one hand, one could argue that this obligation is merely a political one, without 'hard' legal consequences. This is because the scope of the wording ('all the means') would encompass military means. However, one could also argue that it seems quite unlikely that member states would want to commit themselves to military means, especially with regard to the problematic situation on Cyprus (and the possible conflict between the NATO and the EU MACs). Historically too, military contributions within the CSDP have been political and not legal.

On the other hand, because of the wording (i.e. 'shall have an obligation'), it seems appropriate to assume that Article 42(7) TEU does constitute a legal obligation. Apart from anything else, it would be a conceptual fault of the often-mentioned principle of solidarity if no *legal* obligation for mutual assistance existed for the most elementary threat, that is, an armed attack.

Moreover, one could argue that Article 42(7) TEU provides two different levels of safeguards for member states: the first level, the discretion *to decide*, needs to be distinguished from the second level, that of the discretion *of choice*. On the first level, a member state has to decide whether it should take any action at all (i.e. it is an 'if' question), whereas the second level determines the member state's choice of the specific means it wants to use (i.e. a 'how' question). It is obvious that on the first level, the wording of Article 42(7) TEU leaves no room for discretion. However, on the second level, the current wording reflects the heterogeneity of the European states and takes into account those states whose militaries are not strong enough or who are not willing to contribute with military means (for example, in the Cyprus conflict).

Finally, the aforementioned Irish clause in Article 42(7) (second sentence) constitutes a safeguard for those states that are neutral (i.e. Ireland, Austria, Sweden, Finland, Malta and Cyprus) and, arguably, also for those that have other specific security and defence policies, such as Germany in the case of the *Parlamentsvorbehalt* (parliamentary reservation). This clause, which also exists in Article 42(2)(2) TEU, functions as an 'opt-out' of the MAC.

Nevertheless, the exact scope of the Irish clause remains unclear. For example, could the invocation of the Irish clause lead to the opposite situation, in that a neutral member state could be denied assistance from other member states? Or would a neutral state be required to provide any assistance at all, such as flyover rights? In any case, the Irish clause provides neutral states with the guarantee that they do not have to take part in any *military* actions.

## Procedural and institutional aspects

### *The prominent role of the member states*

Questions also arise regarding the procedure for implementing Article 42(7) TEU. No procedure is required *expressis verbis*. One could assume that the procedure of Article 42(4) TEU would be applicable, which would require a unanimous decision. However, no 'decision' is required according to Article 42(7). The obligation to provide mutual assistance therefore occurs *ipso jure* and therefore automatically between the member states.

The EU itself only provides the framework within which the member states support each other. No powers are conferred to the EU through Article 42(7)—mutual assistance is agreed upon on an entirely intergovernmental basis.

When France invoked Article 42(7) after the terrorist attacks in Paris on 17 November 2015, however, the defence ministers were unanimous in their decision, assuring France mutual assistance. In consequence, this 'decision' was of a symbolic nature. Should the member states decide, however, on a common EU mission in accordance with Article 42(1) TEU, the procedure according to Article 42(4) TEU would need to be respected.

### *Does this mean there is no role for the EU?*

Careful reflection on the legal and policy framework of Article 42(7) TEU suggests that the bilateral approach need not preclude EU coordination to ensure greater effectiveness. It could also be essential for future preparedness.

The top EU political leadership, including the high representative, the president of the European Council, the president of the European Commission and the relevant commissioners, would need to liaise closely to provide strategic guidance and oversee coordination efforts. In fulfilling this task, they would have to be equipped with all the necessary intelligence and situational assistance.

In this regard, a European security council might come into play. It could be the institution responsible for strategic guidance and coordination in the framework of the MAC. Implementation could be taken on by a European operational headquarters responsible for the operative coordination of national armies and a European rapid reaction force or EU Battlegroups (see European Commission and European Political Strategy Centre 2015, 9–10)

Together, Articles 42 and 46 TEU could help to frame the efforts of those member states that are capable and willing to go further. In addition to the possibility of this Permanent Structured Cooperation, Article 44 TEU on the implementation of missions provides for the launch of CSDP operations by a 'coalition of the willing' member states under an EU flag and EU political control. The idea is that Article 44 TEU enables greater burden-sharing on at least two levels: by broadening participation compared to interventions made outside the EU framework, and because common financing provisions can come into play.

## Article 42(7) TEU and Article 5 of the North Atlantic Treaty

Article 5 of the North Atlantic Treaty also contains a (military) MAC that binds each treaty country to '. . . assist the Party or Parties so attacked by taking forthwith, . . . such action as it deems necessary, including the use of armed force, to restore and maintain the security of the North Atlantic area' (North Atlantic Treaty 1949, art. 5)—that is, to react at its own discretion. The NATO clause is more specific with regard to military means, which was excluded from the European MAC.

Concerning the area of responsibility, Article 5 of the North Atlantic Treaty limits itself to Europe, North America and other defined areas north of the tropic of Cancer. By contrast, Article 42(7) refers to 'its territory' and includes the overseas areas of the EU member states. Taking the Falklands war in 1982 as an example, it did not fall under Article 5 of the North Atlantic Treaty (as it is south of the tropic of Cancer), but could have activated Article 42(7) TEU had it been in force then.

Conflicts between the North Atlantic Treaty MAC and the European MAC are governed by the 'NATO first' principle. This principle is enshrined in Article 42(7)(2) TEU and corresponds with the concept of European defence as being the European pillar of NATO. Such a concept serves the purpose of maintaining Euro-American relations, as the effectiveness of self-defence under the North Atlantic Treaty is still largely dependent on the US.

## The nexus between external and internal security: Article 42(7) TEU and Article 222 of the Treaty on the Functioning of the EU

The political reaction after the terrorist attacks in 2015 in Paris made it clear that Article 42(7) TEU needs to be read together with, but at the same time differentiated from, Article 222 of the Treaty on the Functioning of the EU (TFEU) (European Commission and European Political Strategy Centre 2017, 1–4). The 'solidarity clause' of Article 222 calls for common action in the case of internal security, in particular in the case of a terrorist attack or a natural/man-made disaster. It explicitly involves the Union and its member states and clearly states a legal obligation to take action.

Article 222 comprises not only retroactive but also preventive measures. First, in order to 'prevent the terrorist threat in the territory of the member states' or 'protect democratic institutions and the civilian population from any terrorist attack', the EU has the competence to mobilise all the instruments at its disposal, including the military resources made available by the member states.

Second, if such an attack has happened, the EU can assist a member state in its territory at its request. Finally, according to Article 222(2) TFEU, if a member state is subject to a terrorist attack, the other member states shall assist it at the request of its political authorities, through coordination in the Council.

Although Article 222 TFEU was developed for a situation stemming from a terrorist attack, its scope was (surprisingly) limited by Council Decision 2014/415/EU (European Council 2014). According to Article 4 of the Decision, a member state must first exploit all existing means and tools at the national and European level. Only if the crisis clearly overwhelms the response capabilities available to it, may it invoke Article 222 TFEU.

Article 222 TFEU can be the legal basis for internal, but not external action—that is, it cannot be used to intervene in a third country. This might be one reason why France did

not rely on Article 222 TFEU, but rather invoked Article 42(7) TEU. Concerning the measures that can be taken, both articles refer to all available and appropriate means and assets, but the solidarity clause also refers to instruments at the disposal of the Union that are not mentioned in the MAC. However, according to Declaration no. 37 concerning Article 222 TFEU, member states explicitly retain the right to choose the appropriate means. Therefore, member states have a large margin of discretion.

In principle, the solidarity clause—in the case of terrorist attacks—can only be invoked when a terrorist attack *by a non-state organisation* has occurred. This could lead to the conclusion that the clause constitutes a *lex specialis* to Article 42(7) TEU in this specific situation. However, it would not be applicable in the case of an attack by a third state, because this situation would constitute an armed aggression (according to the classic definition) in the sense of Article 42(7) TEU.

## Conclusion

In order to deliver on the promise of Article 42(7) TEU, its text must be translated into strategy, planning and institutions. European defence has to be designed for the institutional triangle of the member states, NATO and the EU. The weaknesses of today's CSDP must be addressed (see European Commission and European Political Strategy Centre 2015, 4–6) This means looking again at burden-sharing and common financing provisions, as well as arrangements for effective planning and command and control of civilian and military missions at home and abroad, with the possible setting-up of a European security council and a European operational headquarters.

