



From values to economic security:

The transformation of the EU's economic model 2016-2026

SUMMARY

In December 2025, the European Commission published a communication entitled Strengthening EU economic security as a follow-up to its 2023 economic security strategy. Economic developments – whether related to trade, investment or industry – are increasingly viewed through the lens of security. From a foresight perspective, this development can be analysed as the result of three overlapping and partly reinforcing trends. The first is the weakening of a value-based approach to the economy, as exemplified by fair trade agreements and the EU Green Deal. The second is the rise of geo-economics, which places the interests of countries and regional blocks at the forefront, increasing the need for mitigating policies such as economic security. The third is the growing interaction between defence policy and economic policy, with military security influencing economic decisions and the defence sector growing in importance in the EU economy.

This briefing argues that these combined trends are transforming the EU's economic policy and economy, and that the growing prominence of security as a guiding principle of economic and trade policies is bringing the question of EU strategic autonomy back to the centre of EU policy. Although the increasing importance of economic and defence security appears to be mutually reinforcing, with both trends potentially enhancing EU strategic autonomy, synergy between them is not a given. The raw materials and finances needed to reinforce the EU defence industrial base require a strong and open economy. However, concerns about foreign influence require economic decoupling from certain countries (e.g. Russia) and de-risking from others (e.g. China). Moreover, the EU faces unexpectedly difficult choices in its relations with the United States (US), where its dependence on US support in defence and security reduces its capacity to act independently as an economic player and rule-maker.



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Introduction

This briefing puts the current debate on economic security in a wider perspective, linking it to both the declining trend towards a value-based economy and the growing integration of defence and security considerations into economic policies. While economic policy is developing a security focus – pushing economic security as a principle – EU security and defence policy is increasingly linked to economic necessities – thereby underscoring the economic dimension of security. The debates on the future of the EU economy and EU defence policy are becoming more intertwined, involving experts and policymakers who used to live in largely separate worlds. Combining the economic and the security perspective more broadly than the current economic security strategy does, may help to anticipate future developments in the EU's quest for strategic autonomy. Applying such a cross-cutting approach across policy areas from a long-term perspective is part of anticipatory governance and [policy foresight](#), another rising trend in EU policymaking.

Value-oriented economics: A weakening trend

Value-based trade and its limits

Stepping back from today's debate about economic security, we can observe that the shift from free and fair trade to [geo-economics](#), [defined](#) as the 'use of economic instruments to promote and defend national interests and to produce beneficial geopolitical results', has been developing for more than a decade. Since its inception as one of the main EU policy areas, trade policy was traditionally driven by the desire for market liberalisation, combined with the promotion of EU standards and values. The founding of the World Trade Organization (WTO) in 1994 was seen by the [EU](#) as an opportunity to extend the principles of its internal market to the global level. Membership of former and current communist countries, notably [Russia and China](#), was thought to bring them closer to the principles of rules-based free trade. Moreover, an open global economy would enable the EU to become a global rule-maker by setting standards that multinational companies would voluntarily follow to ensure EU market access, a phenomenon known as the '[Brussels effect](#)'.

Under the Treaty of Lisbon, EU trade policy underwent important [modifications](#) ([Article 207](#) Treaty on the Functioning of the EU (TFEU), common commercial policy) and now incorporates trade in goods and services, the commercial aspects of intellectual property, and foreign direct investment. The European Parliament acquired competence to adopt legislation in these areas under the common legislative procedure and to give consent to EU trade agreements under [Article 218](#) TFEU. Transparency and inclusiveness became important elements of trade policy, including civil society and Parliament in shaping EU trade policy ([EPRS](#), 2014). The EU started applying a value-based approach to trade agreements by including chapters on sustainable development, which address human rights and environmental aspects. Free and fair trade was a leading principle of the EU's 2015 [trade for all strategy](#).

Acknowledging that global free trade through the WTO would only be achievable in the long run, the EU also negotiated regional and bilateral trade agreements. A comparative analysis of trade negotiations with the US and Canada illustrates both the progress and the limits of the EU's value-based approach to trade. Based on high [ambitions](#) of an EU-US working group in 2011 to 'increase EU-US trade and investment to support mutually beneficial job creation, economic growth, and international competitiveness', negotiations on a Transatlantic Trade and Investment Partnership (TTIP) [started](#) optimistically in 2013. Then US Vice President Joe Biden called for negotiating it 'on [one tank of gas](#)', avoiding 'protracted rounds of negotiations'. However, Biden's other reference to 'difficult issues, such as regulations and standards, which continue to divide us' turned out to be prophetic and some [TTIP-negotiators](#) later acknowledged that these were a key reason why no agreement was reached. Such concerns were primarily related to (food) safety rather than security. However, at a deeper layer, critics [feared](#) that US and EU values would not always concur and that TTIP might harm the quality of life or even democracy in EU countries by giving too much power to

private companies under [investment protection](#) rules. When TTIP negotiations reached an impasse in 2016, France and Germany suggested [ending](#) them, which happened after the election of Donald Trump in November 2016.

