

# Globalisation's Near-Death Experience and the Future of Europe's Economic Security

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**As globalisation teeters on the brink, Europe faces a critical juncture. To safeguard its future, the EU must weave economic security into the fabric of international institutions, prioritising sovereignty, innovation, and resilient supply chains. Forums like the Brussels Economic Security Forum and the Europe Future Forum are vital for defining the scope and strategies of economic security, ensuring Europe can navigate an era of weaponised interdependence and global disruption with a clarity of purpose.**

The extent of disruption in global economic relations is unprecedented. The surge in tariffs and trade policy uncertainty translates into a sharply deteriorated outlook. As a result, talk of the death of globalization proliferates.

However, the global trade system holds. The latest [World Trade Organisation \(WTO\) projections](#) foresee 0.9 per cent growth in world merchandise trade in 2025, an upward revision from the 0.2 per cent contraction the organisation predicted in April. Asian economies are expected to be the largest positive driver of global trade growth in 2025.

This means that the world has bifurcated. Trade with and around the United States (US) is slowing while the rest of the world continues to trade largely as normal. Another [WTO analysis](#) suggests that roughly 72 per cent of global goods trade is still operating based on 'most favoured nation' tariff terms, down from 80 per cent at the beginning of the year. There has been some knock-on protection in third countries, but it has been relatively modest and mostly sector-specific.



### **America's back to the future**

Avoiding escalating restrictions is one of the lessons learned from the catastrophe of the 1930s, when the system did indeed break down. 'Uncertainty remains one of the most disruptive forces in the global trading environment,' [says](#) Ngozi Okonjo-Iweala, WTO's Director-General. Could this trigger a ripple effect, and can countries that have struck deals with the US administration hold the line under domestic criticism? Avoiding a full-fledged global trade war is definitely a better

outcome than the alternative, but the pressure will continue. Economists may understand that countries which avoid retaliation often fare better, but will this perspective gain traction amongst a public sensitive to the politically charged issue of dominance versus submission?

One view holds that the US, which is hurting itself more, will inevitably have to change course. Indeed, when President Trump took office, the US economy was doing relatively well compared to the rest of the world, with a strong labour market and gradually reduced inflation. Now, US exports will inevitably be reduced and American consumers will not benefit as much from imports. Components of manufactured goods will be more expensive to American producers. The Budget Lab at Yale University [estimates](#) the average per household income loss from tariffs to be as high as 2,400 US dollars in 2025. Inflation will go up and the labour market will weaken.

Jason Furman, the former Chair of the White House Council of Economic Advisors, [compares](#) levying tariffs to a person who simultaneously shoots himself and another person in the foot: 'If the other person responds by shooting both himself and the original person in the foot, that would leave both unable to walk'. In line with this view, Europe and others followed the right course exercising self-restraint, while Canada, which raised the retaliatory stakes, might hurt its interests more as a result.

**To find out more about the potential alternatives to economic policies inspired by populism, read Visegrad Insight Editorial: [Partnerships Must Be Backed by Force](#).**

Meanwhile, all across Europe, much of the business community is fuming about the European Union's (EU) lack of resolve vis-à-vis the US. Under pressure, the EU has lived through what many have called a 'summer of humiliation,' agreeing to the US 15 per cent tariff while a much better arrangement seemed to be within reach. The wide expectation is that Donald Trump will not stop asking for more, as confirmed by his threats of 100 per cent tariffs on pharmaceutical imports. The likelihood is that Europe will be under an ever stronger pressure to decouple from China, with significant consequences in terms of the potential loss of its foreign market revenues.

## **China's brinkmanship – the true cause of Trump's tariffs**

The broader and potentially more significant question has to do with whether the current US administration policies are a symptom, rather than the cause, of the global trade system being placed under pressure. If the underlying explanation is that of the great power rivalry, pressures towards decoupling are only likely to intensify. The problem of Chinese overcapacities remains as stark as ever. As this year's [report](#) by the Mercator Institute for China Studies (MERICS), President Xi has remolded China's economic model in ways that establish the conditions for overinvestment, overcapacity, and overproduction. The policy drivers are provincial and local support, central direct support, innovation and R&D support, and a significant presence of state-owned enterprises (SOEs). 'The phenomenon is a feature, not a bug, of President Xi's policymaking,' the report argues. There may be a small margin of time left, as Henry Farrell and Abraham Newman argue in their latest [Foreign Affairs essay](#) 'The Weaponised World Economy,' where they point out the US administration's awareness of its inability to disentangle from the Chinese critical minerals in the short-term, giving China a powerful leverage over US policy.