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*Article*

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# Extremism in Europe: From immediate threats to long-term risks

**Sara Brzuszkiewicz**[1]

**Abstract**

This article examines the evolving trajectories of extremism in Europe across short-, medium- and long-term horizons. In the short term, extremist dynamics are increasingly being shaped by hybrid ecosystems that blur the boundaries between online and offline mobilisation, and between fringe and mainstream narratives. In the medium term, structural drivers such as conflicts, political polarisation and generational shifts are likely to consolidate more fluid and decentralised forms of extremist engagement. In the long term, the article highlights the risks of the potential growth in radicalisation among diasporas, including communities that have not traditionally been associated with extremist dynamics or have so far shown limited levels of mobilisation. By adopting a temporal framework, the contribution aims to support policymakers in anticipating both immediate threats and the deeper transformations affecting the landscape of extremism in Europe.

**Keywords**

Extremism, Radicalisation, Europe, Gen Z, Political violence, Diasporas

## Introduction

Extremism in Europe is undergoing significant transformations. While policy responses have traditionally focused on identifiable groups, structured organisations and clearly defined ideologies, the current dynamics point to a more complex and evolving

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landscape. Today, extremist narratives circulate across digital platforms, social networks and political spaces, often escaping clear categorisation and blurring the boundaries between fringe and mainstream discourse (Boccia Altieri et al. 2025, 3).

At the same time, the European extremist environment is increasingly being shaped by external geopolitical developments. Ongoing conflicts—particularly the war in Ukraine and the escalation involving Iran—are not merely crises happening elsewhere. They act as accelerators of polarisation and reference points for identity formation within European societies. Through media exposure, diaspora connections and online ecosystems, these conflicts are continuously reframed and internalised, contributing to the diffusion of emotionally charged and often antagonistic narratives.

These dynamics challenge traditional analytical frameworks. Extremism can no longer be understood solely as the product of isolated ideologies or marginal actors. Instead, it emerges from the interaction between global events, domestic grievances and evolving communication environments. This interaction produces hybrid forms of engagement that are more fluid, decentralised and difficult to detect. Mythen et al. (2026) highlight that increasing attention is now being paid by EU intelligence agencies and law enforcement officers to the growing number of individuals engaging in hybrid and fluid forms of extremism that cut across multiple ideological frameworks.

In this context, a temporal perspective becomes particularly useful. This article proposes a three-level framework—short, medium and long term—to capture both immediate developments and deeper structural trends. By adopting this approach, the article aims to support a more anticipatory understanding of extremism in Europe. Moving beyond a purely reactive lens is essential, not only to address current risks but also to identify the underlying trajectories that will shape the European security and political landscape in the years to come.

## Short-term dynamics: hybridisation and narrative convergence

In the short term, extremism in Europe is increasingly characterised by hybridisation, which refers to the convergence of various ideological strands, communication practices and mobilisation strategies.

One key feature is the centrality of online ecosystems. Digital platforms facilitate rapid dissemination, cross-ideological borrowing and the formation of loosely connected communities. These environments enable individuals to engage with extremist content without formal affiliation, lowering the threshold for participation (Conway 2021).

At the same time, issue-based mobilisation plays a growing role. Topics such as migration, the war in Ukraine and the conflict in Gaza function as catalysts for radical narratives. These issues are not inherently extremist, but they are increasingly framed in polarising and absolutist terms. This creates opportunities for extremist actors to insert their narratives into broader public debates.

The war in Ukraine is contributing to the circulation of militarised narratives, combat aesthetics, and polarised pro- and anti-alignment identities (Brzuszkiewicz 2022). At the same time, the Iran-related escalation is feeding Islamist mobilisation and grievance narratives, tensions around Jewish and Israeli targets, and transnational identification dynamics.

The concrete risk is the sustained import of war logics into European societies, with foreign conflicts becoming the drivers of local radicalisation, identity formation and mobilisation.

The Iran conflict also highlights a shift towards state-enabled or state-influenced extremism within Europe, with European authorities having already observed attempts by Iranian-linked networks to orchestrate or inspire attacks in Europe. Europol warns that the conflict may increase terrorism and violent extremism risks as well as cyber-attacks and influence operations (Michalopoulos 2026).

In this context, the short-term risk is not only the occurrence of violent acts, but also the gradual normalisation of polarising narratives. These narratives shape perceptions, redefine boundaries of acceptable discourse and prepare the ground for further radicalisation.

In parallel, other forms of issue-based mobilisation will continue to play a crucial role. Topics such as migration, Gaza and geopolitical alignment are framed in absolutist and polarising terms. This creates opportunities for extremist narratives to be inserted into broader public debates.

A further and increasingly relevant development concerns the emergence of forms of mobilisation that do not rely on deep or structured ideological indoctrination. While traditional models of radicalisation have often emphasised gradual processes of socialisation into coherent ideological frameworks, current patterns suggest a partial shift towards more immediate and accessible forms of engagement. In this evolving landscape, the threshold for participation is being progressively lowered, enabling individuals with limited prior exposure to extremist doctrine to become involved in radical milieux.

This shift is closely linked to transformations in propaganda strategies. Contemporary extremist communication—particularly within certain jihadist ecosystems—places less emphasis on doctrinal depth and more on emotional resonance, moral clarity and behavioural activation. Radical outlets such as the Islamic State's *An-Naba*, for instance, illustrate how complex theological or political reasoning can be replaced by simplified narratives that prioritise action over understanding. The underlying message is not necessarily to fully comprehend a given ideological system, but rather to align with it in practice.

Within this framework, analytical engagement with political or social realities is often portrayed as unnecessary, misleading or even dangerous. Instead, individuals are

encouraged to rely on pre-defined moral binaries, where the distinction between right and wrong is presented as self-evident and non-negotiable. This dynamic reduces cognitive barriers to engagement and facilitates faster pathways from exposure to mobilisation.

At the same time, the diffusion of what could be described as 'terrorist-like' rhetoric contributes to blurring the boundary between discourse and action. Language that echoes operational or militant registers circulates widely in online environments, even among individuals who are not formally affiliated with extremist organisations. This does not automatically translate into violent behaviour. However, it creates a discursive space in which the expression of radical intent becomes normalised, and where symbolic alignment can more easily evolve into concrete action.

## Medium-term trends: polarisation, generational shifts and conflict internalisation

Over the medium term, the impact of ongoing conflicts—particularly the war in Ukraine and the escalation involving Iran—is likely to become more deeply embedded within European societies. Rather than acting only as short-term triggers, these conflicts are being progressively internalised in domestic political and social dynamics.

From this perspective, three interrelated trends are particularly relevant: polarisation, institutional distrust and generational change.

First, political and social polarisation continues to deepen. External conflicts contribute to this process by reinforcing binary alignments and identity-based positioning. The war in Ukraine and tensions involving Iran are increasingly refracted through domestic debates, shaping how groups define themselves and their adversaries. This dynamic strengthens antagonistic worldviews and reduces the space for compromise, with divisions consolidated during conflict tending to endure and continuing to structure political and social interactions over time.

Second, declining trust in institutions interacts with these conflict-driven narratives. When institutions are perceived as inconsistent, ineffective or biased in their responses to international crises, this can reinforce perceptions of injustice and selective legitimacy. Extremist actors exploit these perceptions, positioning themselves as more coherent and authentic alternatives.

Third, generational shifts are reshaping how these dynamics are experienced and processed. Digitally native cohorts are exposed to a constant flow of conflict-related content, including war imagery, emotionally charged narratives and real-time information streams. This contributes to the formation of personalised and hybrid belief systems, in which geopolitical conflicts are integrated into individual identities and worldviews. This trend is reflected in the fact that, in the EU in 2024, approximately one-third of individuals arrested for terrorism-related offences were under the age of 20 (Sulmoni 2026, 66).

At the same time, radicalising agents and extremist groups excel at exploiting the features and tropes of 'Gen Z', thus appealing to younger cohorts of recruits. Jihadi propaganda, for instance, has progressively adapted both its form and content in order to resonate more effectively with Generation Z audiences and, increasingly, with young women. This evolution reflects not only technological transformations, but also a growing awareness among groups such as Daesh and al-Qaeda of changing social identities, digital practices and expectations, and their relation to agency, participation and empowerment.

Generation Z generally refers to individuals born between the mid-1990s and the early 2010s. As the first fully digital-native generation, they have grown up in environments shaped by constant Internet access, social media and algorithm-driven communication. Unlike previous generations, their social interactions, identity formation and political perceptions are deeply embedded in participatory online cultures and continuous connectivity. At the same time, many members of this cohort have come of age amid economic uncertainty, global crises and declining trust in traditional institutions, factors that contribute to heightened sensitivity to questions of belonging, recognition, justice and personal agency (Sawab 2026, 3).

As a result, extremist engagement is becoming more individualised, increasingly shaped by transnational reference points and embedded in ongoing conflict narratives. Traditional ideological categories have therefore become less stable, as individuals draw simultaneously from different repertoires—political, religious and geopolitical.

