



Securing Europe's Future

Priorities for
Long-term Resilience



FIPRA

25th

Anniversary

2000 — 2025

Foreword

How strikingly different Europe looks and feels today compared to the 2008 financial crisis and the turmoil of Brexit in 2020. Both shook the very foundation of the European project.

Today there is near consensus that we need more European cooperation and integration, not less. The latest 2025 Eurobarometer found that 74% of people believe their country has benefited from EU membership and 89% want closer collaboration between its members.

This change in sentiment is an indicator of a 'European way of life' that is profoundly distinct in the world and that demands our collective protection.

Protection we need in response to Russia's aggression against Ukraine that threatens all of Europe and has effectively moved security up the list of priorities for European citizens, even above climate and competitiveness.

We know now that we must take our fate into our own hands, and that the old transatlantic world will not be revived.

As Europeans, we need to steer our own course and safeguard and deepen our political and growth model. At the same time, we can be a voice for the multilateralism our collective interests demand at the WTO on trade and in the UN on climate.

We know that Europe must restore its industrial and technological competitiveness while working towards the ambitious climate targets we set. We must focus on innovation and concentrate on the outcome rather than regulating the input.

The mistake we cannot make is to abandon our long-term economic and environmental objectives in response to populist demands. Short-termism leads nowhere.

Yet, change must come. We must respond to the demographic shocks underway across our lands. Migration can be better managed, consistent with our European values. And the physical health of older generations and the mental health of our youth requires far more attention. This is crucial not just for societal cohesion and our resilience as a European community, but also for our general happiness.

Now is the time for leadership and leaders who can inspire more and deeper support for the European project and its ambitions across our 27 Member States... support that is foundational to our resilience and future as a community. This report from FIPRA strengthens me even more in this conviction.



HERMAN VAN ROMPUY

PRESIDENT OF THE EUROPEAN COUNCIL, 2009-2014



Why now with FIPRA

We are living in a time of unprecedented, rapid change and heightened political complexity. Prior to this year, Europe already faced significant challenges to secure a prosperous, sustainable and resilient future. The Trump administration's policies have brought new challenges, while also underscoring the need to preserve what makes European values distinctive – legal certainty, access to high quality and affordable healthcare and education systems, and an equitable society.

Policy-makers and stakeholders, including business and civil society, will be operating in a context where received wisdom is no longer obvious. While change brings uncertainties and risks to be mitigated, there are also opportunities to be harnessed.

Since our founding in 2000 as an independent public affairs consultancy in Brussels, FIPRA has been at the forefront of understanding the shifts in public policy. With a strong presence across Europe and operating through the FIPRA Network in over 50 global markets, FIPRA has consistently delivered in-depth, integrity-driven advisory services, bringing together diverse voices to tackle complex challenges.

Acting as a trusted interface between the public and private sectors, FIPRA has 25 years of experience in navigating political dynamics and regulatory complexities and is committed to finding the common ground to deliver solutions.

Looking ahead, proactive engagement and innovative ideas will be essential for progress and resilience. FIPRA has the experience to guide, partner, and contribute to this journey for the next 25 years and beyond.



LAURA BATCHELOR

CO-FOUNDER AND MANAGING PARTNER



Author's note

As of 15 May 2025

The concept of Strategic Foresight has attracted increasing attention in recent years as governments and international organisations have sought to come to terms with an array of complex policy challenges. An awareness that some of Europe's more recent crises have to some extent caught governments and institutions by surprise, has further enhanced interest in the role and potential of foresight in policy-making.

Foresight does not mean prediction. Nor should it be an abstract exercise, disconnected from the immediate pressures of policy development and implementation. At its best, foresight should be an integral component of current policy-making processes – concerned with the identification of scenarios that can have a direct bearing on the effectiveness or otherwise of those policies.

FIPRA's 25th anniversary report aims to contribute to foresight and future-oriented policy-making within the EU. It does so by examining some of the most pressing challenges, risks, and opportunities that may confront Europe in the years ahead, and by identifying policy responses that would strengthen Europe's readiness both to withstand those challenges and to prosper.



DANIEL FURBY

SENIOR ADVISOR, FIPRA

LECTURER, EUROPEAN LAW AND GOVERNANCE SCHOOL, ATHENS

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Introduction: EU policy-making in a complex and uncertain world

As Europe confronts the future, at the quarter mark of the 21st Century, the outlook is both complex and uncertain. A changing transatlantic relationship and more fragmented international system will have significant implications for European security, trade, and the rules-based multilateralism that has been central to Europe's geopolitical orientation for decades.

A widening competitiveness gap with the United States and China's growing success in key economic sectors raise important questions about Europe's industrial policies and economic security. The technological revolution, led by developments in artificial intelligence (AI) and quantum computing, is expected to have transformative effects on European economies and societies.

Climate change, already in evidence, will continue in the years ahead, with far reaching consequences for Europe, as for other parts of the world, including extreme heat and flooding, increased migratory pressures with spillover effects on domestic political systems, and the emergence of new, climate-related public health threats.

Demographic ageing and deteriorating dependency ratios will increase the pressure on already strained public finances. The sustainability of age-related spending, including healthcare and pensions, will thus depend – at least in part – on whether longevity can be accompanied by additional years spent in good health, and on European governments' stance towards legal migration.

Foresight, future-oriented policies and long-term resilience

Faced with such complexity and uncertainty, it is more than ever necessary that Europe's policies should be future-oriented, informed by anticipatory governance tools such as strategic foresight. Foresight does not mean prediction but rather identifying relevant scenarios, so that today's policies are informed by, and responsive to, the opportunities, challenges and risks that may lie ahead.

Foresight and future-orientedness is also central to building resilience – defined here as the ability of governments, economies, and societies to withstand major disruptions and transformations. Given the multi-faceted character of the challenges described above, resilience will necessarily be a key dimension of Europe's success in the decades to come.

The aim of this report is to make a contribution to foresight and future-oriented EU policy-making by identifying policy priorities that can support long-term resilience. The report draws on political and policy insights from FIPRA's Global Network and multi-sectoral policy experts, alongside interviews with partners in key industries.



The report is divided into two chapters: **I. Geopolitical resilience – trade, security and wider Europe**; and **II. A resilient economic, social and climate model**. It must also be emphasised that sustainability is integral to the concept of resilience. That is to say: if the political, economic, social, and environmental sustainability of Europe's policies is neglected, resilience will also prove elusive.

Securing Europe's Future: Priorities for Long-term Resilience

I. Geopolitical resilience: trade, security and wider Europe

- A rules-based order in international trade is vital to European (and global) prosperity and economic security. Europe should uphold the principle of a **rules-based trading system**, advancing its objectives through plurilateral and bilateral agreements while retaining a long-term commitment to multilateralism if and when circumstances permit.
- Alert to the potential for further US disengagement from European security in the near future, Europe must urgently **strengthen deterrence** vis-à-vis Russia, ensure a sustained improvement in the continent's collective defence capabilities – enhancing the European pillar of NATO – as well as preparedness to address new and wider security risks.
- Previous enlargements have demonstrated the potential of the EU to strengthen security and stability within its neighbourhood. By contrast, the major security European security crises since the end of the Cold War have all originated outside the EU's borders. A more credible, **phased enlargement model** must therefore be seen as vital to enhancing European security.
- Within a changing geopolitical environment, the **EU-UK relationship** appears more strategically important than ever, both for the UK and the EU. A comprehensive reset in EU-UK relations encompassing trade, security, energy and other issues – underpinned by shared values and interests – is therefore imperative.

II. A resilient economic, social and climate model

- There is broad consensus around the need to enhance Europe's **competitiveness** and many of the priority actions are identified in the Draghi and Letta reports. These include: strengthening and deepening the Single Market; reducing regulatory burdens; common investments and support for innovation; and greater adoption and sectoral integration of artificial intelligence to drive productivity.
- What is needed now is **political commitment**, a willingness on the part of EU institutions and Member States to take bold steps, and an acceptance that at times priority must be given to collective European, and not merely national, interests.
- Against the backdrop of US withdrawal from the Paris Climate Agreement, and as a matter of intergenerational fairness, Europe must maintain its commitments and global leadership on **climate action** – recognising that the costs of inaction today will be borne by future generations.
- Demographic change and increasing old age dependency ratios will place increasing pressure on public finances. **Investments in population health** – especially a life-course approach to healthy ageing – affords one of the most robust strategies to stabilise future demand for health services and to enable people to remain economically active for longer.

I. Geopolitical resilience: trade, security and wider Europe

Today's European policy agenda has been profoundly influenced by two geopolitical shocks: (i) the 2022 full-scale Russian invasion of Ukraine; and (ii) the policies of the second Trump administration.

- The Russian invasion of Ukraine signified for many the return of inter-state conflict to the European continent for the first time since 1945 and constitutes a direct challenge to the peaceful expansion of European and Atlantic institutions after the Cold War.
- The policies of the second Trump administration have called into question the fundamentals of the transatlantic relationship – namely, a security alliance based on NATO and a shared commitment to a rules-based international order, upholding norms of state sovereignty and territorial integrity, alongside a multilateral approach to trade.

Europe's current geopolitical circumstances cannot be understood purely by reference to the twin shocks of the early 2020s, however. The geopolitical challenges that Europe faces today are linked to developments over at least two decades. Some appreciation of those developments is therefore essential if a clear analysis is to be made of the opportunities, challenges and risks that Europe may face in the years ahead, and the policies that will be needed to ensure resilience.

