

STUDY

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Strategic autonomy and European competitiveness: Security now comes first

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External authors:

Maria DEMERTZIS

Alejandro FIORITO

Konstantinos PANITSAS



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Abstract

Escalating security threats have revealed defence dependencies that constrain choices and allow for coercion. While there has been progress on the competitiveness agenda, the EU must increase military and economic autonomy further. Industrial policy should move centre stage, drawing past lessons to gain scale and productivity and, with multilateralism stalled, bilateral trade deals are vital. Organising swiftly is needed to strengthen Europe's standing and enable increased competitiveness. Economic security is now a first order priority for the European Union.

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AUTHORS

Maria DEMERTZIS, The Conference Board Europe and Florence School of Transnational Governance, European University Institute.

Alejandro FIORITO, The Conference Board Europe.

Konstantinos PANITSAS, The Conference Board Europe.

ADMINISTRATOR RESPONSIBLE

Harald STIEBER

Samuel DE LEMOS PEIXOTO

EDITORIAL ASSISTANT

Ovidiu TURCU

LINGUISTIC VERSIONS

Original: EN

ABOUT THE EDITOR

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To contact Economic Governance and EMU Scrutiny Unit or to subscribe to its newsletter please write to:

Economic Governance and EMU Scrutiny Unit

European Parliament

B-1047 Brussels

E-mail: egov@ep.europa.eu

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EXECUTIVE SUMMARY

The competitiveness reports (Draghi, 2024 and Letta, 2024) have provided the list of actions for the EU to increase productivity and competitiveness. In the past year, the European Commission has advanced with implementing some of these reforms but change in some areas is very slow and not as effective as needed.

- In the year since the two reports, the increase in the security threats to the EU has exposed its defence dependencies. In turn, that has exposed the limited choices that make the EU vulnerable to coercion. To reverse this, and before considering competitiveness, the EU needs to position itself well to pursue its economic interests independently.
- Military and economic security are now the two most important objectives to be pursued first so that the EU can regain the freedom to design its policies and pursue its goals. Given the levels of uncertainty that the economy faces, policy design cannot be just about achieving good outcomes. It must prioritise establishing resilience that can then help the EU have more policy choices.
- Industrial policy needs to be a central part of the economic policy toolkit. A new body of literature has emerged that approaches the issue pragmatically, demonstrating how to exploit opportunities and avoid pitfalls. As the EU seeks to achieve scale primarily through the deepening of the single market, to reduce its dependencies it will do well to learn from previous examples how to enhance productivity.
- Trade policy remains a key component of the EU's arsenal of tools. However, in the context of moribund multilateralism, the EU must, in the short to medium term, pursue bilateral trade deals that will allow it to continue trading predictably.
- The EU would much rather have open and competitive markets, a functioning multilateral system and global cooperation, and above all, face no security threats. But this is no longer reality. The quicker it organises itself to protect its interests and its global standing, the quicker and better it can contribute towards rebuilding peace and global cooperation.

1. Introduction¹

The reports by Draghi (2024) and Letta (2024) presented a comprehensive plan for restoring Europe's competitiveness while enhancing its economic security. They identified structural weaknesses, including fragmented capital markets, scale bottlenecks in innovation and energy and an incomplete Single Market. They proposed a toolkit that ranged from streamlined permitting and deeper integration to targeted public risk-sharing in strategic sectors. Their premise was that competitiveness and security are no longer separable: Europe must invest, at scale and with speed, in capabilities that both raise productivity and reduce strategic exposure.

Over the past year, the European Commission has acted on parts of this agenda, accelerating project approval in critical value chains, expanding financing vehicles and strengthening instruments for supply-chain screening. Yet, it has deviated from other elements by tolerating asymmetric national subsidies and ad hoc state aid schemes that risk further fragmenting the Single Market. The result is progress, but not yet a coherent pivot from scattered responses to a comprehensive industrial strategy that can scale.

In addition, one year on, the EU's security environment has changed. Defence and security have moved centre stage and, given strong defence dependencies, the EU has become vulnerable to coercion and geoeconomic statecraft. NATO countries have committed to increasing military spending to 3.5% of GDP in the next 10 years, but the effects will not be visible immediately. Coupled with dependencies on energy and critical raw materials and a weak structural economy with poor productivity and unfavourable demographics, the EU is left with limited policy choices in the immediate future and needs to create options.

What has also changed in 2025 is the level of uncertainty. In addition to already heightened levels of structural and geopolitical uncertainty, policy uncertainty, primarily emerging from the US, has been added to the mix. Fundamental uncertainty, in other words, uncertainty that cannot be measured, is now the 'baseline'. This means that policy design cannot afford to be just about *good* outcomes; what matters now is having *good enough* outcomes that are resilient to the unknown and protect Europe. Importantly, the direct consequence of such levels of uncertainty is that resilient outcomes come at the expense of performance. As the EU seeks to become more resilient, its economic performance should become a secondary objective, at least until the levels of uncertainty become more manageable.

Lastly, despite the very prescriptive nature of the two competitiveness reports, the EU has not been able to advance more quickly on the central issues of improving productivity, reducing energy prices and reducing critical dependencies. Governance at the EU level lacks agility and remains fragmented, with national interests not easily aggregating to EU interests. This puts the EU at a clear disadvantage as it prevents it from creating the scale it needs.

The EU must now pursue strategic autonomy, in other words, the ability to act independently of others, particularly in areas of critical importance.² This requires first identifying critical sectors and supporting them, and second, building scale as quickly as possible.

Industrial and trade policy must play an active role in achieving this autonomy. Over the past 15 years, there has been a surge in industrial policies globally, led by the developed world, with new industrial

¹ The authors thank Matei Farcas for his excellent support with data collection.

² [https://www.europarl.europa.eu/thinktank/en/document/EPRS_BRI\(2022\)733589](https://www.europarl.europa.eu/thinktank/en/document/EPRS_BRI(2022)733589).

policies (IP) having almost doubled. It is no longer a question of whether the EU should also follow a similar path, but rather how best to do so. There are important lessons to be drawn from previous attempts: support must be given to recognised European public goods; it needs to be performance-dependent and temporary and have a very clear exit process defined from the start. Equally, governance needs to be transparent and straightforward, and the design of policies must, from the beginning, create a credible demand for and supply of the goods in question.

Trade, an essential engine in the EU's economy, is at risk from a non-functioning multilateral system. This is why the EU must pursue bilateral trade treaties as a way of securing trade with those willing to engage in a rules-based system. Indeed, the European Commission has always pursued bilateral treaties. However, it has also consistently defended the multilateral system, without recognizing that the two may be somewhat contradictory: if there is a well-functioning multilateral system, there is less need for bilateral treaties. As multilateralism recedes, this contradiction becomes less relevant, and, moreover, the need to advance bilateral treaties is increasingly a way to protect smooth trade and increase economic security through diversification.

Draghi (2024) and Letta (2024) provided a very detailed menu of how the EU needs to reform. We argue that the priority is now to increase the EU's defence capacity, first to offer a credible deterrent to Russia and second to reduce our dependence on the US. This will require support, coordination and speed. In a similar vein, reducing dependencies on China for critical raw materials is crucial for protecting the green and energy transition.

The paper is organised as follows. Section 2 summarises the EU's dependencies and describes its weak starting position in terms of productivity and demographics. In this section, we also summarise the measures proposed by Draghi and Letta and the progress made since they were introduced. Section 3 discusses how to think about industrial policy by summarising lessons from the recent literature and what the EU has learned from previous successful and unsuccessful pursuits of industrial policy. Section 4 outlines key principles for designing a strategy that reduces dependencies and outlines a three-tier plan to increase economic security first and restore Europe's competitiveness, prioritising actions by urgency and impact. Section 5 concludes with a synthesis of policy recommendations.

2. THE EU'S DEPENDENCIES AND CURRENT STATE OF PLAY

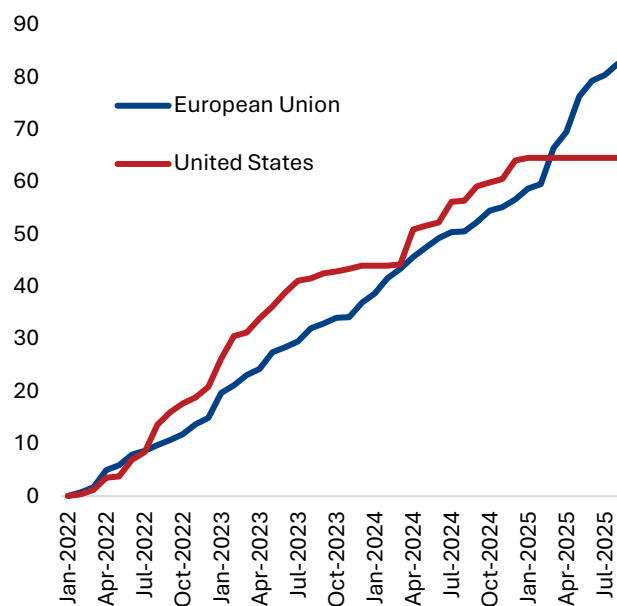
2.1. Key EU dependencies and structural weaknesses

To provide context, we map briefly the EU's dependencies into three categories: defence, input dependencies that include critical raw materials, energy and semiconductors and finance. By depending on the US for defence and finance, through the centrality of the dollar, and on China for critical raw materials (CRMs), the EU is not free to decide its own policies in other areas, such as trade. In addition, structural weaknesses related to productivity and demographic trends persist as long-standing challenges. Annex A.1 expands on some of these dependencies and presents additional figures.

2.1.1. A new defence paradigm

While defence dependencies are not new to Europe, recent developments highlight the changing global landscape. Since 2014—and especially after Russia's 2022 invasion of Ukraine—European states have accelerated rearmament. Yet procurement patterns reveal dependence on extra-EU suppliers. In 2019–23, about 55% of European states' major arms imports came from the US³ (up from 35% in 2014–18), while Germany and France supplied much smaller shares. Purchases through the US Foreign Military Sales programme represented 51% of European NATO countries' military equipment spending between 2022 and 2024 (up from 28% between 2019 and 2021, Mejino-López and Wolff, 2025). This sourcing profile exposes the EU to external export-control decisions, production bottlenecks and political cycles in supplier countries—risks that are material for munitions, air defence and combat aviation. Beyond strict dependencies, the prolonged war in Ukraine, coupled with a US security shift eastward (**Figure 1**), has left the EU having to measure itself militarily against Russia.

Figure 1: Cumulative military aid allocated to Ukraine (Billions of euros)



Source: The Conference Board based on [Kiel Institute](#).

³ <https://www.sipri.org/media/press-release/2025/nuclear-risks-grow-new-arms-race-looms-new-sipri-yearbook-out-now>.

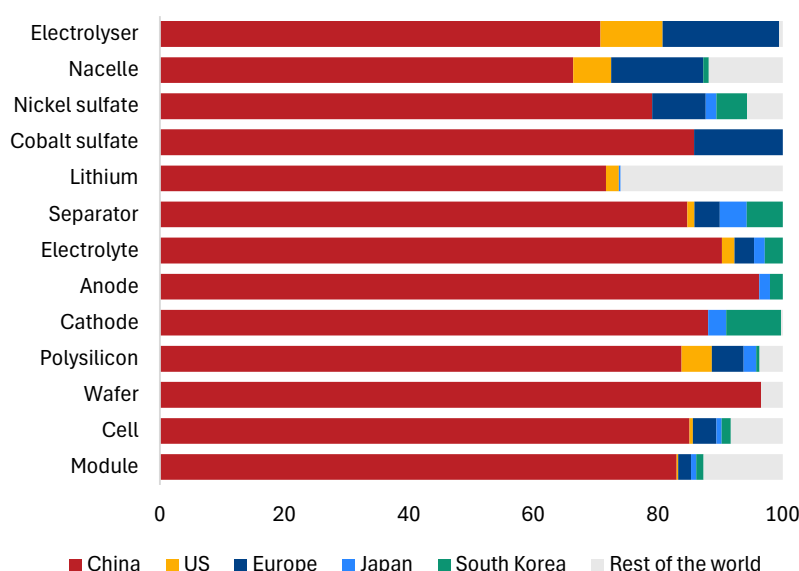
Europe has the larger resource base overall in almost all relevant parameters: it spends three to four times what Russia does, has a comparable number of active troops and a larger number of active aircraft. However, the level of readiness is not the same, and importantly, SIPRI estimates Russia’s nuclear stockpile at approximately 4,380 warheads (1,718 deployed), while France has 290 and the UK 225. This is sizeable but far smaller by comparison and is under national, not EU, control. A crucial issue is the cost-effectiveness of defence spending, as European weapons are more expensive due to lack of scale and market fragmentation. Recent estimates suggest that European production must increase significantly, up to five times, to gain a decisive advantage over Russia (Burilkov and Wolff, 2025).