Due to these factors, the biggest medium-term risk is the consolidation of conflict-internalised radicalisation, where external wars are no longer episodic triggers but become enduring reference frameworks that structure identity, grievance and mobilisation within European societies.

## Long-term risks: normalisation of extremist dynamics and mobilisation of diasporas

In the long term, extremism may shift from opposing the state to selectively penetrating it, particularly at the local level.

This may involve extremists entering local administrations, schools and community organisations; the use of legal and participatory channels to influence decision-making; and the gradual normalisation of exclusionary or radical agendas within everyday governance. In other words, the concrete risk is the emergence of hybrid governance spaces, where formal institutions coexist with informal norms shaped by extremist worldviews.

Related to this, rather than large-scale attacks, long-term trajectories may favour targeted intimidation, harassment (online and offline) and low-intensity, repeated acts of violence, often directed at minorities, journalists and public officials.

This would imply a gradual lowering of the threshold for acceptable violence, with cumulative effects on political participation, freedom of expression and the quality of

public debate. This risks creating a landscape characterised by persistent, low-visibility radicalisation, producing sporadic acts of violence and making detection and prevention more difficult.

In the long term, an even more significant and under-estimated risk concerns the radicalisation and mobilisation potential within diasporas that have not traditionally been regarded as central actors in European extremist landscapes. While previously security attention has often focused on communities already associated with established jihadist or extremist networks, current geopolitical transformations suggest that new trajectories may emerge from diaspora environments historically considered peripheral to these dynamics.

The first relevant dimension concerns the Iranian context and the growing overlap between geopolitical confrontation, proxy activity and forms of state-linked extremism. The escalation involving Iran has already demonstrated how external conflicts can generate repercussions inside Europe through the presence of intimidation campaigns, influence operations, proxy networks and attempted attacks linked directly or indirectly to Iranian interests. In this framework, parts of the Iranian diaspora may become increasingly exposed to polarised identity dynamics, transnational political mobilisation and competing narratives shaped by the confrontation between the Iranian state, opposition movements and external actors. The long-term risk is therefore not limited to classical radicalisation pathways but also includes the emergence of hybrid environments where political activism, disinformation, intimidation, espionage and extremist practices partially overlap. This reflects a broader evolution in which extremism inside Europe is no longer exclusively non-state in nature, but increasingly intersects with geopolitical competition and state-enabled influence strategies.

At the same time, a second and potentially even more consequential trend related to diasporas concerns the growing strategic centrality of African theatres within contemporary jihadist propaganda and mobilisation ecosystems. Over recent years, groups affiliated with Daesh and al-Qaeda have progressively reframed Africa not as a peripheral battlefield, but as a core operational and symbolic centre of global jihad. Propaganda outputs increasingly focus on African insurgencies, African fighters and the legitimacy of non-Arab jihadist actors, contributing to what may be described as the partial ‘Africanisation’ of the global jihadist narrative (Brzuszkiewicz 2026).

Operationally, Daesh has consistently maintained a strong focus on multiple African theatres, regularly claiming and documenting attacks carried out across the West African and Sahelian *wilayat* (Islamic State’s provinces). From a communicative and symbolic perspective, however, the ideological centre of contemporary jihadism had, for more than a decade, remained firmly tied to the Levant. Syria and Iraq simultaneously represented an eschatological arena, a political project and a territorial manifestation of the so-called caliphate.

This symbolic configuration now appears to be undergoing a gradual transformation. Recent official propaganda increasingly positions Africa not merely as an operational

periphery, but as a central theological and strategic space within the broader jihadist narrative.

This evolution is particularly evident in recent editorials published in *An-Naba*, as well as in an extended speech delivered by Daesh spokesman Abu Hudhayfah al-Ansari.

Africa is no longer portrayed as a secondary front or a residual refuge for jihadist activity. Instead, it is increasingly presented as a central and exemplary arena of contemporary jihad, a model to be replicated rather than merely supported. This growing institutional and symbolic recognition contributes to enhancing the prestige of the African *wilayat* and reinforces their mobilising potential across transnational audiences.

At the core of this narrative lies one of the most enduring and powerful motifs in jihadist propaganda: redemption, framed simultaneously as the restoration of the dignity and honour of the *umma* (the global Muslim community) and the personal recovery of meaning, agency and purpose. The narrative combines themes of grievance, humiliation and moral empowerment, creating an emotionally resonant framework that has historically proven effective not only at mobilising fighters within conflict zones, but also at activating sympathisers operating in diaspora and online environments.

Within this evolving symbolic architecture, Africa is increasingly depicted as a space of rebirth, empowerment and militant agency, where participation in jihad is presented not only as warfare, but as a pathway towards dignity, recognition and historical significance.

This transformation may carry important implications for Europe. African diasporas that have not historically produced significant numbers of radicalised individuals may become exposed to transnational narratives linked to identity, belonging and victimhood. The concern lies in the possibility that small but influential milieux may emerge within fragmented digital ecosystems where local grievances, experiences of marginalisation, online propaganda and emotionally charged global narratives begin to intersect.

## Conclusion

Extremism in Europe cannot be understood solely through the lens of immediate threats. While short-term dynamics highlight the importance of hybridisation and narrative convergence, medium- and long-term trends point to deeper transformations.

The increasing fluidity of extremist engagement, combined with structural drivers such as polarisation and institutional distrust, suggests that traditional approaches may be insufficient. A more comprehensive perspective is needed—one that integrates security, social and political dimensions.

Ultimately, the challenge is not only to counter specific actors or ideologies, but to strengthen the resilience of democratic societies. This requires paying sustained attention to the conditions that allow extremist narratives to resonate and spread.

In the short term, the influence of ongoing conflicts—particularly the war in Ukraine and the escalation involving Iran—acts as a powerful accelerator. These crises provide narratives, symbols and emotional triggers that can be rapidly appropriated by extremist actors, amplifying polarisation and lowering the threshold for engagement.

In the medium term, these dynamics will likely be progressively internalised. External conflicts are no longer perceived as distant events, but are becoming embedded in domestic debates, identity formation and patterns of mobilisation. This will contribute to the consolidation of more individualised and decentralised forms of extremism, which are harder to categorise and anticipate, while also leveraging the younger generations' symbols, grievances, narratives and tropes.

In the long term, the cumulative effect of these processes points towards a more structural transformation. Extremism risks becoming a persistent feature of the European landscape, sustained not only by internal grievances but also by continuous exposure to conflict-driven narratives and geopolitical tensions. At the same time, the emergence of hybrid threat environments—where state and non-state actors, online and offline dynamics, and domestic and international factors intersect—further complicates prevention and response strategies.

These developments have direct implications for policy. First, there is a need to move beyond siloed approaches that treat different forms of extremism in isolation. Increasingly, individuals engage with hybrid and fluid ideological ecosystems in which anti-government narratives, conspiracy theories, misogynistic content, accelerationism and jihadist propaganda overlap with and reinforce one another. This requires more integrated and adaptive analytical frameworks, capable of capturing ideological convergence and cross-platform mobilisation dynamics, rather than ones that focus exclusively on fixed organisational affiliations.[1]

Second, greater attention should be paid to the external dimension of radicalisation, particularly the role of ongoing conflicts in shaping domestic dynamics. International crises such as the wars in Ukraine and Iran increasingly function as symbolic and emotional reference points within domestic political debates, contributing to identity polarisation, grievance construction and online mobilisation across different ideological milieux. Since Operation Epic Fury against Iran began on 28 February, several incidents across Europe have illustrated the current terrorist threat matrix. In particular, Jewish institutions and community sites have increasingly become the targets of these attacks: a synagogue in Liège was struck by an explosion on 9 March, Rotterdam's synagogue was set on fire on 13 March and a Jewish school in Amsterdam was bombed the following day (Soufan Center 2026).

Third, prevention efforts must account for decentralised and low-visibility forms of engagement—which may not fit traditional indicators but can nonetheless produce significant long-term risks—as well as the growing relevance of Generation Z audiences, whose political and social identities are increasingly shaped within digital, transnational

and emotionally driven information environments. These trends include forms of participation that are centred less on formal group membership and more on content production, meme culture, algorithmically reinforced communities and diffuse online activism. In this context, radicalisation processes may become harder to detect, precisely because they emerge gradually through everyday digital consumption and networked socialisation rather than through direct organisational recruitment.

Ultimately, the challenge is not only to counter specific threats, but to strengthen societal resilience in a context of permanent exposure to polarisation and conflict. This requires sustained investment in institutional trust, critical media literacy and inclusive political participation. Without such efforts, the risk is not simply the persistence of extremism, but its gradual normalisation within European societies.

