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The Reshaping of the European Economic Sovereignty

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The European Union is reshaping its approach to economic sovereignty in response to an evolving geopolitical context. The erosion of the multilateral system and growing economic fragmentation expose weaknesses in its economic model, primarily oriented toward economic efficiency and securing cheaper supplies. This approach often underestimates security risks and external dependencies, especially in the clean and digital sectors. Therefore, the pursuit of "open strategic autonomy" – connected to strengthening economic sovereignty – has become more urgent. The EU has developed a set of reactive measures, including the Anti-Coercion Instrument, tariffs on Chinese electric vehicles, the Carbon Border Adjustment Mechanism and the Regulation on the control of foreign direct investment. Other proactive measures include the Chips Act, the Net-Zero Industry Act, the Critical Raw Materials Act and the Industrial Accelerator Act. Reshaping Europe's economic sovereignty will, however, require larger governance solutions, addressing structural constraints affecting member states and EU institutions.

The transformation experienced by the geopolitical environment over the past decade[1] has had a significant impact on the European Union; an impact that, it is reasonable to argue, exceeds that experienced by many other countries or economic areas. The repeated blows dealt from multiple directions to free trade and multilateralism – principles that have long guided the EU's action – have placed Europe in a position of particular vulnerability across a wide range of issues and have compelled its institutions to fundamentally rethink their *modus operandi*. The economic matters on which the Union has found itself forced to revise its agenda are numerous; on each of them, Brussels has acted in different ways, seeking to strike an effective balance among the multitude of interests that characterise every EU decision making process. For many dossiers, it is still too early to assess the outcomes of the decisions adopted. Nonetheless, at this stage it is at least possible to examine the strategies pursued and the ways in which the issue of economic sovereignty has acquired growing prominence in the measures outlined by the European institutions.

1. The rise of a new geoeconomic scenario

The economic challenges that have emerged for the EU in recent years can be traced primarily to the evolution of its relations with the three other "powers" shaping the current global order: Russia, China and the United States. The reasons why relations with these three countries have recently shifted differ from one case to another, as do the problems arising from the transformation of each relationship.

1 In our analysis, we take the first election of Donald Trump to the White House, in November 2015, as the "starting point" of this transformation.

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As regards the European shift in orientation toward Moscow, the triggering factor is easily identifiable in the invasion of Ukraine: Putin's aggression pushed the EU to sever ties with Russia and, in doing so, to forgo the purchase of its energy products. At the same time, the increasingly evident expansionist ambitions of the regime have led many European states to increase their defence spending, with a resulting strain on public finances. The transformation in the relationship with China, by contrast, stems from two distinct causes. First, since the outbreak of the Covid-19 pandemic, the EU's trade deficit with Beijing has steadily worsened; a deterioration in the trade balance that reflects China's manufacturing strength but is also a direct consequence of Beijing's adoption of unfair trade practices (e.g., state subsidies and dumping) that disadvantage European firms. Second, China's dominant position in key sectors of the current economic landscape (such as rare earth elements and clean technologies) has highlighted the risk – in some cases already materialised – that the government may use this leverage as a bargaining tool vis-à-vis the EU, exerting economic pressure to obtain advantages on various fronts.[2] With regard to the relationship with the United States, what clearly comes into focus is the more aggressive posture adopted by Washington following the rise of Donald Trump on the political scene. Already during his first term, the Republican politician had created fractures in the transatlantic relationship; with his re-election, these fractures have widened considerably and the EU has found itself, among other things, confronted with the imposition of tariffs and with threats aimed at dismantling EU technological regulations.

Faced with these "challenges", the EU has had to confront its internal vulnerabilities: although fully aware of the need to act, the EU institutions have often had to navigate diverging positions among the member states and the need to find compromises between stances that, in certain circumstances, appeared almost irreconcilable. This complex work of synthesis has been further hindered by the weakening of the Franco-German engine. Berlin and Paris, both experiencing phases of political instability, have not been able to lead European action as they once did and, on several issues, have even found themselves at odds, making the achievement of common decisions even more difficult, especially on industrial and trade policy.

2. The EU's response: Three strategic pillars

Despite these difficulties, the EU has nonetheless succeeded in revising its agenda and creating instruments designed to safeguard the European position in an evolving geopolitical landscape. In the development of these tools, it is reasonable to argue that the European Commission has, on more than one occasion, played a leading role, seeking – as in the case of the Industrial Accelerator Act (discussed below) – to break the deadlocks that had emerged in discussions among the member states. In this respect, three elements serve as the pillars of this new orientation:

- the pursuit of "open strategic autonomy".[3] This expression, articulated in the 2021 Trade Policy Strategy,[4] reflects the EU institutions' intention to balance openness to external markets with the preservation of Europe's role in strategically relevant sectors. It thus tempers the Union's longstanding commitment to free trade and, in 2023, *inter alia*, led to the adoption of the first European Economic Security Strategy, which was later expanded with the 2025 Joint Communication on "Strengthening EU economic security".[5]

2 In this respect, it comes as no surprise that China is the country implicitly targeted in the joint paper recently drafted by Spain, France, Italy, Lithuania and the Netherlands, which calls for the European Union to strengthen the measures protecting its industrial base. See Bounds, Andy, "EU Countries Press for Trade Crackdown on China", in *Financial Times*, 24 May 2026, https://www.ft.com/content/3c70d1b8-5c64-4398-b034-fdab4a0c8abe.

3 On this issue, ex plurimis, refer to Schmitz, Luuk and Timo Seidl, "As Open as Possible, as Autonomous as Necessary: Understanding the Rise of Open Strategic Autonomy in EU Trade Policy", in *Journal of Common Market Studies*, Vol. 61, No. 3 (2023), p. 834-852, https://doi.org/10.1111/jcms.13428.

4 European Commission, *Trade Policy Review - An Open, Sustainable and Assertive Trade Policy* (COM/2021/66), 18 February 2021, https://eur-lex.europa.eu/legal-content/en/TXT/?uri=celex:52021DC0066.

5 European Commission, *Strengthening EU Economic Security* (JOIN/2025/977), 3 December 2025, https://eur-lex.europa.eu/legal-content/en/TXT/?uri=celex:52025JC0977; and *European Economic Security Strategy* (JOIN/2023/20), 20 June 2023, https://eur-lex.europa.eu/legal-content/en/TXT/?uri=celex:52023JC0020.

- support for the multilateral system, while recognising (and managing) its limits. In a context marked by increasingly frequent violations of international law, the EU seeks to preserve international *fora* and to resolve disputes between states by invoking the norms established in multilateral settings. Where international law proves ineffective, however, the Union does not rule out the adoption of unilateral measures.
- the intention to safeguard the core of the transatlantic relationship.

Whereas with China – and even more so with Russia – the EU is willing to erect barriers aimed at protecting not only economic interests, it maintains a more accommodating stance toward the United States, seeking to preserve cooperation on dossiers of particular importance (such as defence). This, however, is not meant to prevent the EU institutions from launching initiatives aimed at reducing Europe's dependence on the US in specific areas.

