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Europe's Geo-Industrial Deal: A path to securing Europe's competitiveness abroad

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INTRODUCTION

The rules-based system that has allowed Europe to thrive since the Second World War is gone. As European Commission President Ursula von der Leyen said in 2025, we are entering a "world of imperial ambitions and hostile actors. A world of transnationalism and zero-sum games. A world in which the global economy as we know it is giving way to a permanent state of flux and disorder."[1]

In this new global disorder, zero-sum thinking, mercantilism and nationalist economics are shaping the outlooks and actions of nations around the world. Securing a level playing field to drive growth through competitive advantages is no longer a priority. The key driver of contemporary economic policy is securing markets for domestic industries. It is not about common growth anymore; it's about boosting business.

This trend is evident in partners and rivals alike. The 2025 US National Security Strategy signals a fundamental acceleration of this trend in the US. It will use finance, conditionalities, political leverage, and trade to aggressively back American firms building energy infrastructure, the tech industry and critical raw materials businesses — especially in the Global South and the American hemisphere. This strategy, grounded in an "America First" logic, is about energy and tech dominance and commercial influence.

China leverages subsidies, favourable financing, political packages, local content rules and more to lock in supply chains and dominate strategic sectors. Through government support and innovation, it has built massive overcapacities in numerous industrial sectors, exporting what it can't consume domestically. These goods outcompete domestic EU firms both at home and abroad, threatening broad-scale de-industrialisation in Europe. Even friendly partners like Japan are in on the game, offering favourable export financing to select parts of its industrial base.

All three examples reflect a new geopolitical reality: global markets are no longer governed by rules-based competition, but by state-backed offers and whole-of-government support. In this new reality, the EU is struggling. The bloc is not set up to compete in this new economic order, being fundamentally based on a free trade understanding of the world.

For Europe to be able to compete abroad, a new path forward must be struck. Europe needs a Geo-Industrial Deal that brings together and coordinates existing tools for trade promotion and funding, and to plug gaps, where needed, with new tools or revisions of old ones.

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STATE OF PLAY

The new map

The deteriorating foreign commercial situation described above is not new. Between 2010 and 2020, the EU saw its share of the export market in Africa, Asia and the Middle East slide by 5%. In international contracting, the share of EU operators fell from 32 to 25% in the Middle East, 38 to 24% in Asia and 37 to 18% in Africa.[2]

Especially, Europe has had to increasingly contend with "foreign competitors that receive large support from their governments".[3] Among these foreign competitors, China has been the most aggressive in seeking markets abroad for its firms. In 2022, the total exposure of the Chinese export finance institution Sinosure reached nearly $900 billion, far exceeding the support granted by anyone else.[4] China offers financing options at risk premiums Europe can't match. For instance, the US EXIM Bank has pointed to recent Chinese projects in Ghana and Serbia receiving financing at 25 and 40% lower risk fees than OECD levels.[5] The export financing comes on top of existing advantages from the Chinese home markets, where strategic companies receive direct and indirect subsidies, further tilting the playing field.

The Chinese investments are massive and distorting. At the same time, European businesses increasingly face competition of a different kind from the US. With its National Security Strategy, the Trump administration states that politically aiding US industries abroad is a core task. Diplomatic personnel must be made aware that "part of their job is to help American companies compete and succeed."[6] While diplomats championing their national businesses abroad is nothing new, the strategy reveals a renewed push on this front. The US is also shifting away from a traditional approach to developmental aid, seeking to use such engagements with other countries to seek out business opportunities under the "Trade over Aid" initiative.[7]

These changes have left the EU in a difficult spot. Already losing market shares abroad, it now faces a situation where both its main adversaries and allies are taking a strict commercial view of economic engagement with other countries. While this is not a new reality, it is accelerating in severity. Especially, the US initiative to move beyond traditional developmental aid should be a warning to European policymakers who still operate within the traditional developmental paradigm. The EU risks being outcompeted by concessional export financing from China and political support and pressure from the US.

The rules of the game

Boosting industrial competitiveness abroad has never been a main priority for the foreign engagement of the EU in developing markets — neither as a way to secure funding nor for political pull. Instead, the EU has mainly worked within the established developmental aid paradigm, which is under pressure.

Specifically, EU funding abroad has operated under the OECD's rules for Official Development Assistance (ODA) and export financing. These are voluntary rules that emerged in the 70s as a "gentleman's agreement" between a group of developed countries seeking to avoid a race to the bottom on export financing and the use of ODA funds to benefit domestic industries.[8] Under the rules, most ODA aid, at least to the least developed recipients, must be untied, meaning it should not be conditioned on favouring businesses or industries from the aid-granting country. The rise of China, Korea and Japan as major actors in developmental aid outside of the scope of the OECD rules put pressure on the system, leading to partial reforms in 2023.