The cumulative effect of the present extremism dynamics is the emergence of mobilisation pathways that are faster, more fragmented and less predictable than in the past. Extremism, in this sense, is becoming less dependent on structured organisations and more reliant on dispersed networks of influence and individual trajectories. This transformation complicates both detection and prevention, as it challenges existing assumptions about how radicalisation unfolds.

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## Note

1. Devon Arthurs's story is a defining example of mixed ideologies extremism. In 2017 Arthurs, a co-founder of the neo-Nazi group Atomwaffen Division, murdered two of his roommates after converting to Salafist Islam. He claimed his former associates 'disrespected' his new faith, yet he famously described himself as a 'Salafist National Socialist', illustrating how distinct extremist frameworks can be merged. A useful more recent example is Guy Edward Bartkus, the attacker behind the 2025 bombing outside an in-vitro fertilisation clinic in Palm Springs. Investigators and analysts described his worldview as a mix of nihilism, anti-natalism, online conspiracy culture and broader anti-system grievances rather than a coherent single ideology. Another recent case involved a 14-year-old secondary student in Singapore who was detained in September 2025 for what authorities described as 'salad bar extremism'. This case illustrates the growing trend of adoption of mixed, unstable and unclear ideologies, where attackers or potential attackers do not follow a single, coherent belief system but instead select from a diverse 'menu' of grievances and ideologies that are often contradictory. The boy in question staunchly supported the Islamic State in Iraq and Syria, subscribed to anti-Semitic beliefs espoused in far-right extremist ideologies and also identified as an incel.

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# Unlocking the power of trade

**Neva Sadikoglu-Novaky**[1]

**Abstract**

As the world's largest trading bloc, the EU has an opportunity to use its economic power to drive greater unity within the broader European continent, build stronger alliances with the rest of the world and create a path towards greater global stability. International trade and market liberalisation have historically been the building blocks upon which stronger international partnerships have been built and are also one of the foundations upon which the process of European integration was built in post-war Europe. With an increasingly unstable world order, there is an even greater need for EU and allied non-EU European countries to forge stronger trade ties and collectively strive to be the main trading partner for emerging economies around the world, from Africa to Mercosur countries to India. The EU needs to apply what it has learned from its trade relationship with China, to ensure symmetrical and reciprocal market liberalisation. There are also lessons to be learned from how Singapore has deployed market liberalisation as an engine for prosperity and stability. This article argues that through liberalisation and a focus on the business of trade before pursuing a norms-based relationship, the power of free markets to deliver jobs, growth and a belief in democracy can be unlocked.

**Keywords**

Trade, Free trade, Free markets, Liberalisation, UK–EU relations, EU, China, Singapore, US

## Introduction

The EU has strived to use trade as a way to both impose its norms and maximise its economic gains. However, it has yet to unlock the full potential of trade to drive global prosperity and stability, including within the broader European continent. At a time when the rules-based international order is coming under increasing pressure from Europe's revisionist adversaries, there is an increasing need for Europe to use trade to mitigate some of the key risks ahead.

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The European People's Party 2024 manifesto recognises the importance of trade, stating that 'our economy will never prosper in a fortress' (European People's Party 2024, 13). This article builds on this argument and strives to address some of the global lessons we can learn about how to unlock the potential of the business of trade to deliver prosperity and peace amid global competition. It will explore the journey of both Europe and two less-normative powers (Singapore and China). The article underlines that a 'Team Europe' approach is needed that leverages the collective economic potential of the EU, EU candidate countries, the European Free Trade Association and the UK to drive greater European competitiveness, prosperity and global stability. It argues that normative goals are best achieved if economic interests are prioritised first.

## Trade as a catalyst for perpetual peace: the case of Europe

Europe's own history is an example of the power of trade. Trade has played a key role in the evolution of a large portion of Europe from a war-torn continent to a space in which Kantian perpetual peace has been realised (Kant 1903).

Europe has been home to some of the world's most devastating wars. The Napoleonic wars of the nineteenth century and the two world wars of the twentieth century alone saw over 61 million people lose their lives to warfare. As Herman Van Rompuy (former president of the European Council) put it in his speech when accepting the EU's Nobel Peace Prize in 2012, 'War is as old as Europe. Our continent bears the scars of spears and swords, canons and guns, trenches and tanks, and more' (Van Rompuy and Barroso 2012, 2).

Successive steps taken through trade have generated greater prosperity and stability within Europe. Through the continental effort to build a single market, the countries that have joined the EU have experienced higher productivity and GDP per capita. A synthetic counterfactual study by Campos et al. (2014, 4) suggests that without this integration process, European per capita incomes today would be, on average, 12% lower.

Intensifying trade relations changed national interest calculations, making any future wars between participating nations at odds with national interests. Strengthened trade relations and the pooling of coal and steel production, once used to fuel wars, made any future conflicts between Germany and France unthinkable. The 1950 Schuman Declaration (European Union n.d.) created the European Coal and Steel Community, formed of France, West Germany, Italy, the Netherlands, Belgium and Luxembourg, and paved the way for the creation of the European Economic Community in 1957 and the modern EU in 1993. Now, according to the 2025 Global Peace Index, which covers 163 states, Western and Central Europe are the most peaceful regions on earth, with 8 of the world's 10 most peaceful countries being European (Institute for Economics and Peace 2025).

Meanwhile, the Marshall Plan, which channelled US aid into Europe's post–Second World War reconstruction, was explicitly conditional on there being multilateral trade cooperation among the recipient states. As a World Bank publication shows, '[i]ndustrial production in the recipient European countries leapt from just 87 per cent of pre-World

War II levels in 1947 to fully 135 per cent in 1951, a 55 per cent jump in just four years' (Eichengreen 2010, 1). In Austria, West Germany and Italy alone, gross national product grew 33.5% in the first three years (US Department of State 1997).

Germany, Italy, France and the Benelux countries grew at rates averaging 5%–6% annually throughout the 1950s and 1960s, lifting living standards faster than at any prior point in European history (Crafts and Toniolo 1996, 4). With trade as the catalyst, the continent that had inflicted two world wars on itself in thirty years became, within two generations, the most peaceful region on earth.

The EU's approach to trade has since evolved into a more normative one. The values set out in the EU treaties, of respect for human dignity, freedom, democracy, equality, the rule of law and human rights, including the rights of persons belonging to minorities (Treaty on European Union, art. 2), are also explicitly stated as the guiding principles for the EU's external action (Treaty on European Union, art. 21).

The EU embeds respect for human rights as an 'essential element' clause in all its trade agreements, enabling suspension where serious breaches occur (Zamfir 2019, 2). In 2020 the EU partially suspended Cambodia's preferential trade access under the Everything But Arms scheme following systematic violations of civil and political rights—the first time such a mechanism had been activated. The Generalised Scheme of Preferences, which grants reduced tariffs to developing countries, similarly conditions market access on compliance with 27 international conventions covering labour rights, human rights and environmental standards. Trade, for the EU, has now become an instrument for the promotion of values as much as commerce.

## A market liberalisation approach to trade: Singapore

Singapore also provides an excellent example of the power of trade. Taking a less normative and more business-focused approach, Singapore has shown the world how it can drive growth. It has used trade as an engine to increase its GDP per capita by more than 100-fold in 50 years to help it eradicate poverty and become one of the world's most prosperous and stable countries in a region riddled with poverty and instability (Menon 2015).

Singapore started from a challenging position. Upon its involuntary separation from Malaysia in 1965, announced on TV by a teary-eyed then Prime Minister Lee Kuan Yew as a 'moment of anguish' (Channel NewsAsia 2025), Singapore faced a challenging situation. Half of its population were illiterate, unemployment stood at 14%, a third of its people lived in slums on the city's fringes, and its GDP per capita was comparable to that of South Africa and Mexico (Çakmak 2022, 68; Menon 2015, 2). It had no natural resources, no agricultural land, no fresh water supply of its own and no domestic market. Lee Kuan Yew had himself once called the very idea of an independent Singapore 'a political, economic, and geographical absurdity' (Menon 2015, 2).

This situation was made even more challenging by the withdrawal of the British military a few years after independence. It had been among the largest employers on the island, accounting for an estimated 20% of GDP through a combination of direct employment, supply chains and the vast network of local businesses dependent on military custom (Menon 2015, 2).

Rather than retreating into protectionism or dependency, Singapore pursued a deliberate, radical strategy of trade-led growth. It converted the former British naval base at Sembawang into a commercial shipyard, repurposed military airfields for civilian and cargo use, shifted from import-substitution to export-led industrialisation and aggressively attracted foreign multinationals as the drivers of development. Ravi Menon, managing director of the Monetary Authority of Singapore, has described these decisions as 'among the most important in our economic history' (Menon 2015, 3). They were bold and pursued at a time when almost no other developing country was doing the same.

