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EXECUTIVE SUMMARY

PITFALLS AND DILEMMAS:

THE EU CHARTING ITS COURSE IN A NEW GEOPOLITICAL WORLD

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The international system has been recast, and the consequences of this are now being felt. For the EU, a geopolitically-oriented world presents major challenges that have repercussions for its security, competitiveness, green transition, and position in the world. These geopolitical challenges emanate from state actors in the EU's neighbourhood and from much further afield, and include both traditional allies and hostile powers. What these actors have in common is a desire to secure their own regime's dominance and put their own interests first, even at the expense of other countries. In the mid-2020s, the geopolitical world order has already resulted in a decline in globalisation. This can be discerned in *friendshoring* alluding at a trend of trading with states close to oneself rather than those far away as well as with those which share the same principles and values. In Europe, *friendshoring* relates to the patterns of trade and investment now occurring both between the EU and the countries in its neighbourhood and with like-minded partners in other parts of the world. Since the onset of geopolitics, international politics is characterised by rivalry between the great powers and competition for raw materials, technology and markets, where relative gains are central and the international political economy is characterised by a return of mercantilism, albeit in a new guise. In both the political and economic arenas, geopolitics has resulted in a deeply worrying trend that many international organisations have lost some of their power to act and defend common rules and universal norms.

To meet these challenges, the EU has launched a series of initiatives and policy instruments. It has made decisions with the aim of strengthening European economic security, better coordinating Member States' purchases of military equipment, and promoting the joint development of weapons systems. Many of these measures have resulted in more power for the European Commission, but at the same time, their implementation has largely remained a national concern. The EU's strategies thus exhibit somewhat conflicting patterns and political unity is not guaranteed. The patchy policy development begs

the question whether the EU is equipped to defend its interests and promote a development of the international system in line with its values and ambitions in a world of power politics, competition and rivalry. In this volume of *Europaperspektiv*, we address some of the most important choices that the EU is facing in response to these challenges in the mid-2020s.

The EU's heightened vulnerability

Since the 2010s, geopolitical threats and challenges have been piling up on Europe's doorstep. During the COVID-19 pandemic, the EU's vulnerabilities in terms of supply of raw materials and dependence on reliable value chains and transport systems for its industries became apparent. Russia's unlawful war of aggression against Ukraine heightened the security threats, and exposed the risks in Europe's asymmetric dependence on Russian raw materials. For those who had downplayed these risks in the period prior to the outbreak of the war, the threat of a much reduced supply of Russian gas in retaliation for giving aid to Ukraine in early 2022 was a brutal awakening. At the same time, China's increasingly despotic conduct and disregard for universal norms and regulatory frameworks have also placed the risks of asymmetric dependencies in the spotlight, especially as China controls the supply of many strategic raw materials and technologies. Boycotts and refusals to supply raw materials needed in the manufacture of a whole range of products from medicines to ammunition highlight the risks of choke points that can be weaponised in trade wars or for political influence. This type of threat and the challenges posed by authoritarian states are well known and often highlighted in the debate, although their repercussions have often been played down for economic and political reasons. Still, it is an oversimplification to paint the world in terms of a battle between democracies and autocracies, especially given that there are authoritarian leaders in power in Europe and elsewhere whose political systems are, at least nominally, democratic.

With Donald Trump's election as the 47th President of the United States in November 2024, a period of major upheaval around the world is to be expected. The re-election of Trump as US President means Europe is less likely to be able to count on US's support to halt the weakening of the international rules-based system, and on the US's commitment to ensure peace in Europe within the context of NATO. During Donald Trump's first term of office (2017–2021), the EU often came under fire for its trade

surplus with the US, and in 2018 punitive tariffs were imposed on European imports of steel and aluminium. Trump also sharply criticised the European NATO countries for failing to meet their financial obligations in the defence of Europe. Based on these experiences of the previous Trump administration, the EU's institutions and the majority of Member States have little trust in a new Donald Trump presidency and decisions taken by the American President in the first months of 2025 have borne out the well-founded nature of their fears.

As the newly appointed President of the European Commission, Ursula von der Leyen, introduced in a speech to the European Parliament in November 2019 the notion of a geopolitical Commission, prepared to defend Europe's interests in a world increasingly characterized by power politics. Efforts to strengthen the EU's capacity to respond to geopolitical threats have since accelerated, with a number of new policy instruments and initiatives adopted to defend the competitiveness of European companies in the single market. In 2022, the European Commission brought these initiatives together under the umbrella of the European Economic Security Strategy, which aims to enhance the EU's economic security while maintaining openness in trade, and welcoming investment and research to support Europe's economy. In a speech in May 2023, von der Leyen signalled that the EU did not wish to break economic ties with China through *de-coupling*, breaking-off trade relations across the board, as was advocated by the US at the time, but instead introduced a strategy of *de-risking,* taking action to avoid dependencies in critically important raw materials and goods. In her State of the Union address in September the same year, von der Leyen reiterated that Europe should step up on economic security "by de-risking and not decoupling".

