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OUTLOOK PAPER

Europe in the world in 2025: Navigating a perilous world with realism and ambition

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ACKNOWLEDGEMENT / DISCLAIMER

The fourth edition of the EPC's Outlook Paper has been particularly shaped by Russia's ongoing war of aggression against Ukraine, Donald Trump's return to the White House, and the start of the second term of the Commission of President Ursula von der Leyen following the European Parliament elections in 2024. At home, the Union faces increasing political divisions which shape its ability to push back against Russia's aggression and engage in a unified way with the outside world – a world in which, for the first time in decades, the EU and its member states can no longer rely on a benign partner on the other side of the Atlantic. This paper is a reflection of those tremendous changes. It reflects the many exchanges within the EPC's Europe in the World team as part of our weekly meetings in which we are trying to "see and understand what is" and identify opportunity for the EU to keep its citizens safe and prosperous.

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List of abbreviations

AfD	Alternative for Germany
AI	Artificial Intelligence
AISI	Artificial Intelligence Safety Institutes
AL	League of Arab States
ANC	African National Congress
ASEAN	Association of Southeast Asian Nations
AU	African Union
BRI	Belt and Road Initiative
BRICS	Brazil, Russia, India, China and South Africa
CAI	Conversational Artificial Intelligence
CBAM	Carbon Border Adjustment Mechanism
CELAC	Community of Latin American and Caribbean States
CKU	China-Kyrgyzstan-Uzbekistan
COP	Conference of the Parties
CPTPP	Comprehensive and Progressive Agreement for Trans-Pacific Partnership
CSDP	Common Security and Defence Policy
CSO	Civil Society Organisation
CSTO	Collective Security Treaty Organization
CTIP	Clean Trade and Investment Partnership
DPP	Democratic Progressive Party
DRC	Democratic Republic of Congo
DSA	Digital Services Act
DSR	Digital Silk Road
EAEU	Eurasian Economic Union
EBRD	European Bank for Reconstruction and Development
ECOWAS	Economic Community of West African States
EDIP	European Defence Industry Programme
EDIS	European Defence Industrial Strategy
EEA	European Environment Agency
EIB	European Investment Bank
EPC	European Policy Centre
EPF	European Peace Facility
ESG	Environmental, Social and Governance
EU	European Union
EUCAP	EU Capacity Building Mission
EUTM	EU Military Partnership Mission
FIMI	Foreign Information Manipulation and Interference
FP10	Framework Programme for Research & Innovation
FTA	Free Trade Agreement
G20	Group of Twenty
G7	Group of Seven
GCC	Gulf Cooperation Council
GDP	Gross Domestic Product
GDPR	General Data Protection Regulation
GNU	Government of National Unity
HRVP	High Representative for Foreign Affairs and Security Policy
IBSA	India, Brazil, South Africa
ICC	International Criminal Court
ICJ	International Court of Justice
IFI	International Financial Institutions
IMEEC	India-Middle East-Europe Economic Corridor
IMF	International Monetary Fund
IPEF	Indo-Pacific Economic Framework (IPEF)
ISGS	Islamic State in the Greater Sahara
ITLOS	International Tribunal for the Law of the Sea
ITU	International Telecommunication Union
IUU	Illegal, unreported and unregulated
JCPOA	Joint Comprehensive Plan of Action
JNIM	Jama'at Nusrat al-Islam wal-Muslimin
KMT	Kuomintang
LAC	Latin America and Caribbean Countries
LATAM	Latin America
LDP	Liberal Democratic Party
LGBTQ+	Lesbians, Gays, Bixesual, Transexual and Queer or Questioning
LNG	Liquified Natural Gas
MCM	Mine Countermeasures
MDA	Maritime Domain Awareness
MENA	Middle East and North Africa
MFF	Multiannual Financial Framework
MoU	Memorandum of Understanding
NATO	North Atlantic Treaty Organization
OECD	Organisation for Economic Co-operation and Development
OSCE	Organisation for Security and Cooperation in Europe
R&D	Research and Development
REE	Rare Earth Elements
S&P	Standard & Poor
SCO	Shanghai Cooperation Organisation
SDG	Sustainable Development Goal
STANAG	Standardisation Agreement
TITR	Trans-Caspian International Transport Route
TSMC	Taiwan Semiconductor Manufacturing Company
TTC	Trade and Technology Council
UAE	United Arab Emirates
UK	United Kingdom
UN	United Nations
UNCLOS	United Nations Convention on the Law of the Sea
UNGA	United Nations General Assembly
UNHCR	United Nations High Commissioner for Refugees
US	United States
USMCA	United States-Mexico-Canada Agreement
VR	Virtual Reality
WHO	World Health Organisation
WTO	World Trade Organisation
XR	Extended reality

1. Introduction

Liberal Europe will need to rewire mentally and rearm in 2025. The 2025 Outlook Paper aims to see the world as it is, rather than as liberal Europe wishes it to be. But being brutally honest does not mean being defeatist. This paper aims to come up with policy proposals based on both realism and ambition.