What followed was a sequenced climb up the economic ladder, made possible entirely by trade openness. In the 1960s Singapore's factories produced garments and basic consumer goods. By the 1980s Singapore was the world's leading producer of hard disk drives. By the 1990s it had reinvented itself as a global hub for financial services, petrochemicals and precision engineering. At every stage, the same foundations held: the rule of law, zero tolerance for corruption, sound public finances, and an unconditional openness to global trade and investment. Trade did not merely generate wealth, it created the political stability, institutional strength and social cohesion that made Singapore one of the safest, best-governed and most trusted nations on earth. In a South-East Asian neighbourhood that, according to a study by the UN University and the World Institute for Development Economics Research, was, in 1965, the poorest subregion in all of Asia (Wan and Wang 2018, 9), Singapore's trade-led model produced an island of extraordinary stability amid persistent regional turbulence.

By 1994, less than three decades after independence, Singapore had surpassed Western Europe in terms of average income (Van Teutem 2025). It now ranks second in the world for GDP per capita in purchasing power parity terms at $156,755, which is higher than both that of any EU member state and that of the US (International Monetary Fund 2025). A country that began with nothing but its geographic position and the quality of its institutions has, within a single generation, become the second-wealthiest nation on earth. There are of course limitations to the Singapore example in terms of governance, as it is not considered a liberal democracy. That should not, however, lessen the economic lessons that can be drawn from its experience.

## The case of China

While Singapore pursued market liberalisation to unlock the power of trade, China has coupled participation in the global liberal economic order with strong state-led planning and protectionism. While Chinese companies have been able to do business in Europe, the reverse has often not been the case due to restrictive Chinese policies and the way

they are implemented. The OECD Foreign Direct Investment Regulatory Restrictiveness Index (OECD 2024) shows European countries to be among the most open in the world, while the Heritage Foundation's Index of Economic Freedom (Heritage Foundation 2026) ranks China 154th out of 176 countries.

This has shown Europe the challenges of protectionism and the importance of pursuing a stronger liberalisation policy through the WTO and its rules. China has built a strong competitive advantage through its state subsidies in clean tech manufacturing, which have 'long been twice as high as those in the EU as a share of GDP' (Draghi 2024, 47). Yet, let us also not forget that in the 27 instances in which the US has brought cases against China through the WTO and won, China has complied with the specific rulings.

China has built its extraordinary trade position in less than 45 years, from participating in less than 1% of global trade in 1978 (UNCTAD 2021) to being responsible for 15.8% of all global exports today (European Commission 2025). It is the top global exporter, a spot that was occupied by Germany until 2009 (UNCTAD 2021). Its share of global manufacturing gross production is three times that of the US, six times that of Japan and nine times that of Germany (Keller and Utar 2024, 1).

Since 2001, when China joined the WTO, it has been the fastest-growing trading nation in the world (UNCTAD 2021). It is the world's largest merchandise exporter, accounting for 14.6% of global exports, which is nearly double the share of the US at 8.4% and is a position that China has held since 2009 (WTO 2025, 28).

However, China exercises this power by focusing more on the art of business and less on normative standard setting. This has resulted in differences of opinion on Russia amid its ongoing and unprovoked war of aggression against Ukraine, with the EU describing China's approach as a 'significant risk' to Europe (Von der Leyen 2025). That said, China has also shown that it will use trade as a hard-power tool for political purposes. From limiting exports of critical raw materials in retaliation for US tariffs (Szczepański 2025) to import bans linked to the diplomatic recognition of Taiwan (Atlantic Council 2023), Europe has felt the impact of China's trade restrictions.

## Building a pan-European trade power

While the EU has been focusing on building ambitious and comprehensive legislation on topics such as climate law that sets global standards (Bradford 2020), it has found itself heavily reliant on imports from countries with which it has tense relations. This includes traditional allies such as the US, with which strategic differences have emerged over the territorial ownership of Greenland, fuelled by the Arctic resource race, and the willingness to back Ukraine. It also includes China, which currently accounts for 20% of EU imports and over €2 billion of bilateral trade every single day (European Commission 2025). Europe relies heavily on critical raw materials from China to fuel its economic growth, which presents a strategic challenge, as outlined in the Draghi report (2024).

The EU has been balancing its shrinking share of the global economy with increasing trade intensity (Berg 2025). However, Europe will be better placed to compete globally if stronger alliances are built between the EU and non-EU European allies, meaning those in the European Free Trade Association, candidate countries and the UK.

The UK remains the world's sixth-largest economy and one of its premier financial centres. It is also, still, one of the EU's largest trading partners. Its proximity (geographic, cultural and linguistic) is an asset that, post-Brexit, neither side has been able to fully leverage. Those behind the negotiations for the Trade and Cooperation Agreement strove to enable cooperation, and the same can be said for those currently negotiating sectoral strategic partnerships. However, the full economic potential of the relationship is not being tapped into. For example, the UK's defence production capacities are not being fully utilised to fill the gap as the EU strives to diversify from US imports. UK refineries are also not being fully leveraged for sustainable fuel supplies.

A closer EU–UK trade partnership, grounded in pragmatic mutual recognition of like-for-like standards and acceptance that an element of deviation is necessary for localisation to the specificities of each party, would better serve the bigger interests of both parties. It would also allow for a better relationship with the wider Europe and help ease concerns in European Free Trade Association countries such as Switzerland, which faces a referendum this year on its relationship with the EU.

A pan-European trading bloc would give European business a combined market weight that neither the EU nor individual countries could match alone. Together, this bloc would represent a quarter of global GDP, the world's largest combined trade network and the single biggest source of outward investment. It would also have a shared commitment to rules-based trade.

Europe must also be what the business world terms 'agile' in unlocking the potential of trade. It needs to rapidly adapt its trade tactics to be less about the world copying its standards and more about unlocking pathways for mutual prosperity. As the comparative advantage theory of Ricardo (1817, 128–49) demonstrates, even when one country holds an absolute advantage in producing all goods, mutual gains from trade arise by specialising in goods with lower opportunity costs. By giving developing countries and emerging economies the opportunity to trade rather than being dependent on aid, we give them the opportunity to build their own comparative advantage.

Being slow to unlock the potential of trade only gives other global trading powers a competitive edge. The 2025 EU–US trade agreement was only concluded under tariff pressure after a complicated timeline that goes back to 2013, when negotiations on an agreement were first launched and subsequently formally closed in 2019 after their failure. Even now, the 2025 agreement remains limited and conditional, with a sunset clause set to expire in 2029 (European Parliament 2026). The EU–Mercosur[1] deal only entered provisional application in May 2026 after 25 years of negotiations, with full ratification by all EU member states still years away (European Commission 2026b). An EU–India

deal was completed after 13 years of negotiations, but has not yet been ratified (European Commission 2026a). Elsewhere, EU–Africa economic partnership agreements remain partial and contested, with frictions over EU standards, which are not always accepted as fit for local realities in Africa (European Parliament 2025).

Meanwhile, China is Africa's largest single-country trading partner, a position it has held for 16 consecutive years (Mwakideu 2026). Africa–China trade, at €273 billion in 2024, is less than that of Africa–EU trade, but it is also less conditional. This makes it more appealing to some states due to the lower regulatory burden for trade relations with China, given the governance requirements attached to European partnerships (Marangio 2026). China also invested $61.2 billion in Africa in 2025 alone (Nedopil Wang 2026). The window for the EU to be the primary trade partner and institutional anchor for this continent is narrowing.

The countries of Africa are important partners with whom we should be unlocking the power of trade. Africa is the fastest-growing continent in the world, home to key natural resources and the world's second-largest rainforest, while also being a conflict-riddled continent and therefore a source of legal and illegal migration to Europe.

Prioritising securing an economic relationship without trying to impose standards based on laws created by EU lawmakers, which are based on impact assessments carried out for EU countries, is also arguably more in line with the EU desire not to be a neo-colonial power. Indeed, it is free markets and not imposed standards that are the route to prosperity and, ultimately, democracy. As Hayek put it, 'competition is superior . . . because it is the only method by which our activities can be adjusted to each other without the coercive or arbitrary intervention of authority' (Hayek 1944, 36–7).

The EU will be better placed to promote its values on a global scale if it is able to be the main trading partner of the third country in question and can adapt the conversation to the local context. By having free trade as its first objective, the EU can draw the right lessons from the cases of both Singapore and China and be better placed to then also bring in norms-based complementary interactions.