Since 2022, the European economy's competitiveness has steadily deteriorated compared with that of the United States. In terms of GDP, growth in the EU fell from 3.4% in 2022 to 0.4% in 2023 according to Eurostat while in the US, GDP grew by 2.5% in 2023. In addition, productivity in the euro area stagnated in 2023, while it increased significantly in the US according to the European Central Bank. There are multiple reasons for the deteriorating outlook for economic development in Europe, but many point to a partial explanation being the huge industrial subsidy package in the United States – the *Inflation Reduction Act* – introduced in 2022 under Joe Biden's term in office. China's financial stimulus

of its domestic production has also led to certain export goods being dumped on foreign markets, as a weak domestic demand means these products cannot be sold in the Chinese market. Since the COVID-19 pandemic, electric cars, steel and other technology products manufactured in China have been sold at discounted prices on the European market, contributing to the EU's large trade deficit with China (just below EUR 400 billion in 2022, falling slightly to EUR 291 billion in 2023). In addition, the war in Ukraine is starting to impact in the treasuries of individual EU countries, at a time when competition for central government investment in high-tech production in various sectors has intensified, beyond the EUR 50 billion Ukraine facility. A dilemma may arise here if, with a given economic base (where a dangerously high loan-to-value ratio has already been reached in many cases), investments are made in the development of weapons systems to support Ukraine instead of state aid for the development of other high-tech activities. Nonetheless, the extraordinary measures taken by President Trump to stop funding Ukraine war efforts and withdraw military support to Europe in the event of a ceasefire prompted von der Leyen to announce an 800 billion defence package to rearm Europe on 4 March 2025.

Despite the unprecedented resolve of European states and institutions to step up their support to Ukraine and to bolster their own military capabilities, the scale and nature of the challenges entails a host of geoeconomic dilemmas. How can the EU, given its dependence on the supply of raw materials, technological development and imports of goods from China in green technologies, such as solar energy production and battery manufacture, prevent its green transition from being hampered, and make Europe less vulnerable? Some industries in Europe, such as the German automotive industry, have been dependent on the Chinese market for some time, even though China still does not provide a level playing field for foreign actors in its domestic market, as it is required to do as a member of the WTO. For example, China imposes technology and data transfer requirements on foreign actors, and its strict internal security requirements hit foreign companies established in the Chinese market especially hard. In addition, the increasingly nationalistic American economic policy – *America first* – disadvantages European trade directly, not least through tariffs, and has an indirectly negative effect on European competitiveness. All in all, vulnerabilities in the supply of raw materials, technology and high-tech manufactured goods pose a dilemma for the green transition, which is built on the promise of exploiting

green energy solutions. To protect domestic production by imposing tariffs on Chinese goods, for example, would prove costly for European consumers and thus undermine the green transition.

Another consequence of the rising geopolitical tensions is that it has become increasingly difficult to distinguish between security threats and economic risks, and thus to prioritise among opposing objectives, such as free trade and the protection of domestic industries. The security concerns are very evident in China's support to Russia for example, where trade in dual-use goods and technology puts pressure on Western state actors to prevent exports to China from falling into Russian hands, while Europe remains keen not to further deteriorate trade relations with China. Without a doubt, Chinese support for Russia, and China's refusal to condemn Russia's acts of war, pose a strategic dilemma for the EU, which has thus far responded with only limited sanctions on Chinese economic entities that can scarcely be expected to induce China to change its behaviour.

From geopolitics to liberal multilateralism, and a return to great-power politics

Since the mid-2010s, the international system has undergone a profound shift away from the liberal world order towards an alternative order based on great-power politics, territorial expansion and the use of natural resources to wield political power. This so-called geopolitical world order originated in philosophical thoughts around the early 1900s, where political science and geography were merged into theories of the state's need for territory. Classical geopolitics was discredited during the Second World War following Germany's warfare and revanchist policies. In the aftermath of the war, democracy and market economy were strengthened in Western Europe based on liberal ideas, and Western European countries were brought into the liberal world order, with the United States as its forerunner and leader. Even though the liberal world order during the Cold War involved some intense power politics, such as the strategic alliance policy in NATO and a Western-centred world view, it was also characterised by economic liberalism, which led to increased free trade and favoured the establishment of international financial institutions, the so-called Bretton Woods institutions. When talking about the return of geopolitics in the mid-2020s, it is in contrast with the liberal world order that emerged after the fall of the Berlin Wall in 1989, built on globalisation, the diffusion of liberal norms, and multilateral cooperation within the framework of a rules-based international system. A fundamental difference

between liberal institutionalism and geopolitics is their view on interdependence between states. According to the liberal view, mutual dependencies lead to cooperation for mutual benefit through increased economic exchanges anchored in credible commitments and principles for conflict resolution. This creates a virtuous circle, which in turn leads to enhanced cooperation and increased trust. According to the geopolitical view, however, interdependence is not permanent and results in vulnerabilities that can be exploited by competitors and hostile actors. A vicious circle arises that leads to distrust and the emergence of competing spheres and alliances. Traditionally, geopolitics was seen as being primarily about military force deployed for strategic goals, but in the post-liberal world order, geoeconomic instruments of power have come into focus.