This war, and recent drone sightings in EU territory, have left the EU rushing to increase its war readiness with the utmost urgency. The new NATO commitments to increase defence spending to 3.5% of GDP (and relevant investments to 1.5%) in the following years have defined the path of fiscal support in the next decade and are reflective of a new paradigm, where Europe looks for increased strategic autonomy as geopolitical tensions rise.

2.1.2. Three input dependencies: Critical raw materials, energy and semiconductors

Critical raw materials are a central dependency for the EU. Clean-tech, digital and defence value chains hinge on a small set of CRMs whose global production and processing are highly concentrated abroad (**Figure 2**). China provides 100% of the EU’s supply of heavy rare earth elements (HREEs)—essential for permanent magnets used in wind turbines, electric vehicles and many defence applications—and 70% of total euro area rare earth imports (Banin et al., 2025).

Figure 2: Share of CRM manufacturing by country, 2023 (Percent)



Source: The Conference Board, replicated from the [Financial Times](#).

The EU also depends on Türkiye for 99% of its boron supply and South Africa for 71% of platinum, illustrating how single-supplier risks are embedded across several CRM chains.⁴ As a response, the Critical Raw Materials Act sets a number of targets: 10% of annual EU demand should be mined inside

⁴ According to the European Central Bank (ECB), indirect exposure, particularly through US firms, is also significant, 80% of large European firms are less than four intermediaries removed from a Chinese rare earth producer—and two-thirds three or less and over a quarter rely in just one intermediary (Banin et al., 2025).

the EU, 40% processed in the EU and 25% supplied via recycling. Also, it sets a resilience benchmark according to which no more than 65% of any strategic material at any processing stage should come from a single third country, precisely to curb these exposures. The European Commission fast-tracked 47 strategic projects across 13 member states in March 2025,⁵ and a number of projects outside the EU in June of the same year. Recent developments on Sweden and Portugal offer some reasons for cautious optimism. In 2023, the Swedish state-owned company LKAB identified the largest deposit of rare earth elements in Europe. However, exploitation remains 8–13 years away given the need for permits and additional research and investments.⁶ Lithium exploration in Barroso, Portugal, seeks to secure a critical input for EV batteries, with production starting in 2027 and estimates suggesting the mine could generate between 500 thousand and one million batteries per year.⁷ This is one of the strategic projects that the Commission identified and which was recently reconfirmed after a re-evaluation prompted by environmental concerns.⁸

The dependency on CRMs for clean energy is particularly concerning given the EU dependencies on energy. The EU relies on supplies outside its borders for more than half of its energy needs, making it vulnerable to both price and supply shocks (**Figure A.1**).

Finally, while Europe's chip ecosystem is strong in equipment (e.g., lithography), automotive and industrial chips, it still is a net importer of semiconductors. The European Semiconductor Industry Association (2022) estimated that by the end of 2022, the European market for semiconductors amounted to 10% of global sales. However, its manufacturing capacity is limited compared to other continents (**Figure A.2**). To reduce this vulnerability, the European Chips Act aims to lift EU production capacity to 20% of the global market by 2030, but auditors and industry analysts question whether current investment levels are sufficient to reach that target. Even if Europe expands trailing-edge capacity, continued reliance on Asian fabs for advanced nodes remains a critical risk channel (European Commission, 2024).

2.1.3. Financial vulnerabilities

Europe's financial vulnerabilities stem from dependence on the US-centric system (Demertzis and Fiorito, forthcoming). The dollar anchors reserves, cross-border funding and payment rails; US Treasuries remain the benchmark safe asset; and the Federal Reserve acts as lender of last resort. When Washington's priorities shift or the global safety net tightens, European finance faces risks it cannot control, with shocks transmitting swiftly to the real economy. Four dependencies stand out. First, currency and funding mismatches: around 30% of EU banks' assets and 21% of funding are in foreign currency, much of it short-term via US markets; a large, short-dated EUR/USD swap market amplifies rollover and margin risks. Second, exposure to US debt means turmoil would propagate through pricing and collateral channels. Third, payments inside the EU rely on non-EU firms (Visa, Mastercard and Big Tech, **Figure A.3**). Finally, cross-border flows clear on US infrastructures, SWIFT's sanctions leverage

⁵ https://single-market-economy.ec.europa.eu/sectors/raw-materials/areas-specific-interest/critical-raw-materials/strategic-projects-under-crma/selected-projects_en.

⁶ <https://lkab.com/en/press/europes-largest-deposit-of-rare-earth-metals-is-located-in-the-kiruna-area/>.

⁷ <https://2025.minexeurope.com/savannah-resources-lifts-barroso-lithium-reserves-by-40-reinforcing-europes-largest-deposit/> and <https://www.euronews.com/my-europe/2025/12/04/european-commission-keeps-portuguese-lithium-mine-strategic-status-despite-environmental-c>.

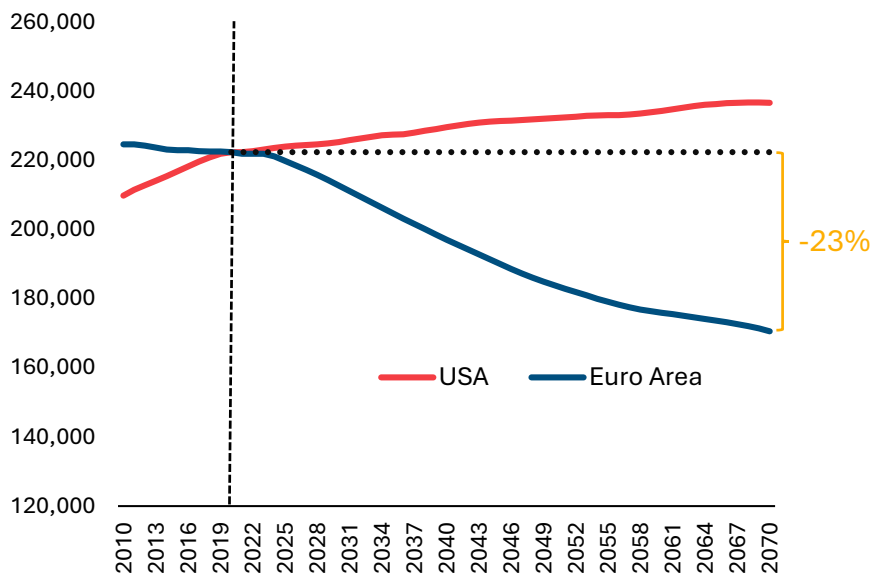
⁸ <https://tools.eurolandir.com/tools/Pressreleases/GetPressRelease/?ID=7844599&lang=en-GB&companycode=uk-ame&v=>.

and the euro's share constrain autonomy. The importance of the US dollar in EU trade (excluding intra-EU trade) is reflected in invoicing (**Figure A.4**).

2.1.4. Two structural weaknesses: Productivity and demographics

Beyond the significant dependencies described above, Europe's ageing will remain one of its toughest challenges. By 2070, UN projections indicate the euro area will shrink by nearly a fourth (23%) while the US will grow by 6% (**Figure 3**). Higher net migration can soften somewhat the blow, but it is unlikely to fully offset Europe's shrinking working-age base over the long run.

Figure 3: Working age population (15–64 years of age), 2010–2070 (Thousands)



Source: The Conference Board, based on [United Nations](#) and Haver Analytics.

Both capability shortfalls and labour underutilisation could further compound talent undersupply. Europe is significantly off track in achieving its Digital Decade goals, with just over half of Europeans (56%) possessing basic digital skills, which falls short of the 80% target for 2030. Furthermore, the stock of ICT professionals is far below the 20 million target (European Commission, 2025). On utilisation, 40% of non-EU employed citizens in the region were classified as overqualified for their jobs in 2023—nearly double the still-high 20.8% overqualification rate among EU nationals. This is evidence of a persistent mismatch between skills and jobs across the bloc (Eurostat, 2024). Compounding this, intra-EU labour mobility has largely stagnated for more than a decade, from 2% in 2007 to only 4% in 2024—limiting reallocation of talent across member states. Evidently, such frictions show up in productivity, where, particularly since the pandemic, the EU–US gap has widened sharply. The largest hourly-productivity gap was in the Information and Communications Technology (ICT) sector, reflecting Europe's slower ICT adoption and weaker investment in intangibles and ICT capital (Da Silva et al., 2024). This structural gap matters beyond the digital realm. Slower productivity constrains the EU's ability to finance and deliver on the green transition, modernise infrastructure, strengthen defence capacity and sustain strategic autonomy.

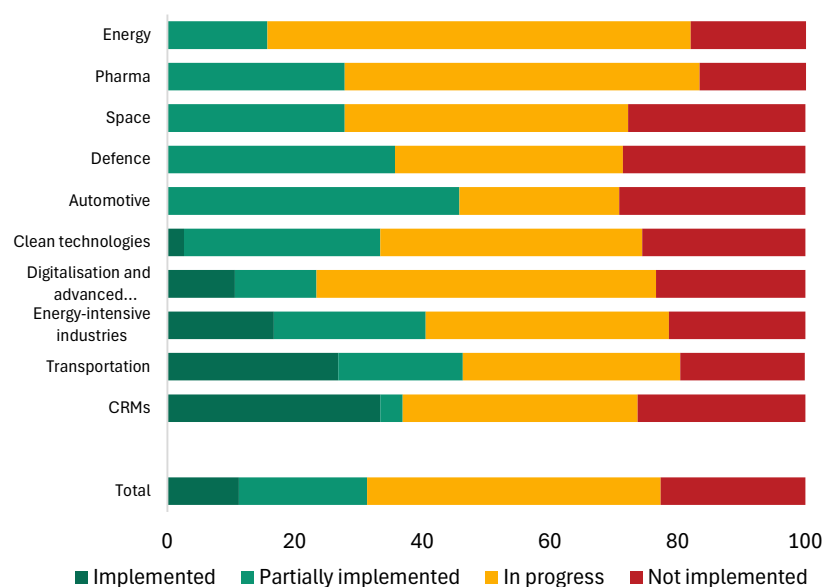
2.2. The Draghi report: Summary and progress

The European Union has acted in recent years to mitigate its growing dependencies. Initiatives such as REPowerEU in energy, the Critical Raw Materials Act in inputs, the Chips Act for semiconductors and

emerging defence-industrial measures seek to de-risk, diversify and on-shore where it is efficient. The Draghi report of 2024 was the main effort to provide a comprehensive list of needed reforms to improve competitiveness. The report is organised around three main areas: (1) productivity and innovation; (2) decarbonisation and competitiveness; (3) and security and dependencies.

Draghi offered 380 recommendations, and the Commission created a “Competitiveness Compass” (see Annex A.2 and European Commission, 2025) to track progress.⁹ However, as of September 2025, only 11% of these recommendations had been adopted (European Policy Innovation Council, 2025). The largest progress has been achieved in critical raw materials, transportation and energy-intensive sectors, with energy, pharmaceuticals and space lagging behind (**Figure 4**). While implementation progress has been achieved, the impact may be limited, particularly in sectors such as critical raw materials, where dependencies are difficult to reduce substantially (see Section 2.1). Further, the Commission puts more weight on Member State aid than on central financing, supported by Draghi.¹⁰

Figure 4: Implementation of Draghi’s recommendations per sector (Percent)



Source: The Conference Board, replicated from [European Policy Innovation Council \(2025\)](#).