Combined with the United Kingdom's (UK) 2016 vote to leave the EU and the ensuing disentanglement of the UK from the EU internal market, this sparked [concerns](#) that global transatlantic leadership on trade would end. Views on the role of trade in society increasingly diverged after TTIP debates started. Vice President Biden saw TTIP as 'another element of our transatlantic alliance' and apparently considered the 2013 Munich Security Conference an appropriate platform to discuss economic matters. Meanwhile, publications on the [geopolitics](#) or the [geostrategic implications](#) of TTIP began adopting an economic security perspective. TTIP opponents, however, focussed on upholding certain societal values, which they perceived to be under threat.

However, in 2016, the EU was successful in concluding a Comprehensive Economic and Trade Agreement ([CETA](#)) with Canada, not least because Canada was – unlike the US – willing to accept [reform](#) of the investor–state dispute settlement (ISDS) system. The US withdrawal in 2017 from negotiations on a Trans Pacific Partnership ([TPP](#)), which would have included Canada, highlighted the difference between US and Canadian trade policy. Canada and 10 other remaining countries transformed the agreement into the Comprehensive and Progressive Trans-Pacific Partnership ([CPTPP](#)), which entered into force in 2018 and was joined by the UK in 2023. That same year and in the same spirit of fostering trade agreements, the [EU and Japan](#) concluded an economic partnership agreement. The CPTPP became the opposite of the transactional US trade policy of both Trump administrations, continuing to advocate multilateral trade. Former Trade Commissioner [Cecilia Malmström](#) therefore suggested that the EU join CPTPP, whereas [others](#) preferred cooperation, noting that CPTPP is limited to trade in goods and is less progressive than EU trade policy. In November 2025, CPTPP and EU countries started a [dialogue](#) and issued a [joint statement](#), pledging their 'shared commitment to upholding fair and open trade'.

However, honouring such a commitment is becoming difficult for the EU, exemplified by the struggle to conclude the [EU-Mercosur](#) trade agreement. Agreed in 2019 and renegotiated in 2024 after criticism from both [EU farmers](#) and their [organisations](#) and [environmental groups](#), experts [considered](#) that its benefits outweigh the risks. After [fierce debates](#), the EU agreed in 2025 on stronger [safeguards](#) for European farmers, further [strengthened](#) only weeks later to secure a qualified majority for the [deal](#) in Council, but without the support of large agricultural producers France and Poland. After [signature](#) in January 2026, however, the European Parliament [demanded](#) a legal opinion on its conformity with the EU Treaties, thereby postponing the vote on the agreement itself while [approving](#) the agricultural safeguard clauses in February.

Although [sustainable development](#) chapters in EU trade agreements lack enforcement mechanisms, a 2018 [evaluation](#) of this practice showed that such commitments can best be achieved through cooperation and capacity building in the partner countries rather than through economic sanctions, as envisaged in US and Canadian trade agreements. A Commission [review](#) of the policy in 2022 came to similar conclusions, proposing, inter alia, reinforcement of the role of civil society. Furthermore, the EU intended to apply a value-based approach to its businesses, known as the principle of corporate social responsibility ([CSR](#)), and adopted two directives to this end: the Directive on corporate sustainability reporting ([CSRD](#)) in December 2022 and the Directive on corporate sustainability due diligence ([CSDD](#)) in June 2024. The first [requires](#) 'large companies and listed companies to publish regular reports on the social and environmental risks they face, and on how their activities impact people and the environment', while the latter [aims](#) to ensure that companies 'identify and address adverse human rights and environmental impacts of their actions inside and outside Europe', that is, along the value chain leading to the final product. Shortly after its adoption, the latter directive was immediately criticised as having [unintended consequences](#) or excessively high [compliance costs](#) for business, foreshadowing reforms proposed in 2025.

The limits of greening the economy

Whereas trade policy experienced setbacks since 2016, the European Parliament's consent to the Paris Climate Agreement in 2016 marked the beginning of an EU policy directed towards greening the economy. The 2019 EU [Green Deal](#) set a target of zero net greenhouse gas emissions by 2050 and a net emissions reduction of 55 % by 2030. The 2021 EU [Climate Law](#) made these targets legally binding, and the 'fit for 55' package contained the instruments to implement the interim 55 % reduction objective. Legislators worked hard to adopt the necessary legislation before the European Parliament elections of June 2024, such as the reform of the EU emissions trading system ([EU ETS](#)), the revision of the Regulation on land use, land-use change and forestry ([LULUCF](#)), and the introduction of a carbon border adjustment mechanism ([CBAM](#)).