### **Same threats, different wrapping**

When the EU conceived its Economic Security Strategy in June 2023, its prime motivation was the risks and vulnerabilities caused by a confluence of factors, from the global pandemic, through Russia's unprovoked invasion of Ukraine, to hostile cyber and infrastructure attacks, foreign interference and disinformation and a global increase in geopolitical tensions. Those, [the Strategy said](#), 'did not exist only a few short years ago.'

Four types of risks were in focus:

1. Risks to the resilience of supply chains, including energy security;
2. Risks to the physical and cyber security of critical infrastructure;
3. Risks related to technology security and technology leakage;
4. Risk of third countries targeting the EU, its Member States and EU businesses through measures affecting trade or investment to bring about a change of policy falling within legitimate policymaking space.

In all four areas, the situation has not only aggravated but become systemic. The risks were observable before – sporadic, yet frustratingly recurrent. Now, they are permanent and have become the baseline scenario. Threats, which often were peripheral and random, became much more constant. We have moved to a more acute phase of global disruption.

In fact, economic security post-2025 will need to be about much more than risks and vulnerabilities. The very vibrancy and resilience of the economic model are now at stake. As for the strategy to follow, four dimensions are particularly relevant:

### **One. Building strength inside out**

Economic security is now about revamping one's growth model, not just securing it around the edges. Matthias Matthijs from John Hopkins University and Craig Parsons from the University of Oregon [wrote in Foreign Affairs](#) in 2022 that Europe has surpassed the US in the quest for economic integration. However, its results are suboptimal and it continues to underperform the US. They traced the reasons to the lack of cultural and institutional homogeneity and paradoxically recommended the adoption of the Single Market approach to the US. Slowly but inevitably, the EU is course-correcting, increasing investments in innovation, including disruptive, contemplating the setting up of the 28th regime for regulatory streamlining, and offering support to its critical industries. The turnaround in the defence industry is already real and demonstrates that shifting the gear is possible. The debate is ongoing between those who believe the EU should still compete in hardware and those who assume its success can only come from technological diffusion. Benefiting from the productivity boost from AI could be the single most impactful economic development.

There is also the promise of creating Tech for Good in Europe, with a domestic scene that builds on European values of non-discrimination, fair access and privacy, while also being able to develop successful business models.

## **Two. Doubling down on resources and technologies of economic security**

The White House Executive Order of 23 July 2025 [says explicitly](#) that the 'United States must ensure that American AI technologies, standards, and governance models are adopted worldwide'. It launches a coordinated national effort to support the American artificial intelligence (AI) industry by promoting the export of full-stack American AI technology packages.

Although the European market has been dominated by US technology for a very long time, this very open and explicit statement poses a challenge to European strategic autonomy. It also brings home the realisation that the EU's regulatory approach may be necessary but also no longer sufficient on its own, while genuine digital sovereignty requires in-house control. As Daniel Mügge [writes in a recent essay](#), 'in the digital arena, the EU is still playing a rules based version of nobody-gets-hurt judo, whereas the other major players have shifted to something more like mixed martial arts' .

The plans for regaining true sovereignty over issues of connectivity or cloud are already there, but the jury is out which part of them will be implemented, given the often prohibitive cost. They also require choices: more privacy or more convenience – that consumers would need to come to terms with.

Apart from the technologies, there are the critical raw materials, the currency of the modern economy. The rare earth magnets are key for clean tech and weapons systems alike, including fighter jets, drones, or submarines. The production of one F-35 fighter jet demands [about 400 kilogrammes](#) of rare earth minerals, for instance. Diversifying and expanding supply by stepping up extraction from primary and secondary sources is of essence, especially in light of the [latest extension of Chinese export restrictions](#) for rare earths. Over the summer, speculation was rife that the Pentagon could be making a direct investment in the US rare earths producer MP Materials in a move best expressing the determination of the Trump administration in overcoming China's dominance of critical minerals and bolstering domestic supply chains. The company currently operates the US's only rare earth mine in Mountain Pass, California,

extracting rare earths such as neodymium and praseodymium, which are essential for making weapons systems and electric vehicles.