On *innovation, productivity and growth*, the political will at the EU-level faces significant headwinds from Member States’ political preferences and fiscal constraints. While growing, the EU budget remains small (1.26% of GNI) and countries face political divisions, show low appetite for EU fiscal expansion and/or have prioritised national approaches (e.g., defence).¹¹

⁹ The Commission noted that, following some of Draghi’s recommendations, one year on it had delivered 33 flagship and 14 legislative actions mobilizing more than €1 trillion on innovation, clean technologies and security.

¹⁰ The report made bold suggestions towards increasing coordination and improving the business environment, increasing centralisation of industrial policy to promote goals across key areas and “centrally-funded public investment” (Zettelmeyer, 2025).

¹¹ These national roadblocks extend to Draghi’s “overarching building blocks”, including on the implementation of the Single Market and Letta’s recommendations, trade policies (e.g., resistance around the Mercosur trade agreement), increased investment and EU-governance reform. On competition, new merger guidelines will only be ready by 2027, and new state aid guidelines are seen as small adjustments. And, while the Commission has put forward a roadmap towards the completion of the Single Market, the timeframe highlights institutional hurdles and lack of consensus, with completion planned for 2028 and a proposal for a “Single Market Barriers Prevention Act” only expected by the third quarter of 2027 (European Commission, 2025). A Savings and Investment Union may prove

On *decarbonisation and energy*, ambition and consensus are higher, but limitations are also significant. There has been no meaningful progress towards the €500 billion grid investment proposed by Draghi and the trade deal with the US includes a very large and unrealistic commitment to buy €750 billion of US fossil fuels between 2026 and 2028. Trade-offs are also apparent: the simplification package (“Omnibus”), which aims to improve competitiveness by reducing regulatory requirements, can conflict with decarbonisation efforts.

The largest and fastest progress has been made on *security and defence*, in part due to external developments (see Section 2.1). The EU SAFE loans, worth €150 billion, have been allocated to 19 member states and disbursements are set to start in 2026. In addition, the EU has launched a Defence Industrial Strategy (EDIS) that targets to increase EU industrial procurement and to improve cooperation across member states but offers non-binding targets.¹²

to be even harder to achieve, as pushes to centralise supervision at ESMA are likely to face resistance from national supervisors and only seven countries have endorsed a pan-EU savings label.

¹² The targets are to source 50% of procurement from EU industry by 2030 (60% by 2035), buy 40% jointly and lift intra EU defence trade to 35%.

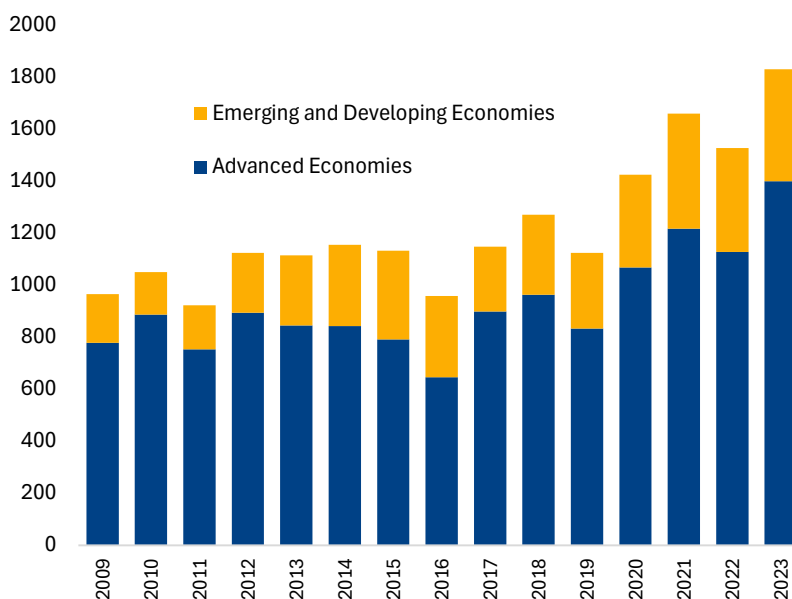
3. INDUSTRIAL POLICY: WHAT CAN WE LEARN FROM THEORY AND EXPERIENCE?

We next review the literature and how recent examples have led to a more pragmatic approach to industrial policy. New evidence emphasises the importance of good design in achieving objectives. Europe’s attempts at industrial policy need to be about promoting European public goods, in other words, goods that, unless they are financed at the EU level, will be underprovided. Following that, we discuss examples of successful and failed attempts to implement industrial policy at the EU level. We are not exhaustive in terms of the projects pursued in Europe, but the projects are large, impactful and well-known. We summarise the lessons learned from seven European projects described in detail in the Annexes (A.3 and A.4). At the end of the section, we also summarise how European CEOs view the path towards greater productivity in the EU.

3.1. Industrial policy: Where do we stand?

Global datasets indicate an apparent revival of industrial policy since the late 2010s, led by advanced economies with greater fiscal and administrative capacity (**Figure 5**). Subsidies—especially domestic and export-linked—now dominate (IMF, 2024; Baquie et al., 2025). Following this resurgence, a new wave of empirical work on the relevance of industrial policy (IP) has shifted the debate from “for or against” to a pragmatic focus on what it can deliver (Evenett et al., 2024). With improved data, more effective identification methods and a focus on production networks and market structure, these recent studies have found more nuanced—and often more positive—effects than earlier studies. Still, cross-country syntheses caution that average gains of IP are modest and uneven and that outcomes depend on the quality of design, institutional strength and the choice of instruments.

Figure 5: Number of new industrial policy interventions



Source: The Conference Board, replicated from [IMF \(2024\)](#) and [Evenett \(2024\)](#).

Following Juhász et al. (2023), industrial policy encompasses state actions that deliberately reshape a country’s production structure to achieve public goals—growth, innovation, decarbonisation, resilience and good jobs—by favouring some activities over others. More recently, the discussion in the EU has

expanded to include economic security as a key public goal. IP spans beyond well-known manufacturing subsidies to include targeted R&D, services policies, place-based initiatives to improve geographical areas and tailored public inputs such as infrastructure, standards and skills.

The economic case for IP rests on correcting market failures that private actors will not internalise. Such failures can take one of the following forms. First, *knowledge and learning externalities*: early-stage or innovative activities generate spillovers that investors cannot fully capture, dampening investment. Second, *coordination failures*: profitability often depends on complementary investments—e.g., electric vehicles and charging networks—creating multiple equilibria where public action can affect outcomes. Third, *public input specificity*: many sectors require activity-specific public goods (specialised logistics, certification, training) that the private sector, left to itself, would undersupply. Fourth, *financial frictions*: credit constraints suppress investment in promising sectors. Finally, *diversification and resilience goals* justify carefully designed measures to move up value chains and reduce volatility amid geopolitical stress. This last form is of critical relevance to the EU.

According to Baquie et al. (2025) two forces strengthen the case for IP in the context of green policy: (1) path dependence and coordination hurdles facing low-carbon technologies relative to fossil incumbents and (2) emissions externalities that push private returns below social returns. Consistent with these mechanisms, cross-country evidence shows that well-targeted green measures reveal a comparative advantage and foster domestic innovation more than non-green policies over the medium term. However, caution is also warranted. McWilliams et al. (2025) explain that, as an energy-poor continent, the EU must pair more innovative industrial tools with its foreign economic policy to optimise the location of energy-intensive stages.

Evidence suggests three conditions enable successful IP (Baquie et al., 2025). First, targeting large, well-diagnosed distortions. The effects are modest on average but sizable when focusing on sectors with high markups (a proxy for misallocation), strong external-finance dependence, or upstream bottlenecks whose relief cascades through input–output linkages. Second, matching instruments to failures. Export-oriented incentives and capability-building public inputs—such as standards, testing, procurement and infrastructure—are more likely to build lasting competitiveness than generic production subsidies that prop up incumbents without fostering learning. Third, supportive institutions and horizontal reforms, such as deeper credit markets, stronger governance and lower entry barriers, not only pay larger aggregate dividends than sectoral policies but also amplify targeted interventions.

Successful IP interventions rest, therefore, on making support performance contingent and temporary and ensuring competition compatibility with open entry and credible exit. At the same time, projects need to be transparent, subject to rigorous evaluation and allow for international coordination. Industrial policy is no substitute for broad reforms, and returns are modest without tight targeting and robust governance. For climate and resilience, the case is particularly strong, but fiscal, allocative and geopolitical risks are also high. As the IMF (2025) notes, understanding trade-offs is crucial. Attempts to onshore production often imply higher domestic prices and important opportunity costs when fiscal support is involved. Guardrails are essential to avoid mis-targeting, rent-seeking, high subsidy bills without returns, cross-sector misallocation and cross-border retaliation. New measurement efforts—such as the OECD’s Quantifying Industrial Strategies project¹³ and the IMF–OECD–World Bank–WTO

¹³ https://www.oecd.org/en/publications/quantifying-industrial-strategies-quis_ae351abf-en.html.

Joint Subsidy Platform¹⁴—benchmark scale, composition and “greenness,” thus improving accountability.

3.2. Lessons from successful pan-European cases

In Annex A.3, we describe four projects that are considered successful applications of industrial policy at the European level: the European Missile Systems Company (MBDA), Galileo, Airbus and GSM. From these projects, we distil practical lessons for pan-European industrial policy.

The EU experiences show that success is the result of the Single Market becoming a single customer, using rules to create demand, open standards to unlock competition and disciplined finance to share risk. At the same time, good institutions that maintain the system's reliability and evolvability are crucial. Lastly, these cases demonstrate that global interoperability has been crucial for success. However, it is also worth noting that these projects were created at a time when openness and strategic autonomy were not necessarily in conflict.

These four cases lead to five broad lessons. *Aim to have the Single Market as a single customer and programme manager to centralise demand and define a clear road-map.* Use EU-level, multi-year procurement to solve scale and coordination failures (e.g., European Union Agency for the Space Programme (EUSPA)/Galileo; Airbus consortium). Lock in predictable demand with rules and deploy non-fiscal levers, so that SMEs can invest with confidence against a reliable floor of demand (MBDA).

1. *Build open, interoperable cores—and compete at the edge.*¹⁵ The GSM project demonstrated the benefits of allowing open platforms, while also standardizing through institutions such as the European Telecommunications Standards Institute (ETSI) and the 3rd Generation Partnership Project (3GPP). Systems benefit from being designed to be globally interoperable (Galileo Open Service and Free High Accuracy Service) while remaining independent. Additionally, this project demonstrated the benefits of developing a market-creating structure, where cooperation is fostered around a common core (constellation/standard), while competition is encouraged for devices, apps and services to drive prices down and foster innovation.
2. *Finance with discipline and provide a credible policy mix.* Provide performance-based and time-limited finance. Financial support must be aligned with learning curves (e.g., Airbus Repayable Launch Investment), sharing risk without open-ended subsidies and staying compatible with trade rules. A successful policy mix includes patient capital, targeted demand rules, export credit, R&D support and open standards. In the context of the EU, this can be operationalised through EU-approved state aid, support from European institutions like the EIB and InvestEU and co-financed FDI—already applied in Copernicus, HPC, semiconductors and clean tech.
3. *Design for diffusion from day one and secure quality and continuity.* Consider scale effects at the start of the project. Galileo-enabled phones and GSM demonstrated that massive installed bases and seamless roaming/compatibility gave developers a single continental market. Treat reliability, security, safety and service continuity as product features and improve transparency.
4. *Strategic autonomy is a powerful motivation.* In all four examples, the EU created a system that would provide resilience in critical services. The examples have shown that by creating systems

¹⁴ <https://www.subsidydata.org/en/subsidydata/home>.