Like trade policy, the EU Green Deal was never about values only; it also intended to give EU companies a global competitive advantage by belonging to a green 'avant-garde' in a greener global economy. In this vein, the 2023 EU [Green Deal industrial plan](#) combines green ambitions with economic ones. It aims to enhance the competitiveness of the EU's [net-zero industry](#) – for instance, the strategically important production of batteries – and to ensure access to [critical raw materials](#), making the EU less dependent on, among others, China. However, the EU was not alone in trying to support its industries and had to react, for instance, to the US Inflation Reduction Act ([IRA](#)) of 2022. An EPRS [study](#) from 2024 concluded that without a joint transatlantic green economic agenda, geo-economics would prevail and frictions between the EU and the US over economic and regulatory issues would remain.

Figure 1 – Trend 1: Weakening momentum towards a fair and green economy



Source: Author, EPRS.

Nevertheless, concerns about EU competitiveness led French President [Macron](#) in 2023 to suggest a 'pause' in EU green regulation. The second von der Leyen Commission took a different approach, focussing on the [simplification](#) and implementation of EU policies and laws under six [omnibus](#) proposals. Presented as measures to cut back bureaucracy and increase efficiency, [some](#) warned of [deregulation](#), lowering the EU's green ambitions. Simplification of the [CSDD](#) raised much [debate](#) but was [adopted](#) in 2025. The EU [agreed](#) on a new interim emissions reduction target of 90 % by 2040, but allowed Member States to be less ambitious at home and count up to 5 % carbon credits outside the EU, as compared to the [3 %](#) proposed by the Commission.

Subsequent modifications of the [CBAM](#) legislation illustrate the approach of simplifying the system while extending its coverage. After its adoption in 2023, a first [reform](#) in 2025 [exempted](#) small enterprises while still covering over 99 % of emissions, and new [proposals](#) aim to prevent circumvention and to include specific steel and aluminium-intensive downstream products. The EU envisages a substantial [revision](#) of the EU ETS in 2026. Because this is said to include an expansion of its scope to additional sectors, it seems too early to conclude that the pendulum of the EU's green ambitions 'has swung back' ([Politico](#), 2025), but it seems fair to say that current policy is struggling to maintain the high ambitions set earlier ([Carnegie](#), 2025). This justifies referring to a weakening of green values as a policy driver, not a reversal of the trend, which began somewhat later than the decline in value-oriented trade policy.

Economic security: A rising trend

Although the EU has never abandoned its value-driven approach and greening remains part of strengthening the EU's economic competitiveness, the focus of the debate has shifted towards addressing economic security concerns. . This evolution can be divided into two distinct phases. The first phase (2016–2021) centred on the growing use of geo-economics by non-EU countries. The second phase, beginning in 2022, was characterised by the elevation of economic security to a central principle of the EU's external economic policy. Russia's invasion of Ukraine that same year acted as the catalyst for this transformation, triggering a reassessment of the EU's external economic relations and strategic dependencies.

The rise of geo-economics, 2016–2021

Initial concerns over China's assertive economic policy since its accession to the WTO in 2001 turned into warnings about the growing use of geo-economics when China launched its [Belt and Road Initiative](#) (BRI) in 2013, supporting infrastructure construction and economic development in recipient countries. After failed [attempts](#) at a joint Western response to the BRI, the EU launched its [Global Gateway](#) initiative in 2021. [Presented](#) as a European strategy to strengthen digital, energy, transport, health, education and research infrastructure across the world, it is also a way to link EU sustainable development and aid policies with a more assertive international role for the EU and may develop along different [scenarios](#).

In 2019, the EU added foreign direct investment (FDI) [screening](#), which was [revised](#) in [2025](#), to its trade defence toolbox. Formally country-neutral, it was [not solely applied](#) to Chinese firms, although Chinese [investment](#) was an important driver for the measure. A 2020 [CEPS study](#) summarised that 'China's unique combination of one-party system and almost uncurtailed free market economy has diminished the relevance of several WTO rules, motivating the Union to undertake significant reform of its trade defence arsenal'.

However, the breakthrough of geo-economics in 2016 was primarily triggered by the political events in two other countries: the UK's vote to withdraw from the EU, thereby disrupting [EU-UK trade](#), and the election of Donald Trump, which caused differing EU and US views on multilateral trade and the WTO. While the EU tried to [modernise](#) the WTO, the US Trade Representative (USTR) [criticised](#) China and Russia and unilaterally imposed tariffs on China and other countries. US hostility was particularly evident in the imposition of tariffs based on [Section 232](#) of the 1962 US Trade Expansion Act, which allows the US administration to act when 'the quantity or other circumstance of those imports "threaten to impair" U.S. national security'. The application of these tariffs to imports from EU countries shocked Europeans, who considered themselves US allies, not a security threat. The EU imposed [counter-tariffs](#) until an [agreement](#) in July 2018 de-escalated the conflict, after which bilateral [negotiations](#) were [launched](#) on eliminating tariffs for industrial goods and on conformity assessment procedures. Whereas the EU narrowly escaped a trade war with the US, US-China trade relations further deteriorated in the following years ([Brookings](#), [CFR](#) and [PIIE](#)).