Building on these three pillars, the EU has in recent years adopted measures of various kinds, at times falling into contradictions that reflect the internal fragilities mentioned above. Overall, we argue that the actions undertaken signal the EU's clear intention to consolidate its economic sovereignty and can be divided into two categories: reactive measures – implemented in response to threats that have already materialised – and proactive measures – designed to anticipate potential future challenges.

3. The reactive measures

The reactive measures adopted by the European Union in recent years are diverse in nature, vary in scope and respond, in some cases, to the behaviour of a specific country and, in others, to actions undertaken by more than one state. Given the breadth of the issue, our analysis will consider only a selected subset of these measures – those which, in our view, best embody the new orientation the EU has assumed in the economic domain: 1) the Anti Coercion Instrument, 2) the tariffs on Chinese electric vehicles, 3) the CBAM Regulation and 4) the EU Export Controls and inbound/outbound Investment Screening Framework.

3.1 The Anti-Coercion Instrument

The Anti Coercion Instrument (ACI) entered into force in December 2023 with the adoption of Regulation 2023/2675.[6] Through this instrument, the EU has equipped itself with the ability to respond – by means of measures of considerable significance, such as tariffs, import/export restrictions, or exclusion from public procurement – to acts of economic coercion carried out by third countries. The potential scope of this tool is such that it could, in practice, almost entirely shut a state out of the European economy: a feature that has led several observers in recent years to describe the ACI as the Union's "trade bazooka".

The reasons why the EU felt the need to create such a mechanism were explained by the Commission's Vice President, Valdis Dombrovskis, who stated in 2021 that, in a time marked by "rising geopolitical tensions", the EU and its member states were increasingly confronted with situations "of economic intimidation".[7] In light of this, it became necessary for the Union to equip itself with a new instrument capable of responding adequately to threats posed by third countries against the European economic interests.

The EU's intention to establish this tool was further reinforced by the substantial ineffectiveness of multilateral organisations in preventing and sanctioning acts of economic intimidation. In the current geopolitical context, recourse to bodies such as the World Trade Organization (WTO) no longer guarantees a satisfactory resolution of major trade disputes, which often become bogged down in lengthy and unproductive proceedings. That said, in designing the ACI, the EU established a multi step procedure

6 For a comprehensive analysis of the instrument, see Freudlsperger, Christian and Sophie Meunier, "When Foreign Policy Becomes Trade Policy: The EU's Anti-Coercion Instrument", in *Journal of Common Market Studies*, Vol. 62, No. 4 (July 2024), p. 1063-1079, https://doi.org/10.1111/jcms.13593.

7 European Commission, *EU Strengthens Protection against Economic Coercion*, 8 December 2021, https://ec.europa.eu/commission/presscorner/detail/en/ip_21_6642.

ensuring careful assessment of each case and the opening of a dialogue with the country "accused" of coercive behaviour – only once such dialogue is deemed ineffective may the Union adopt countermeasures, which must in any event be proportionate to the harm suffered and consistent with international law.

It is reasonable to argue that the state the EU legislator primarily had in mind when drafting this instrument was one in particular: China.[8] At the time, Beijing had made clear that, under certain circumstances, it was willing to use its position of strength in international trade to exert pressure on other countries, in open violation of international norms. In this regard, after witnessing the "treatment" inflicted on Australia, the EU also observed the aggressive stance adopted toward one of its own member states, Lithuania, following Vilnius's decision to allow the opening of a Taiwanese representative office on its territory – an aggressiveness that translated into Beijing's attempt to sever the small Baltic country's economic ties with China.[9] That said, it is interesting to note that, since the ACI entered into force, discussions surrounding the instrument have focused not so much on China as on the United States. Indeed, since Donald Trump's return to the White House, various politicians and commentators have invoked the possibility of activating the instrument against Washington in order to respond to the forceful posture adopted by the American administration towards the EU: this occurred, for example, after the announcement of "liberation day" tariffs and following Trump's threats to "conquer" Greenland.[10] It is reasonable to state, however, that activating the ACI against the United States has never been seriously contemplated, given Europe's dependence on the US in several strategic sectors (such as technology and defence) and the intention of the EU institutions – as well as of several member states – to preserve an alliance based relationship with the other side of the Atlantic.

3.2 Tariffs on Chinese BEVs

In recent years, the number of Chinese cars imported into Europe has grown significantly, surpassing one million vehicles in 2025.[11] Within this broader trend, particular attention has been drawn to the sales of Battery Electric Vehicles (BEVs) produced in China, which have gained increasing market share in the EU, largely due to their favourable quality to price ratio. The penetration of Chinese BEVs into the European market can certainly be explained by the substantial know how acquired by Chinese manufacturers in this sector: after decades of investment, Beijing has developed remarkable technological and production capabilities, enabling it to offer consumers vehicles of far higher quality than in the past. At the same time, however, the conviction has taken hold that Chinese producers benefit from significant state support, allowing them to operate under more advantageous conditions than their competitors; financial assistance that, in turn, generates market distortions with particularly negative consequences for foreign manufacturers. These concerns about potential anti competitive practices prompted the EU institutions to act in order to protect domestic car production – a longstanding pillar of European manufacturing that, for reasons not limited to the "China factor", has entered a phase of acute crisis in recent years.

The Union's defensive action on this dossier began with the statement delivered by President von der Leyen in her 2023 State of the Union address, in which she acknowledged that the global automotive market was being flooded with low cost Chinese BEVs whose prices were "kept artificially low by huge

8 We refer here to the aggressive trade policy applied by China following Canberra's request to launch an independent investigation into the origins of the Covid-19 virus. Regarding this issue, consider Wilson, Jeffrey, "Australia Shows the World what Decoupling from China Looks Like", in *Foreign Policy*, 9 November 2021, https://foreignpolicy.com/2021/11/09/australia-china-decoupling-trade-sanctions-coronavirus-geopolitics.

9 Cfr. Zeneli, Valbona, "Lithuania's Policy on China: An Unlikely EU Trailblazer", in Zoltán Fehér and Valbona Zeneli (eds), "Is Europe Waking up to the China Challenge? How Geopolitics Are Reshaping EU and Transatlantic Strategy", in *Atlantic Council Reports*, 10 November 2025, https://www.atlanticcouncil.org/?p=881558.

10 About this topic, see Gijs, Camille et al., "EU Agonizes over Using Its Trade 'Bazooka' to Hit Back at Trump's Mega Tariff", in *Politico EU*, 7 April 2025, https://www.politico.eu/?p=6436728; and García Bercero, Ignacio, "The End of the Tunberry Truce: How the EU Should React to US Coercion over Greenland, in *Bruegel First Glance*, 20 January 2026, https://www.bruegel.org/node/11695.