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The EU has mostly been a loyal adherent to the OECD rules. Though, as EU industries face more severe economic strain and European businesses have lost market shares abroad to competitors unburdened by the rules, this policy is being increasingly met with criticism. Like for instance, when cases of untied European aid ending up funding Chinese bidders, which shows the pitfalls of the current EU approach. Recently, Chinese CRRC won a Senegalese transport contract ahead of Swedish Scania, although the project was funded by, among others, the European Investment Bank and the European Commission.[9]

The EU developmental aid and foreign economic toolbox

At EU level, Europe sports a broad set of tools to nurture projects in developing countries. Under the Neighbourhood, Development and International Cooperation Instrument – Global Europe (NDICI), the bloc allocated €79.5 billion for developmental aid for the 2021-2027 budget period.[10] This is on top of the European Fund for Sustainable Development Plus (EFSD+), which uses risk-sharing instruments to bring in private funding for development projects abroad.[11] The EFSD+ is a part of the Global Gateway.

NDICI funding is ordinary developmental funding, while EFSD+ blends private and public funding for projects. This furthers the thinking of the Global Gateway, where the Commission has stated that a goal of the €300 billion framework is to "help ensure the level playing field for EU businesses in third country markets".[12] Its scope was later increased to €400 billion.[13] Nonetheless, Commission representatives are clear that the Global Gateway is not primarily a tool for

ensuring the competitiveness of EU businesses, but for nurturing mutually beneficial projects in third countries.

Under the new Multiannual Financial Framework (MFF), the Commission proposes the new Global Europe instrument to fill the role of and expand the work of the three initiatives mentioned above. Through this instrument, it hopes to remove many of the funding targets found in the current tools, giving it greater leeway to prioritise funding based on both geographic and strategic goals

Apart from the EU sources of funding, a host of European institutions play a role in developmental aid and commercial activities abroad. The European Investment Bank (EIB), development financial institutions (DFIs), export-credit agencies (ECA), and national governments all play their part to a greater or lesser extent. Often, there is a lack of coordination among these actors, combined with a disparity in their goals and guiding policies. DFIs and ECAs, for instance, operate under widely differing logics, although they are both needed to successfully fund EU projects abroad. The ECAs themselves are split between the member states, with no strong EU steer on their goals or practices.[14]

Under the Team Europe approach, the EU has tried to coordinate and bring these institutions together. At the member-state level, Team Europe is mirrored by Team National, which applies the same logic. Further adding to the web of tools and coordinating frameworks is the Global Gateway Investment Hub. This initiative seeks to identify business opportunities abroad and to help form consortia of EU businesses to take advantage of the identified opportunities.

RECOMMENDATIONS AND CONCLUSIONS

The future of EU foreign commercial policy

The world is changing, and the EU will have to change with it. Europe is a trusted partner for developing countries globally, but EU industries are losing out in the rush for business opportunities in the very countries Europe supports. As economic pressures in Europe grow more severe, it's untenable to see the bloc's position being further eroded abroad as well.

Facing this situation, the EU needs a new approach for engaging with developing partners and governance frameworks in foreign export finance and development. Multilateral organisations and rules are fraying, and the export credit and ODA rules at the OECD are no exception. China has never accepted the rules, but the US slashing ODA aid and moving to a strictly commercial approach to foreign engagement is new. The EU cannot be the only one out of the world's three main economic actors to cling to the traditional rules. If it continues to do so, it will lose out.

In this new reality, the EU must be more pliable in how it coordinates projects in foreign markets. Greater emphasis must be put on creating flexible and dynamic constellations combining both Team Europe and Team National. The European External Action Service (EEAS) will play a key role in identifying viable projects at an early stage, while the Commission acts on the information to bring in a relevant mix of industry actors, ECAs, DFIs and other funders to create an appealing package for the partner country.

In creating such packages, the EU must become more creative. If not, EU businesses will be beat out by China, judged solely on price, and by the US on political capital. EU bids must therefore combine different aspects and layers of offers to clinch the deal. Long-term service contracts and training for local labour must be tacked on to procurement deliveries. Market access reciprocity must be offered, and long-term localisation of production in the partner country, where feasible. Furthermore, unorthodox tactics like offering debt relief or favourable payment plans for partner countries could be envisioned as a part of a holistic bid to secure a deeper long-term relationship.