¹⁵ A very telling case is also the strategy pursued by the Japanese Ministry of International Trade and Industry (MITI) that aimed to bring the country at the technological frontier through innovation and development, as the only way of having a lasting effect on the economy (Romanuk, 2024).

that remain interoperable globally, not closed, the EU acquires leadership in global markets while maintaining control of critical infrastructures. However, these projects were developed in periods when openness and strategic autonomy were not antagonistic motives. More recent examples of IP at the European level were not as successful. We describe those next.

3.3. Lessons from unsuccessful pan-European cases

In Annex A.4, we describe three unsuccessful applications of industrial policy at the European level: Northvolt (EU battery champion), Gaia-X (sovereign cloud and data infrastructure) and the Nabucco gas pipeline. The first two projects are recent and were clearly motivated by the need for EU strategic autonomy. However, the EU, as a staunch proponent of open and free trade and upholder of the international multilateral system, did not manage to address possible conflicts between openness and the need for security in critical sectors. Nabucco's failure, a much earlier project, reflected a lack of coherent strategy (De Micco, 2015), particularly on issues that would today be considered economic foreign policy—a "game" that the EU enters late.

1. *Diversify and design strategy and incentives that reward performance.* The Northvolt example illustrates that it is vital to avoid betting on solitary "champions", but instead it is more fruitful to fund portfolios to spread risk. Funds should be given contingent on verifiable outputs—such as production volumes, yields, quality and on-time delivery and include automatic clawbacks or reallocations when targets slip.
2. *Tighten governance, scope and coordination.* Open participation is required by competition law, but the Gaia-X experience shows that there is a need to use enforceable eligibility criteria and independent assessment to prevent dominant incumbents from watering down safeguards. Start with clear and measurable objectives and a strong execution mandate that is enforceable. Prevent mandate drift by fixing decision rights, timelines and exit criteria up front. Align national measures with EU-level priorities to avoid policy conflicts across borders and ensure state-aid decisions and technical rules that are predictable and synchronised with project finance needs.
3. *Implement reforms and ensure scale-up conditions are available.* Subsidies cannot compensate for the EU's structural handicaps, such as high energy costs, skills shortages, slow permitting and shallow capital markets. These need to be addressed sector by sector and complement IP. Support needs to be given also to industrialisation and scaling up, not just R&D, to provide predictable demand.
4. *Adopt an openness-with-guardrails approach to supply and security.* When it comes to critical projects, where the EU has a disadvantage, it needs to prioritise "location over ownership": co-locate global process know-how in Europe under EU screening, cybersecurity and IP rules, rather than chasing autarky where others are years ahead. The Nabucco pipeline projects showed the importance of diversifying sources as much as routes to provide resilience.

Three cross-cutting lessons emerge from these cases. First, set realistic expectations in terms of constraints to the project, define milestones and pursue accountability, with public support hinging on verifiable progress (Northvolt). Second, governance must be fit for purpose, in particular if consortia are complex, cross-border systems, to identify clear decision rights but also enforcement (Gaia-X). Third, and with great relevance to the pursuit of strategic objectives, projects need to be commercially viable with clear operations and predictable supply and demand (Nabucco; Northvolt).

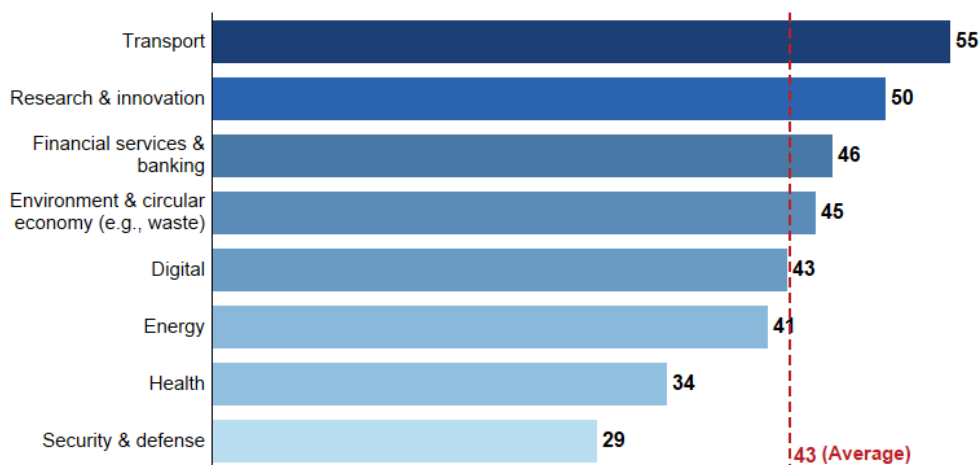
3.4. The Voice of European CEOs

Over the past six years, survey results have shown that European CEOs believe the EU economy needs to become more competitive by completing the single market, simplifying regulation and state-aid rules and deploying EU-wide instruments that can attract and promote the use of private capital.

According to the latest 2025 survey results (Panitsas, 2025), CEOs report that the single market remains deeply fragmented, particularly in security and defence, health and energy (**Figure 6**). They call for the EU to accelerate infrastructure development and foster European champions capable of competing globally. Assuming recommendations materialise, executives anticipate broader spillovers: they expect updates to competition policy that would enable European scale, foster technology diffusion and productivity gains from AI and robotics.

Figure 6: Single market fragmentation

Mario Draghi and Enrico Letta urge the EU to simplify regulation and reduce barriers in its single market. How complete is today's single market in the following areas? For each option, choose between zero to 100, with zero highly fragmented and 100 "fully integrated and barrier-free".

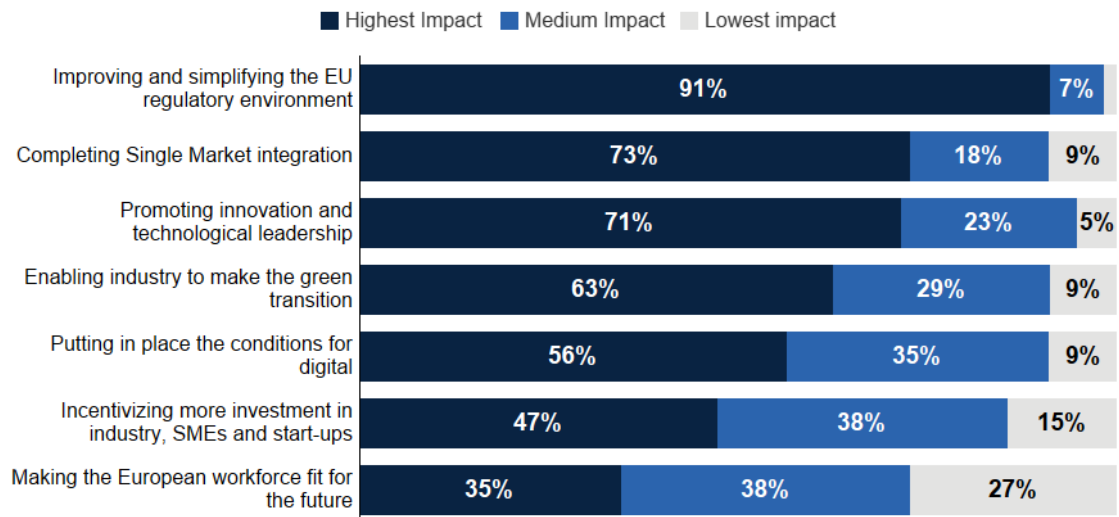


Source: [The Conference Board Measure of CEO Confidence for Europe by ERT, H1 2025](#); Panitsas (2025).

EU executives have also shown strong support for the Draghi agenda. In the second half of 2024, 86% of CEOs were confident that full implementation of the Draghi report would improve conditions in their industries and 80% said it would motivate them to invest more in Europe (Panitsas 2024). What would actually unlock that investment? Ninety-one percent of respondents identified “a simpler and more innovation-friendly regulatory environment” as the single most impactful lever to restore the EU’s competitiveness. The majority also pointed to the completion of the Single Market, with strong support for innovation policy, which enables the green and digital transitions—precisely the horizontal enablers that policy experts also emphasise (Panitsas 2024, **Figure 7**).

Figure 7: Europe's competitiveness

As of this summer, where can the EU's new leadership have the greatest impact to help restore Europe's competitiveness? Rate each response from 1 to 5, with 1 being lowest impact and 5 being highest impact:



Source: [The Conference Board Measure of CEO Confidence for Europe by ERT, H1 2024](#); Panitsas (2024).

4. REDUCING DEPENDENCIES, THE FIRST STEP TO GREATER COMPETITIVENESS

The European Union's efforts to reduce dependencies as a way of increasing its choices to design its own growth model should follow several principles. With these in mind, we reorder the Draghi agenda to prioritise promoting strategic autonomy, while also exploiting opportunities to enhance competitiveness.

4.1. Overarching principles

The European Union must reorder its priorities by safeguarding economic security first. That will help stabilise its economy and make it more resilient—a necessary precondition for considering further improvements. This requires building robust internal production capacities and diversifying critical inputs, suppliers and technologies to reduce exposure to concentrated risks, particularly in critical sectors.

Second, economic policies cannot be judged solely by the quality of outcomes they produce; they must also be resilient to the unknown. However, in doing so, decision-makers need to appreciate a fundamental trade-off between performance and resilience: the more a policy is optimised for narrow and predictable conditions, the less robust it becomes across broader states of the world. Policy should therefore be designed to be “good enough”, carefully defined *ex ante*, across the widest anticipated range of circumstances (Demertzis and Ben-Haim, 2018, Demertzis, 2025).

Third, the EU remains very fragmented in an environment where scale is the defining condition for success. Fragmentation dilutes investment, innovation and bargaining power. The remedy is to identify and provide public goods that unlock economies of scale at the European level. In other words, public goods that, unless they are provided at the EU level, will be underprovided, like shared infrastructure, cross-border networks, common standards and pooled financing. The debate on public goods and the need to fund them at the EU level is not new (Demertzis et al., 2024). However, there has not been sufficient progress made in terms of identifying concrete projects and funding them centrally. Countries must adopt a longer-term perspective to recognise that pursuing European interests is the most effective way to achieve national interests. The EU's governance currently lacks the agility necessary to address the challenges it faces.

Finally, the EU should cease being apologetic about industrial policy and protectionism. Recent evidence suggests that well-designed industrial policies can yield lasting results. Simultaneously, the long-standing mantra of preserving the multilateral trading order now seems unattainable, at least in the medium run. This does not mean abandoning multilateralism; rather, it means that until a new equilibrium, in which common ground can be identified globally, is achieved and maintained, the EU needs to make the most of the few choices it has to support its economies. This includes advancing on bilateral trade deals with major economies like India and Indonesia, to diversify import sources and open European exports to new markets, as well as pushing forward the trade deal with Mercosur, building new “coalitions of the willing” with partners that are expected to abide by agreed rules. These coalitions will be pivotal in helping the EU reduce some of its uncomfortable dependencies, like in critical raw materials.

4.2. A three-tier plan to enhance Europe's autonomy and competitiveness

The agenda below organises the converging prescriptions of the Draghi and Letta reports into three tiers, in terms of what still needs to be done, and reflects a new reality in which, as we have argued, economic security is now a first-order problem (see Table 1). Productivity and competitiveness gains can and will follow, if policies are properly designed (as discussed in section 3). As the EU seeks to become more independent, it needs to apply the lessons from previous experiences, to maximise productivity gains.

Tier 1 focuses on immediate measures aimed at reducing dependencies and exposure to immediate or impending geopolitical threats. Tier 2 launches the capital-heavy projects that deliver in two to five years. Tier 3 mobilises the enabling reforms—capital markets, skills and external economic statecraft—that can make the whole programme cohesive and long-lasting.