The return of geopolitics presents two opposing trends. One is the weakening of the rules-based international system, particularly a lack of respect for international law, the repudiation of universal norms and values, in particular human rights, and the weakening of international organisations through failures to comply with international rules, for example within the World Trade Organisation. The second trend is the return of power politics, great-power rivalry, and ambitious strategies concerning spheres of legitimate possession, which in Europe have resulted in an actual war of invasion. For the EU, which sees itself as both a creation and protector of the liberal world order, the trend towards a geopolitical world order is difficult to come to grips with because it runs counter to many of the principles underlying the European integration process, such as multilateralism, rules-based governance, and liberal values and freedoms. Spearheaded by the European Commission, the EU's institutions have thus far responded to the challenges of geopolitics primarily with economic measures and instruments. As security challenges have intensified and security threats have increased – military as well as non-military in the form of cyber-attacks, the sabotage of critical infrastructure, the destabilisation of societal functions, and disinformation – the EU's role in security and defence policy has been strengthened.

Geoeconomy entails both positive and negative instruments that can be used offensively to produce influence, loyalty and material benefit, or defensively in the defence of vulnerabilities and a state's own resources. Positive instruments used offensively include strategic support for domestic industry to create choke points for others through advanced technology and geographical hubs, and financial support and

investment in third countries to ensure the supply of natural resources, gain influence and foster loyalty. Negative instruments used defensively include investments in proprietary technology, manufacturing, and the mining of raw materials to elude choke points and vulnerabilities. Negative instruments used offensively include sanctions such as export controls and export prohibitions, as well as trade sanctions such as customs duties and import quotas. In real life, however, this ideal-type categorisation does not prevent states from combining these instruments in their actual policies in ways that safeguard their national interests most effectively.

What are the geopolitical challenges and where do they originate

Concerns among the EU's institutions about the consequences of a geopolitical trend in world politics increased during Jean-Claude Juncker's Presidency of the European Commission in 2014–2019. The security threats posed by Russia following its annexation of Crimea in 2014, and illegal occupation of Donetsk and Luhansk in Eastern Ukraine, were felt most acutely in the Baltic states and Poland. On the whole, the EU and its Member States reacted rather half-heartedly to this Russian aggression, imposing sanctions on Russia in the hope that its statements about restoring their natural sphere in Eastern Europe were merely empty threats. Nevertheless, Juncker highlighted the geoeconomic challenges posed by the United States and China in his 2017 State of the Union Address, and called on the Member States to speak with one voice because "Europe must always defend its strategic interests". To this effect, he launched an initiative to enhance the screening of foreign investments with the aim of signalling that the EU countries were not "naive free traders". In his 2018 State of the Union Address, Juncker announced that he had successfully stood up to the United States' strong-arm tactics in trade policy precisely because the EU had jointly condemned the US's punitive tariffs on steel exports from Europe. However, he regretted that the EU had not been able to stand up to and condemn China's human rights violations in a vote in the UN Human Rights Council, saying that "[W]e must improve our ability to speak with one voice when it comes to our foreign policy".

At the end of the 2010s, the EU became more acutely aware of these geopolitical challenges, primarily from China and the United States. The positive tone in the strategic partnership between the EU and China gradually gave way to distrust and scepticism. This growing antagonism was already evident in

2019 in the Joint Communication "EU-China – A strategic outlook", which described China as "a negotiating partner with whom the EU needs to find a balance of interests, an economic competitor in the pursuit of technological leadership, and a systemic rival promoting alternative models of governance". In her first State of the Union Address in 2020, Ursula von der Leyen reiterated this description of China as a negotiating partner, economic competitor and systemic rival, and described the relationship between the EU and China as "simultaneously one of the most strategically important and one of the most challenging we have". There were multiple reasons for this deterioration in relations. One important reason was the EU's frustration with that China, after almost twenty years as a member of the World Trade Organisation, had not embraced the rules and principles of a full member, but continued to pursue its own economic policy to benefit Chinese companies through government subsidies, forced technology transfers, and violations of the rules on patents and intellectual property rights for goods. Another important reason was China's strategic acquisitions in the wake of the sovereign debt crisis in Europe linked to China's *Belt and Road Initiative* launched in 2013. These acquisitions were seen as increasingly problematic for national and European security. In particular, the diplomatic forum 16+1, which brings together China and the European countries that have been on the receiving end of Chinese investments under the *Belt and Road Initiative,* was seen as an open challenge to European cohesion and the EU's capacity to influence developments in the Balkan countries through their negotiations for EU membership. For some time now, China has been attempting to undermine cohesion between the EU Member States by playing them off against each other and taking advantage of its strategic position in some countries – often linked to investments in infrastructure. In addition, China has on multiple occasions penalised individual, often smaller, EU Member States that have taken measures that the Chinese government did not like, such as Lithuania's decision to allow Taiwan to open a representative office in Vilnius in 2021. Relations between China and the EU deteriorated further during the COVID-19 pandemic in 2020–2021, when China, after an initial charm offensive targeting Italy and Hungary in particular, choked the supply of certain raw materials and broke value chains. China's refusal to cooperate with the World Health Organisation in tracing the origins of COVID-19 was also seen as norm-violating behaviour by the EU.