The growing trend towards geo-economics also gained further momentum during the COVID-19 pandemic, which led to disruptions in certain global supply chains. This increased awareness among EU Member States of their economic dependencies and revived a brief debate on reshoring, i.e. the relocation of production activities from third countries back to the EU. Although the concept had been examined prior to the pandemic ([EPRS 2014](#)), it was analysed in greater depth after ([European Parliament 2021](#)), concluding that reshoring is mostly useful for a limited number of critical sectors.

Following these turbulent years of looming trade war and a pandemic, the Commission published its [trade policy review](#) in 2021. Perhaps the most important feature of the review was the introduction of the notion of open strategic autonomy, an economic adaptation of the term [strategic autonomy](#), which originated from the defence sector. The Commission sought to reconcile the notion of autonomy with an open economy, a formulation that risked becoming an inflated catch-all concept, intended to encompass: 'resilience and competitiveness to strengthen the EU's economy;

sustainability and fairness, reflecting the need for responsible and fair EU action; assertiveness and rules-based cooperation to showcase the EU's preference for international cooperation and dialogue, but also its readiness to combat unfair practices and use autonomous tools to pursue its interests where needed'.

From geo-economics to economic security, 2022–2026

Economic security became the leading principle only after Russia's invasion of Ukraine in 2022 and its consequences for EU energy supplies, which culminated in the adoption of the first [European economic security strategy](#) in June 2023. This strategy sets out a three-pronged approach aimed at promoting the EU's competitiveness, protecting the EU from economic security risks, and partnering with like-minded countries. The Commission proposed [five follow-up initiatives](#) in 2024: the abovementioned FDI screening revision, three white papers (on export controls, outbound investment and research support for dual-use technologies) and a Council recommendation on research security.

As regards China, Commission President von der Leyen [stated](#) in 2023 that the EU should focus on de-risking, not decoupling. The EU adopted an [anti-coercion instrument](#), [defining](#) economic coercion as 'a situation whereby a third country seeks to pressure the European Union or an EU Member State into making a particular choice by applying, or threatening to apply, measures affecting trade or investment'. It allows the Commission to examine alleged coercive measures and

Figure 2 – Trend 2: Rise of geo-economics and economic security



Source: Author, EPRS.

take countermeasures. Such measures entail policy dilemmas: the 2024 EU countervailing duties on imported Chinese [electric vehicles](#) were seen as both a [measured response](#) and as [potentially limiting](#) access to affordable green cars. Similar dilemmas arose in relation to the conflict over Chinese-owned, Netherlands-based semiconductor producer [Nexperia](#). It was put under Dutch state control in 2025, based on a Cold War-era [law](#), designed to safeguard the availability of certain goods – an early expression of economic security considerations – [reportedly](#) also following US pressure. China's ensuing export restrictions mostly hit the German [car industry](#), highlighting the need for a European approach to economic security. Apparently, China has de-risked more from the EU than the EU has from China. ¹ Furthermore, EU investors in China are [struggling](#).

Whereas EU–US economic relations were a mix of cooperation and competition under the Biden administration, they became tense under the second Trump administration. In January 2025, think tanks still called for cooperation with the US ([CER](#)), but two months later, the US reinstated tariffs on EU imports. Unlike in 2018, the EU did not [retaliate](#), but agreed to a [trade deal](#) under which the US would levy a 15 % tariff on EU goods without reciprocal EU tariffs. Although the [Commission](#) defended the agreement as restoring stability and predictability and Member States [backed](#) it, it was [criticised](#) by Parliament's Committee on International Trade (INTA), whose chair [called](#) for improvements and referred to 'coercive measures from the US'. Moreover, the assumed predictability proved short-lived when the [USTR](#) criticised EU regulation of the tech sector and [threatened](#) countermeasures against EU companies only months later. The US [National Security](#)

[Strategy](#) of November 2025 highlighted Europe's decreasing share of global GDP and criticised the EU for undermining sovereignty and for 'regulatory suffocation'. In reaction to the deteriorating geo-economic environment, think tanks suggest that the EU should diversify towards [markets beyond](#) the US and China, possibly joining a [non-aligned](#) block.