This chapter therefore begins by examining the roots of the geopolitical challenges that Europe faces today. It goes on to consider the implications of a changing transatlantic relationship for Europe's future – from trade to security and defence. Key priorities are then identified for enhancing Europe's long-term geopolitical resilience, including in the fields of trade and economic security, security and defence, enlargement, and the EU-UK relationship.

The roots of today's geopolitical challenges

Europe entered the 21st Century at the height of what international relations specialists call the 'Liberal International Order' (LIO) – defined by expanding international cooperation, economic globalisation, and the perceived ascendancy of liberal democracy, including adherence to the rule of law (domestically and internationally) and human rights norms.

Until recently, assumptions that the LIO would continue indefinitely strongly shaped Europe's thinking about the future, especially with respect to EU external policies. In the early 2000s, evidence to support those assumptions was not difficult to find:

- The launch of World Trade Organization's (WTO) Doha Development Round, alongside China's accession to the WTO;
- A sustained commitment to international development – reflected in the launch of the Millennium Development Goals (MDGs); and
- A growing emphasis on the need for international cooperation to address climate change.

Within Europe, the 2004 enlargement of the EU – the biggest expansion of EU membership in its history – united the former Communist states of central and eastern Europe with the liberal democracies of western Europe, finally overcoming the post-1945 political and economic division of the continent.

Yet by the end of that decade, there were already signs that LIO might be under strain. The 2008 global financial crisis (followed by the euro crisis) to some extent drew attention away from the challenges and risks emerging in Europe's external environment, which were to grow during the next decade. Those challenges and risks included:

- The collapse of the Doha Round, first signalled by the failure of the July 2008 Geneva 'mini-ministerial', represented a severe setback for the WTO (and arguably one from which it has never fully recovered). The collapse could be attributed primarily to an irreconcilability between the negotiating positions of 'emerging economies' (including China and India) and those of advanced economies (notably the US).
- An increasingly aggressive stance by Russia towards states formerly part of the Soviet Union. A first sign of this was its 2008 attack on Georgia – resulting in the separation of Abkhazia and South Ossetia and the expulsion of tens of thousands of ethnic Georgians from those territories. The 2014 annexation of Crimea provided yet further evidence of Russia's willingness to abrogate both international law and state sovereignty to adjust territorial borders by force.
- The US 'pivot to Asia' of the early 2010s provided an early marker of the growing strategic interests gap between the US and Europe – a gap that was always likely to contribute to policy divergence over time. The potential for US-China competition was heightened by the ascendancy of Xi Jinping as General Secretary of the Chinese Communist Party in 2012, inaugurating a period of greater nationalism in China's economic and foreign policies. The launch of the Belt and Road Initiative in 2013 and the creation of Asian Infrastructure Investment Bank (AIIB) in 2016 pointed to the emergence of an alternative to the Western-led LIO.

The respective policies of China and the US have also contributed to the increasing headwinds faced by the multilateral trading system. China's state-centred economic policies are viewed by many countries as antithetical to WTO rules. The tariff measures of the first Trump administration and the decision (maintained under Biden) to block appointments to the Appellate Body (central to the WTO's dispute settlement system) have caused further harm.

As Europe emerged from the COVID-19 pandemic, therefore, it was facing an international environment that was already very different to the LIO that had seemed ascendant in the early 2000s. Challenges and threats had increased from 2008 onwards. The twin geopolitical shocks provided by Russia's 2022 invasion of Ukraine and the policies of the second Trump administration, have catalysed those trends into a crisis with far-reaching implications for the EU.

It is therefore urgent that Europe think afresh about the future evolution of international order, and how it can defend and advance European interests and its values in very different circumstances to those which prevailed just two decades ago.



The future of the transatlantic relationship

The starting point for Europe's approach to the transatlantic relationship has to be that the future is unlikely to resemble the past. European governments and institutions should avoid the temptation to try and 'ride out' Trump's second term in the hope of a return to 'normality' after. Even if a third Trump administration may appear unlikely on constitutional grounds, a successor may emerge from within the current Trump team.

In some respects, the Biden administration may have obscured some of the changes that were occurring in US attitudes – for the simple reason that Biden himself reflected the instincts of an earlier era (the one in which LIO became ascendant). Even if a Democrat candidate were able to mount a significant challenge at the next US presidential election (2028), those instincts – on European security as well as on multilateral institutions – may not be so apparent.

The Democrats would at the very least be forced to reckon with altered political attitudes resulting from Trumpian politics, as well as the practical impediments that follow from the Trump administration's dismantling of previous US foreign policy assets and infrastructures. Above all, the strategic interests gap appears likely to persist – with the United States (whether Democratic or Republican) increasingly prioritising strategic competition with China, while Europe focuses on deterrence vis-à-vis Russia.

Europe's approach to trade

From the 1990s to early 2010s, the hallmark of EU trade policy was the emphasis on liberalisation of trade rules. That was reflected, for example, in the 2007 Global Europe strategy and the subsequent focus on securing free trade agreements. Today the landscape has shifted, with EU trade policy increasingly influenced by other policy priorities, including security and climate change.

There is now a wide degree of agreement within the EU that the pursuit of openness (liberalisation of trade rules) must be combined with an emphasis on:

- Economic security – which above all means reducing dependencies (e.g. security of supply of critical products and technologies), which under certain circumstances might become a source of economic and geopolitical risk;
- Level playing fields – for example, ensuring that European producers are not commercially disadvantaged by Europe's commitment to carbon neutrality, as well by providing protection against unfair subsidies and other trade-distorting measures (principally by China).

How should these objectives best be pursued moving forward? Multilateralism remains the most desirable framework within which to pursue international trade cooperation. WTO rules have in the past ensured stability and certainty for economic actors, as well as expanding trade and investment flows among WTO members, thereby supporting economic growth.

However, it is also necessary to recognize that the WTO is in urgent need of reform. The trade and economic policies of the US and China (the world's two largest economies) appear to limit opportunities for a renewal – or reinvigoration – of the multilateral system in the near term.

There is little reason to believe that a Democrat administration in the US would change matters – as the policies of the Biden administration demonstrated. Under Biden, the US maintained its veto on appointments to the WTO's Appellate Body while introducing [local content requirements](#) (in contravention of WTO rules) as part of the Inflation Reduction Act.

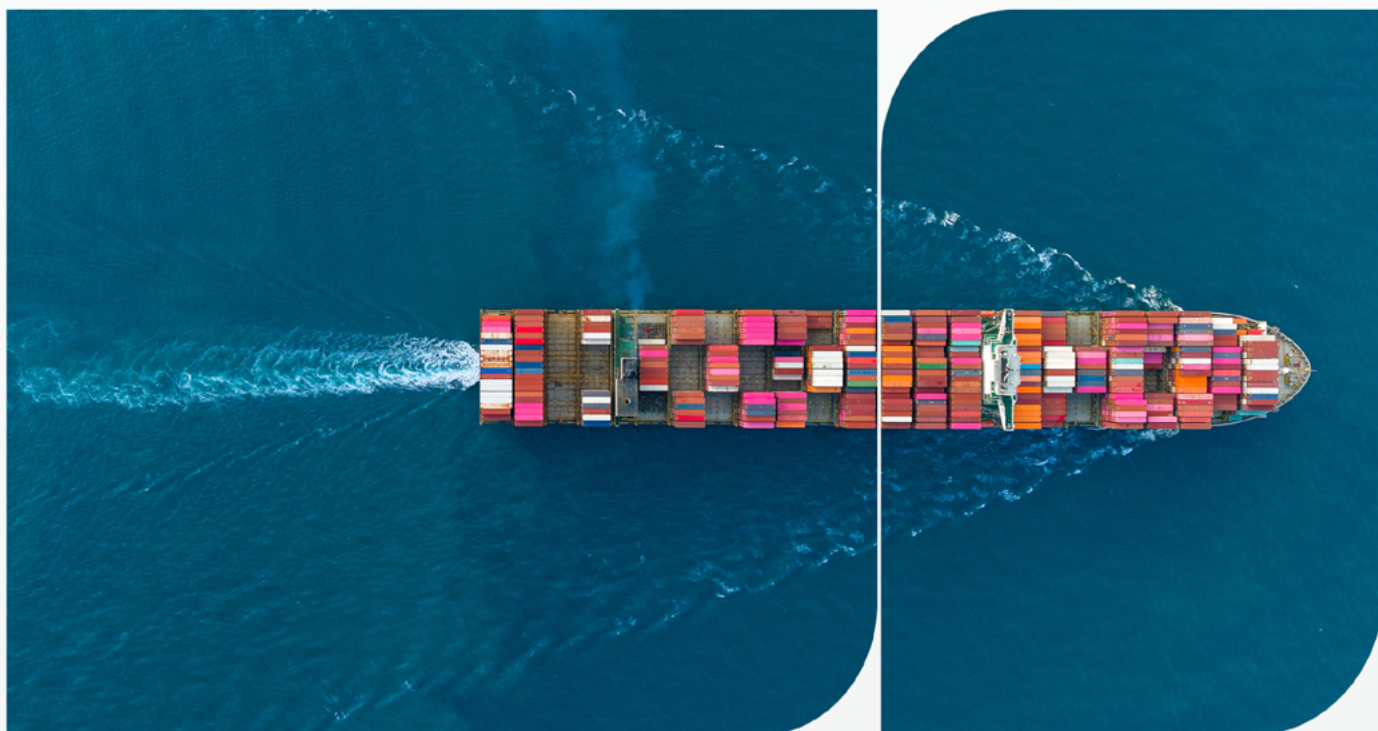
The shifting sands of US trade politics were illustrated by a 2022 op-ed in The New York Times by Nobel Prize winning economist Paul Krugman. Entitled 'Why America is getting tough on trade', Krugman defended Biden's policies on the grounds that climate change and economic security vis-à-vis an 'autocratic' China were higher priorities than adherence to multilateral trade rules. Thus, Krugman concluded, the WTO 'is important, but not more important than protecting democracy and saving the planet.'