For Europe, this means the need to step up implementation of its Critical Raw Materials (CRM) Act, introducing stockpiling and strategic reserves, but also investing more in mining the CRMs in Europe and finding alternatives to them through innovation, or designing manufactured parts and systems that require as little critical material as possible. In addition, improving manufacturing efficiency, reducing waste, repurposing all materials used in the economy and extending their lifetime, all matter in reducing the CRM extraction requirements.

### **Three. Protecting the interests and sovereign choices of the Union**

Among the tools which the EU has developed, there is the Anti-Coercion Instrument for situations where a non-EU country unduly interferes in the policy choices of the Union or its Member States by applying or threatening to apply measures affecting trade or investment. The European Commission has always gone to great lengths insisting that 'the primary objective of the ACI is deterrence.' It would tend to say that the '[instrument will be most successful if there is no need to use it](#)'. Its FAQs even gives an example of an EU trading partner who may try to shape future legislative initiatives of the EU or dissuade the EU from putting in place a measure altogether. The Anti-Coercion instrument envisages a range of measures such as import and export restrictions on goods and services, but also on intellectual property rights and foreign direct investment (FDI). There could also be restrictions on access to the EU market, notably to public procurement. While its application is subject to a case-by-case analysis, its deterrence value may not last forever, if the instrument is never used.

### **Four. Europe's better use of global partnerships**

The key to this will be a better understanding of the basic underlying interests of the partners, and building joint agendas which are less directly transactional and more overtly synergetic. In the process, the EU must be proactive in supporting its companies internationally, hence including a geosindustrial component in the partnerships. Europe needs to use its instruments more strategically: today over 90 per cent of its external funding has little or no conditionality, which reduces impact. Instead, funding needs to be more responsive to local

priorities and supportive of the needs of European businesses at the same time. There should be more opening of the Single Market to third-country companies through mutual recognition or regulatory sandboxing.

### **Moving forward – case studies at hand**

The current period of upheaval is a golden opportunity to revamp the international economic architecture. President von der Leyen seems to have had this objective in mind when she [spoke](#) of the need for an alternative to the WTO at the EU summit in June 2025, alongside the need to work with members of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), which includes the UK.

However, there needs to be a balance between institutional continuity and change. WTO's Most-Favoured Nation principle continues to benefit the great majority of the global trade, offering members the ability to examine problems and raise concerns when needed. Although formal appeals are increasingly getting blocked by the US, more and more countries still use the WTO's Multi-Party Interim Appeal Arbitration Arrangement (MPIA) as an alternative way to get a second opinion on main disputes.

Yet, recalibration is much needed, including through a greater number of plurilateral agreements reached within the logic of transparency and scrutiny. The problem of the global system is not intrinsically about the WTO per se but about the differences of view, which can only be bridged through the meticulous building of a consensus.

Small and medium-sized countries can help with their proactive approach. A number of them, New Zealand, Singapore, and the UAE, with Costa Rica, Malaysia, Morocco, Norway, Panama, Rwanda, and Uruguay, are in talks to form a new trade grouping in November called the Future of Investment and Trade Partnership, or FIT-P. They aim to give equal treatment to paper and digital-based documentation to increase trade efficiency. This is a relatively low-hanging fruit, but a meaningful one.

## Having a place for more meaningful discussions

Economic security itself should have a home at the level of international institutions. A forum to arrive at clarity about the meaning and parameters of economic security would be very helpful. Existing initiatives, such as the [Europe Future Forum](#) and the [Brussels Economic Security Forum](#), may serve this purpose quite well.

Similarly, an arbitration platform may be required when reasons of national and economic security are evoked and lead to trade measures. A proactive approach which offers expertise and tangible support in developing economic security strategies and doctrines would help to bridge the knowledge gap in this emerging area.

Finally, a common resource pool, including a reserve of critical raw materials, activated in a crisis, could help to provide much-needed stability and reassurance.



## Economic security will make globalisation great again

Europe is now entering the uncharted waters of an entirely new global economic framework. Collaborating on economic security can only help to produce an avoidance of tensions and misunderstandings.

Successful international collaboration will need to have economic security in its DNA code. Far from being an admission of weakness of the international system, it will come to be seen as a measure of its strength.

Polish Prime Minister Donald Tusk has rightly [said](#) that the era of naïve globalisation has come to an end with nations turning inward and prioritising their own narrow interests.

One can still make this a win-win for global collaboration, which remains crucial for solving the world's most pressing problems. Embedding economic security at the core of the international system is not an admission of fragility, but evidence of its strength.

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