Equally disruptive, but undoubtedly more unexpected in the EU Members States' world view, was Donald Trump's term of office as President from 2017–2021. Even though the United States has been undergoing a shift in strategic focus from Europe to the Pacific since the early 2000s, Trump's contempt for the EU as an organisation, his lack of respect for the NATO security guarantee (collective defence), and his indifference to international commitments and the role of international organisations in world politics, was deeply concerning for the US's European allies. Trump's actions sent shock waves across Europe, for instance when he called the EU "one of his greatest enemies" in 2018 just hours before a summit with Vladimir Putin, or when he appeared to question NATO's Article 5 on collective defence. The prevailing view at the time was that, despite his startling statements and his personality, Trump should not be seen as a one-off aberration but as a manifestation of deeper change in the United States. Uncertainty about the US's strategic intentions in relation to Europe led to calls for strategic autonomy in the EU, often voiced by French President Emmanuel Macron. However, the proposed European strategic autonomy was met with mixed reactions from other Member States, some fearing that the EU so explicitly going its own way would lead to a definitive US withdrawal from NATO, while others felt that it was premature to draw any definitive conclusions on the future direction of US foreign and security policy. In the beginning of 2025, a newly re-elected President Trump is imposing a radical shift in American foreign policy by turning away from long-standing European allies and embracing Russia; European strategic autonomy is being taken seriously and plans for military autonomy are being hastily drawn up. Autonomous strategic capabilities have become a necessity since the US announced its unwillingness to provide security guarantees for Ukraine in the event of a ceasefire, and that in the future it will no longer defend Europe from external enemies.

At the time of Russia's invasion of Ukraine, the EU's leaders were concerned about the growing rivalry between the US and China. The war in Ukraine exacerbated the security situation for the EU countries, and military as well as non-military threats have increased. Undeniably, the geopolitical threat of a revanchist Russia in the EU's neighbourhood, and Russia's "no-limits friendship" with China has redrawn Europe's strategic map. In response, the European arm of NATO was expanded in 2023 and 2024 to include Finland and Sweden as members. The EU countries' military and financial support to

the Ukrainian war effort has also led to cooperation within the defence industry area growing ever stronger in the EU in order to provide Ukraine with weapons and ammunition, but also for rearmament of the EU countries' own defences and to enhance their defence capabilities. Nevertheless, the recent rapprochement between the US under President Trump and Russia has heightened security concerns in Europe and the ongoing realignment among autocratic great powers is deeply disconcerting for the EU.

The challenges the EU faces and how the geopolitical dilemma will be resolved

The EU has responded to these economic and security challenges with concrete measures, which are described in more detail in the individual chapters of this book. Most of these measures are instruments deployed in the economic sphere to mitigate geoeconomic risks. In a 2024 study, political scientists Sarah Bauerle Danzman and Sophie Meunier argue that the primary purpose of the instruments deployed by the EU is to defend the single market through sanctions against foreign actors. These instruments include regulations on the screening of foreign direct investments (FDI) in the EU (2019), on export controls (2021), and on foreign subsidies (2022), as well as the Carbon Border Adjustment Mechanism (2022) and the Anti-Coercion Instrument (2023). The EU has implemented measures to stimulate resilience in European companies and other economic actors in the single market through the Green Deal and the industrial policy initiatives for semiconductors and batteries. On the other hand, according to Bauerle Danzman and Meunier, the EU has implemented fewer offensive coercive measures, and names only the outbound investment mechanisms and the International Public Procurement Instrument (both introduced in 2022) as examples of concrete measures of this type. However, the International Public Procurement Instrument gives the Commission the power to investigate whether European companies are being excluded from public procurement processes in third countries, and if so, to impose sanctions on that country's economic operators when they participate in public procurement processes in the European market. The aim is to achieve a level playing field for European companies in foreign markets as well as for foreign companies operating in the EU's single market.