Defending a rules-based international trading system from further setbacks must remain a high priority for the EU. Multilateralism can and should remain a long-term strategic goal. However, in the current circumstances there will unquestionably be a need to develop other frameworks for advancing the EU's goals of trade openness, economic security and level playing fields.

The two main options are therefore:

- **Plurilateral deals:** cooperation and agreements among 'coalitions of the willing' (e.g. the UK, Canada, Japan and ASEAN) – extending such arrangements wherever possible to the US, China and others.
- **Enhanced bilateralism:** the development and strengthening of international partnerships tailored to the EU's strategic goals, as well as those of partner countries.

Defending the rules-based trading system, and remaining committed to multilateralism longer-term, does however mean that Europe should be cautious about embracing policies that run counter to current rules – for example, local content requirements. To embark upon such policies would simply encourage others to follow suit, thereby heightening the risk of further damage to the existing rules-based order and to multilateralism.





FIPRA Insight

JOHN CLARKE, ADVISOR, TRADE POLICY

In the last three years the EU's traditional commitment to open trade has come under pressure. Europe's trade policy and trade agreements were repurposed to export Europe's net zero ambitions; while Europe's declining industrial competitiveness resulted in a more defensive trade policy aimed at countering unfair trade and avoiding undue dependencies – the notion of Strategic Autonomy.

With the unleashing of Donald Trump's trade and tariff wars, will the pendulum now swing back towards a more open trade policy? Will globalisation come back into fashion along with Loons and Tie-dye T shirts?

Not really. Certainly, the EU will try to speed up conclusion of a raft of bilateral Free Trade Agreements with emerging economies – Mercosur, India, ASEANs and others – in order to diversify and de-risk from a USA that is no longer a reliable trade and investment partner. The EU's dilution or delaying of much of its climate and environmental legislation will also remove one obstacle to clinching these deals with developing countries.

The EU will also, where it can, seek a constructive and businesslike relationship with China, given the two regions' interdependence. It will not "choose" between the US and China.

And the EU will seek to maintain the WTO as a public good, even if no negotiations will take place there in the foreseeable future, working with partners to ensure that at least they abide by the WTO's rules.

But the EU's defensive posture will not fundamentally change – due to its assessment that China continues to be a systemic rival; and given the need to shelter struggling European industries from allegedly unfair competition. Due to domestic political pressure the EU will continue to try to impose its standards on other countries and this may lead to serious trade frictions.

The EU will probably be unable to reach a mutually satisfactory understanding with the USA and so may have to retaliate against the US, ideally in coordination with other countries. This will unavoidably impact European traders and investors but there seem to be no alternative means to force a rethink in the US.

Business will therefore face a prolonged period of uncertainty as tariffs impede their exports and sourcing, as their supply chains are disrupted, especially where China is involved, as they lose access to the US market, and as consumers become more cautious. Retaliation from the rest of the world against the extraterritorial imposition of EU standards will also hurt.

The business community must argue strenuously and vocally against US and other countries' protectionism, which hurts consumers, stokes inflation, and is inimical to economic growth and ultimately to security. It must argue against seemingly easy solutions like reciprocity, mirror clauses etc which will backfire on EU export interests. And it must work with its suppliers, importers, and its trade logistics' networks to identify choke points and how to minimise risk.

FIPRA has decades of expertise advising business on how to interpret trade policy trends and to navigate difficult trading conditions. It can help companies to understand the trends, analyse their exposure to protectionist measures, and risk-assess their supply chain security.

It encourages all companies to anticipate, not just react, and in particular to carry out granular risk assessments of the impact of the Trump trade and tariff wars as well as changes in consumer sentiment and confidence – the impact on their business, their suppliers, and their markets – as well as to see where opportunities lie.

FIPRA Network Insights



ANDRÉ ALBINATI, FIPRA CANADA / EARNSCLIFFE STRATEGIES

For the past 80 years, since 1945, Canada's pre-eminent geo-political, economic, and security partnership has been with the United States. For decades Canada has proudly declared its foundational partnership with the United States in the establishment of the United Nations, the World Bank, NATO, the creation and evolution of the GATT and WTO, and the North American Free Trade Agreement (NAFTA).

That eighty-year relationship – a relationship which was unequivocally hugely beneficial for Canada – was profoundly ruptured within the first two months of President Donald Trump's second presidency. And throughout the 2025 election campaign all five major political parties in Canada have clearly stated that the relationship with the United States must be critically re-examined.

In the wake of this traumatic (and on-going) disruption, the obvious question being asked of Canada's political class is: who or what will replace the United States as Canada's principal geo-political, economic, and security partner? The same answer, Europe, is heard from every political leader in Canada.

Shortly after taking office, Prime Minister (PM) Mark Carney provided a stark assessment of the Canada-U.S. relationship: "The old relationship we had with the United States, based on deepening integration of our economies and tight security and military cooperation, is over." And "We must fundamentally reimagine our economy. We will need to ensure that Canada can succeed in a drastically different world."

With regard to establishing stronger relations with Europe, PM Carney has highlighted Canada's unique position as "the most European of non-European countries" and made his first stops, not to D.C., but to Paris and London followed by Canada's Arctic Territory, Nunavut.

With a decision to proceed with the United States-Mexico-Canada Agreement (the former

NAFTA Agreement) due in 2026 and US objectives relating to the Agreement unclear, Carney has identified Europe, the UK and other allied countries, including Japan, as the primary targets for Canada's efforts to displace the United States as the focal point for its foreign economic, trade, and security relationships going forward. For Europe to begin to approach the pre-eminence of the United States in Canadian markets will require the focussed deployment of financial and political capital. Actual implementation of CETA would be a good starting place, but there are other opportunities particularly in the face of US aggression regarding Greenland and the Arctic, as well as in the context of new thinking on NATO.



MANASH NEOG, FIPRA INDIA / CHASE INDIA

India approaches international trade as a critical engine for economic development, viewing it through the lens of 'Sabka Vikas' (development for all). As the global trade landscape undergoes significant shifts – with new rules emerging and traditional alliances being tested – strategic partnerships have become increasingly critical.

To meet its ambitious target of achieving USD 2 trillion in exports by 2030, India is prioritising the strengthening of its domestic manufacturing capabilities, boosting self-reliance, and targeting greater integration with global value chains. The government is especially focused on expanding trade in high-value sectors such as electronics and pharmaceuticals and at the same time, it is actively exploring opportunities in areas like e-commerce and digital trade.

India's tariff policy strategically balances between protecting domestic industries and facilitating global integration. As stated by the Minister of State for Commerce and Industry, recent reforms have focused on correcting inverted duty structures and pursuing preferential trade agreements to reduce barriers with strategic partners.

This approach towards enhancing bilateral ties is going to continue given the uncertainty in the global trade landscape. It is important to note, however, that the bilateral trade agreement currently being negotiated between India and the United States should not be viewed as a reference point for similar tariff reductions in the proposed India-EU Free Trade Agreement. While shared democratic values and geopolitical alignment offer a strong base for a comprehensive trade partnership between India and the EU, several other factors – such as regulatory challenges, distinct trading priorities, and existing levels of market access – will influence the final outcome.

Moreover, the imposition of non-tariff barriers in the form of sustainability measures, such as the EU's carbon border adjustment mechanism and deforestation regulation, remains a concern for India and will require careful negotiation and resolution. With the tenets of the existing rules-based international trading system increasingly under strain, deeper economic integration between India and the EU can pave the way for future-proof, inclusive growth.



JAKOB EDBERG, FIPRA JAPAN / GR JAPAN

Japan shares many of the structural challenges currently facing Europe, including demographic decline, economic stagnation, and an increasingly uncertain geopolitical environment. In many respects, Japan's reliance on the United States has been even more pronounced than that of Europe—not only for security but also as a key beneficiary of the Liberal International Order. Japan's rapid, export-led economic growth in the post-war period served as a model for Asia's rise, including that of China. This growth was underpinned by U.S. security guarantees and the openness of the multilateral trading system.

For decades, Japan was a staunch advocate of multilateralism, resisting bilateral trade negotiations in favour of a WTO-led approach. However, by the early 2000s, Japan began to recognize the limitations of the multilateral system and started engaging in bilateral and regional trade agreements. Initially cautious and defensive in its approach – particularly during negotiations on the Trans-Pacific Partnership (TPP) in 2010 – Japan eventually assumed a leadership role. Following the U.S. withdrawal under the Trump administration, Japan not only preserved the agreement through the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), but also actively expanded its membership.

Under the leadership of the late Prime Minister Shinzo Abe, Japan emerged as a proactive global actor and a key interlocutor between the United States and Europe. Abe's tenure marked the end of Japan's post-war posture as a passive "free rider" of the LIO. Today, Japan is widely regarded as a committed champion of the rules-based international order.