## Conclusions

In an unstable world, trade remains our best bet to create opportunities for greater prosperity and stability. This requires a pragmatic approach to building a stronger Team Europe and being more agile, while also striking a better balance between normative ambition and the art of the deal. The UK–EU discussions around a strategic partnership should focus on how to leverage the full potential of Europe on a global scale. They should also focus on optimising supply chains rather than on protectionist agendas or whether the two legislative approaches to climate action are identical.

While Singapore's and China's value systems differ from that of the EU, Europe can draw lessons from how both have benefited immensely from trade. This includes the way

in which Singapore has opened its markets to allow for significant prosperity generation, demonstrating that free trade does deliver economic and social benefits. China's approach shows the work ahead in ensuring that WTO rules better protect all parties, while also demonstrating the challenges of asymmetric market liberalisation and trade relations. Europe must focus on pursuing an agile free-trade agenda with the rest of the world from Africa to Latin America, improving ratification timelines and being more pragmatic than normative.

The world in which Europe could focus on being a normative power, because the US was the hard power generating peace, no longer exists, and Europe must therefore use trade more effectively as part of its toolbox.

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## Note

1. Mercosur is a South American trade bloc consisting of Argentina, Brazil, Paraguay and Uruguay.

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*Article*

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# Why Christian Democracy succeeded in West Germany but failed in France: The politics of pragmatism and its lasting implications for contemporary Europe

**Johanna Elisabeth Kosak**[1]

**Abstract**

Why did Christian Democracy become the dominant force in post-war West Germany yet fail to achieve institutional durability in post-war France? This article argues that these contrasting trajectories were shaped by the unequal pressures of post-war state-building, which enabled pragmatic coalition-building in Bonn while amplifying fragmentation in Paris. Drawing on a comparative analysis of post-war West Germany and post-war France, it traces three mechanisms. The first is the conversion of confessional divides into a cross-denominational *Union* in Germany versus the persistent association of Christian Democracy with Catholicism under French *laïcité*. The second is the moral reconstruction after National Socialism versus the reputational costs of France's colonial wars. And the third mechanism centres on the Cold War dynamics that fostered party consolidation in West Germany while exacerbating political polarisation in France. The article argues that these early institutional pathways continue to shape contemporary European politics, sustaining a resilient political centre in Germany while leaving its French counterpart structurally volatile and thus subject to recurrent reconfigurations of the party system.

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**Keywords**
Christian Democracy, Post-war Europe, West Germany, France, State-building, Party systems

## Introduction

For Konrad Adenauer, the German Rhineland constituted the cradle of Christian Democracy. Once an integral part of the Holy Roman Empire, Adenauer's home region is considered to be the geographic core of the Christian *Abendland*. Given its location at the border between Germany and France, one might suppose that the Christian Democratic influence emanating therefrom could have extended deeply into French political life. Indeed, the phrase 'Christian Democracy' is of French origin. Further, the first explicitly Christian Democratic organisation was established in France, and numerous intellectuals whose ideas informed the Christian Democratic tradition were French (Letamendia 1995, 1).[1]

Yet, Christian Democracy seems to have failed to establish itself as a dominant political force in post-war France, particularly when contrasted with its remarkable success in post-war West Germany. This article addresses this discrepancy by analysing the divergent trajectories of Christian Democracy in post-war West Germany and post-war France to demonstrate how these early institutional pathways continue to shape contemporary European politics.

## Conceptual framework and analytical scope

Christian Democracy is marked by considerable 'internal heterogeneity' (Accetti 2019, 193) and therefore represents neither a distinct *Weltanschauung* nor a mere variation of conservatism. Nevertheless, Christian Democratic parties can generally be characterised by their firm commitment to three specific principles: human rights, liberal democracy and integration. This commitment to integration is expressed both in the model of the catch-all *Volkspartei* and in the pursuit of transnational reconciliation, most notably embodied in their strong support for European integration (Irving 1979a, 54). In short, Christian Democracy can be described as an 'ideological tradition' that is defined by the attempt to articulate Christian principles within the framework of modern democracy (Accetti 2019, 193).

Although ancient in terms of Christian principles, Christian Democracy as a whole is a more modern phenomenon: it developed as a political response to the French Revolution and as a social response to the Industrial Revolution (Irving 1979b, 1). Its greatest historical influence, however, came at a particular point in the post-war period, which Müller has aptly described as 'The Christian Democratic Moment' (2011, 132–8)—a time when a fragile political landscape was acutely receptive to new ideological impulses. Accordingly, this article focuses on the immediate post-war period to trace the origins of the divergent consolidation of Christian Democracy in West Germany and France.

## Rethinking strength and weakness in Christian Democracy

During that time the German Christian Democratic Union (Christlich Demokratische Union Deutschlands, CDU) constituted one of the most powerful Christian Democratic parties in Continental Europe: in West Germany the alliance of the CDU and the Christian Social Union (Christlich-Soziale Union, CSU) governed continuously from 1949 to 1969 (Irving 1979a, 55). Apart from the years 1972–6, they have always formed the largest group in the Bundestag (Irving 1979a, 55), even winning an absolute majority under Adenauer in the *annus mirabilis* of 1957 (Irving 1979a, 59). Indeed, it seems reasonable, then, to attribute strength to post-war German Christian Democracy.

French Christian Democracy, on the other hand, 'seems to have taken longer to take off; to have held office for much less time; . . . and finally, to have collapsed rapidly and ignominiously' (Hanley 1991, 204–5). In this context, however, it should be noted that the Christian Democratic parties in France were not inherently weak: in fact, France's Popular Republican Movement (Mouvement républicain populaire, MRP) can even be considered strong in some respects. While the two pre-war Christian Democratic parties—the Popular Democratic Party (Parti démocrate populaire) and Young Republic (Jeune République)—secured only around 3% of the vote in 1936, the MRP went on to win close to a quarter of the vote in the October 1945 French legislative elections (Irving 1979b, 217). It then entered a tripartite government under the executive leadership of General de Gaulle, together with the socialist Section française de l'Internationale ouvrière (French branch of the Workers' International) and the French Communist Party (Accetti 2019, 209). According to Accetti, 'This government proved to be one of the most effective and socially transformative of the whole postwar period' (2019, 209), rapidly enacting a sweeping nationalisation of major industries and introducing a nationwide system of social security.

Overall, Christian Democrats played a key role throughout the Fourth Republic, serving in 23 of the 27 governments from 1944 to 1948, providing 3 of the Fourth Republic's prime ministers (Schuman, Bidault and Pflimlin), and holding the Ministry for Foreign Affairs for much of the period from 1944 to 1954 (Irving 1979b, 217). Even after the eventual voluntary dissolution of the MRP in 1966, French Christian Democrats continued to form an important element in the various centrist coalitions of that time and retained influence as an underground but not insignificant 'current of opinion' (Accetti 2019, 235–6; Mayeur 1997, 85–9).

Once this is recognised, the absence of a single dominant Christian Democratic party in France need not be interpreted as evidence that the broader Christian Democratic tradition was weak. Rather, Christian Democracy may have assumed a distinct, context-specific form in France, operating through shifting centrist coalitions rather than a single dominant national party. Thus, the contrast between German 'success' and French 'failure' reveals less about the relative strength of Christian Democracy in the two countries than about the assumption that political success must take a single institutional form.

It is possible to conceptualise the EU itself as a political order significantly informed by Christian Democratic thought: from a neo-institutionalist perspective, Christian Democracy appears less as a nationally bounded phenomenon and more as a transnational framework of political thought. As Jacques Mallet wrote in a 1986 essay on the construction process of the European Community, 'The project of a European Community was born out of the conjunction between a few men who . . . shared the same convictions. These men were Christian Democrats' (in Portelli and Jansen 1986, 247). When viewed through this lens, the idea that Christian Democracy failed in France while succeeding in Germany appears less persuasive: in both countries it contributed, albeit in different ways, to the establishment of what would become one of the most enduring Christian Democratic projects—the EU itself. From this perspective, Christian Democracy may be seen not as a vanished or marginalised force—in France or anywhere else in Europe—but as a banal element of Continental Europe's background institutional framework and political culture, so deeply embedded as to have become almost invisible (Accetti 2019, 247).

Yet, the contemporary standing of Christian Democracy varies considerably between France and Germany. The following sections identify three key reasons for this divergence—historical in origin, yet of enduring relevance.

## Religiosity and confessional culture

A core reason for the divergent trajectories lies in how each country managed the religious-confessional cleavage after 1945.