The cumulative repercussions of geopolitics on the international system are diffuse and wide-ranging. A multipolar system surmises that a regrouping of international power relations in which the dominance of Western powers is weakened and novel constellations of power emerge. The world's reactions to the

war in Ukraine show that such a shift in power relations has already occurred, as many states in the Global South, along with India, Brazil and South Africa, have remained neutral or only tentatively condemned Russia's actions. For the EU, the shift towards a multipolar system with geopolitical overtones primarily affects how the Union will continue to operate within international organisations and in global arenas, how to build partnerships and promote international cooperation, and how to navigate the rivalry between the USA and China. The EU's ability to lead on issues where Europe has traditionally had a high profile, for example in international climate policy and in the promotion of human rights and democracy, is being questioned more and more by states that have long considered the EU's attitude towards them to be disparaging, and that now have in particular China as an alternative partner.

At the beginning of 2025, it is important to highlight the political challenges and choices facing the EU given the more powerful economic security strategy, punitive import duties on Chinese electric cars from November 2024, the EU's continued support to Ukraine in its war against Russia, and the difficult dilemma posed by the re-election of Donald Trump as President of the United States. There are expectations directed at the EU, and in particular the EU institutions, to vigorously respond to the geopolitical challenges.

On 1 December 2024, the new leaders of the EU institutions took office. The decision to appoint Ursula von der Leyen as President of the European Commission for a second term is a sign that the EU countries are being careful to maintain stability in the EU's leadership. It is hoped that von der Leyen will be able to establish good working relations with the President of the European Council, António Costas, as well as the High Representative of the European Union for Foreign Affairs and Security Policy and Vice-President of the European Commission, Kaja Kallas.

At the time of her re-election in July 2024, von der Leyen launched the political guidelines for the European Commission for 2024–2029, conveyed in terms of a number of choices that Europe must make. For von der Leyen, it is crucial that the EU countries respond to an uncertain international environment, because the threats and challenges they face are too great to handle on their own. Compared to her first term of office when a 'geopolitical Commission' was her motto, the new

Commission will instead work to restore Europe's competitiveness, guarantee its security, implement the green transition, and safeguard the European social model and the values on which it is based. The EU's security will be protected through the realisation of the European Defence Union, and a newly established Defence Commissioner will be tasked with speeding up the coordination of the Member States' military capabilities and production of military equipment. The enlargement of the European Union, in particular the accession of Ukraine, is presented as a geopolitical necessity. Von der Leyen also wants to see a new economic foreign policy based on economic security, trade, and investment in partnerships, which is to be implemented through economic diplomacy. She believes that Europe has entered an "age of geostrategic rivalries" and that "The more aggressive posture and unfair economic competition from China, its 'no-limits' friendship with Russia [...] reflect a transition from cooperation to competition".

The new Commission's view on the state of the world will undoubtedly be tested in many areas, especially if the punitive tariffs on Chinese electric cars introduced by the EU in November 2024 entail a risk of escalation beyond the tariffs that China immediately imposed on imports of French brandy. A trade war with China risks undermining the Commission's objective of promoting competitiveness in Europe at a time when Europe should also be implementing the green transition. Against this background, the re-election of Donald Trump as President of the United States is particularly onerous, as Donald Trump has already undertaken to implement his election promises to impose protective tariffs on all imports into the US, and work for a peace agreement in Ukraine. This has turned out to be based on unsolicited concessions to Russia and the exclusion of Ukraine and Europe from the peace talks. Just as Trump's election promises were grounded in simplifications and exaggerations, the Trump presidency is posing major challenges for the EU as it is pressured to enter into agreements that benefit the USA economically in exchange for military support.

Nevertheless, the most difficult challenge facing the EU is likely to be acting in unison and preventing internal tensions and disagreements from hindering or delaying critical decisions. Political developments in Europe since the beginning of the 2000s have resulted in a growing number of right-wing populist parties gaining positions of direct or indirect power, with some EU countries, such as

Hungary and Slovakia, having been ruled for some time by pro-Russian, EU-sceptic right-wing parties with anti-democratic tendencies. However, right-wing populist movements are not just strong in Eastern Europe; they are playing an increasingly key role in coalition governments in a number of the founding nations of the EU, such as Austria and the Netherlands, and are challenging the established parties for ultimate power even in France and Germany. In her political guidelines, von der Leyen highlighted the internal threat to the rule of law by underscoring the importance of strengthening Europe's democracy and economic model, which "relies on the rule of law". The Commission aims to protect the rule of law by making respect for the rule of law a must for EU funds and building a closer link between financial support from the EU and observance of the rule of law in the EU. In addition, the EU's future long-term budget will have strong safeguards on the rule of law including the general conditionality regime applying to all EU funds. In summary, von der Leyen and the new Commission are facing major and complex challenges.