Despite fluctuations in domestic politics, there is a strong cross-party consensus in Japan in support of this outward-looking foreign policy. Japan has prioritised the defence and reform of the global order and seeks to promote what it terms the "Global Collective Good." Given its strategic relationship with the United States and its pioneering role in Asia's development, Japan is uniquely positioned to act as a broker and bridge between the EU and the US.



Europe-Japan relations: a strategic opportunity

Japan and the EU are natural partners. Both are advanced economies with shared values and a common interest in upholding global stability. Japan, facing security threats from both Russia and China, is increasingly invested in regional and global defence cooperation. This is evident in its active role in the QUAD (Australia, India, Japan and the US), its advocacy for a Free and Open Indo-Pacific, and its recent push for NATO representation in Tokyo.

With the possible return of transactional U.S. trade policy under a second Trump administration, Japan is again likely to be among the first to renegotiate bilateral agreements. Europe must see this as a pivotal moment. Despite existing agreements such as the EU-Japan Economic Partnership Agreement, European perceptions of Japan often remain outdated – viewing it either as a culturally distant actor or as a historical beneficiary of post-war multilateralism. This perception gap must be closed.

Europe should proactively explore new modes of cooperation with Japan, particularly in the areas of economic security, supply chain resilience, and defence policy. In light of Japan's growing interest in expanding the CPTPP to include both European partners and potentially even China (which, along with Taiwan, has formally applied for membership), the time is ripe for Europe to engage more deeply with Japan as a strategic ally.

Europe must be prepared to move beyond legacy frameworks and embrace innovative, flexible approaches to collaboration with Japan. The evolving geopolitical landscape demands nothing less.



EU and Japan reaffirm commitment to deepen economic cooperation at 6th High Level Economic Dialogue.

European security and defence

The rapid deterioration of the European security scene since the start of the Trump administration, and the clear possibility of further US disengagement from European security in the course of the next four years, demands that governments and institutions move with speed to address gaps and weaknesses in Europe's current security arrangements.

The immediate priority is to provide effective deterrence against further aggressive acts by Russia. To that end, restocking to ensure the resilience of existing defence capabilities is imperative. Beyond that, attention will need to focus on upgrading Europe's broader security apparatus – including, for example, in the field of space surveillance. Finally, strategic consideration must be given to Europe's longer-term security needs in the light of ongoing geopolitical change.

It appears likely that NATO will continue to be seen as the foundation for collective defence by many Member States. Taking greater responsibility for European security thus in practice means a strengthening of the European pillar of NATO. Continued efforts to enhance cooperation between the EU and NATO must also be prioritised to ensure policy alignment and coherence, as well as to avoid duplication.

The EU has a key role to play in helping to mobilise financial resources in support of collective defence needs and more broadly through defence-sector industrial policy. Joint procurement must be prioritised to ensure greater efficiency, and speed, in strengthening Europe's collective defence capabilities. Given the fiscal challenges confronting many Member States, joint procurement is also essential to ensure optimal value for money in defence spending.

Europe cannot confine itself solely to a conventional state security paradigm, however. A broader human security and civilian infrastructure perspective is required both internally and externally. The Niinistö report, [Safer Together](#), provides an important starting point for strengthening Europe's preparedness to address diverse threats.

Against the background of COVID-19 and the prospect of future pandemics, together with the risk that climate change will lead to the emergence of infectious diseases previously not found in Europe, health security must continue to receive political prioritisation and funding. The role of the Health Emergency Preparedness and Response Authority (HERA) therefore remains vital to European resilience.





FIPRA Insight

ALEXANDRA WALMSLEY, SPECIAL ADVISOR, DEFENCE

President Trump and his team are implementing a wide range of policies first laid out in the run-up to the 2024 election in “Project 2025”. These policies should not have come as a surprise – but in some cases appear to have done so. The frenetic pace with which the Trump administration is now moving forward with that Project also appears to have caught many by surprise. Europe must accordingly take steps, especially in defence and security, to ensure that it is prepared for – and resilient to – further ‘surprises’.

The initial months of the second Trump administration have brought into sharp focus the genuine need for Europe as a continent to take greater responsibility for its own defence and security and that of its immediate neighbours. Previous US administrations have called for this and it has long been debated in European policy circles as well. However, a tendency to think that Europe would never need to act militarily without US assistance has acted as a brake on European initiatives that would give greater substance to the ‘European pillar’ of NATO.

Europe in general and the European Union specifically should consider the following five points for future-oriented policy action on the field of defence:

1. *Speed is of the essence: the international situation is changing rapidly. The continent’s deterrence capability vis-à-vis Russia (and other malign actors) cannot afford to wait on a slow, gradual alignment of national interests. Bold action is needed today.*
2. *In parallel, longer-term strategic thinking is needed on how Europe’s security and defence needs are likely to evolve over time, particularly for a world in which US assistance cannot be taken for granted.*
3. *To ensure bold action is not inhibited by the reservations of a minority, ‘coalitions of the willing’ will be essential. In particular, genuine collaboration and partnership will be needed between European countries within and outside the EU – especially the UK, Norway and Ukraine, which share the security concerns of the majority of EU countries and can make a significant contribution to collective defence.*
4. *The UK and France have a credible nuclear capability which can form the bedrock of European deterrence. But further investment needs to be made in personnel, platforms and emerging technologies, including AI and quantum computing. After decades of transatlantic industrial co-operation, new defence equipment will now need to contain as few US components as possible to ensure European operational sovereignty.*
5. *Europe should not succumb to the temptation to ‘ride out’ Trump and hope the situation will improve after the next US election in 2028. The next President may share similar if not identical priorities to those that prevail today. Even if the Democrats were to win, they would inevitably be constrained by the legacies of the Trump era. And with the Pacific increasingly preoccupying US strategists, it is highly unlikely that there would be a reversion to the policies of the past.*

EU enlargement: the case for staged ccession

Enlargement has been one of the EU's most successful policies. Notably, the 2004 enlargement marked an historic unification of the continent after four decades of Cold War, underpinned by successful transitions to liberal democracy and market-based economies among former Communist states. That such transitions took place so quickly following the fall of Communism was in part testament to the political prioritisation of enlargement by EU Member States during the 1990s and early 2000s.

The EU's record on enlargement over the last decade and a half has been less substantial. That is in part due to the challenges that the EU faced internally during that 2010s, as well as some of the complexities pertaining to the enlargement context in the Western Balkans (and still more Turkey). It must be acknowledged, however, that the EU has also sent mixed signals to applicant and candidate countries, thereby weakening the perceived credibility of the enlargement process – in contrast with the political prioritisation accorded to enlargement prior to 2004.

One of the reasons for those mixed signals has been so-called 'enlargement fatigue' – a weakening of support for further expansion among Member States. The reasons for that are multi-faceted and have been exacerbated by concerns over 'democratic backsliding' in at least of two of the 2004 accession states. Nonetheless, a loss of commitment to enlargement has been detected and registered among aspiring EU members, thus raising questions as to whether the challenging and costly reforms associated with EU enlargement conditionality are worthwhile.

From a European security perspective, this is a self-evidently dangerous situation to sustain. A belief that no matter what an applicant/candidate country may do, enlargement is beyond reach within any reasonable timescale, opens the door to influence by other powerful actors that do not necessarily share EU values and interests (such influence is already apparent in the case of Georgia).



European Commissioner for Enlargement, Marta Kos (second from right), at a hearing in the European Parliament.

It should also be recalled that those conflicts that have taken place on the European continent since the end of the Cold War (notably in the former Yugoslavia, Georgia and now Ukraine) have all occurred in countries outside the EU's borders. Unless the EU can respond convincingly to the aspirations of European countries that wish to join, therefore, it risks creating the conditions for future insecurity and crises.

The EU's 'merit-based approach' to enlargement, underpinned by an emphasis on 'fundamentals' (i.e. democracy and the rule of law) is broadly appropriate but is likely to remain slow and cumbersome – heightening risks that candidate countries may not stay the course. It is therefore imperative that the EU take steps to ensure a better balance between the need for:

- Candidate countries to implement and maintain reforms, especially in relation to fundamentals (democracy and the rule of law); and
- A more credible and timely integration process that more adequately responds to the positive aspirations of applicant and candidate countries.

Among enlargement experts, there has been extensive discussion of [alternative accession models](#) – variously described as 'staged' or 'sectoral' in their approach. What is most important is that candidate countries should be more effectively rewarded for progress in relation to EU accession conditionality through greater opportunities for participation in EU policies, programmes, and even institutions.

The principle of reversibility (reducing the benefits afforded to a specific candidate) can continue to provide a safeguard against democratic backsliding or other serious deviations from European norms by a candidate country, with full EU membership – and the rights that confers – remaining the final step in the accession process.

The EU-UK relationship: a strategic partnership underpinned by shared values and interests

Since the July 2024 UK General Election, there has been a growing sense that new possibilities may exist to deepen EU-UK cooperation. The positive tone set by Sir Keir Starmer's Labour Government – above all on the need for cooperation on European security questions, as well as a highly professional team at the centre of Whitehall – has contributed to rising optimism about prospects for a wide-ranging reset.

There are, nevertheless, challenges to be overcome. One is the institutional memory of the Article 50 process and subsequent negotiation of the EU-UK Trade and Cooperation Agreement. The EU approach was undoubtedly successful in securing and defending the EU's own interests. At that time, in the aftermath of the Brexit referendum, the EU was confronted with an unstable negotiating partner. During the Johnson government in particular, Brexit divides within the UK were deliberately mobilised for electoral advantage.