Liberal Europe will need to rewire mentally and rearm in 2025. The European Union (EU) and its member states established the principles and institutions for engaging with their neighbours and the world at large in the early 1990s. The aspiration to become a peaceful transformative force spreading liberal democracy and the market economy throughout Europe and beyond was born out of the fall of the Iron Curtain and enjoyed strong United States' (US) support. For a while, it seemed the unification of Europe was indeed coming together under the revolutionary model of governance created by the Treaty of Maastricht, while the US remained heavily invested in European security through North Atlantic Treaty Organisation (NATO). That era has come to an end.

2025 will be a year of profound change. The new EU leadership following the 2024 European Parliament elections will have to engage with a rapidly deteriorating regional and global environment, challenging the EU's aspiration to deliver democracy, security, sustainability and prosperity for its own citizens, let alone its transformative power elsewhere. This comes at a time of political instability and paralysis in key member states. The threat to European security posed by Russia beyond its war of aggression against Ukraine is existential and growing both in Europe and in its global dimension. In addition, there is a long-term Russian hybrid campaign, in which China is also increasingly involved. The big difference since 20 January 2025 is that, for the first time, Europeans can no longer rely on a benign partner on the other side of the Atlantic, leaving them dangerously exposed and acutely vulnerable, including on the very foundations of liberal democracy.

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Until recently, the US dominated a world order that was a favourable environment for the EU to extend its membership, further develop, and play out its strengths, in particular as a trading power, without having to worry much about geopolitics. Suddenly, liberal Europe looks very lonely, and is struggling to keep up with a world of change. This is first and foremost a question of mindset. There is no doubt that the world today looks very testing for European leaders and societies. However, change always comes with opportunity. Europe urgently needs a positive vision on how its engagement with a changing world can be beneficial for European countries and societies. Otherwise there is the risk of Europe turning inward and withdrawing from the world.

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Clear priorities are emerging: at the beginning of 2025, the EU and its members will urgently have to engage with the new hostile US administration on a future division of labour in European security, and a rebalancing of global trade in the US's favour. This will absorb significant political and financial resources, and will be a period of conflict, both within the EU and in transatlantic terms. Yet transatlantic engagement continues to be vital, given the degree to which the EU and the US remain intertwined in economic and security terms for the time being. On trade, the EU is in principle better equipped for this period of conflict, given the strength of its Single Market and existing mechanisms to fence off and settle conflict and trade wars. On security, it will be much harder, especially as the US will use Europe's military dependencies as a lever on trade. In 2025, Europeans must show significant progress in investing militarily, financially and politically in security and defence. This includes, as argued in the section on Ukraine in this paper, continued support for Ukraine to position the country as favourably as possible for negotiations, should they materialise in 2025. It also means Europeans must strive for a seat at the table and play a role in achieving security guarantees for Ukraine.

Managing the relationship with the US and its spillover effects, especially on ties with China, will be complicated for the EU. But at the same time the Union needs to keep a much broader focus and nurture opportunities around the world. In the global arena, there are plenty of chances to strengthen existing partnerships and shape new ones. The sections on the Indo-Pacific region in this Outlook Paper support this idea and give concrete examples of opportunities. But to succeed in (re)building alliances, the EU will have to fight hard to earn trust and attract interest. For now, European elites convey deep concern rather than confidence to embrace new global opportunity. This is noted in other parts of the world.

Europe is increasingly absent in the global battle of narratives and is losing out. In part, this is due to a lack of investment and attention, and a clinging to what "should be" rather than "what is". Against this background, think tanks can play a fundamental role in framing issues. This Outlook Paper aims to contribute to that end. It aims to see the world as it is, rather than what liberal Europe wishes it to be. Being brutally honest does not mean being defeatist, however. This paper aims to come up with policy proposals based on both realism and ambition.

As argued in one section of this Outlook Paper, the EU should not drop support for multilateralism but should be more selective and invest more time, energy and money in working pragmatically with like-minded partners and through informal groupings. The EU and its member states have a strong interest in convincing other parts of the world that reformed multilateralism and international law offer a more favourable global environment than the mere survival of the strongest. Initial moves by the Trump administration at the global stage are likely to put off other countries well beyond liberal Europe.

Like past editions, the EPC Outlook Paper 2025 aims to map key regions, players and global trends, and identify opportunities for the EU to make a difference, delivering on its 2024-2029 mandate. This sounds almost innocent compared to the disruptive change at play in the world. It remains vital, however, and valid to understand the trends that are shaping the world through an EU-European perspective. Yet policy recommendations will have to match the scope and depth of global change.