11 The evolution of the import-export dynamic is described by the European Automobile Manufacturers' Association, *Economic and Market Report. Global and EU Auto Industry. Full Year 2025*, April 2026, p. 17, https://www.acea.auto/?p=55282.

state subsidies".[12] These remarks were followed, on 4 October 2023, by the Commission's decision to open an investigation into the matter. After several months of inquiry, the EU decided in 2024 to impose additional tariffs of up to 35.3 per cent on BEVs produced in China.[13] The Union adopted this measure despite significant opposition. The most vocal critic was, unsurprisingly, the Chinese government, which not only brought the issue before the WTO but also threatened (and imposed) counter tariffs on certain European products.[14] Another important dissenting voice was that of the German government at the time (the so-called "traffic-light coalition"), which voted against the Commission's decision, fearing above all negative repercussions for German car manufacturers operating in China.[15] Finally, various actors warned that such a decision risked undermining the transition to electric mobility in Europe – with potentially harmful environmental consequences.

In January 2026, partly as a result of dialogue with the Chinese government, the Commission published a guidance document allowing Chinese manufacturers to avoid the application of tariffs if they commit to certain obligations vis-à-vis the EU (including, for example, compliance with a predetermined minimum sale price and commitments to future investment in Europe).[16] It is noteworthy that the first entity to benefit from this exemption was a Sino German joint venture (Volkswagen-Anhui), a fact that highlights how, in past years, even major European manufacturers relocated parts of their production to China, thereby contributing both to the strengthening of China's automotive sector and to the weakening of Europe's own.[17]

3.3 CBAM

CBAM represents another instrument to shield the European market from unfair competition arising from competitors subjected to less stringent climate regulation and with higher carbon intensity industrial production. Although framed by Regulation (EU) 2023/956 as an environmental policy instrument, the mechanism also functions as a trade and industrial policy tool aimed at levelling the playing field between European firms subject to carbon pricing under the EU Emissions Trading System (ETS) and foreign producers operating under weaker or non-existent carbon pricing regimes.[18] In this sense, CBAM aims to equalise carbon costs between domestic and imported goods while reducing the risk of carbon leakage – that is, the process of companies relocating production to countries with weaker emission regulations.[19]

The mechanism entered into force on 1 October 2023 with a transitional phase extending until the end of 2025. During this initial stage, importers were required to report the embedded emissions of imported goods without purchasing CBAM certificates. The system applies to six highly emissions-intensive and trade-exposed sectors: iron and steel, aluminium, cement, fertilisers, electricity and hydrogen. From

12 European Commission, *2023 State of the Union Address by President von der Leyen*, 13 September 2023, https://ec.europa.eu/commission/presscorner/detail/en/speech_23_4426.

13 This decision was adopted through Implementing Regulation (EU) 2024/2754. The percentage applied varies according to the data provided by Chinese manufacturers: the 35.3 per cent rate is imposed on non-cooperating companies which, during the investigation, did not share the information requested by the European institutions.

14 Among the European products targeted by China is, for example, brandy – an alcoholic beverage of great importance to France, one of the main supporters of imposing tariffs on Chinese BEVs. On this issue, consult "France and China Make Steps to Resolve Brandy Tax Dispute, Despite 'Major Issues'", in *Le Monde*, 4 July 2025, https://www.lemonde.fr/en/china/article/2025/07/04/china-starts-eu-brandy-anti-dumping-tax-on-saturday_6743014_162.html.

15 Cfr. Coi, Giovanna et al., "Mission Impossible: Germany's Bid to Kill EU Duties on Chinese EVs", in *Politico EU*, 24 September 2024, https://www.politico.eu/?p=5403501.

16 European Commission DG for Trade, *Commission Issues Guidance Document on Submission of Price Undertaking Offers for Battery Electric Vehicles from China*, 12 January 2026, https://policy.trade.ec.europa.eu/node/1952_en.

17 European Commission, *Commission Implementing Decision (EU) 2026/328 of 9 February 2026 Accepting an Undertaking Offered in Connection with the Anti-Subsidy Measures Concerning Imports of New Battery Electric Vehicles Designed for the Transport of Persons Originating in the People's Republic of China for the Period of Application of Definitive Measures*, 9 February 2026, https://eur-lex.europa.eu/eli/dec_impl/2026/328/oj/eng.

18 European Parliament and Council of the EU, *Regulation (EU) 2023/956 of 10 May 2023 Establishing a Carbon Border Adjustment Mechanism*, https://eur-lex.europa.eu/eli/reg/2023/956/oj/eng.

19 Wang, Maria and Tero Kuusi, "Trade Flows, Carbon Leakage, and the EU Emissions Trading System", in *Energy Economics*, Vol. 134 (June 2024), Article 107556, https://doi.org/10.1016/j.eneco.2024.107556.

January 2026, CBAM has entered its definitive phase, introducing the obligation to purchase certificates corresponding to the embedded emissions of imported products. The price of these certificates will be directly linked to the EU ETS allowance price. This has seen fluctuations in recent years, touching 100 euros/tCO_2 in early 2023, when CBAM entered its first phase, and then between approximately 60 euros and 80 euros/tCO_2 during 2025.[20]

The capacity of CBAM to effectively protect European industry from external competition remains dependent on several factors. The transitional phase has already demonstrated that the effectiveness of the mechanism is highly dependent on design choices, including emissions accounting methodologies and sector-specific characteristics. First, CBAM calculates costs using a standardised benchmark for the CO_2 emissions intensity of each product, when actual emissions data is not available and verified, with the current benchmark being considered by many European firms too generous to their competitors.[21] Second, in sectors such as steel, CBAM may prove less effective than anticipated due to transformations occurring within global production systems, particularly in China, the main responsible for the current oversupply.[22] While a significant share of Chinese steel production remains highly carbon-intensive, the country's rapid expansion of electric arc furnaces could allow producers to develop differentiated supplies in which lower-carbon steel is exported to the EU market, while more carbon-intensive production is directed towards third markets with weaker environmental standards. Because Chinese competitive advantage in the steel sector is mainly traceable to government subsidisation – around ten times higher than that of OECD countries – the EU is likely to still have to address the cheaper flux of less carbon-intensive Chinese steel in the near future. Another limitation of the current CBAM framework is that its limited coverage of a specific set of commodities may lead to its circumvention by increasingly shifting exports towards finished or processed goods incorporating those same materials.[23]

3.4 FDI screening, export controls and outbound investment screening

The EU's use of trade and investment instruments has become increasingly central to protecting critical infrastructures and strategic assets. This is most evident in the evolution of EU's stance towards foreign direct investment (FDI) and their control. Although FDI is an exclusive competence of the EU under the common commercial policy as stated in Art. 207 TFEU, its control instead belongs to the exclusive competence that member states hold over matters of national security and public order. Nevertheless, with Regulation (EU) 2019/452,[24] the EU has introduced a FDI screening framework at the EU level, which provides a coordinated system for assessing risks linked to foreign investments in sensitive sectors, while leaving final decisions to member states. The FDI Regulation provides a list – by way of example and not exhaustively – encompassing a wide range of sectors and areas that could potentially impact security and public order and that might be relevant in the assessment conducted by each member state. The list includes: i) critical infrastructures (whether physical or virtual), including communications, media, data processing or storage, aerospace, defence, sensitive facilities, as well as investments in land and buildings critical to the use of such infrastructures; ii) critical technologies and dual-use items, including artificial intelligence, robotics, semiconductors, cybersecurity, aerospace, defence, quantum and nuclear technologies, as well as nanotechnology and biotechnology; iii) security of supply of critical production factors, including raw materials; iv) access to, or the ability to control, sensitive information, including

20 European Commission DG for Economic and Financial Affairs, *European Economic Forecast Autumn 2025*, 17 November 2025, p. 81, https://doi.org/10.2765/2173364.