However, the circumstances today are very different to those that prevailed between 2017 and 2020. Starmer's government recognises the strategic relevance of a deeper EU-UK partnership in the context of global geopolitical and economic shifts. Initial progress has undoubtedly proved slow – frustrating UK officials and confusing their Brussels interlocutors. Yet the same has been true of other UK public policies since the 2024 general election and may in part reflect strains upon wider Whitehall capacity due to staff attrition since the referendum.

The EU-UK Summit in May 2025 should be the moment both to signal ambition – notably through a bilateral security and defence pact – and potentially to harvest some low-hanging fruit in areas such as defence industry cooperation, Justice and Home Affairs cooperation, data-sharing, veterinary and food issues, and youth mobility. An early harvest can help to establish a positive dynamic that leads to bigger results over time.

An important indicator of success should be the creation of a broad partnership agenda. A quick deal on defence, as important as that would be in itself, would not amount to a comprehensive reset and would limit the value that both sides can derive from a broader economic and strategic partnership.

The recent EU-Switzerland agreement was an important milestone in defining new possibilities for integration with key partners within the EU's neighbourhood. Similarly, the apparent interest of the UK government in pursuing dynamic alignment with the EU in specific fields can be mutually beneficial and may also provide opportunities to further deepen economic ties over time.

Both sides will be alert to the risk that the reset could fall victim to US divide-and-rule tactics. Here, it should be kept in mind that the EU and the UK share the same basic values and interests, and both are likely to face attempts at coercion by the Trump administration in relation to their policies on disinformation and hate speech.

Moreover, the broader strategic perspective must remain to the fore: as the US increasingly focuses its attention and resources on other regions (notably the Pacific), the EU-UK relationship can be a mutually beneficial means of addressing shared challenges – within and beyond Europe – and therefore an important contributor to long-term geopolitical resilience.



II. A resilient economic, social and climate model

Just as in geopolitics, the European Union also faces a number of stark challenges in the economic, social and climate policy domains. These include:

- Declining productivity relative to the US, impacting directly on the living standards and future employment opportunities of European citizens;
- The now unavoidable consequences of climate change, which will intensify over time even if they can be partially mitigated through policy action; and
- Demographic ageing, which will place increasing stress on welfare systems and brings into sharp focus the need for investments in healthy ageing and population health more broadly.

Europe's future resilience will demand bold action in each of these areas.

At the same time, a balanced policy mix will be essential to ensuring the political sustainability of those policies. This is not new: throughout its history, the EU has sought to balance a focus on market integration and economic growth with attention to social – including health – and environmental concerns.

The complexity confronting policy-makers is magnified by the linkages between the different challenges that Europe faces. Action in one area may have implications for Europe's objectives in another area, thereby creating risks for policy coherence.

This chapter identifies a range of priorities for Europe's long-term resilience as part of a balanced and sustainable economic, social and climate model.

The politics of European competitiveness: horizontal priorities

The [Draghi](#) and [Letta](#) reports have contributed to a clearer understanding of the economic challenges that Europe faces – a growing competitiveness gap relative to the United States combined with China's increasing success in high value sectors – and potential solutions.

This first part of the chapter focuses on horizontal priorities –strengthening and deepening the Single Market, reducing regulatory burdens, and common investments – before moving on to consider a number of sectoral priorities.

The horizontal solutions in many cases imply 'more Europe' – that is to say, common policies and action – That will in turn require political leadership within Member States and a willingness to at times put shared interests ahead of discrete national interests.

There are numerous precedents for this in Europe's history: the creation of the common market in the 1950s and the Single Market in the 1990s stand out. In the face of today's challenges, it will be necessary for Europe's leaders to show the same sort of ambition that characterised those earlier advances.

Strengthening and deepening the Single Market

In strengthening Europe's competitiveness relative to other major economies, the Single Market stands out as one of Europe's greatest assets, with significant untapped potential. Removing barriers to intra-European trade can enable European companies to scale and thus compete more vigorously with non-European firms both in European and global markets.

During the past decade, however, Single Market deepening has fallen down the list of EU priorities. In line with the [Letta report](#), this trend must be reversed. Political and policy action is especially needed in the following areas:

- **Reducing fragmentation** – for example due to 'gold plating' and uneven implementation of EU rules by Member States;
- Extension of the **Single Market for services** and enhancing mutual recognition of qualifications;
- **Capital markets integration**, now under the banner of Savings & Investments Union, is among the clearest examples of a measure which could have wide-ranging benefits for Europe's economy, but which has to-date been inhibited by national interests;
- The proposed '**5th freedom**' – free movement of research, innovation and education – as a driver of economic growth potential, especially in new technologies.

Strengthening and deepening the Single Market will require a similar political choice to that made by European leaders in the 1980s – to prioritise the expansion of intra-European trade, and the collective benefits that can provide through jobs and growth, over the defence of discrete national interests. Such action within Europe is all the more important in the face of global trade instability.

Alongside political action by Member States, the European Commission has a vital role to play through Single Market governance – notably by strengthening surveillance and enforcement to ensure appropriate implementation of, and compliance with, European law.



*Stéphane Séjourné, Executive Vice-President of the European Commission for Prosperity and Industrial Strategy
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Reducing regulatory burdens

One of the most frequently cited concerns among business operating in the EU is the extent of European regulation, which is seen as disproportionate relative to other jurisdictions, raises compliance costs, and influences decisions on whether to invest or elsewhere.

According to [BusinessEurope](#), 60% of EU companies see regulation as an obstacle to investment. Meanwhile, among small and medium sized enterprises (SMEs), 55% state regulatory obstacles and administrative burden to be their greatest challenge.

Following the recommendations of the Draghi report on European competitiveness, the European Commission has prioritised regulatory simplification, including the aim to reduce reporting requirements by 25% for large companies and 35% for SMEs.

Regulatory burden is however more than reporting requirements; it is the cumulative impact upon firms of ensuring and demonstrating compliance with EU legislation, including administrative requirements. Each legislative cycle brings the potential for additional burdens.

While simplification of existing requirements can be beneficial, what is most required is a shift in Europe's attitude towards regulation so that decision-makers consider it to be one of their objectives to limit cumulative compliance costs for companies.

Common investments

Addressing the [European Parliament](#) in February 2025, Draghi called for Europe "to act more and more as if we were one state". Above all, Draghi likely had in mind the case for common investments. The underlying logic of is clear: mobilising larger European investments in support of strategic priorities has the potential for greater impact than a proliferation of smaller ones.

A European approach to investment in strategic sectors also helps to avoid a situation in which countries with greater fiscal capacity are disproportionately advantaged, including in the use of subsidies. By contrast, enabling states with greater fiscal room for manoeuvre greater freedom to provide strategic subsidies risks undermining the Single Market, and thereby harming another of Europe's principal tools to enhance competitiveness.

Yet in a context of constrained fiscal environments and resistance among some Member States to substantially increase the size of the EU budget, a nationally centred approach to investments may prevail. The Commission's [Competitiveness Compass](#) is at best ambiguous on this point. That would in turn be a missed opportunity for Europe in one of the principal areas where 'more Europe' can bring greatest collective benefit.

The politics of European competitiveness: sectoral perspectives

Digital and telecoms

In debates on European competitiveness, significant attention has focused on the need for Europe to become a leader in the technologies of the future, such as **artificial intelligence** and quantum computing. The media attention garnered by the launch of DeepSeek's chatbot in early 2025 is a further illustration

of the high stakes attached to advantage in this sector, both from a commercial perspective and the economic security benefits that may follow.

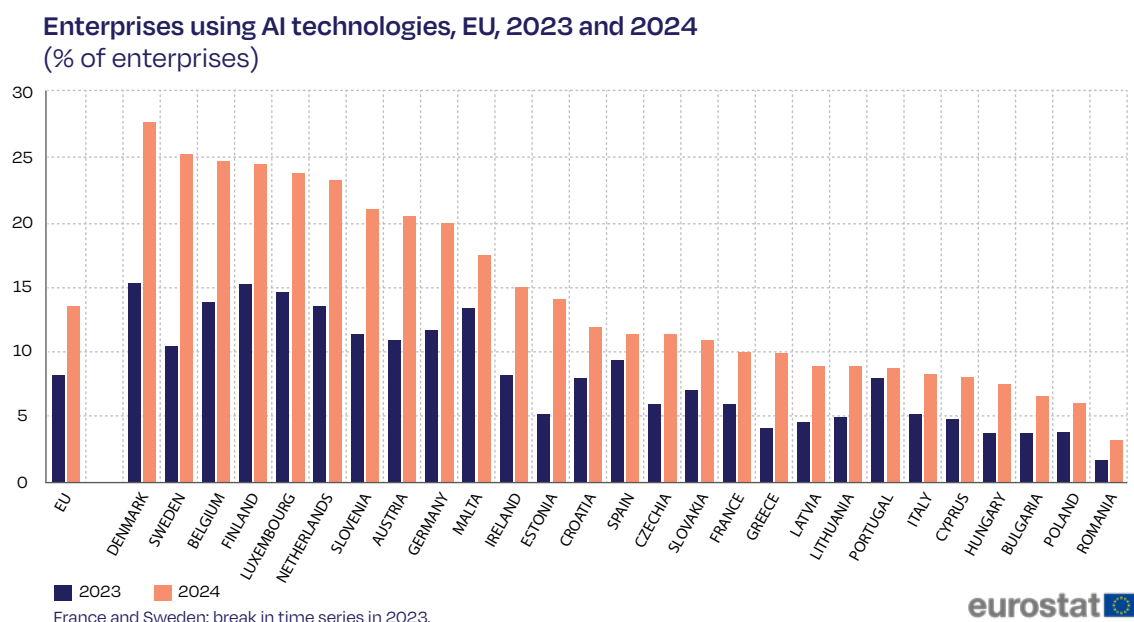
Less discussed, but equally important for Europe's future competitiveness, is the need to accelerate the **adoption, integration and application of AI** and other digital tools (such as cloud computing) across economic sectors and in society more generally.