4.2.1. Tier 1: Highest priority actions to reduce dependencies first

1. *Advance defence capabilities.* The US's reluctance to provide security guarantees to the Russian threat to the EU has made defence security the number one priority in the last three years. European countries have already committed to new NATO targets, which will define the speed of improving defence capabilities. Next, the EU should: (1) pass the European Defence Industry Programme (EDIP) fast and fund multiyear EU-level framework contracts as is urged by the European Parliament¹⁶; (2) enable fast-track permits and lighter procurement/competition rules; (3) standardise specifications for munitions, drones and air defence; (4) secure critical inputs (like chips) and increase inventories; (5) build defence skills and crowd in private capital. The Commission's June 2025 permitting/procurement package helps in this regard. These steps would have important productivity effects as joint orders create scale, common standards cut fragmentation, EU sourcing deepens supply chains and faster permits shorten time-to-market, boosting investment and dual-use spillovers. Recent estimates suggest that this priority would require around €250 billion annually in increased spending (Burilkov and Wolff, 2025).
2. *Secure critical raw materials.* Europe should fully implement the Critical Raw Materials Act and add an EU CRM Platform that aggregates demand and runs joint purchasing. The EU should use resource diplomacy to form a G7+ CRM club and secure long-term, rules-based supply. At the same time, it should build strategic stockpiles to buffer shocks and set environmental guardrails for deep-sea mining. Such actions would cut input risk for clean tech, batteries, transport and digital gear faster than building new domestic mines. As strategic inputs, CRMs are pivotal for economic security and the business continuity of European firms: they are a precondition for competitiveness. The cost of these initiatives would be relatively low, particularly given their crucial role. Strategic support grants, like ReSourceEU, are estimated to provide around €3 billion per year.¹⁷ Including additional financing for exploration, which some analysts have estimated at €10 billion,¹⁸ would take the yearly cost to €5 billion per year for direct support. In addition, 2023 estimates suggest that

¹⁶ https://www.europarl.europa.eu/RegData/etudes/BRIE/2024/762402/EPRS_BRI%282024%29762402_EN.pdf.

¹⁷ https://ec.europa.eu/commission/presscorner/detail/en/ip_25_2891. We take this €6.5 billion figure as a lower bound and assume that a 50% higher cost for the upper bound (totalling close to €10 billion), which could also be the cost if there was the will to stockpile for a longer time.

¹⁸ <https://www.reuters.com/markets/commodities/eu-must-set-aside-over-10-billion-euros-key-minerals-says-agency-head-2025-05-14/>.

around €6.5 billion would enable stockpiling CRMs for about 60 days.¹⁹ So, using conservative estimates, €6 to €8 billion annually (€30–40 billion in the next five years) should cover these projects.

3. *Reduce energy costs.* Europe must end the energy price handicap that continues to hurt industry and households. High energy costs stem from a market design problem, which means that regulatory fixes, rather than subsidies, can unlock compounding gains. This is particularly relevant as renewables are more vulnerable to changes in market interest rates and therefore to boom–bust cycles, which can be amplified by stop–and–go subsidies. In 2024, the EU applied an Electricity Market Design (EMD) to encourage long–term pricing through Power Purchase Agreements and contracts for difference; in other words, financial contracts that are backed by the state by covering the difference between the strike and market price, so that users can benefit from cheaper renewables. However, this has not been the main reason for the drop in prices from their 2022 peak, as the EMD will not come into full effect before 2026–27. Rather, it is cheaper gas prices, higher storage levels and more production of renewables that have resulted in this price drop. The EMD must therefore be fully implemented before we can see further reductions. In the meantime, the EU should expand AggregateEU for joint purchasing to steady supply and update market rules so that low–cost generation reaches users consistently. Additionally, the EU must implement the Action Plan for Grids to enhance cross–border connectivity. ACER (2023) shows that more cross–zonal capacity leads to lower prices and less volatility, not to mention greater security. This is the area with the largest costs: if 80% of the Action Plan for Grids were to be implemented between now and 2030, close to €80 billion per year would be needed just for this project.²⁰
4. *Accelerating the simplification agenda.* Following decisive steps by the European Commission in 2025, the EU must now pass the Omnibus legislation which aims to reduce the cumulative burden of overregulation, both in reporting and in implementation, and ultimately to reduce the fragmented nature of the single market. Standardise reporting templates and timelines, with sunset clauses to delete duplicates. Roll out once–only data sharing and EU digital identity to end repeated identity checks and licensing. Embed fast–track permitting for high–impact projects. A successful implementation of the simplification agenda will bring measurable productivity gains. Lower fixed costs and risk due to lighter and predictable compliance cuts and shorter time to market due to faster approvals.

4.2.2. Tier 2: Medium–term big builds

The second tier initiates the large–scale builds, whose benefits are realised in the medium term and are often complementary; for instance, decarbonisation and digitalisation are not separate tracks. Long–duration contracts that underwrite clean generation reduce volatility for data centres and electrified factories. Clean–powered computational power, in turn, would accelerate process optimisation, materials discovery and grid management. Tier 2, therefore, binds energy and data together, making the system cheaper, cleaner and more secure as it scales.

1. *Advance the decarbonisation agenda.* The energy and climate topics remain closely interconnected. Europe must integrate energy markets and build grids to decarbonise and compete by promoting cross–border interconnectors, modernising distribution networks and building a

¹⁹ https://www.europarl.europa.eu/RegData/etudes/BRIE/2023/739394/EPRS_BRI%282023%29739394_EN.pdf.

²⁰ https://ec.europa.eu/commission/presscorner/api/files/document/print/en/ip_23_6044/IP_23_6044_EN.pdf.

hydrogen backbone that replaces fossil feedstocks or balances renewables. Utilise long-term contracts to attract private capital for new generation and storage projects. Align permitting and market design to enable lower costs to reach users across borders. All of these can be encouraged by publishing an Electrification Action Plan for 2030. These moves would reduce risk, costs and congestion, thereby increasing productivity. Similarly, and linked to the reduction of energy costs, this is one of the costliest areas. With a broader definition of green investments, which includes the grid investments, recent estimates by the ECB and the Commission indicate that to reach climate goals by 2030, €477 billion of additional investment are needed each year.²¹

2. *AI/Cloud sovereignty.* Europe must scale AI compute and cloud to match grid buildout. Open EuroHPC (the European Union's initiative to build a world-class supercomputing infrastructure and innovation ecosystem in Europe) to AI training and inference and link public supercomputers with private cloud and edge computing (i.e., to be able to move data processing and storage away from a central cloud closer to the end-user). The increased external threats require that the EU organises itself in a way that keeps sensitive workloads in Europe through sovereign procurement, while maintaining a functioning market for other services. Create a telecom Single Market with harmonised spectrum and cross-border consolidation to fund fibre, 5G and edge computing. Next, finalise AI Act standards and establish AI Factories as a permanent voucher programme with cloud credits, ensuring privacy is safe. These moves would cut costs, reduce lock-in and speed adoption, lifting productivity. Above all, however, they would enhance digital sovereignty, currently not ensured. Ockenfels et al. (2023) estimated that just to achieve the fixed gigabit coverage and provide 5G service as planned by the Commission for 2030, around €30 billion of additional investment would be required per year. AI investments are largely expected to be done by the private sector, but the Commission has a €20 billion fund dedicated to mobilising said investment.²²
3. *Launch a digital euro.* A digital euro should be launched as part of an attempt to provide a unique digital payment method in the euro area that is entirely European. Currently, as the ECB has repeatedly argued, 60% of payments are intermediated by non-European firms and thus pose an economic security risk (Demertzis and Fiorito, forthcoming). The digital euro would help anchor sovereignty in digital payments by reducing the dependency on non-EU providers, while encouraging private innovation. In other words, the existence of a common platform would allow for private businesses to provide innovative payment systems that would then be automatically scalable across the whole euro area. Properly designed—with privacy by default, offline capability for resilience and interoperability with banks and fintech—it would provide a secure settlement asset for the age of digital money, lower cross-border payment frictions for firms and citizens and support the integration of capital markets. The ECB has estimated that implementation costs for the digital euro may range between 900 million and 2.1 billion per year, depending on the synergies achieved with the banking sector.²³

²¹ https://www.ecb.europa.eu/press/economic-bulletin/articles/2025/html/ecb.ebart202501_03~90ade39a4a.en.html.

²² <https://digital-strategy.ec.europa.eu/en/news/eu-launches-investai-initiative-mobilise-eu200-billion-investment-artificial-intelligence>.

²³ https://www.ecb.europa.eu/euro/digital_euro/timeline/profuse/shared/pdf/ecb.deprep251010_a_view_on_recent_assessments_of_digital_euro_investment_costs_for_the_euro_area_banking_sector.en.pdf.

4.2.3. Tier 3: High-impact enablers

Tier 3 is the enabling layer, with a similar goal to what the European Commission's Competitiveness Compass aims to achieve, transforming European scale into investable projects and productive firms, rebalancing the financing model from bank-based to capital-based, closing the skills gap and continuing bilateral trade deals. Throughout, the EU needs to make better use of quantitative targets to make visible progress and advance accountability.

1. *Advance the Savings and Investments Union.* Both the Draghi and Letta reports argue that a Capital Markets Union is essential so that private money can fund the green and digital transitions. For this to happen, deep and significant structural reforms are needed. A single securities rulebook and a single supervisor are the most obvious starting points. However, as the experience of a single banking supervisor has shown, this alone will not create a single market for capital. Multiple and profound national reforms are needed. Harmonised insolvency procedures and specific aspects of tax law would lower the cost of cross-border risk-taking. Proposals around the idea of the 28th regime are positive developments, albeit the speed at which this can be achieved remains in question. Europe should revive securitisation prudently, expand second-pillar pensions and, when politics allows, issue a common EU safe asset. Faster, digital withholding-tax relief and retail-friendly post-trade systems would make cross-border investing easier for households. Consumers will need to move from safe savings toward diversified market risk. Sweden's experience (described in Annex A.5) provides insights into how to support this shift through further digitalisation and the design of effective default schemes. While advancing on all is desirable, the structural factors that need change are very nation-specific and therefore difficult to align between all member states. Moreover, the depth of capital markets varies between countries, and therefore, the effort needed by member states also varies. While it is essential to create a capital markets union to achieve greater financing scale, it is crucial for member states to invest in developing deeper domestic markets first. Of the recommendations mentioned above, it is necessary to promote national reforms, like expanding second-pillar pensions to allow for the creation of institutional investors and perhaps follow Sweden's incentive structure for consumers to participate, including by promoting financial literacy in order for consumers to be able to invest safely (Demertzis et al., 2024).
2. *Close the skills gap.* The Union should monitor shortages in order to be able to align curricula and training programmes with documented shortages as quickly as possible. At the same time, the EU must introduce EU-wide certification to enhance labour mobility across borders. EU programmes require rigorous impact evaluation, with funding shifted toward initiatives that demonstrably place people into high-demand jobs. A Tech Skills Acquisition Programme—combining visas, scholarships and paid internships—would attract global talent and retain European graduates.
3. *Advance bilateral (plurilateral) trade deals.* As the state of multilateralism deteriorates, the EU's only option to maintain open and frictionless trade is to advance its bilateral trade agreements. As a clear beneficiary and therefore also a defender of the global multilateral system, the current state of global cooperation is a notable setback for the EU's global engagement. Nevertheless, the EU had always adopted a pragmatic approach to international trade deals, with bilateral agreements having a clear and often-used place in its tools of engagement. However, the EU must also acknowledge that bilateral deals can be seen as undermining efforts to support multilateralism, particularly as a major player, the EU can dictate terms. Consequently, the active pursuit of bilateral deals may not necessarily be consistent with defending the need for multilateralism, particularly since protectionism is a dominant motivator.