21 Guillot, Louise, "EU Carbon Border Tax Goes Easy on Dirty Chinese Imports, Industry Warns", in *Politico EU*, 1 December 2025, https://www.politico.eu/?p=7556568.

22 OECD, *Surging Excess Capacity Threatens Steel Market Stability, Employment, and Decarbonisation Plans*, 27 May 2025, https://www.oecd.org/en/about/news/press-releases/2025/05/surging-excess-capacity-threatens-steel-market-stability-employment-and-decarbonisation-plans.html.

23 Yermolenko, Halina, "Chinese Steelmakers Are Coordinating Their Efforts in Response to the European CBAM", in *GMK Center News*, 16 April 2026, https://gmk.center/?p=122643.

24 European Parliament and Council of the EU, *Regulation (EU) 2019/452 of 19 March 2019 Establishing a Framework for the Screening of Foreign Direct Investments into the Union*, http://data.europa.eu/eli/reg/2019/452/2021-12-23.

personal data; v) media freedom and their pluralism. The Regulation has undergone a revision[25] to address procedural shortcomings emerged so far[26] and to introduce greater harmonisation in the face of evolving challenges. On 8 June 2026, the Council gave its final approval to the revised EU FDI screening regulation, with the goal to strengthening the EU's ability to identify, assess and address risks to security and public order linked to certain foreign investments. This includes requiring all member states to establish investment screening mechanisms ensuring coverage of a common minimum set of sensitive sectors, technologies and critical infrastructure. These would typically encompass areas such as dual-use goods and military equipment, critical raw materials, artificial intelligence, energy, transport and digital infrastructure, and would also extend to foreign investments channelled through EU-based subsidiaries. At the same time, member states would retain full responsibility for taking final screening decisions under their respective national frameworks. Complementing this, the Industrial Accelerator Act (IAA),[27] adopted by the Commission in March 2026, introduces new requirements such as enhanced public procurement rules, fast-tracked permitting and a stricter FDI screening mechanism for emerging strategic sectors (e.g. battery technologies and their value chain; electric vehicles, hybrid vehicles and components; solar photovoltaic technology; and extraction, processing and recycling of critical raw materials).

A telling example of the growing relevance of the reliance of FDI screening mechanism is the so-called Nexperia case in the Netherlands, where national authorities intervened on security grounds in the semiconductor sector. Similar dynamics can be observed in other member states, as highlighted by the results of the annual report released by the EU Commission. Overall, member states operating national screening mechanisms handled a total of 3,136 requests for authorisation and ex officio cases initiated by competent authorities, up from 1,808 in 2023 and 1,444 in 2022. Of these, 41 per cent were formally screened, while approximately 59 per cent were either deemed ineligible or did not require formal screening.[28] While formally adopted at the national level, the measure reflects the broader "geo-economic turn"[29] at the EU level toward heightened scrutiny of foreign investments in strategic industries. At the same time, it highlights the inherently decentralised nature of FDI screening, which reflects the existing division of competences between the EU and its member states. Nevertheless, the risks of potentially uneven implementation of common economic security priorities, could be at least partially mitigated through the revision of the Regulation aimed at strengthening coordination and harmonisation.

By contrast, outbound investment control remains at an exploratory stage. While concerns have grown over the potential transfer of sensitive technologies and know-how abroad, the EU has so far adopted a cautious approach, focusing on monitoring rather than restriction. Initiatives such as the 2024 White Paper on Outbound Investment[30] and the subsequent 2025 Commission recommendation[31] aim to improve data collection, risk assessment and coordination among member states, with further policy action still under consideration following ongoing assessments expected to conclude by 2026.

Finally, export controls represent another relevant instrument in this toolkit. The EU does not have the necessary legal provisions to adopt uniform export controls at the European Union's level independently

25 European Commission DG for Trade, *Revision of the EU's Foreign Investment Screening Mechanism*, 11 December 2025, https://policy.trade.ec.europa.eu/node/1939_en.

26 OECD, *Framework for Screening Foreign Direct Investment into the EU. Assessing Effectiveness and Efficiency*, Paris, OECD Publishing, January 2022, https://doi.org/10.1787/f75ec890-en; European Court of Auditors, "Screening Foreign Direct Investments in the EU. First Steps Taken, But Significant Limitations Remain in Addressing Security and Public-Order Risks Effectively", in *ECA Special Reports*, No. 27/2023 (December 2023), https://www.eca.europa.eu/en/publications?ref=SR-2023-27.

27 European Commission, *Questions and Answers on the Industrial Accelerator Act*, 4 March 2026, https://ec.europa.eu/commission/presscorner/detail/en/qanda_26_516.

28 European Commission, *Fifth Annual Report on the Screening of Foreign Direct Investments into the Union* (COM/2025/632), 14 October 2025, https://eur-lex.europa.eu/legal-content/en/TXT/?uri=celex:52025DC0632.

29 Bauerle Danzman, Sarah and Sophie Meunier, "The EU's Geoeconomic Turn: From Policy Laggard to Institutional Innovator", in *Journal of Common Market Studies*, Vol. 62, No. 4 (July 2024), p. 1097-1115, https://doi.org/10.1111/jcms.13599.

30 European Commission, *White Paper on Outbound Investments* (COM/2024/24), 24 January 2024, https://eur-lex.europa.eu/legal-content/en/TXT/?uri=celex:52024DC0024.

31 European Commission, *Commission Calls on Member States to Review Outbound Investments and Assess Risks to Economic Security*, 15 January 2025, https://ec.europa.eu/commission/presscorner/detail/en/ip_25_261.

from what is adopted in the multilateral regimes. Nevertheless, the Regulation (EU) 2021/821 on dual-use items[32] (i.e. sensitive goods, software and technology that can be used for both civilian and military applications) created a new way for the publication and coordination among member states of "national control lists". This means that, even if national export controls adopted by one member state do not automatically apply in others, the EU Compilation of National Control Lists enables other member states to adopt the same measures. This mechanism facilitates faster coordination and allows the EU to respond more swiftly to risks associated with sensitive or emerging technologies.