This 28th edition of *Europaperspektiv* assesses whether the EU's policy choices and expanded powers are sufficient to respond to a changed geopolitical landscape. What do joint investments in critical cutting-edge technology mean for the EU's resilience and competitiveness? Are the EU's FDI policy and its new, more robust instruments for screening FDIs sufficient, and how have they been implemented by the Member States? How is the EU's pursuit of strategic autonomy helping to reduce vulnerabilities and improve supply capacity in a large number of areas, including European public health? Can the EU work towards setting a common price for environmentally hazardous emissions and waste to accelerate the green transition globally? What should be done to support the industrial sector in adapting to new rules and instruments in the Green Deal? To what extent are EU carbon border tariffs necessary for the green transition, and how will they affect the EU's trade relations? Will the EU's initiative in defence industry policy deliver enhanced military capabilities at a lower cost? Could improving resources management be a way out of Europe's geopolitical dilemma? These and other questions are discussed by researchers in economics, law and political science in the nine chapters of this book.

In the first chapter, *Johannes Jarlebring* discusses how best to understand the EU's market power in a geopolitical environment. The chapter questions the widely held belief that the EU has made a complete geopolitical pivot in the past few years, and is now on the verge of becoming a global power player. Jarlebring warns that this belief could lead to an erroneous interpretation of the EU's role in the world, and ultimately to ill-considered policy choices. The chapter's interpretation is that the EU is in fact utilising its market and regulatory apparatus to push back against the geopoliticisation of the world, without itself becoming a geopolitical power player.

The chapter gives a general account of the theoretical and empirical underpinnings of this interpretation. In particular, Jarlebring points out that the instruments usually advanced as evidence of the EU's geopolitical pivot, such as the new Anti-Coercion Instrument, are relatively weak and underdeveloped. At the same time, the new instruments with which the EU is externalising its internal regulatory regime, such as the EU's new AI law, are much more developed. Thus, Jarlebring argues, there is significant continuity in the EU's use of its market power, with the most important trend being that the Union has begun to defend the rules-based international order more vigorously and independently than it has done in the past.

Finally, Jarlebring highlights that there are policy choices to be made regarding the EU's utilisation of its market power. While some EU actors are pushing for the EU to become a geopolitical power player, others prioritise objectives to strengthen the EU as a growth engine, or to utilise the EU's market power to defend Europe's model of civilisation. The chapter ends with the recommendation that the EU's decision-makers should refrain from daring attempts to make the EU a geopolitical player. Instead, the EU should be content with coordinating the geoeconomic actions of its Member States, and better calibrating its regulation-oriented use of power in support of a rules-based international order.

In the second chapter, *Hannes Lenk* analyses the geoeconomic turn in the EU's trade and investment policy, where trade policy is increasingly being used to address security challenges and to bolster the EU's strategic interests. Using a theoretical framework that categorises the EU's geoeconomic instruments, Lenk shows how the Commission's toolbox has been expanded to integrate trade with security policy objectives.

Lenk highlights in particular how geopolitical challenges give the Commission opportunities to increase its influence over new policy areas. The Commission stands to gain from the ambiguity that follows from an expansion of the term 'security', and from introducing novel, undefined concepts such as open strategic autonomy, risk mitigation, and economic security. This chapter also describes how China's economic and technological growth is being used to mobilise support for the new policy initiatives and to push through a shift in the orientation of the EU's common trade policy.

In light of this, the chapter claims that the new EU policy instruments not only aim to promote market access and economic growth, but above all to ensure resilience and technological independence in a global order that is increasingly conflictual. Thus in recent years, the Commission has succeeded in introducing a large number of unilateral trade policy instruments that feature trade and investment constraints. By using trade policy, an area of exclusive competence, the Commission can act faster and more dynamically. However, Lenk notes that the growing link between trade and security challenges the EU's commitments for multilateralism, and could potentially lead to a more protectionist stance.

In the third chapter, *Love Rönnelid* analyses the differences between the internal market and the most successful historical examples of effective industrial policy. These successful economic strategies – mainly East Asian – were based on a mix of public sector support and market discipline, a high degree of public sector coordination, and a low degree of judicial control over the economy. Unlike the systems in these countries, the EU's single market has largely been created through judicial innovation, which depoliticised complex policy decisions. This was predicted to lead to difficulties for Member States in planning their economies, a rationale also linked to political messianism, where the economic structure of the Union is also imagined to contribute to peace and democratisation.

In the chapter, Rönnelid points out the various risks involved if the Union takes inspiration from the East Asian success stories. These risks are mainly a weak capacity to steer resources and discipline companies in the single market, difficulties in centralising decision-making within the Union, conflict with the idea of non-discrimination underpinning EU law, and a weak capacity to return private sector profits from industrial policy back into the public domain. Leading thinkers on industrial policy point to the risks of handing over large support packages where the public sector is not capable of controlling

the economy. Introducing this type of public capacity would require a substantial change in the legal rules that create the single market. A change in these rules would probably unearth political differences that could otherwise be kept under wraps by the judicially based depoliticisation. In conclusion, Rönnelid argues that in its choices the EU should try to steer the discussion on industrial policy away from a number of obfuscating dichotomies, and be cautious about granting large subsidies unless it has been possible to develop other essential capabilities for industrial policy within the Union.