The second von der Leyen Commission is seeking to apply all elements of its economic security strategy to the various economic vulnerabilities of the EU. To further promote EU competitiveness, it commissioned a report from Mario [Draghi](#). Draghi [highlighted](#) the need for innovation, decarbonisation and 'increasing security and reducing dependencies'. The Council commissioned a similar report from Enrico [Letta](#), which focused on the internal market. To protect against economic security risks, it strengthened this dimension within the portfolio of Trade Commissioner Maroš Šefčovič by renaming it 'trade *and economic security*' (italics by the author) and [tasking](#) him with 'lead[ing] the work on a new economic security doctrine'. The word 'doctrine' created expectations and prompted analytical responses and policy recommendations ([EPRS](#), [Bruegel](#) and [Cep](#)). If the trade agreements with Mercosur and [India](#), both signed in January 2026, receive Parliament's consent, they could become important drivers of EU trade diversification and regarded as early successes of the partnering dimension of economic security.

In this vein, the communication entitled [Strengthening EU economic security](#), published on 3 December 2025, is not called a doctrine but rather presents itself as an updated overview of risks, tools and actions. It avoids explicitly naming countries as posing economic security risks, but points to Russia, China and, to a lesser extent, the US through the examples provided. However, it is less explicit regarding trusted partners that could support the EU, referring to the G7 (which includes, however, the US), CPTPP countries and regional partners.

The communication repeats three risks mentioned in the 2023 strategy: 1) supply chain resilience, which can include reshoring to the EU, a candidate country or other nearby country (referred to as near-shoring); 2) critical infrastructure disruption; and 3) technology leakage. It adds three new areas of attention: 4) preventing access to sensitive information; 5) attracting value-added inbound investment, for instance, when the foreign investor shares technological knowledge; and 6) supporting a vibrant defence and space industrial base (the latter two constituting policy objectives rather than risks). The communication adds new economic security tools to the existing trade defence, investment screening and anti-coercion tools.

It proposes introducing conditionality linking EU economic security considerations to EU investments under the Global Gateway, Horizon Europe and pre-accession investment instruments. It furthermore points to sectoral initiatives, most of which are updates of existing ones, such as the December 2025 [ResourceEU](#) initiative to accelerate and amplify efforts to secure the EU's supply of critical raw materials (building on the 2024 [Critical Raw Materials Act](#)), an Industrial Accelerator Act (building on the 2025 [Clean Industrial Deal](#)) and a Chips Act 2.0 (following the 2023 [Chips Act](#)). Parliament's Committee on International Trade (INTA) will prepare an [own-initiative report](#) on the role of trade in strengthening the EU's economic security in 2026.

It is worth highlighting the proposal to set up a network of national economic security advisors. This could be a first step towards a European Economic Security Council mentioned in the Letta report (p. [135](#)), also proposed as Council formation ([Kribbe/Van Middelaar](#), 2025), and should not be confused with a European Security Council as [proposed](#) by Defence Commissioner Kubilius.

Defence as an economic driver: An emerging trend

Before 2022, EU countries tried to mediate between Russia and Ukraine and helped forge the [Minsk agreements](#), an approach based on diplomacy and values. This changed abruptly with Russia's invasion of Ukraine in February 2022. Since then, a new trend has emerged, resembling a coin with two complementary sides: on one side, military security is increasingly influencing economic decisions, on the other, the increased importance of the defence sector is changing the EU economy.

Decoupling from Russia, dependence on the US

In the decade up to 2022, many EU countries had substantial economic ties with Russia. In 2021, Russia was the [fifth](#) largest trade partner for EU goods exports and the third for EU goods imports. Russian-German trade relations were particularly [strong](#), including [gas imports](#) through the Nord Stream 1 and the envisaged Nord Stream 2 pipelines. Apart from economic benefits, intensifying trade relations was considered likely to foster democratic developments in Russia and support peace and stability. The German approach of 'Wandel durch Handel' or reform through trade – an example of value-based trade policy – was backed by some historic evidence but proved ineffective in trade relations with Russia and China ([Matthes, 2025](#)). Since February 2022, the EU has adopted a total of 19 packages of [sanctions](#) on Russia, including many economic ones, which have in particular reduced [energy imports](#) (most recently updated in [October 2025](#)), making Russia only the EU's [15th](#)-largest trade partner by 2024. While reducing its economic, in particular energy, dependency on Russia by [phasing out](#) Russian fossil fuel imports, the EU diversified its energy imports, leading to greater [market shares](#) for countries such as Algeria, Azerbaijan, Kazakhstan, Norway, the UK and the US.

Among the countries that increased energy exports to the EU, the US stands out for its impact on EU economic security. Under the Biden administration, the US [sanctioned](#) the construction of the Nord Stream 2 gas pipeline in 2020, citing security reasons. However, as the US is also a gas exporter, economic considerations may have played a significant role and the US raised its share in EU liquified natural gas (LNG) imports from 24 % to 56 % between 2021 and 2025 ([Eurostat](#)).