4. The proactive measures

Proactive measures, building on the identification of "critical" trends, aim to anticipate potential future threats to the European economy. As in the case of defensive actions, some are adopted with specific reference to the behaviour of a particular state, while others draw inspiration from broader dynamics involving multiple countries. Recent measures falling under this category include 1) the EU Chips Act, 2) the Net-Zero Industry Act and the Industrial Accelerator Act, 3) the Critical Raw Materials Act and the ResourceEU Plan and 4) the recent wave of trade agreements negotiated by the Commission.

4.1 EU Chips Act

The semiconductor sector became a matter of central relevance for EU institutions during the years of the Covid-19 pandemic. It was indeed between 2021 and 2022 that an increasing number of policy-makers began to highlight the need to strengthen domestic production in this field, particularly in light of the chip shortage experienced at the time by many European companies. This shortage of semiconductors – felt especially in the automotive sector – was linked to a rapid surge in global demand following a phase in which, due to the lockdowns imposed during the health emergency, several firms had cancelled their semiconductor orders (thus depleting their inventories).[33] Further reinforcing the perceived need for a new European initiative in this area was the awareness that, within the European Union – despite being home to the world's leading manufacturer of chip processing equipment (the Dutch company ASML) – there were no major firms engaged in the design and production of the most technologically advanced semiconductors. At the same time, growing concern emerged over the fact that the country at the centre of global semiconductor manufacturing (namely Taiwan) was increasingly becoming the target of China's expansionist ambitions.

Against this backdrop, in her 2021 State of the Union address, President von der Leyen, emphasising the centrality of this sector in the contemporary economy, announced the imminent presentation by the Commission of a legislative proposal on chips, which eventually led to the adoption of the European Chips Act Regulation (which entered into force on 21 September 2023). With this piece of legislation, the EU sought to respond to measures adopted by other countries (most notably the US Chips and Science Act) and set out five wide-ranging objectives,[34] in addition to the quantitative goal of raising Europe's share of global semiconductor production to at least 20 per cent by 2030. To pursue these aims, the Regulation structured EU action around three pillars:[35] 1) the creation of the Chips for Europe Initiative;[36] 2) the

32 European Parliament and Council of the EU, *Regulation (EU) 2021/821 of 20 May 2021 Setting up a Union Regime for the Control of Exports, Brokering, Technical Assistance, Transit and Transfer of Dual-Use Items*, https://eur-lex.europa.eu/eli/reg/2021/821/oj/eng.

33 Regarding the semiconductor shortage experienced in the aftermath of the Covid-19 pandemic, see Attinasi, Maria Grazia et al., "The Semiconductor Shortage and Its Implications for Euro Area Trade, Production and Prices", in *ECB Economic Bulletin*, No. 4/2021, https://www.ecb.europa.eu/press/economic-bulletin/focus/2021/html/ecb.ebbox202104_06~780de2a8fb.en.html.

34 The five objectives are set out in Article 4(2) of Regulation 2023/1781 (Chips Act). See European Parliament and Council of the EU, *Regulation (EU) 2023/1781 of 13 September 2023 Establishing a Framework of Measures for Strengthening Europe's Semiconductor Ecosystem*, https://eur-lex.europa.eu/eli/reg/2023/1781/oj/eng.

35 These pillars are exposed in Article 1 of the Chips Act.

36 This initiative, as set out in Article 4 of the Regulation, primarily seeks to strengthen R&D investment so as to enhance Europe's position in the design and production of cutting edge semiconductors.

establishment of an ad hoc State aid regime for companies producing "'first-of-a-kind' facilities and that foster the security of supply and the resilience of the Union's semiconductor ecosystem";[37] and 3) the set-up of an intra EU coordination mechanism designed to address sectoral disruptions.

More than two years after the Regulation entered into force, it is now possible to assess some of its outcomes. Overall, it is reasonable to argue that the Chips Act has not – at least so far – succeeded in expanding the European semiconductor sector as originally envisaged, although it has nonetheless produced some positive results: indeed, while domestic manufacturing has recorded (modest) growth, the EU remains far from achieving a 20 per cent share of global production, and the continent still lacks major players operating in the field of the most technologically advanced chips.[38] In this regard, as some scholars have noted,[39] the Regulation has primarily been used to channel state aid towards "national champions" producing mature node chips – semiconductors that are widely used in the automotive sector. At the same time, the volume of funding mobilised for research and development appears to be significantly lower than what would be required to trigger a broad based process of knowledge expansion.

A reconsideration of the Regulation – shifting its focus more decisively towards R&D development, rather than the allocation of national funds to players operating in non cutting edge segments – has therefore been called for by several observers. Thus, the proposal for a regulation on the so-called Chips Act 2.0 was released in June 2026,[40] as part of the EU's flagship Tech Sovereignty Package – an ambitious legislative and strategic framework aimed at reducing the Union's dependence on foreign technology providers, particularly the United States and China, for critical digital infrastructure, thereby strengthening EU sovereignty within the digital ecosystem. Building on the original framework, the new chips initiative advocates for greater emphasis on the demand side: indeed, rather than focusing solely on attracting semiconductor fabrication plants, it promotes the development of demand accelerators to better connect European chip manufacturers with key end-user industries, such as connected vehicles, cloud service providers and AI gigafactories – a key element in this regard is the link of the revised Chips Act with the Cloud and AI Development Act (CADA).[41] Likewise, the proposal seeks, *inter alia*, to streamline implementation by reducing regulatory friction (including the introduction of a maximum 12-month timeframe for project approval processes) and to create a mechanism that, in the event of a crisis in the semiconductor sector, would confer significant power to the European Commission in order to prioritise certain deliveries over others.[42]

37 According to Article 2 of the Chips Act, the expression "first-of-a-kind facility" refers to "a new or substantially upgraded semiconductor manufacturing facility, or a facility for the production of equipment or key components for such equipment predominantly used in semiconductor manufacturing, which provides innovation with regard to the manufacturing process or final product that is not yet substantively present or committed to be built within the Union, including innovation that concerns improvements in computing power or in the level of security, safety or reliability, energy and environmental performance, the technology node or substrate materials, or in the implementation of production processes that lead to efficiency gains, or improves recyclability, or reduces production inputs".

38 These assessments have also been expressed by the European Court of Auditors, in its report "The EU's Strategy for Microchips", in *ECA Special Reports*, No. 12/2025 (April 2025), https://www.eca.europa.eu/en/publications?ref=sr-2025-12.

39 Refer to Gros, Daniel, "A European Niche Strategy in the Global Chips War", in *EconPol Forum*, Vol. 27, No. 1 (29 January 2026), p. 21-27, https://www.ifo.de/en/node/87127; and Falck, Oliver et al., "Rethinking the EU Chips Act: Europe Should Strengthen Its Strategic Assets Instead of Subsidizing National Champions", in *Ifo Institute Opinions*, 13 February 2026, https://www.ifo.de/en/node/87266.