Effective application of AI has the potential to drive productivity gains throughout the economy, to enable more rapid scientific breakthroughs (for example in medicines and green technologies) and to enhance both public policy design and delivery. However, progress is urgently needed both to boost AI adoption and to upgrade the underlying infrastructure – notably telecommunication networks – that are essential to enable advanced AI application.

Recent Eurostat data indicate that AI adoption among European firms is increasing (see Figure 1 below), albeit from a low level. In 2024, 13.5% of enterprises (with 10 or more employees) made use of AI to conduct their business – an increase of five and half percentage points over the previous year, when the figure was just 8.0%.

However, there remain significant disparities in AI adoption across Member States: in 2024 the share of firms using AI to conduct their business exceeded 20% in eight Member States (AT, BE, DK, FI, LU, NL, SE, SI) – the top performers being Denmark (on 28%) and Sweden (at 25%). By contrast, the figure was below 10% in a further eight countries (BG, CY, HU, IT, LT, PT, PL, RO).

Figure 1: Enterprises using AI



Source: <https://ec.europa.eu/eurostat/web/products-eurostat-news/w/ddn-20250123-3>

Strengthening AI adoption and, critically, its effective application to secure optimal productivity gains will require sustained policy support and a multi-faceted approach. This should include education and training programmes that enhance not only technical knowledge and capabilities, but also awareness of organisational and managerial approaches that can support AI integration.

More broadly, it is incumbent upon political institutions to send positive signals on the benefits of AI. While all new technologies can bring challenges (for example via their distributional effects or the potential impacts of their use in social settings), the economic advantages of AI adoption must be at the forefront of policy debate to encourage and promote AI application for economic and scientific purposes.



FIPRA Insight

ROBERT MADELIN, SENIOR STRATEGIST AND SPECIAL ADVISOR, DIGITAL & TECH

What drives the future shape of our digital, connected world? Three factors are essential: technology, trust, and uptake.

- *Technology grows best in a pro-innovation society.*
- *Trust covers everything from the experience of the user (citizens and businesses) to security and resilience.*
- *Uptake flows from both, but rests also upon incentives, whether market returns or easier access to non-market goods such as health or a new driving licence.*

How should Europe get in optimal shape for this marathon?

The top priority is better rewards for new technology. Fewer, bigger, riskier public sector bets, and deeper tax benefits for small investors. But all focused on goals which win broad approval from experts and taxpayers.

There is a lot to be gained, notably in legitimacy but sometimes also in crowd wisdom, by submitting for example three flagships to grassroots voting, with two winners. As to how we pick that short-list, I would repurpose the European Innovation Council (EIC) as a platform for deliberation about what to support and how. We don't need EIC to scatter suboptimal resources in the name of innovation. We need rather an authentic voice of innovation, curated by EIC, drawing in European and associated international innovators and clusters.

These few steps would in themselves put more innovation into our EU culture. But we need more:

- *All regulators mandated to seek innovation as part of their risk management mandate.*
- *Risk as well as digital literacy taught in classrooms at all levels.*
- *Much heftier, even cruder, tax breaks for small-cap private investment.*

That list can be longer, and it should be curated with EIC, but clear steps along these three paths would mark a serious change of collective intent. Trust, the second leg of our stool, is what takes tech into the embrace of users. Without trust, tech stays on the shelf. Trust starts from reliable user satisfaction. If my lovely high-end phone develops an unreliable charger socket, trust fails before the battery.

If for a citizen, there are bill shocks, privacy shocks, interoperability barriers, trust also takes a knock. If a business gets innovative technology but not really a seamless InternetOfThings, top broadband speeds, or robust fail-over solutions, that investment will not be sustained. So trust is harder for government to manufacture than tech. It is also harder to destroy by political fiat - technology that is consistently better and cheaper is hard to rip out of a society.

Europe can address trust issues by a cultural refocus on standards in public life. Saying what we shall do, doing what we said. Tone from the top must be part of the fight for European values. Deeds not just words.

A final ingredient is incentives, effective examples of which include:

- The Clinton Administration made e-sales tax-free. Almost before e-commerce was a thing. A significant (not immense) and above all timely invitation to scale the market. Fiscal experts can turn their creativity to similar next-generation opportunities for innovation tomorrow.*
- Denmark: government went all-digital. Completely. No easy opting out. Why was this socially acceptable and not digitally divisive? Because Danes trusted the institutions of their society, especially at local level, to ensure that no-one was left behind. Matching this would be more or less of a challenge across the rest of our continent. But again, such a move would speak to all of a clear change of pace.*

Technology, trust, and uptake. But the greatest of these may well be trust.

Effective integration of AI, and the digitalisation of the economy more generally, is also critically linked to the quality of the digital infrastructure underpinning it. Here **telecommunications networks** have a crucial role to play but significant investment is needed to put Europe on a par with its competitors.

Connect Europe's [State of Digital Communications 2025](#) highlights that coverage rates for 5G Standalone (the most advanced form of 5G) continue to lag behind other regions. As of the end of 2024, population coverage of 5G Standalone stood at 91% in North America, 45% in Asia-Pacific, but only 40% in Europe.

In 2023, total telecom investment also fell for the first time in seven years. One of the reasons for the constrained investment environment is likely to be the strongly **fragmented structure** of European telecoms markets, with a substantially higher number of mobile operators compared with the US, China and Japan.

While competition is generally held to be beneficial for consumers, in the case of telecoms it is necessary to consider whether market fragmentation is constraining connectivity investments with implications for future investments. As the Draghi report also highlights, in the telecoms sector specifically, a less restrictive application of merger rules may have systemic benefits for Europe's digitalisation and competitiveness.



Life sciences and pharmaceuticals

With a strong scientific base and a pharmaceutical sector that employs over 900,000 people, making a substantial positive contribution to the EU's trade balance, the life sciences sector is undoubtedly one of Europe's success stories. The challenge for the future is to retain that strong position amid intensifying global competition – above all from the US and China – to secure clinical trials, translational research and product development, and manufacturing.

The forthcoming EU life sciences strategy affords an important opportunity to strengthen the resilience of European industry at a time of global economic instability and rising economic security competition. Key future-oriented policy steps therefore include:

- **Enhanced access to finance for biotech SMEs:** Europe is a leader in life sciences research (as measured by both scientific publications and patents) but compares poorly with the US when it comes to the commercialisation of its research. An inadequate private investment environment has negative repercussions on the vitality of the European life sciences sector, and risks the continued loss of life science entrepreneurship to the United States, where private financing opportunities are greater.
- **Support for the development of innovation hubs** – i.e. centres of knowledge and expertise that can strengthen the impact of European investments in R&D. EU funds have the potential to be a critical enabler in the development of innovation hubs in the life sciences sector, providing a clear example of how 'more Europe' can enhance EU competitiveness. This in turn requires Member States to recognise and support the logic of common investments in the European interest.
- **Strengthening the European health data ecosystem:** the European Health Data Space provides a key infrastructure to support the use of health data for research while protecting patient privacy. The success of EHDS will ultimately depend on the scale and the quality of data that it makes available to researchers. Continued investment is therefore needed in collection of relevant data and the linkage of different data sets. Electronic health records and registries both have a key role to play in this area.

Public private partnerships also have a key role to play in addressing key innovation gaps – notably where market incentives may be insufficient to ensure the provision of important public goods. That includes research to support the development of medicines to treat **rare diseases**, which disproportionately affect children, as well as into new anti-bacterial/anti-microbial agents that can combat the growing impact of **anti-microbial resistance** (AMR). Annual deaths from AMR are [projected](#) to rise to from 1.14 million globally in 2021 to nearly 2 million people by 2050 – clearly justifying its label as a silent pandemic.

As with other sectors, policy coherence and reducing regulatory burden will be key to competitiveness. Despite the strategic importance of medicines manufacturing being recognised by policy makers, a high regulatory burden can act as a disincentive for companies to invest in Europe as compared with other regions. Similarly, the cost and length of conducting clinical trials has seen the EU's share of worldwide clinical trials [decline](#) markedly in the last decade.



FIPRA Insight

LAURA BATCHELOR, *MANAGING PARTNER AND HEAD OF HEALTHCARE & LIFE SCIENCES*

A pivotal moment for Europe's healthcare and biopharmaceutical sector

Europe's biopharmaceutical sector stands poised for transformation, bolstered by exceptional talent, scientific excellence, a predictable regulatory framework, and a strong social model supported by its national healthcare systems. These unique strengths provide a solid foundation for achieving both health innovation and economic growth, paving the way for a healthier and wealthier Europe.