Whereas this could still be considered a 'classical' case of geo-economics – using economic sanctions to promote US national interests – the interlinkage of security and the economy is acquiring a different quality under the Trump administration, which has used threats to withdraw defence support (e.g. to Ukraine) or references to the deployment of defence capabilities (e.g. in Greenland) to influence economic outcomes to its own benefit. Contrary to three [joint declarations](#) (2016, 2018 and [2023](#)) [aimed](#) at further security cooperation between the EU and NATO, and thereby between the EU and the US, the US is, implicitly or openly, leveraging European countries' dependence on US defence support to influence economic outcomes.

As a first example, the US-Ukraine [agreement](#) on a reconstruction investment fund (better known as the US-Ukraine minerals deal) opens investment opportunities for US firms in mining minerals, many of which are also important for defence purposes. The deal was assessed as being mostly positive and perceived as a new US approach to 'post-conflict recovery and economic statecraft' ([CSIS, 2025](#)), or as a positive gesture towards Ukraine compatible with Ukraine's upcoming EU membership ([CEPS, 2025](#)). However, some analysts, argued that US economic gains may have been the primary driver of the agreement ([CIGI, 2025](#)). Legal compatibility with EU law is only addressed through a clause stating that 'both parties will consult and negotiate in good faith to make necessary adjustments' and, more significantly, despite long-standing EU-Ukraine economic relations, the EU has not secured comparable preferential access.

As a second example, the above mentioned 2025 EU-US trade deal, asymmetrical as regards tariffs and therefore favourable to the US, is not a reassuring sign of US willingness to grant the EU an equal share of economic opportunities, in Ukraine or elsewhere. Reasons why the EU accepted the deal go beyond economic arguments, and 'concerns about provoking a further US disengagement in Ukraine probably played a part as well' ([PIIE, 2025](#)), in particular for 'Eastern European member states, which remain desperate to keep Trump and the United States engaged on the side of Ukraine in its war against Russian aggression' ([CFR, 2025](#)).

Thirdly, indications of [US pressure](#) on EU countries emerged in the period preceding the EU decision to provide Ukraine with a new loan of [€90 billion](#) through common EU debt rather than through the seizure of Russian assets, most of which are held by Euroclear in Belgium. The US reportedly wants to be able to use the frozen assets as part of an overall peace agreement on Ukraine, allocating them to US investors and a joint US-Russia investment fund ([ECFR, 2025](#)).

Fourthly, the US claims it needs Greenland for national security reasons, although the island's largely untapped mineral reserves – which may have received [limited EU attention](#) – could be an equally important reason (EPRS, 2025). This latest example is somewhat different in form: a small-scale 'exploratory' [military mission](#) of several European countries to reassure Greenland and show NATO's capability to control the area was met by the threat of an additional [10 % US tariffs](#) on imports from these countries. This time, a US economic threat served both a geopolitical (punishing opposition to the US claim on Greenland) and an economic objective (further weakening EU exports to the US).

Rearming Europe: An economy–security conundrum

Figure 3 – Trend 3: Emergence of defence security influence on economic decisions and realities



Source: Author, EPRS.

Since the US replaced Europe as mediator between Russia and Ukraine, defence and economic relations between the EU and the US have changed profoundly. NATO members [committed](#) to spending 5 % of GDP on defence, split into 3.5 % for core defence expenditure (national armies and capabilities) and 1.5 % for, inter alia, critical infrastructure, networks, civil preparedness and resilience, and the defence industrial base. This illustrates how the line between defence and other spending is blurring.

EU defence spending has [increased](#) as well. After [launching](#) a European Defence Fund (EDF) in 2017, the EU adopted a European defence industry reinforcement through common procurement act (EDIRPA, [agreed](#) 2023) and launched a European defence industry programme (EDIP, [adopted](#) 2025).

The 2024 Letta and Draghi reports dedicate ample attention to developing a common market for security and defence, including regulatory simplification, pooled procurement, cross-border industrial integration and joint innovation, to which the [Commission](#) responded through the [Rearm Europe/Readiness 2030](#) plan and the [White Paper for European defence](#) (EPRS, 2025).

EU legislators rapidly agreed to incentivise defence [investments](#) ([November](#) 2025) and to [negotiate](#) the [defence readiness omnibus](#) on regulatory simplification. However, think tanks point to challenges as regards the coherence of all measures ([CER](#), 2025) and to deepening EU dependence on US military equipment through increased purchases from US defence companies during the past four years ([Bruegel](#) 2025), contradicting the EU's aim of enhancing strategic autonomy.