40 European Commission DG for Communications Networks, *Proposal for the Chips Act 2.0*, 3 June 2026, https://digital-strategy.ec.europa.eu/en/node/16825.

41 CADA is another pillar of the Tech Sovereignty Package and aims "to strengthen Europe's sovereignty and competitiveness in the cloud and AI ecosystem". See European Commission DG for Communications Networks, *Cloud and AI Development Act*, 3 June 2026, https://digital-strategy.ec.europa.eu/en/node/16753.

42 This is envisaged by article 42 of the *Proposal for a Regulation on a Framework of Measures for Strengthening the Union's Semiconductor Ecosystem, Repealing Regulation (EU) 2023/1781 (Chips Act 2.0)*, (COM/2026/504), 3 June 2026, https://eur-lex.europa.eu/legal-content/en/TXT/?uri=celex:52026PC0504.

4.2 The Net-Zero Industry Act and the Industrial Accelerator Act

The Net-Zero Industry Act (NZIA) entered into force in June 2024 and aims to ensure that, by 2030, 40 per cent of the EU's demand for technologies considered necessary to achieve climate neutrality is satisfied domestically. The list of supported sectors covers 19 technologies, such as wind turbines, solar PV components, electrolyzers and batteries, but also carbon capture and storage (CCS), biomethane systems and nuclear technologies. Strong polarisation between member states and groups in the European Parliament has led to this broad approach in selecting which technologies should qualify for support, relegating strategic sector identification to the background in favour of coalition-building and compromise, producing an extended list. This was shown – for example – by the final inclusion of nuclear technologies to gather the support of France, Hungary, Croatia, Bulgaria, Romania and the Czech Republic, necessary for passing the legislation.[43]

Despite this wide sectoral scope, the NZIA includes provisions in line with a more proactive economic sovereignty. It defines "net-zero strategic projects" as those that add domestic manufacturing capacity in sectors where the EU depends on third countries for more than 50 per cent of supply. However, this category does not consider the degrees of competitiveness and vulnerability to shocks of different sectors and does not establish tailored approaches to address them. European PV panel production – for example – has been largely reduced to marginality because of the excessive gap in production costs with external producers, such as China and India. On the other hand, technologies could become competitive at least in the European market if adequately supported. For instance, while the EU share of global production of wind components declined from 58 per cent in 2017 to 30 per cent in 2022, and the EU share of lithium-ion battery production remains at barely 8 per cent of global output, tailored public support could allow European companies to establish a foothold to satisfy at least domestic European demand.[44]

This support could take the form of criteria favouring locally produced products and components in public procurement. In this regard, the Industrial Accelerator Act (IAA) (in addition to the increased FDI screening considerations examined in the previous section) introduces innovations related to local content requirements. The IAA estimates that the EU public procurement market has a value of approximately 2 trillion euros per year and proposes the introduction of "Made in EU" requirements – especially in sectors such as EVs, wind turbines, solar technologies, hydrogen technologies and cement – to direct demand toward European companies.[45]

The IAA aims to increase European manufacturing capacity so that, by 2035, it will represent 20 per cent of EU GDP. Together with these local content requirements, it also proposes the establishment of Industrial Manufacturing Acceleration Areas (IMAAs). IMAAs would be economic areas benefiting from simplified and accelerated permitting procedures for manufacturing projects. This idea expands on a previous NZIA innovation: the Net-Zero Acceleration Valleys, although for now these initiatives have mainly been limited to Germany (e.g. the Net-Zero Industry Valleys of Lausitz and NetZero Nordwest Deutschland in Niedersachsen).[46]

Both the NZIVs and the IMAAs present themselves as geographical clusters intended to attract and promote companies in related supply chains through public support in the permitting phase and easier access to funding. Support for industrial clusters is not a total innovation for the current Commission. In 2019, at the beginning of its first term, President von der Leyen launched a European group of experts on clusters to study how geographic agglomeration could potentially offer benefits both in terms of economic

43 Arroyo, Jane, "What's Net-Zero? Strategic Green Technology Identification in the European Net-Zero Industry Act", in *Politics and Governance*, Vol. 14 (2026), Article 11268, https://doi.org/10.17645/pag.11268.

44 Ragonnaud, Guillaume, "Implementing the EU's Net-Zero Industry Act", in *EPRS Briefings*, February 2025, https://www.europarl.europa.eu/thinktank/en/document/EPRS_BRI(2025)769489.

45 European Commission, *Proposal for a Regulation Establishing a Framework of Measures for the Acceleration of Industrial Capacity and Decarbonisation in Strategic Sectors* (COM/2026/100), 4 March 2026, https://eur-lex.europa.eu/legal-content/en/TXT/?uri=celex:52026PC0100.

46 About this topic, see the website of the Lower Saxony Ministry for Economic Affairs, Transport and Construction: *NetZero Nordwest Deutschland*, https://www.mw.niedersachsen.de/startseite/uber_uns/presse/presseinformationen/netzero-nordwest-deutschland-237797.html; and the official website of the Net-Zero Industry Valleys of Lausitz: https://www.netzerovalley.eu.

efficiency and resilience against supply shocks.[47] This approach was considered significant in connection to the development of emerging sectors – such as clean and digital technologies – which require a specialised workforce, whose technical skills were not widespread. One of the goals of the analysed measures is indeed also facilitate the development of this specialised labour pools, fostering specialised services.

IMAAs, in particular, aim to broaden the scope of the NZIA by supporting clusters not just for emerging technologies, but for traditional manufacturing sectors as well. These include steel and iron production, cement, chemicals, aluminium, glass, pulp and paper, refineries and ceramics, all industries that are both highly exposed to international competition and heavily dependent on large energy inputs, penalising European companies in comparison to external competitors.

4.3 The Critical Raw Materials Act and the ResourceEU Plan

Another dimension of EU economic sovereignty is related to its high dependency on external suppliers of critical raw materials (CRMs). The risks stemming from the EU's dependency in this sector became evident in October 2025, when Beijing imposed export restrictions on rare earth elements – necessary in a range of technologies, including batteries and defence systems – to pressure the US administration before their upcoming trade talks. The measure had cascading effects on the EU, with firms like Volkswagen, Stellantis, Siemens, Bosch, Solvay and Umicore reporting higher input costs and a shortage of materials. Indeed, according to the European Central Bank, many European companies are "no more than three intermediaries away from a Chinese REE producer".[48]