4. *Communicate metrics to monitor and target progress.* Three metrics can guide EU progress and encourage annual accountability. First, set quantified targets for lowering market-access barriers, for example, the tariff-equivalent measures as presented by the IMF (Kramer, 2024)²⁴. Second, commit to raising the intra-EU share of goods and services trade. The European Commission already maps the evolution of EU trade in goods²⁵ and services²⁶ and setting targets can help advance closer integration and monitor the necessary shift from extra-EU trade to greater domestic demand, as recommended by the Draghi and Letta reports. Third, track the rebalancing from bank-based to market-based finance: set targets for the annual share of corporate funding from bonds and equity, IPO counts and proceeds, venture-capital volumes and cross-border listings, with interim targets towards the Savings and Investment Union. Publish the methodology, baseline and outturns to enable cross-country comparability and peer review.

²⁴ The IMF numbers of about 44% tariff equivalent on average for goods trade and 110% tariff equivalent for services, have been questioned by Bini-Smaghi (2025).

²⁵ https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Intra-EU_trade_in_goods_-_main_features.

²⁶ https://ec.europa.eu/eurostat/statistics-explained/index.php?title=International_trade_in_services.

Table 1: Mapping prioritisation tiers to Draghi's report

Prioritisation (Tiers)		Draghi (Areas)
Tier 1 <i>(reduce dependencies)</i>	Defence capabilities	(3) Security and dependencies
	Critical raw materials	(3) Security and dependencies
	Reduce energy costs	(2) Energy / decarbonisation and competitiveness
	Simplification agenda	Overarching building block
Tier 2 <i>(medium-term "big builds")</i>	Decarbonisation	(2) Energy / decarbonisation and competitiveness
	AI/Cloud	(1) Productivity / innovation
	Digital euro (financial)	Not mentioned.
Tier 3 <i>(high-impact enablers)</i>	Savings and Investment Union	Overarching building blocks
	Skills gaps	(1) Productivity / innovation
	Bilateral (and plurilateral) trade deals	(3) Security and dependencies // overarching building blocks
	Measure, monitor and target progress	NA

Source: The Conference Board based on [Draghi \(2024\)](#).

5. CONCLUSIONS AND POLICY RECOMMENDATIONS

Competitiveness and productivity continue to be key for reigniting growth, but in this paper, we argue that security is now the top priority. The EU needs to increase its choices which will allow it to decide independently which policies to apply to enhance productivity and competitiveness. Our recommendation is to tier efforts in a way that prioritises defence and critical input dependencies as a means of providing the EU with economic security. An economically secure EU is then better able to design policies that achieve its objectives.

Industrial policy will have to play a crucial role in advancing security. The new literature and past EU experience will need to inform how we pursue this. Projects selected need to promote identifiable European public goods. Support given needs to be conditional on successful outcomes and should end at predictable and well-defined horizons. Governance needs to be both simple and enforceable. The scope needs to be apparent from the outset and remain consistent throughout. Last, projects supported need to generate both the supply and the demand for goods, such that markets can be complete. In that respect, support is not just about R&D but needs to foresee conditions for market creation and scalability. Above all, projects need to be realistic in terms of what they can achieve and how quickly.

Trade policy will also need to be adjusted, and the Draghi report calls for caution, warning against harming Europe's trade, one of its main engines for growth. As the global system becomes less predictable and less reliable, the EU must learn to produce more domestically and rely more on domestic demand. Pursuing bilateral trade agreements is a way to ensure the continuity of trade. But it comes at the risk of undermining the EU's deep beliefs in multilateralism. Finding the right balance between defending multilateralism and protecting our economies is crucial to the narrative that the EU puts forward, needed to exert influence on the big issues, such as trade, climate and security.

Last, the European decision process is laborious and proves a clear handicap for the Union. Draghi's call to "*do something*" was a reaction to the realisation that the speed at which the EU reacts to outside problems is detrimental to its interests. This is neither new nor easy to solve. However, the EU did demonstrate tremendous agility at the start of the COVID-19 crisis, in terms of speed, coordination and allocation of the necessary funds. Emulating some of that behaviour now is crucial in achieving economic security.

Much work lies ahead, and the EU will have to face significant constraints, costs and trade-offs. However, Europe has already begun taking initial steps towards greater strategic autonomy through increased economic security. Competitiveness and productivity must follow but are now viewed as complementary to more pressing objectives. To be clear, this is not the EU's preference. The EU would much rather have open and competitive markets, a functioning multilateral system and global cooperation of the type that can help deal with climate change. It would also prefer to continue enjoying peace and the dividends it has provided over the past half-century. But this is no longer reality. And the quicker it organises itself to protect its interests and its global standing, the faster it can contribute to returning to peace and global cooperation.

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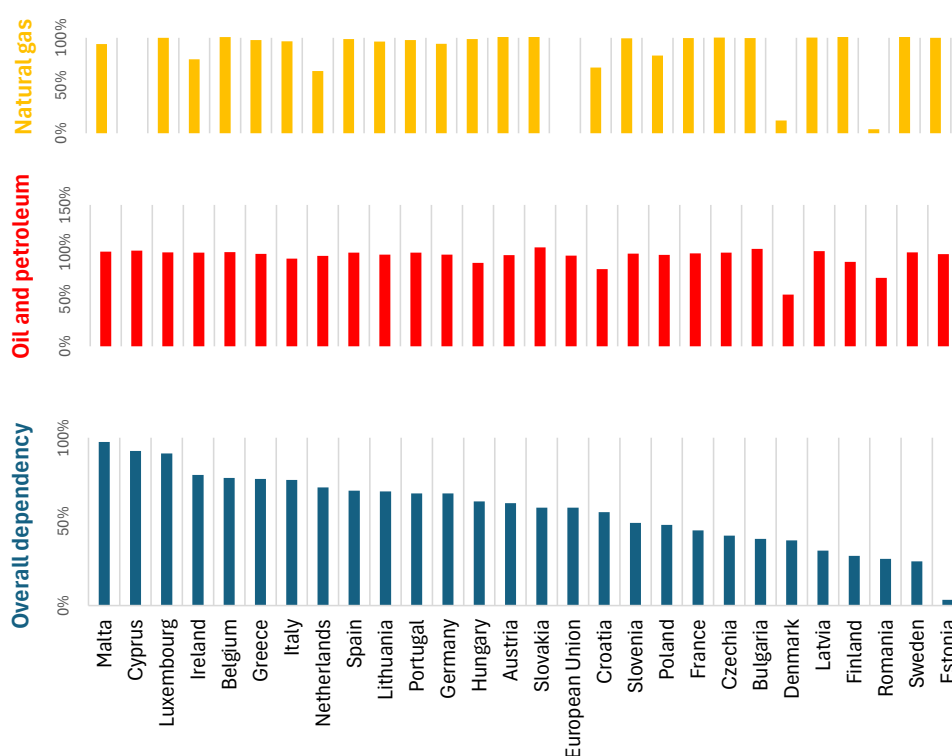
The authors have used ChatGPT (Pro) version to identify relevant literature and explore case studies.

ANNEXES

A.1. Key dependencies and structural weaknesses: Additional information and figures

EU energy dependencies are well-known, but there are substantial differences across countries and products (**Figure A.1**). Countries like Estonia, Sweden, Finland, or Latvia have dependency ratios below 33 percent, in part thanks to decoupling from Russian energy sources. However, this decoupling may have resulted in increased dependency from other suppliers. Notably, oil and petroleum dependencies are above 50 percent for all EU countries, showcasing the limited domestic production of this kind of energy. Natural gas displays a similar pattern, with the exceptions of Romania and Denmark, which have strong domestic production and are net exporters of natural gas.

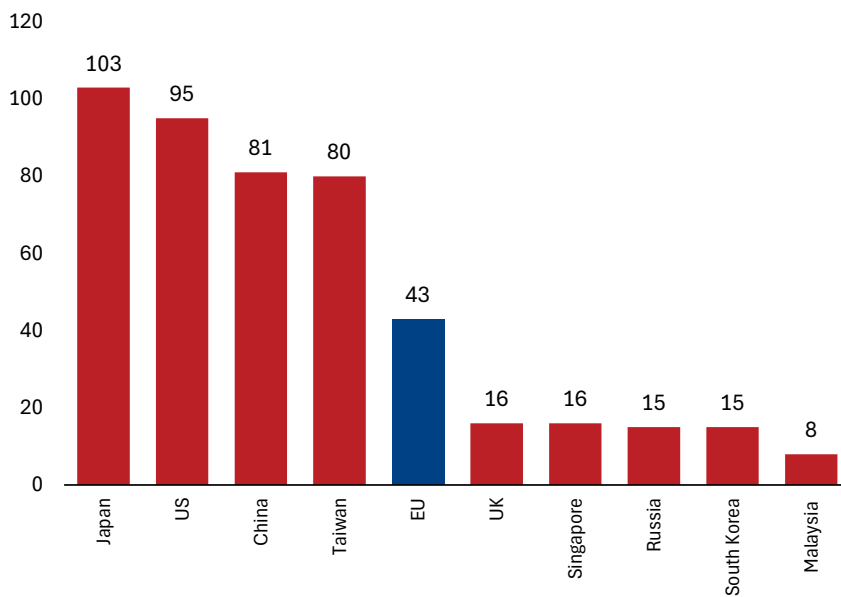
Figure A.1: Energy dependence, 2023 (Percent of energy needs met by net imports)



Source: The Conference Board, based on [Eurostat](#).

EU *semiconductors* production is roughly half of what Europeans use in the devices they buy, reflecting that much of Europe’s electronics demand is met by imports of devices made abroad. EU has about half as many semiconductors manufacturing plants as Japan, the US, China and Taiwan (**Figure A.2**) and more than 50 percent of these plants (22) are in Germany, the EU country with the second largest number of plants is France, with 5.

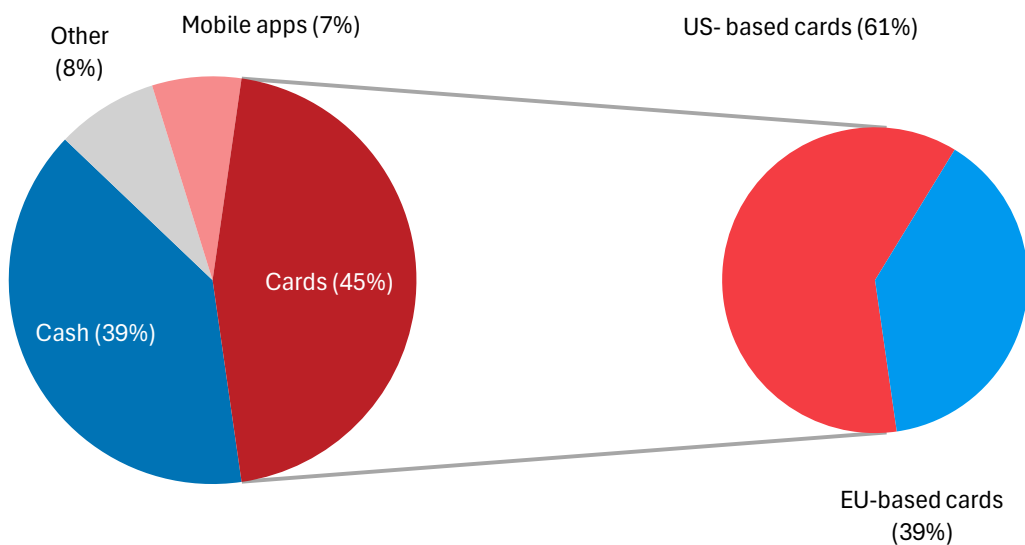
Figure A.2: Semiconductors manufacturing plants per economy



Source: The Conference Board, based on [World Population Review](#).

Europe's financial vulnerabilities are reflected in multiple channels and relate to the central role of the US dollar in global financial markets. Payment dependency is particularly notorious, with cards and mobile apps representing over 50% of daily payments in the euro area and being the preferred method of choice for all groups under 50 years of age and digitisation accentuating this trend. Given that US-based cards represent over 60% of card payments in the euro area and that mobile apps are largely dominated by US Big Tech, the dependency on payment methods is evident (**Figure A.3**).