In the fourth chapter, *Christian Sandström* and *Mikael Stenkula* analyse the appropriateness of pursuing an active green industrial policy at the EU level. The changed geopolitical conditions, combined with the climate-related challenges facing the world, have led to calls for the EU to be more ambitious and implement overarching, expansive and targeted industrial initiatives to speed up the climate transition, and to make the EU less dependent on the rest of the world. However, the authors argue that this strategy is fraught with many problems and they ask themselves whether the information, incentives and competences at the EU level are designed to successfully pursue this form of "political capitalism". Based on their own and others' research, they conclude that targeted support systems impose unacceptably high demands on the political sector's capacity to identify the industries, products and technical solutions of the future. The authors further argue that cheap loans and grants tend to sideline risk-taking and attract various forms of "subsidy entrepreneurs", while paving the way for extensive lobbying in favour of specific solutions, companies, industries or countries.

Instead of allowing bureaucracy and administration to grow and dictate developments at the EU level, the authors argue that there are other pathways to choose. They would prefer to see ambitious, comprehensive and global pricing for environmentally hazardous emissions and waste, as this would give industry the right incentives to accelerate the green transition without the policy becoming overly attached to specific solutions or companies. They also advocate a traditional form of environmental policy with actual bans and phasing out of environmental toxins, as this has previously been proven to work well. Where additional incentives are needed to accelerate development, the authors argue that general deductions should as far as possible be used instead of targeted grants. They also propose offering a competitive and technology-neutral system as a clear choice, so that politicians are not

required in advance to select future technological solutions in industries which are claimed to be industries of the future.

In Chapter five, *Calle Håkansson* describes the development of the EU's defence industry since the late 1990s until after Russia's war of aggression against Ukraine began. The chapter gives an account of the expanded role that the EU, and in particular the European Commission, has acquired in the area of defence since the mid-2010s. Håkansson argues that this development has occurred due to a political and long-term policy entrepreneurship on the part of the Commission, and the various crises that have accelerated novel, European integration in the defence and security policy area.

Since the outbreak of Russia's full-scale war against Ukraine in 2022, a number of new initiatives have been launched at the EU level in the defence industry area. These include initiatives for investment in the joint procurement of military equipment, and to expand the production of ammunition in Europe within the framework of a new defence industry strategy. However, according to Håkansson questions remain about how these initiatives will play out in the future, as the EU Member States have traditionally been cautious about supranational elements in defence policy. Furthermore, the ambitions in the new initiatives are dependent on the negotiations on the EU's long-term budget after 2027.

In the chapter, Håkansson argues that the EU needs to do more in defence policy in Europe, even though the Union has already strengthened its role in this area. Among other things, he sees a need for bigger and more common financing models for defence in the future. He argues that the EU can learn from how the COVID-19 pandemic was handled, and that the Union should jointly raise loans to invest in the development and procurement of military equipment. In conclusion, Håkansson also advocates closer cooperation between the EU and NATO.

In the sixth chapter, *Martin Lundmark* analyses the big challenges to the EU's capacity to support Ukraine with donations of military equipment posed by Russia's full-scale invasion of Ukraine in 2022. Demand for military equipment, in particular ammunition and shells, rose sharply with the war in Ukraine and followed a long period of rationalisation of materiel at national level to achieve a "peace-optimised" structure in the defence industry and cuts in the strategic coordination of defence companies.

In the mid-2020s, it is clear that the EU Member States and their defence industry companies cannot deliver anywhere near the quantities required to meet Ukraine's needs for ammunition and shells. The total production capacity of these companies is insufficient and the companies have been unable to rapidly upscale their production.

In the chapter, Lundmark also shows how the war in Ukraine has led to a strong motivation within the Commission to increase the EU's capacity for strategic autonomy in the defence area and its defence industry. In spring 2024, the Commission presented ambitious proposals to increase supranational governance and coordination within the area of defence procurement and the EU's defence industry – what is known as the EU's strategic autonomy in defence. The proposals entail clear challenges to individual Member States' national priorities concerning procurement and autonomy in defence. Many Member States prefer their own domestic suppliers or buy mainly from the United States, while others largely follow NATO's general preferences and standards. Until the mid-2020s, the motivation to prioritise the EU's strategic autonomy over national objectives has not been particularly salient.

Lundmark thus highlights how national and EU level objectives for strategic autonomy conflict with each other, and Member States' inability to respond to the rapidly arising defence needs as a result of Russia's war in Ukraine. In order for the EU's strategic autonomy in defence to be strengthened, Lundmark argues that the Member States must become more willing to permit supranational governance from the Commission. There is a need for more strategic coordination and consensus based on common business models and more detailed, trust-based planning of the production of military equipment. A clear departure from a peace-optimised defence industry towards a robust joint defence capability is also required.