The Critical Raw Materials Act – approved in March 2024 – aims to address these vulnerabilities.[49] It identifies a set of 34 materials essential for technologies of the green and digital transitions. The Act states that by 2030, 10 per cent of the EU's annual requirements of these materials will need to be extracted domestically, 40 per cent processed within the EU, 25 per cent sourced from recycling. It also establishes that no more than 65 per cent should come from a single third country. To reach these goals, the CRMA allows for selected initiatives related to extraction, processing and recycling to get fast-track authorisation and easier access to funding. One of the main components of the Act is its attempt at external projection and trade diversification. Indeed, since 2021 the EU has pushed Strategic Partnerships for Critical Raw Materials (CRMPs), both as a trade tool and a "resource diplomacy" instrument. These take the form of Memoranda of Understanding and include provisions for collaboration across the entire raw materials value chain, covering activities such as extraction, processing and refining, recycling and circular economy initiatives, as well as research, innovation, workforce development and skills formation. The CRMA seeks to translate these partnerships into concrete Strategic Projects (SPs), with specific initiatives benefitting from faster permitting procedures (with maximum timelines of 27 months for extraction projects and 15 months for processing activities). In December 2025, the Commission also published its RESourceEU Action Plan to enhance financing, faster permitting and trade with like-minded partners in the field of critical raw materials.[50] Specifically, it targets rare earth elements (REE), aiming to cut dependency on any single foreign supplier by between 30 and 50 per cent by 2029.[51] The Plan also proposed the creation of the European Critical Raw Materials Centre (CRMC), a mechanism for pooling demand through joint purchasing, in a similar way to the AggregateEU system in the gas sector. The Plan comes amid a more

47 European Expert Group in Clusters, *Recommendation Report*, Luxembourg, Publications Office of the EU, 2021, https://doi.org/10.2873/025534.

48 Banin, Mattia et al., "How Vulnerable Is the Euro Area to Restrictions on Chinese Rare Earth Exports?", in *ECB Economic Bulletin*, No. 6/2025, https://www.ecb.europa.eu/press/economic-bulletin/focus/2025/html/ecb.ebbox202506_01~44d432008e.en.html; and Davidson, Helen, "China Steps Up Control of Rare-Earth Exports Citing 'National Security' Concerns", in *The Guardian*, 9 October 2025, https://www.theguardian.com/p/x3d837.

49 European Parliament and Council of the EU, *Regulation (EU) 2024/1252 of 11 April 2024 Establishing a Framework for Ensuring a Secure and Sustainable Supply of Critical Raw Materials*, https://eur-lex.europa.eu/eli/reg/2024/1252/oj/eng.

50 European Commission, *RESourceEU Action Plan* (COM/2025/945), 3 December 2025, https://eur-lex.europa.eu/legal-content/en/TXT/?uri=celex:52025DC0945.

51 Sanderson, Henry, "Europe's New Critical Minerals Plan Will Unlock New Resources, But Permitting and Chinese Involvement Remain Key Hurdles", in *OIES Energy Comments*, December 2025, https://www.oxfordenergy.org/?p=49047.

promising investment trend in Europe, especially in the lithium sector. Positive signs can be seen in recent initiatives such as Vulcan Energy raising 2.5 billion euros for its lithium project in Germany, which was later also supported by the European Investment Bank's parallel grant of 250 million euros. Similarly, the Czech Republic's allocation of 360 million euros to support the Cinovec Lithium Project represents a promising signal, especially given the country's large lithium reserves.[52]

4.4 Trade agreements

The European Union's aspiration to create and consolidate trade relations with a wide range of states is not a development of recent years; rather, it can be said to be a defining feature of the Union since its very inception. Nonetheless, it is reasonable to argue that the recent evolution of geopolitical dynamics has strengthened the EU's efforts in this direction, prompting Brussels to accelerate work on dossiers that have long been under discussion.

Several factors have certainly contributed to convincing EU institutions of the need to expand their network of trade agreements: the Covid 19 pandemic, Europe's dependence on China in key sectors of the contemporary economy, and the deterioration of relations with Russia. That said, it is evident that the factor which, more than any other, has recently driven the EU to seek new trade partners has been the aggressive posture adopted by the United States following Donald Trump's return to the White House. Indeed, the large scale tariffs imposed by Washington have pushed the European Union to look for new markets for its goods and have led several policymakers to conclude that the time had come for the EU to place itself at the centre of a broad trade network, in which Brussels' predictability and stability would be perceived by partners as a highly valuable asset. In weaving this set of agreements, the institutions have attached particular importance to the ideological affinity of their counterparts, seeking to act in line with the logic of friendshoring, with the aim of reducing the risk of future retaliation or coercive threats. At the same time, it is important to stress that the Union did not start from a blank slate; rather, it chose to work toward unblocking negotiations that had been launched years earlier and had stalled for various reasons. In this regard, five developments stand out for their significance, all of which have taken place since Trump's re-election in November 2024:

1. *The signing of the trade agreement with Mercosur*. This agreement – under discussion for more than 25 years – was approved by the Council of the European Union in early 2026 and has been applied provisionally (following the European Parliament's appeal to the Court of Justice of the European Union) since 1 May.[53]
2. *The revision of the partnership agreement with Mexico*. EU-Mexico trade relations have been governed since 2000 by the Economic Partnership, Political Coordination and Cooperation Agreement. In January 2025, negotiations were concluded for its replacement with the EU-Mexico Political, Economic and Cooperation Strategic Partnership Agreement.
3. *The conclusion of negotiations on the agreement with Australia*. The free trade agreement with Canberra has been under discussion since 2018. After a prolonged stalemate, negotiations were concluded on 24 March 2026.[54] Signature is expected between the end of this year and the beginning of the next, pending approval by the European Parliament and the Council.
4. *The conclusion of negotiations on the agreement with India*. Negotiations with New Delhi began in 2007 and were suspended in 2013. After being relaunched in 2022, they were concluded in January of this year. As in the case of Australia, the agreement will require approval by the Parliament and the Council in order to enter into force.[55]

52 European Commission, *RESourceEU Action Plan*, cit.

53 On the provisional application of the Mercosur agreement, see Alcidi, Cinzia, "The Provisional Application of the EU-Mercosur Agreement Matters… Despite the Legal Uncertainty", in *CEPS Expert Commentaries*, 28 April 2026, https://www.ceps.eu/?p=57723.

54 It is in this regard noteworthy that as recently as 2023 negotiations between Australia and the European Union appeared to have reached a dead end. Refer to Sapir, André, "The Reason for the European Union-Australia Trade Negotiation Hiccup", in *Bruegel Analysis*, No. 31/2023 (2 November 2023), https://www.bruegel.org/node/9496.

55 On the potential impact of the EU-India trade agreement on both economies, see the analysis elaborated by Hinz, Julian et al.,

5. *The conclusion of negotiations on the agreement with Indonesia*. Talks with Jakarta on the conclusion of a trade agreement officially began in July 2016. In September 2025, after reaching political agreement on the matter, the EU and Indonesia formally closed negotiations. Entry into force will require approval by the Council and the European Parliament.

In reaching these agreements, the European Commission has played a leading role; however, given the nature of the European Union, it is essential to underline that a decisive push came from export oriented member states (such as Germany) which, in light of the new American trade policy, increasingly feel the need to identify new markets for their goods. Equally important is the fact that most of these agreements place particular emphasis on the supply of critical raw materials – an element that highlights the EU's active efforts to reduce its dependence on China in this fundamental domain.