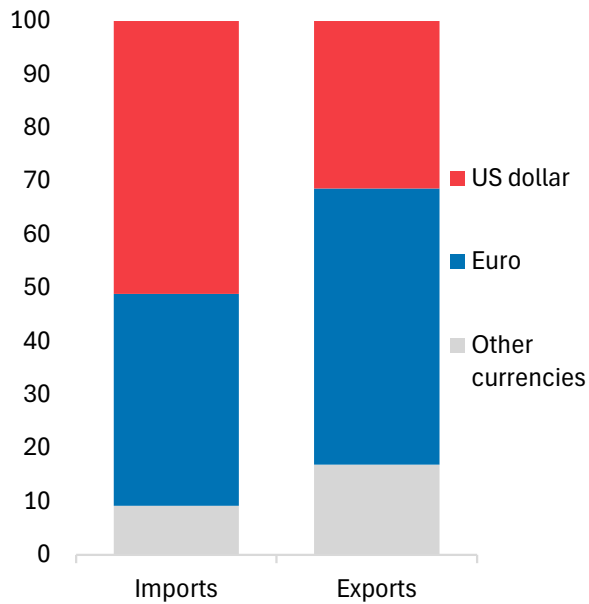
Figure A.3: Day-to-day payments by type and card payments by company's country, 2024 (Percent)



Source: The Conference Board, based on [ECB](#).

Further, EU import trade invoicing is dominated by the US dollar, largely because oil is mostly invoiced in dollars and given large external sector dependencies on energy. Even for exports, close to a third of total EU exports are invoiced in US dollars (**Figure A.4**).

Figure A.4: EU imports and exports by currency, 2024 (Percent)



Source: The Conference Board, based on [Eurostat](#).

A.2. Draghi report summary

Table A.1: Draghi report summary table

Area	Challenges	Solutions
<p>Productivity/innovation</p> <p>“Need to accelerate innovation and find new growth engines.”</p>	<p><u>Main:</u> Low productivity and economic growth</p> <p>Causes:</p> <ol style="list-style-type: none"> 1) Competition from China 2) Decreasing technological advantages (particularly large private companies) 	<ol style="list-style-type: none"> 1) “Accelerating significantly technological and scientific innovation, 2) improving the pipeline from innovation to commercialisation, 3) removing barriers that prevent innovative companies from growing and attracting finance, and 4) undertaking concerted efforts to close skills gaps.”
<p>Energy/decarbonisation and competitiveness</p> <p>“must bring down high energy prices while continuing to decarbonise and shift to a circular economy”</p>	<p><u>Main:</u> higher energy prices (electricity 2-3 times and natural gas 4-5 times higher than the US)</p> <p>Additional issues:</p> <ol style="list-style-type: none"> 1) Chinese competition (EV and clean energy) 2) Lack of own resources but also issues in the common energy market 	<ol style="list-style-type: none"> 1) “leadership on the technologies that will supply (decarbonisation). (Including) industries that produce energy, those that enable decarbonisation, such as clean tech and automotives, and industries that use energy intensively and are “hard-to-abate” 2) “The EU should decouple the remuneration of renewable energy and nuclear from fossil-fuel generation by building on the tools introduced under the new Electricity Market Design” “A central element in accelerating decarbonisation will be unlocking the potential of clean energy through a collective EU focus on grids.” 3) Develop governance for a true energy union. 4) Support clean tech manufacturing and consider trade-offs.
<p>Security and dependencies</p> <p>“must react to a world of less stable geopolitics, where dependencies are becoming vulnerabilities and it can no longer rely on others for its security.”</p>	<p><u>Main:</u> “dependencies are becoming vulnerabilities”</p> <ol style="list-style-type: none"> 1) CRMs 2) Trade (openness) 3) Semiconductors 4) Defence 	<p>Main: “develop a genuine “foreign economic policy that...”</p> <ol style="list-style-type: none"> 1) “coordinates preferential trade agreements and direct investment with resource-rich nations, 2) “the building up of stockpiles in selected critical areas, and 3) the creation of industrial partnerships to secure the supply chain of key technologies.” and 4) Europe will also need to develop a strong and independent defence industrial capacity that allows it to meet increasing demand for military assets and equipment and remain at the forefront of defence technology.”
<p>Four overarching building blocks:</p> <ol style="list-style-type: none"> 1. “full implementation of the Single Market” (See Letta report for more) 2. “industrial, competition and trade policies, which interact closely and must be aligned as part of an overall strategy” 3. “(finance) the main areas for action, which entail massive investment needs unseen for half a century in Europe” 4. “reform the EU’s governance, increasing the depth of coordination and reducing the regulatory burden” 		

Source: The Conference Board based on [Draghi \(2025\)](#).

A.3. Four case studies of Successful pan-European IP

Below are three EU industrial-policy successes, each explained under three headings: what they did, why it worked and what it delivered to Europe.

A.3.1. MBDA—The European Missile Systems Company

To date, MBDA stands out as a rare yet powerful example of successful European industrial policy in defence. Formed in 2001 through the merger of UK's BAE Systems (37.5%), France's Aerospatiale-Marta Missiles (37.5%) and then Italy's Alenia Marconi Systems—now Leonardo—(25%), MBDA remains Europe's unified missile company, bringing together design, production and support across borders, creating a truly integrated pan-European defence champion. Its distinctive feature has been the creation of "Centres of excellence" between its French and British sites which allocates key competencies (e.g., algorithms, complex warheads, software and navigation systems) across its production sites, all while operating as "One MBDA". (Bellais, 2021)

Causes for success

*Regulatory enablers for movement of parts and know-how: Directive 2009/43 simplified intra-EU transfers of defence products within Europe, lowering frictions for cross-border production.*²⁷

Coordinated demand. Long-term joint programmes (e.g., Aster missiles ordered in late 2022 and delivered to CIMA in Italy in June 2025²⁸ gave predictable orders and, when needed, funded production acceleration, letting MBDA build capacity and surge output in a timely manner.

Industrial governance. A tri-shareholder structure under a single 'MBDA management' supports portfolio-wide decisions rather than being driven by narrow national interests or political agendas.

Improved market shares. Despite fierce competition from well-established, extra-EU global competitors, MBDA has managed to maintain its market shares globally. In 2022, the company held a 16% share of the global missile market and dominated the European market with a 43% share.²⁹ In 2025, the company employed approximately 20,000 people, representing a 60% growth since 2020. It plans to increase production by 50% in 2026 compared to 2022.³⁰ Overall, its expanding product portfolio makes MBDA capable of competing across the whole scope of missile systems.

What it delivered

MBDA has established a sovereign European capacity in complex weapons (e.g., missiles), encompassing the entire value chain from design to production and support, operating across France, the UK and Italy under a single, pan-European group rather than fragmented national lines. Strong cross-border cooperation has enabled the company to demonstrate production agility, for example, by accelerating deliveries of ASTER missiles through joint orders coordinated by OCCAR. Agreements like the Franco-British "Centres of Excellence" and EU rules on transfers have also made it easier to move parts, people and indispensable know-how across production sites.

²⁷ <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32009L0043>.

²⁸ <https://www.occar.int/news/first-aster-missile-deliveries-to-italy-after-production-acceleration-and-increase-contracted-by-occar>.

²⁹ <https://www.marketscreener.com/quote/stock/AIRBUS-SE-4637/news/Missile-maker-MBDA-off-to-a-good-start-in-2022-after-strong-2021-executive-40122662/>.

³⁰ <https://euro-sd.com/2025/03/major-news/43158/mbda-ceo-press-briefing-2025/>.

A.3.2. Galileo (EU satellite navigation)

Europe built its own satellite navigation system—Galileo—to provide accurate positioning, navigation and timing (PNT) under civilian control. It was designed to work smoothly with GPS (interoperable) but remain independent, so Europe isn't forced to rely on a non-EU system for critical services. Operations and market uptake are managed by the EU Agency for the Space Programme (EUSPA), with the European GNSS Service Centre (GSC) acting as the user interface for services like the Open Service and the free High Accuracy Service (HAS). By 2024, more than 4 billion smartphones worldwide were Galileo-enabled.³¹

Causes for success

Patient, centralised procurement. The Commission—through EUSPA—acted as a single, multi-year buyer and programme manager. That predictable demand allowed European primes and SMEs to invest in satellites, ground control and receivers.

Smart “demand-pull” rules. Two quiet but powerful regulations created guaranteed baseline demand for Galileo-capable receivers: (1) eCall—since 31 March 2018, all new types of cars and vans must include a 112-based eCall system; and (2) smart tachographs in heavy vehicles, introduced in June 2019 and upgraded since, which include GNSS connectivity with Galileo.

Open, interoperable tech. Galileo was engineered to work with other constellations; its Open Service and HAS deliver sub-meter to decimetre-level positioning when used with proper algorithms, lowering integration costs for device and app makers.

Scale and diffusion. With billions of Galileo-enabled phones already in use, developers have a vast installed base that is not fragmented by region.

What it delivered

Europe now has strategic autonomy in PNT and a resilient ecosystem—comprising satellites, control centres, chipsets, receivers and applications—used in logistics, aviation, agriculture, emergency response and more. The same “playbook”—patient capital, a single EU customer, targeted demand rules and open standards—also underpins Copernicus, whose full, free and open data policy has catalysed thousands of downstream services. Galileo has best-in-class broadcast accuracy, unique safety-relevant services (RLS) and free high-accuracy corrections (HAS) (Monternbruck O and P. Stelberger, 2025). Audits and the 2019 outage underline that governance, reliability and demonstrable user uptake remain key points to watch (European Court of Auditors, 2021).

A.2.3. Airbus (civil aeronautics)

European governments pooled resources to establish a cross-border aircraft manufacturer (Airbus) and employed targeted policy tools to address fragmentation in a capital-intensive, high-risk industry. The key instrument was repayable launch investment (RLI)—public loans that are repaid if the aircraft sells—complemented by EU-level R&D and export-credit support. This approach resulted in a pan-European supply chain instead of many small, duplicative national efforts, Hodge et al. (2024).

³¹ <https://www.euspa.europa.eu/eu-space>.

Causes for success

Solved scale and coordination failures. Acting together enables Europe to reach the minimum efficient scale and share risks in a market with steep learning curves and significant fixed costs. The IMF's single-market analysis highlights how coordinated policy can "foster cooperation and competition" and avoid harmful cross-border spillovers, Hodge et al. (2024).

Performance-based support, disciplined by trade rules. RLI and other measures were scrutinised in WTO dispute DS316; the EU ultimately brought measures into compliance, illustrating time-limited, contingent support rather than open-ended subsidies.³²

Competition that sharpened incentives. Irwin and Pavcnik (2001) show Airbus's entry and rivalry with Boeing materially changed industry prices and structure—evidence that policy enabled a viable competitor rather than a sheltered monopolist.

What it delivered

The sector anchors high-skilled employment and exports across Europe, providing a deep industrial base for hundreds of thousands of workers and extensive supplier networks. Coordinated EU-level policy solved collective-action problems (scale, risk-sharing, standards), used instruments aligned with learning-by-doing (RLI) and insisted on eventual trade-law compliance—delivering a globally competitive champion and long-run innovation capacity for Europe.³³

A.3.4. GSM (2G mobile) standardisation

Europe chose one digital mobile standard—GSM—and paired it with harmonised spectrum (the 1987 "GSM Directive" reserving the 900MHz band). Technical standards were developed openly via the ETSI, later in partnership with 3GPP.³⁴ This solved the fragmentation that held Europe back in the analogue (1G) era and created a single, interoperable market with seamless roaming.

Causes for success

Non-fiscal levers with a big impact. A binding EU law on spectrum created and guaranteed, compatible demand across Member States. ETSI's open, consensus-based process mobilised vendors and operators around a single roadmap.

Scale and network effects. A common standard let firms compete on top of shared infrastructure, reducing costs and enabling roaming and cross-border services from day one. According to Pelkmans (2001), this mix translated into rapid deployment and equipment that was exportable.