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The envisioned funding envelopes under the new MFF proposal must equally be targeted and concentrated where they can have the most impact abroad. Grants, guarantees and other types of blended finance should together form a deep source of funding on attractive terms to let EU businesses compete on similar, if not identical grounds, as foreign competitors. A new export credit facility should be a part of the MFF offer. This would allow for greater EU control over export financing and should hew to the model already established with the InvestEU Ukraine Export Credit Pilot.[15]

A geo-industrial deal for European businesses

To realise the Geo-Industrial Deal, we propose five concrete policy tracks to help foster EU industrial competitiveness abroad in a harsh and disorderly world.

1. **One Strategy: A Coherent, Whole-of-Government Framework**

   To compete with the US, China, and Japan, Europe needs a single strategy that unites its trade, development, and industrial instruments under one coordinated offer. As such, the Global Gateway and Clean Trade Industrial Partnership frameworks must be merged into one whole-of-government strategy that combines trade logic with project development, like an expanded Global Europe.

A Joint Institutional Taskforce should be established to coordinate across the European Commission bodies, the European Investment Bank, and Export Credit Agencies (ECA) to support and foster targeted European industries and export opportunities at all levels – from the political and diplomatic to the commercial and financial.

The Team Europe and Team National approaches, in general, must follow this track, supporting EU businesses abroad. The Neighbourhood, Development and International Cooperation and European Fund for Sustainable Development Plus Instruments should be geared and tied to greater participation of EU firms in designated projects.

2. Real Firepower: Strategic Financing to Match Global Competition

The EU needs the financial muscle to back its companies abroad. Financing needs to be favourable and flexible. New tools, like the coordinating mechanism envisioned in the Competitiveness Fund's article 7, should be used to combine disparate funding streams.[16]

The EU must enable project-specific, flexible funding and financing packages, combining EU instruments with national ECAs to deliver competitive offers along the project development cycle – all tied to the goal of strengthening Europe's global industrial presence.

Additionally, the bloc must condition access to the single market on third-country reciprocity. Europe cannot open its markets to those who close or limit theirs to European companies. Other demand-side policies, such as offtake agreements for clean energy or raw materials, should be used to create demand for EU goods and services.

3. Stronger Long-term Partnerships: Align with What Partners Need

Europe must move from exporting its own rules to becoming a partner of choice — aligning with partner countries' needs, priorities, and timelines. We can no longer afford to lecture first and then ask for market access. Partners need a clear case for why they should choose European companies over Chinese ones, which in most cases will be cheaper and come with fewer strings attached.

Trade and investment agreements should be conditioned on market access reciprocity and encourage long-term procurement strategies. This will differentiate Europe from other trade partners: while they "build and exit", Europe can provide sustained value through service agreements and localisation, and long-term partnership.

Finally, political intent must turn into bankable projects. EU foreign economic policy should help partners move from the ideas to concrete projects and create the administrative and regulatory frameworks needed for these projects. This is key to securing the long-term viability of EU companies. Companies must see real project pipelines, with predictable execution timelines and evidence of a level playing field.

Along with seeking to align EU and partner needs on projects, the EU should take a more flexible approach diplomatically and economically to how commercial relations can be developed and nurtured abroad.

For instance, when building project packages, the EU and involved member states should investigate partner country needs beyond the specific project at hand. Many partner countries suffer under high debt loads, and debt relief or favourable payment plans may deepen both diplomatic and economic relations beyond the project at hand.

While the EU will not be able to offer debt relief, it should be a coordinating force helping to identify partner needs and member state capabilities to meet these needs.

4. Reforming global rules: For things to remain the same, they must change

Pressure on multilateral rules is greater than at any time since the Second World War. As foes and allies alike move away from and disregard trade and economic rules long held in agreement, the EU has to change tack as well. However, the EU should not abandon wholesale rules like the OECD guidelines on ODA and export financing.

Rather, the EU should seek to further reform the rules, finding a new equilibrium that can be accepted by key partners like the US. The US disregard for developmental aid is unlikely to be permanent, and when it returns, the rules must be sufficient to keep it engaged in the face of what is likely to be massive Chinese funding outside the rules.

5. A diplomatic corps for the future: Recentring a commercial mindset

The EU diplomatic corps must play its part in aiding and fostering the competitive position of EU businesses. The EEAS should be embedded in the broader coordination envisioned above, and its delegations around the world must operate as an early warning network for commercial opportunities. Timing is paramount in planning and securing the support needed for a project, and in this, the EEAS can play an important role. The consular tradition of diplomatic outposts championing market access and providing on-the-ground commercial assistance and expertise on local conditions must be strengthened.

Furthermore, the political support for EU business interests abroad must increase. The European Commission must illustrate the political support behind EU businesses not only by striking deals, but also by engaging with national leaders and organising high-level business delegations. These are often organised at national level, but higher-level EU participation is also needed.

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NOTES

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