'The MRP's biggest problem was that it was, *malgré soi*, a . . . Catholic party' (Irving 1979b, 220). In France the long-standing Republican–Catholic antagonism institutionalised by *laïcité* made anything perceived as clerical structurally suspect. It was this enduring antagonism between Catholicism and Republicanism, originating from the Revolution of 1789, that constrained the institutional development of Christian Democracy in France. Throughout the nineteenth and early twentieth centuries, successive confrontations—from Napoleon's religious policies to the 1905 law on the separation of church and state and *la guerre scolaire*—entrenched the Catholic–Republican divide into what Suffert described as 'la ligne Maginot' between the right and the left (1960, 71). The anticlericalism of the left and the anti-Republicanism of the right, exacerbated by the Dreyfus affair and the traumas of the early Third Republic, left little space for the emergence of a progressive, democratic Catholic current—the natural sociological base for Christian Democracy elsewhere in Europe.

Whilst Germany was marked by a confessional cleavage as well, the Nazi dictatorship reconfigured interconfessional relations in two ways: first, its wide-reaching mobilisation of the population for the regime's totalising political project dismantled many existing social institutions and forms of differentiation (Trentmann 2023). Second, the experience of tyranny generated new forms of inter-Christian solidarity. In France, the Second World War and *l'Occupation* likewise contributed to a certain reconciliation

between Catholics and Republicans and produced an *élite* of leaders with a *Résistance* background. However, due to the historically polarised party system, this rapprochement could not be converted into a broad political vehicle: a significant number of conservatives gravitated towards the MRP largely because their own parties had been discredited by their association with the Vichy regime—'They were *with*, but not *of*, the MRP' (Irving 1979b, 218).

In contrast, in Germany the immediate pressure to establish a functioning state prompted a more pragmatic approach. Adenauer and former Centre Party (Zentrum) figures in the Rhineland chose not to reconstitute a Catholic party but to found a cross-confessional *Union* that would 'be Christian' in a general—rather than denominational—sense. Strategically, they downplayed confessional planks outside Catholic regions—for instance, in regard to educational policies—and moved towards a market-oriented programme to attract Protestant and liberal voters who had previously backed the German People's Party/German Democratic Party (Deutsche Volkspartei/Deutsche Demokratische Partei) (Bark and Gress 1989, 111–15). The result was a successful cleavage conversion: the old Catholic–Protestant divide was reframed as a unifying Christian idiom of moral reconstruction within a catch-all *Volkspartei*.

The notion of moral reconstruction points to the next key point of divergence between Christian Democracy's consolidation in Germany and France.

## Historical legacies: fascism in Germany, empire in France

In Germany the experience of Nazism created an existential imperative to rebuild political life on explicitly moral grounds. This acted as what Irving called a 'catalyst' for the CDU (1979b, 114): party founders set out to establish a consciously centrist project that framed religiously inflected conservatism as a prudent 'retreat into tried and tested moral traditions' and a path to 'moral redemption from fascism' (Accetti 2019, 197, 194), led by impressive leaders drawing legitimacy from resistance biographies.[2] The rhetoric was direct: Nazism had arisen when society turned away from Christian values; to prevent its recurrence, those values must again guide public life.[3] This attitude was deeply ingrained in the German conscience and even enshrined in the *Grundgesetz*: its preamble opens with the words 'Conscious of its responsibility before God and man . . .'. This, however, does not amount to the endorsement of any particular religion but, rather, expresses a symbolic commitment to ethical responsibility. In the post-Nazi context, the clause functioned as an act of moral humility—a reminder that rulers can never be allowed to elevate themselves to a god-like position, as Hitler had done.

While segments of the French population were also complicit in Nazi crimes during *l'Occupation*, the issue of collective guilt was far more pronounced in Germany. As a result, the German population was arguably more receptive to the moral framework advanced by Christian Democracy. It offered both an ethical orientation and a narrative of moral renewal that many contemporaries interpreted as the prospect of national and personal redemption.

France, meanwhile, faced a different historical burden of guilt: its colonial legacy. The 'thorny issue of decolonisation' (Accetti 2019, 210) became a major constraint on the development of Christian Democracy in post-war France. While Germany's confrontation with its fascist past served as a catalyst for national reconstruction, France's reckoning with its imperial past had the opposite effect: it destabilised party politics and eroded the moral credibility of the MRP. Initially driven by universalist ideals, the MRP became increasingly associated with what Thomas describes as 'the worst of colonial repression in the North African Maghreb, black Africa, Indo-China and Madagascar', abandoning its Christian Democratic moral compass in an attempt to preserve its political relevance (Thomas 2003, 382, 384). Thus, while Germany's past generated the moral urgency that propelled Christian Democracy forward, France's past imposed ideological burdens that made its Christian Democratic project collapse under the weight of historical contradiction.

Lastly, let us consider the influence of external actors.

## The international environment shaped by the Cold War

The international context of the Cold War played a decisive role in shaping the divergent fortunes of Christian Democracy in post-war West Germany and France. During the late 1940s, both the US and the UK actively fostered Christian Democratic movements in Europe as part of a broader strategy to secure political stability and limit Soviet influence in the emerging Cold War order (Gottfried 2007, 715). Within this geopolitical framework, Germany assumed particular importance as a symbolic and strategic— and already divided—front-line state in the ideological struggle for Europe. As Irving observes, 'Stalin contributed at least as much as Truman to the emergence of powerful Christian Democratic parties in the decade after the war' (1979a, 57).

In France, however, the same international forces had a more ambivalent effect. France's historically polarised party system and the enduring strength of the French Communist Party—one of Western Europe's largest Communist parties and directly aligned with Moscow—limited the MRP's political manoeuvrability. Participation in US-led initiatives such as the Marshall Plan became a source of domestic tension, and Cold War divisions exacerbated pre-existing rifts between the MRP, the Gaullists and the left (Accetti 2019, 209).

The result was the opposite of the German experience: rather than consolidating Christian Democracy, the Cold War in France strengthened the left by intensifying ideological polarisation. Crucially, this fragmentation continues to shape the functioning of the political centre in contemporary Europe.

## From post-war state-building to contemporary dynamics in the political centre

This article argues that the divergent trajectories of Christian Democracy in post-war West Germany and France, explained above, continue to manifest themselves in the

concrete functioning of the political centre in contemporary Europe. In Germany the institutional consolidation of Christian Democracy within the Western bloc reinforced its domestic institutionalisation during the formative phase of state-building, producing a party-based centre capable of absorbing considerable social and ideological change with little organisational rupture. The CDU/CSU's enduring role as a *Volkspartei* is reflected in its consistent ability to integrate heterogeneous social coalitions within a stable party framework, from Adenauer's cross-confessional alliances to the *Große Koalition* under Angela Merkel.

France, by contrast, exhibits a structurally different pattern. The MRP's failure to establish a durable Christian Democratic party centre during the post-war period left no comparable organisational anchor for centrist politics. Instead, the Fifth Republic institutionalised a form of executive-centred political competition in which centrist forces have repeatedly re-emerged through personal leadership rather than stable party organisation. From Gaullist dominance in the early Fifth Republic to the emergence of Macron's Renaissance, centrist mobilisation has largely occurred outside stable party structures, drawing selectively on multiple ideological traditions, including Christian Democracy, yet without producing a stable, institutionalised centrist—or even explicitly Christian Democratic—party. While electorally successful in the short term, Macron's movement illustrates the difficulties of translating presidential authority into organisational continuity, as reflected in its current state of rapid internal fragmentation.

## Conclusion

The post-war trajectories of Christian Democracy in West Germany and France were not the result of the inherent strengths or weaknesses of Christian Democracy, but of distinctive circumstances that actively shaped their development. Religiosity and confessional culture, the formative impact of historical legacies and the international environment shaped by the Cold War all enabled German Christian Democracy to flourish while its French counterpart struggled to take root. Crucially, these differences have not remained confined to the post-war era. Rather, they continue to structure the functioning and resilience of political centrism in both countries today, reproducing divergent patterns of centrist consolidation that have become all the more consequential at a time when extremist movements on both the left and the right are gaining ground. Under these conditions, the capacity of centrist forces to sustain political moderation emerges as a key determinant of democratic resilience. In this sense, the historical trajectory of Christian Democracy is not merely of retrospective interest but merits its place in contemporary debates, offering important insights into the institutional conditions under which a stable democratic political centre can be sustained.

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## Notes

1. Early Christian Democratic thought drew on the ideas of figures such as Félicité de Lamennais, Frédéric Ozanam and Marc Sangnier (Bouscaren 1956, 542). Their work developed against drop the backdrop of France's long church–state conflict after the Revolution and helped to lay the intellectual foundations for later Catholic democratic movements such as Le Sillon.
2. Adenauer, for instance, was imprisoned in the aftermath of the failed assassination attempt on Hitler in 1944 (Bark and Gress 1989, 109–11). This experience of persecution and resistance positioned him to personify the *new path* towards an anti-Nazi republic and the moral reconstruction through Christian Democracy.
3. This post-war moral reconstruction did not, however, emerge in a vacuum. In Germany, Catholicism had historically developed as an oppositional force to state power and nationalist excess, particularly since the *Kulturkampf* (Anderson 2000, 125).