5. Towards integrated economic security governance?

Against this backdrop, the growing complexity of economic security governance at national level points to an additional structural challenge. In several member states, relevant competences remain dispersed across multiple ministries – typically foreign affairs for diplomatic and trade dimensions, finance for sanctions and industry for industrial policy and incentives – often resulting in coordination gaps and limited strategic alignment. In this context, an emerging institutional response could also take into consideration the development of more integrated coordination structures, such as National Economic Security Councils (NESCs), designed to bring together trade policy, sanctions, investment screening and industrial strategy within a more coherent decision-making framework.

Within Europe, this trend is already visible in different institutional forms. France, for example, has developed a relatively advanced model through the *Service de l'information stratégique et de la sécurité économiques* (SISSE), operating under the Ministry of Economy and focusing on the protection of strategic economic assets and critical supply chains. Italy, meanwhile, has progressively strengthened interministerial coordination through the *Comitato Interministeriale per la Sicurezza della Repubblica* (CISR), which has taken on an increasingly relevant role in addressing systemic risks and contributing to the broader national security strategy, including its economic dimensions. While heterogeneous in design and scope, these experiences point to a gradual convergence towards more structured forms of geoeconomic governance at national level. More broadly, these developments reflect a growing awareness, also at member state level, of the need for a more integrated approach to the range of instruments and actors involved in economic security policymaking, given the inherently cross-sectoral nature of the issue.

A similar logic applies beyond the purely national dimension, where ensuring the effectiveness of economic security policies increasingly requires a more coherent and coordinated approach at the level of the European Union as a whole. While the institutional setting remains complex and shaped by established competences, it calls for a reflection on how to move beyond existing fragmentation and avoid the risk of consolidating divergent approaches to economic security across member states, thereby weakening the overall consistency of the Union's strategic posture. In this sense, it is unsurprising that, in recent years, some observers have called for the establishment of an EU Economic Security Council:[56] an entity that, in the intentions of the proponents, would enhance the cooperation among member states regarding economic security, pushing European countries to appoint a specific economic security minister.

"The EU–India Trade Deal: Strategic Diversification in an Era of Uncertainty", in *Kiel Policy Briefs*, No. 202 (January 2026), https://www.kielinstitut.de/publications/the-eu-india-trade-deal-strategic-diversification-in-an-era-of-uncertainty-19443.

56 This proposal is also set out in the Letta Report. See Letta, Enrico, *Much More than a Market*, April 2024, p. 135, https://www.consilium.europa.eu/media/ny3j24sm/much-more-than-a-market-report-by-enrico-letta.pdf.

6. Conclusion: And yet it moves!

The criticism directed at the European Union's slowness in responding to the evolving global landscape is well founded: the EU decision-making process, with its lengthy deliberative timelines, struggles to keep pace with geoeconomic dynamics, often ending up exacerbating the impact of challenges originating abroad. It is reasonable to argue that, even in the face of the events that have unfolded in recent years, European institutions have not distinguished themselves for their promptness of response, frequently finding themselves paralysed by the cross-vetoes of member states and of the various political parties that make up the European Parliament. Nevertheless, despite the complex gestation of its norms, the European Union has still managed to provide a response to the recent evolution of the economic context by adopting measures, such as those outlined in this paper, aimed at promoting the EU economic sovereignty – an issue that has become increasingly central in recent times. These measures undoubtedly present limitations and contradictions, yet they provide[57] strategic production chains with a level of protection that, until a few years ago, did not exist. The task now facing the European institutions is therefore to refine these regulations and integrate or scale them back where necessary, paying particular attention to avoiding two mistakes.

The first would be to translate the drive to safeguard economic security into a merely protectionist agenda. Indeed, although the geoeconomic landscape has changed – and Ricardo's theory of comparative advantage has lost some of its centrality – the European Union must remain open to competition from abroad, without obstructing the spread within its market of innovative foreign products and services. In this sense, the protection of economic sovereignty should continue to be understood as the preservation of strategic assets from the vulnerabilities of an increasingly volatile geopolitical environment, rather than as a form of defence for European actors that have failed, through their own shortcomings, to keep pace with foreign competitors. To achieve this balance, the EU must move beyond a predominantly regulatory approach and actively strengthen its industrial and technological base by increasing domestic capacity. At the same time, it must reinforce trusted international partnerships to foster strategic cooperation. Likewise, the pursuit of economic security does not necessarily have to translate into the need for domestic production – even in sectors where the EU struggles to carve out a space under market conditions – but may also take the form of a reconfiguration of supply chains according to a friend-shoring or near-shoring logic. The second mistake, by contrast, would be to delegate action in this area too extensively to the national decision-making level – and to its economic policy tools. Indeed, as highlighted in the case of the Chips Act, assigning the task of safeguarding economic sovereignty to national policymakers entails the risk of resource allocations aimed at supporting industrial actors (not necessarily at the technological frontier) located in member states with greater fiscal capacity, with all the negative consequences this may have for competition within the single market. Instead, the EU must enhance cross-border coherence in its economic security instruments, ensuring their consistency, proportionality and coordination to protect assets without undermining the Single Market's openness. At the same time, it is reasonable to fear that the action of national governments, rather than being directed toward long-term investments (such as those in R&D), may instead focus on short-term objectives with limited economic impact but favourable to public opinion. To counter this trend, it is crucial to improve coordination across member states by aligning national initiatives with EU-level objectives, backed by robust monitoring and enforcement mechanisms to maximise the impact of common programmes. Beyond avoiding these two foundational mistakes, the EU must focus on operational execution by ensuring the effective enforcement of its protective regulations while safeguarding its strategic approach from external pressures. Prioritising compliance and clarifying how overlapping rules apply is vital to avoid regulatory uncertainty and fragmentation. This, in turn, calls

57 We reiterate that the list we have proposed is not exhaustive; in this regard, one may also consider the Digital Euro, an instrument through which the European Central Bank aims to strengthen the EU's financial sovereignty. On this topic, we refer to the speech delivered by Piero Cipollone: *The Digital Euro in a Fragmenting World - Ensuring Europe's Resilience and Autonomy in Payments*, Public lecture at an event hosted by the Stockholm School of Economics in Riga and Latvijas Banka, Riga, 1 April 2026, https://www.bis.org/review/r260410g.htm.

for a broader effort to simplify the EU's regulatory framework, ensuring greater internal coherence and making different policy tools effectively "speak to each other" rather than operate in parallel silos.

It goes without saying that, in order to avoid the two mistakes outlined above and continue refining the instruments aimed at protecting the EU's economic sovereignty, it is essential that a pro-European vision prevail among the member states; one that is open to the adoption of protective measures while still inspired by the principles of the free market. In this regard, the coming year will be of particular importance in light of the general elections scheduled to take place in France, Italy, Spain and Poland. A round of elections that, according to current polling, could lead to changes of far from negligible significance.

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