Clear path for evolution. The GSM framework introduced phased features (Phase 1 and Phase 2) and the same institutions later anchored 3G/4G/5G, with today's work focusing on 6G, keeping Europe at the forefront of standards.

³² [WTO dispute DS316 \(EU large civil aircraft—launch aid\)](#).

³³ <https://www.reuters.com/business/aerospace-defence/airbus-a320-flies-past-boeing-737-most-delivered-jet-history-2025-10-07>.

³⁴ ETSI and 3GPP are European and global telecommunications standards organisations, respectively, that work to ensure the interoperability of mobile networks. ETSI (European Telecommunications Standards Institute) develops ICT standards for Europe, while 3GPP (Third Generation Partnership Project) is a collaboration of standards bodies, including ETSI, that develops global standards for mobile technologies like 4G and 5G.

What it delivered

GSM became a worldwide success that is still operating today, catalysing pan-European networks, handset ecosystems and equipment makers, while lowering prices through competition on a common platform. It also seeded Europe's strengths in mobile infrastructure and services for more than a decade and provided the institutional template for later generations.³⁵

A.4. Three case studies of Unsuccessful pan-European IP

A.4.1. Northvolt (EU battery champion)

What it aimed to do

Founded in 2016, Northvolt set out to establish a home-grown European battery value chain and become a leading cell supplier to Europe's carmakers. Public support drew in private capital: the European Investment Bank and partners backed a US\$5 billion non-recourse package—described by the European Commission/EIB as Europe's largest green loan—to expand the Skellefteå (Sweden) complex and recycling unit. At the same time, Germany secured Commission approval for €902 million in state aid for a gigafactory in Heide. At the time, Northvolt appeared well placed to scale.

Why it failed

Execution proved difficult to scale as output at Northvolt lagged far behind plans.³⁶ Northvolt also acknowledged relying on imported cathode active material, including from China, contradicting the promise of rapid upstream self-sufficiency.³⁷ As delays mounted, BMW cancelled a €2 billion cell contract in June 2024. The financing window then closed, and on November 21, 2024, the company filed for Chapter 11 in the US. Next to that, uncompetitive energy prices compared to China, and the low yield rates proved detrimental to its success.

What Europe should learn from the experience

Northvolt's collapse was less a verdict on Europe's battery ambitions than a warning about factory-floor execution, supply-chain realism and policy design. Europe can still build competitive battery capacity—if it funds portfolios, embraces trusted global partners under EU rules and pays for proven output rather than promises.

Diversify risks and link support to performance. Industrial innovation entails failures, which means that resilience comes from multiple bets. Linking payments to performance then ensures that losses can be controlled by identifying quickly which bets are worth pursuing and which are not.

Set realistic expectations. Northvolt was heavily reliant on Asian firms' lead in scale and process know-how, which meant that pursuing autarky was not realistic. It should have instead co-locate that know-how in Europe through guarded partnerships (investment screening, cyber, IP).

Subsidies cannot resolve structural weaknesses. Subsidies cannot offset the high energy costs, skills gaps and capital market frictions highlighted by the Draghi competitiveness report. The Clean Industrial Deal explicitly targets cheaper energy and faster permitting; these reforms need to be pursued next to, if not before, IP, and be granular and sector specific.

³⁵ <https://www.etsi.org/technologies/mobile/2g?highlight=Wy11Ny42lI0%3D&utm>.

³⁶ <https://www.reuters.com/technology/battery-maker-northvolt-says-head-its-main-plant-step-down-2024-10-09>.

³⁷ <https://www.theguardian.com/environment/2025/feb/26/homegrown-swedish-battery-startup-admits-importing-vital-components>.

A.4.2. Nabucco gas pipeline (Southern Gas Corridor route)

What Nabucco aimed to do

Conceived in 2002 and elevated by the EU's 2008 Second Strategic Energy Review, Nabucco was to be the flagship of the Southern Gas 800 km Corridor from Turkey to Austria. The strategic goal was to diversify both sources and routes, bringing Caspian/Middle Eastern gas to reduce dependence on Russia and mitigate transit risks via Ukraine. It aimed to pool demand in Central/South-Eastern Europe and create competitive pressure at the Baumgarten hub ³⁸(De Micco, 2015).

Why it failed

Three forces undermined its success.

Competition. Azerbaijan and Turkey advanced TANAP, and in June 2013 the Shah Deniz consortium chose the shorter Trans-Adriatic Pipeline (TAP) to carry Stage-2 volumes to Europe—locking in the Southern Gas Corridor without Nabucco.³⁹

Commercial/regulatory fit. TAP secured a 25-year exemption for its initial capacity from third-party access, tariff regulation, and ownership unbundling, providing regulatory certainty and monetisation clarity that Nabucco never matched; the shorter route and fewer regulations lowered cost and execution risk.⁴⁰

Economics and politics. Following the 2008 economic downturn triggered by the global financial crisis, high capital expenditures and the absence of firm upstream commitments to fill the original 31 bcm, Nabucco's value proposition was undermined. Member state divisions and Russia's counterprojects (South Stream/Turkish Stream) further muddled EU signals. (De Micco, 2015).

What Europe should learn from the experience

First, align the strategy with feasibility. It is crucial to secure the necessary demand early and provide regulatory support. TAP's exemption shows how regulatory predictability de-risks capital. Second, where networks are of relevance, diversify sources more than routes and keep interconnectors/LNG central so no single pipeline bears system-wide security risks.

A.4.3. Gaia-X (sovereign cloud/data infrastructure)

What it aimed to do

Gaia-X was launched by France and Germany in 2020 to federate Europe's fragmented cloud providers into a trusted, interoperable and hyper-distributed network that enables data portability, reversibility and controllability in line with European regulations. The ambition was not to build a single EU hyperscaler, but to knit together many providers through common specifications and a trust framework so customers could compose services across clouds without lock-in—turning fragmentation into a strength. Success depended on strong political backing and leeway in competition/state-aid rules to let European firms cooperate at scale. It was framed as a federated cloud built on shared standards to reduce dependence on non-EU hyperscalers and rebuild "digital sovereignty." (Bria, F. et al., 2025).

³⁸ A large interconnection point in Lower Austria.

³⁹ <https://www.tap-ag.com/news/news-stories/tap-confirms-resolution-to-construct-following-the-final-investment-decision-by-the-shah-deniz-consortium>.

⁴⁰ https://www.ere.gov.al/doc/2013_06_13_FinalJointOpinionClean_final.pdf.

The European Parliament's brief likewise describes Gaia-X as a European-level federated data infrastructure to counter dominance by non-European suppliers. (Madiega, 2020)

Why it failed

In practice, scope ambiguity and governance frictions undermined delivery. Members projected conflicting visions onto Gaia-X (some sought an EU hyperscaler, others a lobbying vehicle or de-facto standard setter). Opening membership (necessary for competition-law reasons) let hyperscalers shape outcomes and the association model lacked authority to mandate standards.

The initiative's breadth, tendency to overlook the infrastructure layer, reliance on pilots that often ran on non-EU clouds and slow technical progress blurred its sovereignty value-proposition. As the project was moving slowly, Europe's market reality shifted in the opposite direction, with Amazon, Microsoft and Google capturing about 70% of Europe's cloud market. Meanwhile, European providers share declined from 29% (2017) to 15% (2022) where it stabilised.⁴¹ Policy signals also wavered: the EU watered down sovereignty conditions in its draft cloud cybersecurity scheme (EUCS), drawing protests from European operators concerned about exposure to the US CLOUD Act, undercutting Gaia-X's narrative.

What Europe should learn from the experience

The project's scope was broad, complex and continually evolving. Concepts such as interoperability, reversibility, locality and legal immunity need to be clearly defined and measurable for everyone. Use enforceable criteria (who controls keys, code, jurisdiction) and align regulation (DMA/DSA/AI Act) with a market offer where compliance is a competitive advantage. Finally, track progress with independent market metrics (e.g., SRG shares) and iterate quickly. Separate standard-setting from execution, for example, via a dual structure (Scott, 2024, argues for a standards think-tank plus an operating company that ships reference implementations). As with other projects, transitioning from R&D to scaled deployment and procurement is crucial. Concretely, using Europe-first procurement can create early demand for EU stacks.

A.5. How to save differently: The Swedish case

The Savings and Investment Union, building on the earlier Capital Markets Union, has prioritised market integration to achieve scale. However, European countries display vast differences in financial market participation (Rumpf, 2024; ECB, 2023). The Swedish experience, highlighted in the Draghi Report, offers practical insights into how nations can strengthen retail engagement. By encouraging countries to emulate Sweden in this regard, there will be greater coordination that can help create a unified market for capital.

Sweden's model illustrates that digital access, a strong savings culture supported by incentives and regulation, active retail presence in growth markets, competitive pricing, effective default design and continuous promotion of financial education across the life-cycle foster risk-resilient saving and investment behaviours.

Digital infrastructure. A universal digital identity system, BankID, underpins Sweden's success. It enables instant onboarding, funding, electronic signatures and Know-Your-Customer checks. In 2024,

⁴¹ <https://www.srgresearch.com/articles/european-cloud-providers-local-market-share-now-holds-steady-at-15>.

99.9% of citizens aged 18–67 possessed BankID, accounting for 8.6 million users and 7.6 billion authentications.⁴²

Simple and transparent. Straightforward and transparent investment mechanisms simplify the process. Simple legal ways to earn interest on savings, or profits from investments, without being taxed on the gains made (known as tax wrappers) allow individuals to earn returns without tracking each capital gain. Sweden's *Investeringsparkonto* (ISK) taxes a notional return (*schablonintäkt*) on the average account value rather than realised gains. This eliminates lock-in effects and reduces the administrative burden of compliance. Brokers automatically report the tax, while contributions and withdrawals remain untaxed, encouraging long-term reinvestment (Jansson et al., 2024).

Automatic and Inclusive Participation. Automatic enrolment in savings schemes also boosts engagement. In Sweden, 2.5% of wages go to the Premium Pension, part of the national social insurance system. Those who do not choose specific funds are automatically invested in the state-run AP7 fund, which achieved a 27.3% return for 5.9 million savers in 2024.⁴³

Cost Discipline and Market Access. Transparent pricing anchors public expectations. Zero-fee index funds, such as Avanza Zero, have made regular savings in funds widespread. Retail investors are also integrated into growth markets: Nasdaq First North offers a simplified path to listing with significant retail participation, fostering a culture of share ownership. This provides a clear path from start-up to main market, as a meaningful allocation for retailers builds a culture of shareholder ownership.⁴⁴

Accessibility and practical Financial Literacy trainings. Allowing small investments further promotes inclusion. Swedish platforms enable fractional share ownership and automated purchases, reducing entry barriers. Transparent ownership data from Euroclear Sweden and Statistics Sweden enhances trust by showing who owns what. Sweden consistently ranks among the global leaders in financial literacy (Demertzis et al., 2024). Besides formal education, community organisations and bank-funded school programmes deliver practical training nationwide, supporting informed and confident participation in financial markets.⁴⁵

⁴² <https://www.bankid.com/en/om-oss/statistik>.

⁴³ <https://www.ftn.se/english/en/the-swedish-premium-pension-system.html>.

⁴⁴ <https://www.nasdaq.com/docs/2022/09/27/4-Key-Takeaways-from-Recent-Retail-Activity-in-Nordics-and-Baltics-Report.pdf>.

⁴⁵ <https://betterfinance.eu/organisation/who-we-are/member-organisations/member/aktiespararna-swedish-shareholders-association>.

Escalating security threats have revealed defence dependencies that constrain choices and allow for coercion. While there has been progress on the competitiveness agenda, the EU must increase military and economic autonomy further. Industrial policy should move centre stage, drawing past lessons to gain scale and productivity and, with multilateralism stalled, bilateral trade deals are vital. Organising swiftly is needed to strengthen Europe's standing and enable increased competitiveness. Economic security is now a first order priority for the European Union.

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