Leveraging public-private partnerships

To realise its full potential, Europe must deepen its commitment to public-private partnerships. Collaborations spanning from basic research initiatives to industrial biotech hubs will act as engines of innovation, fostering breakthroughs in disease understanding and treatment. By integrating the expertise of industry professionals, clinicians, and patients, Europe can harness the power of data to develop more effective solutions. Moreover, its active engagement in global health partnerships will reinforce Europe's capacity to address worldwide health challenges.

Differentiated pricing models to enable patient access to innovation

Science-driven, targeted treatments often incur high upfront costs and new access models are essential to sustain Europe's innovation, address healthcare challenges and ensure patient access. In view of the pressure on public finances, the value of health outcomes must be at the centre of these models and trusted stakeholder collaboration can drive the required transformation. Moreover, given the EU's economic disparities, there is a need for differentiated pricing approaches. These models should consider factors such as GDP and willingness to pay, ensuring that cutting-edge therapies remain both accessible and economically sustainable.

Addressing fragmentation through digital transformation

Overcoming the fragmented healthcare landscape within the European Union is essential to building a cohesive market that benefits industry stakeholders and citizens alike. While healthcare decision-making remains within national jurisdictions, digitalisation presents a powerful opportunity to unify efforts. The European Health Data Space offers significant potential for harnessing artificial intelligence (AI) to expedite the discovery, development, and assessment of innovative treatments. By embracing technological advancements and streamlining processes, Europe can balance supply and demand dynamics while strengthening its market position.

Integrating economic and health security

Europe's economic stability and health security are deeply interconnected. To achieve resilience, health spending must be reframed as a strategic investment rather than a financial burden. Breaking down traditional silos is critical to incorporating health security into Europe's industrial and defence agendas. Adequate funding should be allocated to prepare for future health threats and address the challenges posed by an ageing population, ensuring long-term stability and security.

Transport

In view of the profound impacts upon the sector of both the green and digital transitions, transport affords an excellent example of the case for policy foresight. In retrospect, it can be argued that greater use of foresight methods might have supported both the international competitiveness of European manufacturers – notably the automobile sector – and broader policy coherence.

European policies aimed at reducing carbon emissions have been developed and implemented, but in some cases without full consideration of the broader ecosystem necessary to support the shift to new technologies. Among other things, electrification involves a significant scaling up of charging infrastructure, regulation of electric vehicles, and resilient supply chains in areas such as batteries and raw materials – with implications for Europe's economic security.

The need for foresight, dialogue, and policy coherence remains significant:

- The **decarbonisation of transport** modes is directly linked to the decarbonisation of energy resources. Access to alternatives to fossil fuels is not only a challenge for road transport but also for maritime and air transport modes. Transport policy and energy policy should be developed in a more consistent and coherent way taking into account the investments needed to accelerate the transition to a zero-emissions transport system.
- No transport is possible without the appropriate transport **infrastructure**. This is important across all transport modes. As most of the infrastructure in place dates back from the post war period, now is the time to invest and upgrade transport systems while leveraging the progress in different digital technologies to make that infrastructure future proof and more resilient. Given that roads and waterways are important channels for intra-European trade, those investments will also contribute to strengthening the internal market.
- **Digitalisation** is likely to raise further regulatory considerations over time, which should ideally be identified and prepared for at an early stage.

A further area of concern is the need to avoid spillover effects from trade instability into international **standardisation** processes. For the international competitiveness of the automobile (and other) sectors, the EU should make significant efforts to ensure that international standardisation bodies and processes are sustained and, where possible, strengthened.





FIPRA Insight

CHRISTOF KLITZ, SPECIAL ADVISOR, TRANSPORT, GREEN & DIGITAL TRANSITION

The transport sector in the European Union is undergoing transformative change, with ambitious climate goals, technological advancements, and global competitiveness challenges shaping its future. Recent EU initiatives, like the Automotive Industrial Action Plan, or the former ones like the Sustainable and Smart Mobility Strategy, and the Fit for 55 Package, aim to reduce greenhouse gas emissions—transport currently accounts for 25% of the EU's emissions—while fostering innovation and inclusivity.

The Action Plan highlights priorities such as clean mobility, digitalisation, supply chain resilience, and workforce development. Specific measures include promoting zero-emission vehicles, developing next-generation batteries, and deploying robust charging infrastructure. The plan must be implemented now, thus demonstrating the political will for a more flexible approach. It must be supplemented by lower energy prices and leveraging funding from initiatives like the Clean Industrial Deal. All these elements are crucial to attracting investments and accelerating the sector's green transition.

Technology-neutral policies linked to the review of CO₂ regulations, expected in the second half of 2025, can encourage diverse solutions, fostering innovation across sectors while strengthening critical supply chain resilience and the EU's strategic autonomy in energy and transport. However, global trade uncertainties, including disruptions through an unpredictable tariff policy or in raw materials access, pose challenges to achieving emissions reduction targets and maintaining stable progress.

Despite criticisms of inefficiencies and delays, if successfully implemented, this approach supports EU competitiveness by driving investment, enhancing cooperation, and maintaining adaptability. Moving forward, the key questions revolve around balancing economic growth and environmental goals, ensuring equitable access to sustainable transport, and fostering innovations that bolster the EU's leadership in sustainable, secure, and cutting-edge transport development.

Climate change, decarbonisation and intergenerational fairness

Climate change represents one of the most complex and [multi-faceted](#) challenges confronting the EU. Failure to limit the rise in global temperatures to well within 2 degrees Celsius of pre-industrial levels (as now appears likely) will have profound effects both within and beyond the European continent – including extreme heat, droughts, flooding, the emergence of new public health risks, and the displacement of people contributing to increased migratory pressures.

Efforts to combat global temperature rises have been beset by collective action problems, particularly among the world's largest polluters. Yet at a time when the United States has once again withdrawn from the Paris Climate Agreement, it is more than ever vital that the EU continues to show global leadership –

both through its decarbonisation agenda and by contributing to international preparedness for the human security threats that climate change will inevitably bring.

Climate neutrality is also central to the idea of intergenerational fairness. The consequences of insufficient global climate action today will only add to the financial and other challenges facing future generations, who will also be required to support unprecedented old-age dependency ratios. As support for ambitious climate policies is highest among younger age groups, failure to deliver on those ambitions also risks fuelling political discontent among those cohorts.

Technology neutrality as a principle for decarbonisation

The European Climate Law has enshrined the goal of net zero greenhouse gas (GHG) emissions by 2050 and established the target of reducing GHG by at least 55% (compared to 1990 levels) by 2030. In his report on European competitiveness, Mario Draghi warns that Europe's climate goals must be clearly coordinated with its industrial policy in key sectors. Otherwise, the political sustainability of the European Green Deal will be called into question by the prospect of 'de-industrialisation'.

One example of this is the principle of technology neutrality, which should be at the forefront of Europe's decarbonisation agenda. Fundamentally, the principle of technology neutrality means that policy-makers should focus on promoting a particular outcome (in this case carbon neutrality) but should avoid pre-selecting the technological means of achieving those outcomes.

Adherence to technology neutrality can support innovation in Europe's climate transition by promoting competition and consumer choice over technological solutions. In the case of energy, diversity of supply can also benefit Europe's economic security and support job creation.

Despite these clear advantages, the principle of technological neutrality has at times been called into question in EU policy debates (for example in the case of biofuels and nuclear energy), implying preference should be given to certain technologies over others for reasons that are external to the core objective of achieving climate neutrality.

In the face of Europe's broader competitiveness challenges, such an approach seems misplaced and potentially counter-productive to Europe's overall policy goals. By potentially increasing costs for consumers, it also risks undermining public support for the path to net zero.



The bioeconomy as a driver of sustainable industrial production

Bio-based fuel and bio-manufacturing can also be important drivers of Europe's decarbonisation, competitiveness, and economic security. However, policy support is needed to create the incentives and market conditions in which the bioeconomy can thrive. The forthcoming EU Biotech Act is therefore an important opportunity to strengthen this strategically important sector.

The foundation for Europe's bioeconomy must be a land-use efficient, yield-robust, sustainable agricultural production system, which effectively integrates farmers into bio-industrial supply chains. Establishing sustainability criteria across product lifecycles – applying these both to bio-based materials and fossil-based incumbents – would further incentivise the transition to clean industrial production.