Consequences of the trends for EU strategic autonomy

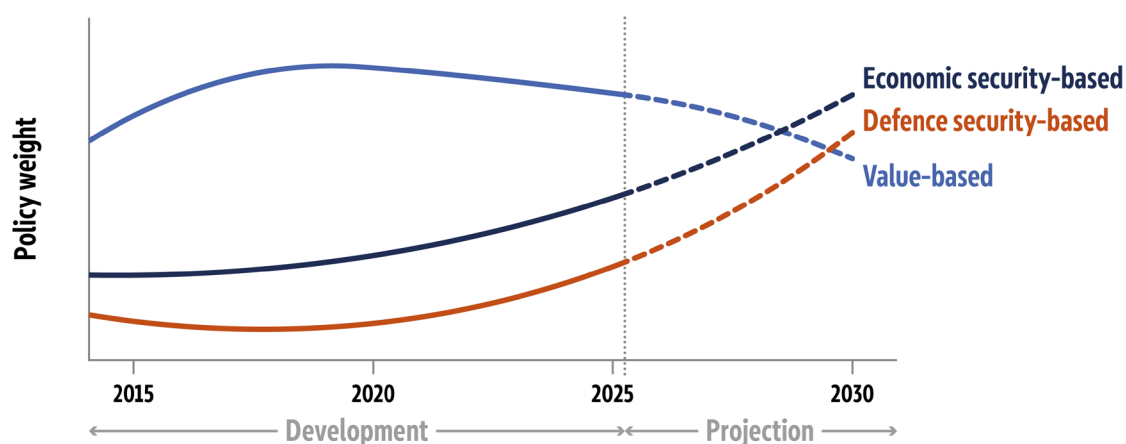
Figure 4 illustrates the relative weight of each trend on policymaking since 2015. It may be argued that value-based elements peaked as a driver of EU policymaking around 2019, when the EU presented the Green Deal, just before the pandemic.

Economic security began a sustained rise in prominence in 2016 with the UK's vote to leave the EU and the inauguration of the first Trump administration. Defence became a significant economic driver following Russia's invasion of Ukraine in 2022, taking a steeper curve under the second Trump administration, exemplified by the NATO spending target of 5 %.

If these trends continue beyond 2026, economic security and defence security could overtake values as the main drivers of the EU economy in a couple of years. If the global security situation further deteriorates, economic and defence security could start to merge, creating a war economy.

It seems therefore that the increasing policy weight of economic and defence security reflects two mutually reinforcing trends that enhance the EU's strategic autonomy. However, synergy between them is not a given. The raw materials and financial resources needed to reinforce the EU defence industrial base require a strong and open economy. However, the strength and openness of the EU economy are under pressure as a result of the deteriorating global security situation. Not only are the decoupling from Russia and de-risking from China limiting the EU's economic flexibility, but the EU's dependence on US support in the realm of defence and security also reduces its capacity as an economic player and rule-maker, as illustrated by the unfavourable EU-US trade deal and US challenges to EU rule-making.

Figure 4 – Three trends driving the EU economy (2015-2030)



Source: Author, EPRS.

EU strategic autonomy in the economy and in defence can therefore be better understood as consisting of two overlapping realms. Only in its relations with Russia is the EU approaching full strategic autonomy in both realms. In its relations with China – on which EU countries are not dependent in military terms – the EU is trying to achieve more economic autonomy through its de-risking policy. While some argue that the EU should develop stronger tools to address the systemic character of economic distortions in EU-China trade ([Bruegel, 2026](#)), others suggest the EU should tread carefully to avoid Chinese retaliation and preserve the necessary unity among Member States ([Hertie School, 2024](#)).

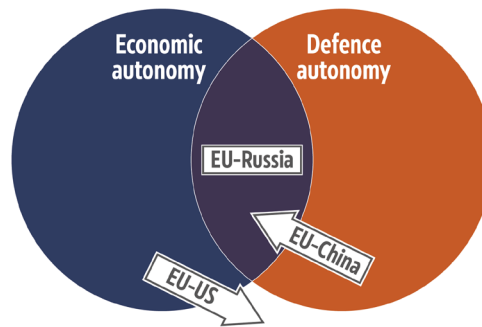
EU economic and defence relations with the US are even more complex. Continued dependence of EU countries on the US for defence makes them vulnerable to US pressures and demands in the economic realm, risking a situation in which the EU could lose strategic autonomy in both areas vis-à-vis the US. Think tanks had already warned of such a development before Donald Trump regained power ([ECFR, 2023](#)) speaking of 'vassalisation', that is, the EU becoming a vassal of the US.

Although the 2025 [US Security Strategy](#) calls for 'a strong Europe ... to work in concert with us to prevent any adversary from dominating Europe', it also makes clear that the EU is not considered the right organisation to do so, suggesting that it is undermining political liberty and sovereignty. The current US administration seems to prefer working directly with 'patriotic European parties' and 'nation-states and weaken the union's rulemaking role' ([Carnegie, 2026](#)), reportedly engaging more closely with certain Member States with a view to 'pulling them away' from the EU ([Defense One, 2025](#)).