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# Europe's New Security Architecture: Ukraine as a Strategic Pillar of the Continent's Defence Future

**Aliona Hlivco**[1]

Since Russia's invasion of Ukraine in 2014, and the full-scale assault launched in 2022, Ukraine has transformed from a state struggling to defend itself into one of Europe's most capable and innovative military powers. Faced with the absence of a credible security umbrella, a weakened military and initially limited Western assistance, Ukraine has been forced to rely on ingenuity, rapid adaptation and technological innovation to survive.

After more than a decade of war, Ukraine has developed extensive expertise across multiple domains of modern warfare, including conventional kinetic operations, cyber warfare, and information and cognitive warfare. It has also pioneered significant advancements in automated aerial, maritime, ground and subsea systems, reshaping the future battlefield in real time. As a result, Ukraine is no longer solely a recipient of European security support but is increasingly emerging as a contributor to Europe's defence and deterrence capabilities.

While Ukraine's formal accession to the EU remains ongoing, integrating Ukraine into Europe's evolving security and defence structures is both viable and strategically necessary given the scale of the threats facing the continent. Ukraine offers critical battlefield experience, expertise in rapid defence innovation, and insights that could help shape the future European pillar of NATO and broader European defence policy.

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Drawing on Ukraine's military capabilities, defence–industrial innovation and progress towards EU integration, this policy brief outlines pathways for positioning Ukraine as a central pillar of Europe's emerging security architecture.

## Author Biography


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Europe's New Security Architecture:

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Aliona Hlivco

Summary

Since Russia's invasion of Ukraine in 2014, and the full-scale assault launched in 2022, Ukraine has transformed from a state struggling to defend itself into one of Europe's most capable and innovative military powers. Faced with the absence of a credible security umbrella, a weakened military and initially limited Western assistance, Ukraine has been forced to rely on ingenuity, rapid adaptation and technological innovation to survive.

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Drawing on Ukraine's military capabilities, defence–industrial innovation and progress towards EU integration, this policy brief outlines pathways for positioning Ukraine as a central pillar of Europe's emerging security architecture.

**Keywords** Ukraine – EU defence integration – Hybrid warfare – European security architecture – Defence–industrial cooperation – Strategic resilience

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# Old, Rich and Afraid: Five Ways to Drive Cultural Change and Deliver a Real European Investment Union

**Eoin Drea**[1]

The Savings and Investment Union (SIU) is the right idea at the right time, but it's already mired in national political opposition. At a policymaking level, SIU remains focussed on technical and supervisory integration. Unfortunately, this approach ignores the most fundamental characteristic of Continental European societies – a deep aversion to risk which is embedded in household behaviour. Yet, tackling this issue is essential to completing a meaningful investment union. But it requires more than a technical or legislative solution. It requires cultural change.

Europe possesses capital in extraordinary abundance — over €10 trillion sits in low-yield bank deposits alone with an annual savings rate approximately three times greater than the US. Italian households and businesses alone save 400 billion euros annually. Culture, not capital, is the problem.

European households, shaped by historical trauma, large welfare states and inert political systems, have developed a deep aversion to productive investment. Until this is confronted directly SIU will always remain less than the sum of its potential parts.

Drawing on relevant research from economics, behavioural finance, sociology and psychology this brief makes five proposals designed to shift the default settings of European households' financial behaviour. None requires European households to become "American". But they do require a political and institutional shift that challenge accepted European norms.

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**Keywords:** Capital Markets Union – Savings and Investment Union – Risk aversion – Household wealth – ESMA – European competitiveness

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# The End of the Atlantic Era? A Historical Perspective

**Teodoras Žukas**[1]

With transatlantic relations having entered a period of profound crisis since early 2025, this paper argues that disagreement has long been an intrinsic feature of the Atlantic partnership. From the fraught inter-war years to the institutionalisation of cooperation under NATO in 1949, the relationship has repeatedly been tested. Major episodes demonstrate that discord has been the rule rather than the exception. These include the Suez Crisis, disputes over nuclear strategy between Adenauer and Kennedy, divisions over the Vietnam War, the oil shocks of the 1970s and, especially, the Iraq War of 2003. Yet these crises unfolded within a shared strategic and civilisational framework that ultimately preserved alliance cohesion.

The current rupture differs in kind. While cooperation endured throughout and after various crises, the 2025–6 crisis reflects a deeper divergence of worldview. Under altered global power conditions marked by China's rise and Russia's revisionism, US engagement in Europe no longer resembles the post-1949 model. The US has adopted a more transactional posture, questioning long-standing assumptions about sovereignty, territorial integrity and even the political value of European integration.

This shift is unfolding amid high-intensity war in Europe, an eroding shared historical memory, demographic change and growing uncertainty over deterrence. The paper concludes that preserving the transatlantic bond requires strategic adaptation. Europe must strengthen its credible hard power, reaffirm the Alliance's normative foundations, reinvest in the shared political culture and assume greater responsibility as a co-equal partner in order to sustain institutional pillars such as NATO in the more fragmented international order.

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# Between Babel and Power Politics: A Christian Democratic Reading of Magnifica Humanitas

**Federico Ottavio Reho**[1]

The publication of Pope Leo XIV's first encyclical, Magnifica Humanitas, marks an important moment not only for Catholic social doctrine, but also more broadly for a reflection on the foundations of political, social and international order. While the document is formally centred on the challenges posed by artificial intelligence, it in fact contains a much wider diagnosis of the current condition of humanity and of global coexistence—including a sharp analysis of the current crisis of international order.

Historically, major social encyclicals have not only clarified doctrinal principles, but have also shaped intellectual, political and social agendas well beyond ecclesial circles. One might think of Rerum Novarum and its long-lasting influence on Catholic approaches to socio-economic questions, or of Quadragesimo Anno and its central role in developing the principle of subsidiarity. It would therefore not be surprising if Magnifica Humanitas were to play a similar role in the coming years, especially with regard to questions of governance, technology and international order.

For Christian Democrats, conservatives and, more broadly, for all those political traditions open to the contribution of religious thought to public life, this document deserves careful and sustained reflection. Although the problem of international order is not presented as the central thematic focus of the encyclical, it is in fact one of its underlying concerns. The present contribution aims to explore precisely what kind of reflections Magnifica Humanitas may inspire on this topic.

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# Why the EU and India Must Shape AI Together

**Urmi Tat**[1]

Across both Brussels and New Delhi, governing artificial intelligence has become a question of political economy as much as of technology policy. Choices about regulatory design, infrastructure access, and standards will determine which actors capture AI's gains, which bear its risks, and which retain the capacity to govern it at all. Right now, those choices are being made largely within a framework defined by US and Chinese interests. Yet for all the energy spent in the US-China AI rivalry, one of the most promising partnerships in global AI governance is the one emerging between the European Union and India.

This article examines the foundations, opportunities, and challenges of EU-India AI cooperation. It argues that shared strategic vulnerabilities, complementary institutional strengths, and recent multilateral milestones have created a window for Brussels and New Delhi to deepen their collaboration and exert meaningful influence on the wider architecture of global AI governance.

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# Made in China, Powered by Europe: Mapping the EU's Strategic Leverage Over the People's Republic of China

**Sam Goodman**[1]

This research paper offers an overview of ongoing trade tensions between the EU and the People's Republic of China (PRC) regarding the latter's unfair competition practices and large trade surplus. It analyses the way the PRC utilises strategic leverage against the EU and other trading partners, and assesses the sectors of China's economy in which there is still a level of strategic dependence on European businesses. Finally, the paper provides policy recommendations on how the EU can utilise this strategic leverage and strengthen its approach to economic security.

An increasingly emboldened PRC, which sees itself as a peer in economic power to the US, has become a master at utilising strategic leverage to achieve its policy aims and ideological goals. It does so using tools ranging from making formal dialogues conditional, using import bans to exert pressure and utilising foreign investment as strategic leverage, to the recent weaponisation of rare earth element export-control licences.

Despite narratives from the PRC to the contrary, the EU has strategic leverage in areas in which the PRC has dependencies: that is, in a number of narrow sectors which China believes to be integral to its future industry, including semiconductor chips, civil aviation, pharmaceuticals and biotechnology, and robotics. However, these dependencies weaken every month and will likely be non-existent within the next decade. The EU, therefore, has the choice of using or losing its strategic leverage.

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