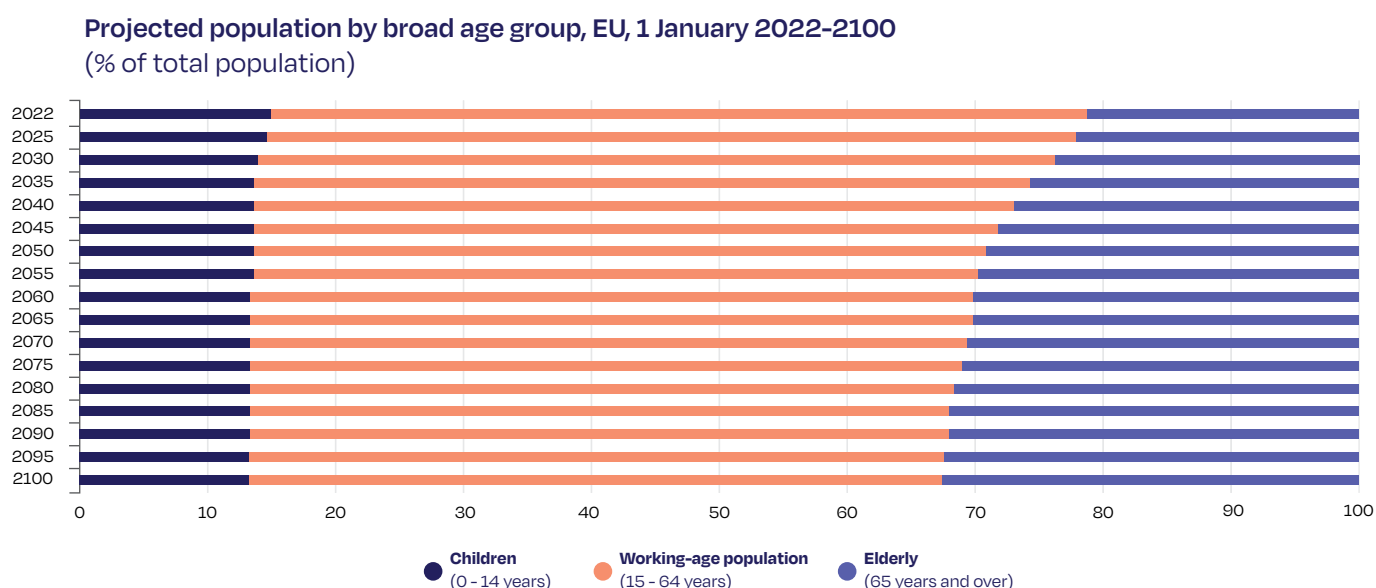
Finally, improving access to finance for innovative bio-tech start-ups is essential to create an investment environment that enables new technologies to scale and become commercially viable.

Demographic ageing: the imperative to invest in population health

In the years to come, European societies will increasingly be confronted with the consequences of [demographic change](#). By the late 2020s, the EU/EEA population is expected to begin declining – a trend which will continue to the end of the century. Natural population change (births relative to deaths) is expected to be negative in all Member States. However, net migration will influence the extent of total population change in each country.

A combination of declining birth rates and increases in life expectancy is driving higher old-age dependency ratios (the number of people over 65 relative to those between the ages of 15 and 64). While there will be variation across Member States, for the EU as a whole it is projected that by 2050 there will be just two people of working age for every 'elderly' person (as compared with more than three people of working age in 2022).

Figure 2: Projected population change by age group



Source: Eurostat (online data code: proj_23ndbi)

eurostat 

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

These changes will have important implications for governments – from health to pensions and migration policies. Further increases in the retirement age, for example, appear inevitable. At the same time, increased life expectancy and demographic ageing is expected to increase the demand for healthcare services – leading to greater [financial pressure](#) on health systems.

The need to work additional years, alongside the prospect of increasing demand for health services, brings into sharp focus the need for governments to invest in healthy ageing – thereby ensuring longevity is accompanied by more years spent in good health. If people remain in good health until later in life, in principle they can also work for longer and will depend less on healthcare.

Healthy ageing should not only be seen as a paradigm relevant only to older age groups, however. The [World Health Organization](#) (WHO) defines healthy ageing as “the process of developing and maintaining the functional ability that enables wellbeing in older age”. Following this logic, investments in prevention and health promotion can also contribute to a healthier, and more productive, working age population.



FIPRA Insight

PAWEŁ ŚWIEBODA, SPECIAL ADVISOR, BRAIN HEALTH POLICY

Mental Wealth and the Wellbeing Economy

In recent years, momentum has grown to refine GDP as the dominant indicator of economic progress. The reason for this is that the value of monetised goods and services does not fully capture the true strength or resilience of a society - especially when it comes to wellbeing. Whenever you are concerned about the goals of environmental sustainability, social cohesion, or psychological wellbeing, there is only so much that focusing on GDP only can tell you. The wide-ranging contributions to the informal economy are not included at all despite helping to strengthen the social fabric of communities and nations.

A holistic measure of prosperity is needed, as argued eloquently by a group of scholars led by Jo-An Occhipinti who have proposed the [Mental Wealth metric](#), which can help measure progress towards a broader Wellbeing Economy. The metric encompasses both economic and social production, while recognising the importance of brain capital, as well as cognitive and emotional health and well-being.

What this notion can help to address is that today's most pressing crises – rising inequality, political polarisation, climate change, declining social cohesion, youth mental health issues, and the so-called epidemic of loneliness – are deeply interlinked. This interconnectedness means that policies must adopt a systemic lens, accounting for their ripple effects across sectors and mutually-reinforcing dynamic.

One of the examples of an approach that embraces interconnectedness is the Brain Economy, an emerging paradigm that places central importance on people's cognitive, emotional, and social capacities, alongside a proactive, preventive approach to health and a commitment to respecting planetary boundaries.

As societies navigate complex challenges involving AI, bioscience, demographic shifts, climate stress, and environmental degradation, brain health becomes a critical lever for wellbeing and sustainability

Addressing these challenges requires a collaborative, cross-sectoral approach. The WHO has recommended that governments prioritise health and well-being as core goals of economic policy. The Brain Economy aligns with these recommendations, calling for strategic investments in brain health and skills, alongside policies that cultivate human capital and respect planetary boundaries.

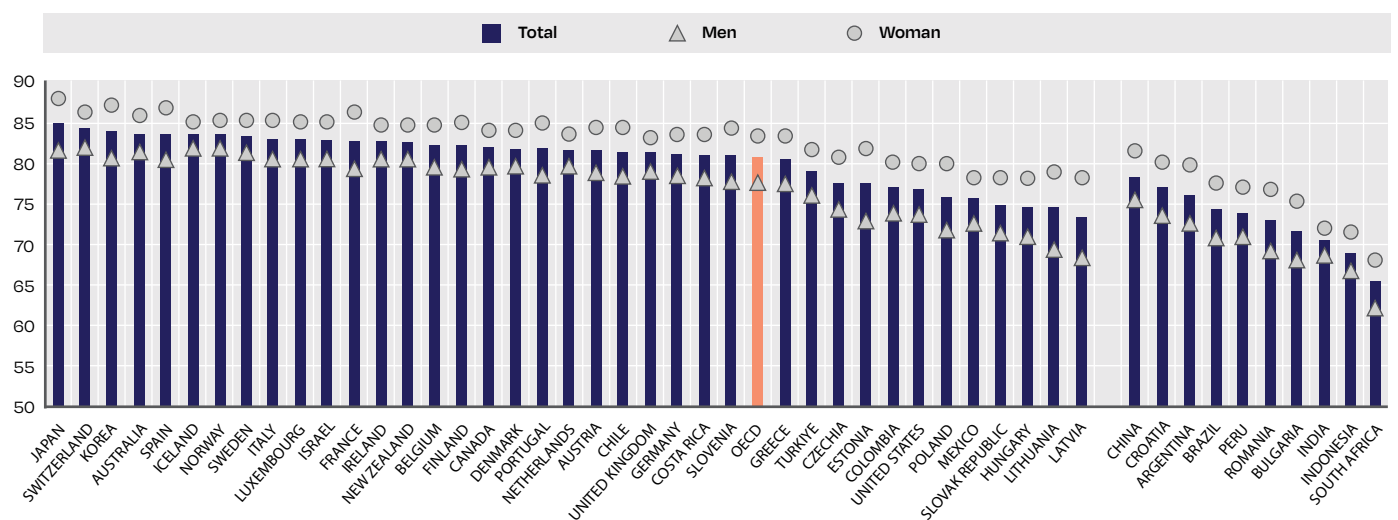
Investing in prevention for economic and societal resilience

In a context of constrained public finances, and the prospect of higher national expenditures on defence, it is apparent that in the coming years governments may approach public spending with an eye to cost containment. It is important to stress, therefore, the risks that this poses to necessary investments in economic and societal resilience.

Health systems are one of the areas of public investment that make a significant contribution to resilience. Here it is important to stress that value that past investments already deliver. By comparison with the US – which spends a higher share of its GDP on health than any OECD country – many EU countries perform favourably across a range of [health indicators](#) – including both life expectancy and avoidable mortality. This is combined with high rates of healthcare coverage.

Figure 3: Life expectancy at birth in OECD countries

Life expectancy at birth, by gender, in years, in 2021 (or nearest year)



Source: OECD Health Indicators

One reason for lower life expectancy in the US is the prevalence of chronic health conditions (such as heart disease and diabetes) – highlighting again the relevance of investments in prevention and population health.

A blunt approach to spending constraint can therefore be counter-productive if it leads governments not to make investments in prevention and population health that otherwise would have been made. The [benefits](#) of such investments can include increased workforce productivity, the potential to translate

longevity into longer working lives, and reduced demand for healthcare services – with positive effects on the long-term sustainability of public finances.

The [evidence](#) regarding the economic return on investment (ROI) in prevention is clear. A systematic review of studies focusing on public health interventions in high income countries found that primary prevention – that is, policies and interventions aimed at preventing health conditions from occurring in the first place – deliver a median ROI of 14:1. Put more simply, a return of 14 euros on every 1 euro invested in population health.

[Immunisation systems](#) are one example of a strategic investment in population health that can offer multiple benefits for economic and social resilience. From a healthy ageing perspective, life course immunisation policies have the potential to reduce morbidity, mortality and functional decline associated with vaccine-preventable diseases.

In addition, climate change is expected to contribute to the emergence of new infectious disease threats previously not found in Europe. Meanwhile, from a health security perspective, Europe must ensure preparedness for future pandemics. For all these purposes, robust immunisation systems are essential and an example of a high value strategic investment in Europe's future resilience.



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