In 2015, some US proponents of TTIP characterised it as an 'economic NATO', a security comparison which, according to [Daniel Hamilton](#), would unnecessarily feed 'European critics concerned that TTIP

is a thinly veiled US effort to assert economic dominance and steamroll the European way of life', taking into account that 'NATO is dominated by one large military superpower, whereas TTIP is comprised of two roughly equal economic entities'. Today, the situation may be evolving in the opposite direction, with more equal roles for the US and the EU in NATO but the US dominating the EU in economic terms. If the EU does not live up to its defence ambitions, it risks losing economic while not achieving defence autonomy (EU-US arrow in Figure 5).

Figure 5 – EU economic and defence autonomy vis-à-vis Russia, China and the US



Source: Author, EPRS.

Stronger EU pushback against US pressures could help the EU regain economic autonomy. This strategy seems to have worked in the case of the Greenland-related US tariff threats. The US [withdrew](#) the threats after EU threats to apply countermeasures, not ratify the 2025 EU-US trade deal, or even invoke the anti-coercion instrument (e.g. by European People's Party leader Manfred [Weber](#) and Trade Committee Chair Bernd [Lange](#); see also: [Politico](#)). However, EU pressure seems to have been only one of the reasons for the withdrawal, with pressure from within the US Republican party and from US business interests allegedly also playing a role ([EPRS](#), 2026). The fact that the tariffs were withdrawn only after a meeting with NATO Secretary General [Mark Rutte](#) makes this a perfect illustration of the economy–security conundrum.

Thirteen years after US Vice President Biden depicted TTIP as a great opportunity at the Munich Security Conference, US Secretary of State Marco Rubio [spoke](#) at the same conference of deindustrialisation as 'a conscious policy choice, a decades-long economic undertaking that stripped our nations of their wealth, of their productive capacity, and of their independence'. Stating that 'we are part of one civilization – Western civilization', he called upon Europe to join the US in reforming the global order, but this time 'no longer place the so-called global order above the vital interests of our people and our nations'. However, what this means when EU and US vital interests do not concur remained unclear. Canadian Prime Minister Mark Carney outlined a somewhat different path in [Davos](#) in January 2026, stating that: 'if great powers abandon even the pretense of rules and values for the unhindered pursuit of their power and interests, the gains from transactionalism will become harder to replicate'. Referring to a comprehensive strategic partnership with the EU and 12 other trade and security deals, his statement that 'this is not naive multilateralism, nor is it relying on their institutions. It's building coalitions that work – issues by issue' illustrates the difference in tone (and possibly content) between the US and Canada mentioned earlier.

At Parliament's January 2026 plenary session, when commenting on 'the need for a stronger and more sovereign Europe amid rising geopolitical tensions and continuous threats to the rules-based order', Council President [Costa](#) said that 'only by combining principles, protection and prosperity can we make Europe more sovereign, more resilient and stronger', while Commission President [von der Leyen](#) stated that it is imperative for Europe 'to speed up our push for independence' and that it 'needs to reassess its wider security strategy'. Such statements need to be backed by concrete changes in economic practice. Economic leverage and a strong negotiation position in geo-

economics come from indispensability, that is, the ability to produce or export products that are indispensable to the other partner, such as critical raw materials (as is the case with China) or control over digital networks and the tech industry (as is the case with the US). The EU should therefore not only hedge against external dependencies but also strengthen its own indispensability.²

On 12 February 2026, EU leaders met for an informal meeting of the European Council [dedicated](#) to 'strengthening the Single Market in a new geoeconomic context'. According to [President Costa](#), leaders agreed to push ahead with the EU's simplification agenda, accepted Enrico Letta's challenge to move from an incomplete single market to 'one market for one Europe', expressed support for the emergence of European champions in strategic sectors, and continued support for the energy transition while addressing specific challenges. More concretely, he noted 'a broadly shared understanding about the strategic importance, for Europe, to protect and reinforce certain sectors', in particular defence, space, cleantech, quantum, Artificial Intelligence and payment systems. Costa also 'felt' broad agreement on the need to use European preference in selected strategic sectors in a proportionate and targeted way. The need for an 'ambitious and pragmatic trade policy' and the mobilisation of more private investment were also highlighted in the informal conclusions. The coming years will determine whether these intentions will translate concrete actions strengthening the EU's sovereignty.

MAIN REFERENCES

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ENDNOTES

¹ Source: [Alicia Garcia-Herrero](#), senior fellow at Bruegel, at the hearing of the INTA Committee on economic security, 15 July 2025 (recording link under main references above; statements from 10:48 onwards).

² Source: [Reva Goujon](#), director at Rhodium Group, at the hearing of the INTA Committee on economic security, 15 July 2025 (recording link under main references above; statements from 10:54 onwards),

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