In the seventh chapter, *Louise Bengtsson* analyses how the EU, in light of the changing geopolitical context and dynamics following the COVID-19 pandemic, has taken on an increasingly active role in the health field, both internally within the EU and through its role as a global actor. Based on integration theory and discursive frameworks that link health issues to security perspectives in various ways, the chapter highlights what can be described as a security-oriented shift in the EU's role as a regional and global actor in the health area. The chapter describes the driving forces and nature of this development.

In the chapter, Bengtsson shows that trade and industry policy has become more interest-based in the mid-2020s, with supply capacity, competitiveness and the ambition to reduce vulnerabilities in the pharmaceuticals and vaccines area being key aspects that connect this policy to strategic autonomy. In addition, there remains a strong focus on health security, in the sense that the EU's strengthened cooperation in this area largely focuses on preparedness for future pandemics and other health threats such as bioterrorism. Finally, the EU's external ambitions indicate a new agenda where the Union, through its Global Gateway Strategy and strategic partnerships with developing countries, hopes to advance its global positions in an increasingly tense geopolitical situation. Bengtsson argues that, in its choices, the EU needs to ensure a reasonable balance between the Union's interests and values, and genuine consideration for the development needs and priorities of its partner countries. This, she argues, is of great importance, especially in light of the dissatisfaction that arose from the Union's handling of vaccine procurements, in which European interests were allowed to take precedence over global prevention.

In the eighth chapter, *Susanne Arvidsson* highlights the EU's choices and challenges in relation to sustainable investment and biodiversity. The main question asked in the chapter is how the EU can tackle these twin crises – climate change and biodiversity loss – to achieve its ambitious sustainability targets. Arvidsson recounts the history of the development of the EU's climate policy, focusing on the European Green Deal, which aims to achieve climate neutrality by 2050. Arvidsson also analyses EU policy initiatives related to biodiversity, including the Biodiversity Strategy for 2030 and the new Nature Restoration Regulation, and how these can help to mitigate biodiversity losses. However, she points to significant obstacles, such as the lack of international coordination, and knowledge gaps in companies and politics, which risk undermining the EU's ambitions.

Her analysis highlights the need to strengthen the industrial sector's capacity to adapt to new rules and instruments such as the Taxonomy Regulation (EU taxonomy), the Corporate Sustainability Reporting Directive (CSRD), and the European Sustainability Reporting Standards (ESRS). The chapter presents research that shows that companies are poorly prepared for the EU's stricter sustainability requirements. Arvidsson also discusses the difficulties in measuring and reporting biodiversity compared with climate

impact, which makes it difficult to redirect financial flows towards nature-positive investments. The chapter also highlights the political and normative challenges facing the EU in terms of biodiversity losses and the climate crisis, including the need for improved methods for measuring and reporting sustainability performance.

Finally, Arvidsson discusses how the EU should strengthen its sustainability policy during Ursula von der Leyen's second term as President of the European Commission. She suggests that the EU should supplement its instruments with sector-specific guidelines, invest in the development of uniform methodologies for measuring sustainability aspects, and promote capacity-building in the industrial sector. According to Arvidsson, in order for the Green Deal to be a success story for the climate and biodiversity, it is crucial that the policy choice made provides industry with better support and guidance on how sustainability performance is to be measured and reported.

In the final chapter of the book, *Åsa Romson* investigates geopolitical considerations as the motivations for the EU's increased interest in regulation to reduce resource use. The chapter poses two questions. One of these concerns how well-developed the EU's regulations governing resources management actually are. The second concerns the extent to which these regulations are motivated by the EU's geopolitical vulnerabilities. In this chapter, Romson presents two different scholarly lenses on analysing resources management in the current geopolitical context. On the one hand, Romson applies a traditional trade economics lens where global value chains for resources and products are challenged when protectionism creates barriers to trade; and on the other hand, she applies an environmental and earth sciences lens where the global use of resources entails such enormous environmental risks that it poses a security threat in itself to a prosperous Earth and thus European societies.

The chapter then discusses, mainly through the lens of environmental law, the question of how the EU's Circular Economy Action Plan reflects these geopolitical considerations. Romson also investigates the implementation of the Action Plan in relevant reforms in the EU's products and residual products legislation, in the regulation of plastics, and in EU legislation on strategic and critical raw materials. Romson thus sheds light on EU's regulatory frameworks, which in various ways aims to improve resources management and discuss the challenges that arise. The final section of the chapter reconnects

with the question of whether resources management might be a way out of Europe's geopolitical dilemma, and presents choices for the EU that could very well bring these two areas together. In this context, an important choice is developing the life cycle perspective further into an environmental principle of EU law, while also using it as a yardstick when developing new and reformed EU legislation.