It remains vital and valid to understand the trends that are shaping the world through an EU-European perspective.

The EPC Outlook Paper has traditionally been primarily about foreign policy. Yet the existential threat to European security posed by Russia makes it mandatory to include security and defence in this year's edition. In May 2024, the EPC launched its DefSecEU project. That team has made a significant contribution to the work of the EPC at large, and to this paper.

Europe's approach to the world is shaped by the democratic mandate that both member states and the EU are granted by electorates. As a result, this Outlook Paper cannot ignore the domestic contexts that provide the breathing space – or set limits – for European global engagement. This is particularly relevant in early 2025, as the new EU leadership embarks on its 2024-2029 mandate amid political crises and elections in several member states.

This paper aims to see the world as it is, rather than what liberal Europe wishes it to be. Being brutally honest does not mean being defeatist.

Given the nature of the foreign and security policy challenges Europe is facing, the analysis in this paper must look far beyond the EU. European security continues to be primarily the responsibility of member states, and of NATO. Looking at the compass, there is a tricky, historically strained relationship with Europe's southern neighbours; there is instability and conflict in the southeast; there is an aggressor to the east, and there is a very uncertain relationship with the transatlantic West. That means the North has to be an important component of European strategy going forward. This places new emphasis on EU-UK cooperation and collaboration with other non-EU partners such as Norway. That is why this Outlook Paper looks well beyond the EU framework to the whole of democratic Europe in an "all-hands-on-deck" approach. And it maps out how this vital engagement will shape the EU of the future.

The Outlook Paper 2025 is published at a time of great uncertainty, with fast-paced change across the world. The coming months will reveal whether the forecasts and structural themes of this compilation are well-founded.

One thing is for sure: The EU beyond 2025 will look, and must look, very different from today's.

Almut Möller
February 2025

2. Executive Summary

The Outlook Paper 2025 is published as the new EU leadership starts to deliver on its foreign policy mandate. This comes at a watershed moment for Europe's role at home and in the world. With the return of Donald Trump to the White House, the post World War II transatlantic security order as we have known it has come to an end. European power will have to further develop without a benign United States, at least for the foreseeable future. This has immediate implications for Europe's priorities in 2025. 2025 will be the year in which Europeans will have to rebuild a security architecture for their Continent.

- In 2025, Europeans will have to do no less than deliver on keeping Europeans safe and prosperous for the years to come. This will be an enormous task. It will have to involve a new architectural division of labour between the European pillar of NATO and the EU, as well as non-EU members. The EU's global engagement in 2025 will have to seek alliances that help underpin European power at home: through new partnerships based on attractive offers, and by shaping a narrative that underlines common opportunity that comes with the fundamental reboot of the European order.

- Member states and European societies differ on what they perceive as threats. But **security and defence are increasingly a cause for concern among EU citizens**, many who favour joint European approaches. While public opinion on these matters is complex and might shift quickly, **European leaders must continue to engage their electorates for greater investment in European security and preparedness in 2025**.

Looking at regions and players, in 2025 the EU is likely to encounter a landscape of challenges as well as renewed opportunity in manoeuvring a Trumpian world:

- With Russia's war of aggression against Ukraine, and in light of a new government in the **United Kingdom (UK)**, post Brexit relations between the UK and the EU have provided for new opportunity, and, from an EU perspective, a necessity for renewed cooperation. The UK and the EU and its members share wartime urgency and responsibility to prevent the destruction of European security. In 2025 they should act swiftly, by combining elements of both hard and soft power in ways that are practical and mutually reinforcing.

- The biggest challenge for the EU during 2025 and beyond in its relationship with the **US** is to avoid a total breakup between Brussels and Washington. Preparing for the worst is likely to be the best strategy to avoid transatlantic relations from deteriorating fundamentally on key issues for both sides: Euro-Atlantic security, relations with China and trade and economic prosperity.

- Advancing the rebooted relations with **Latin America** in 2025 will not depend on diplomatic endurance and trade milestones alone but also on avoiding a race to the bottom of environmental standards that would – in the long run – either push the EU to betray its core values or to fall behind more opportunistic, transactional actors.

- Given the growing political weight of the **Indo-Pacific region**, the EU has the opportunity to emerge as a more active player. Given its so far limited hard power, the EU should prioritise strengthening ties with Indo-Pacific countries in areas where it can deliver immediate and tangible benefits. Key opportunities include enhancing supply chain resilience and addressing non-traditional security challenges such as maritime security, piracy, cybersecurity, and disinformation.

- In 2025, **China** will navigate a complex landscape of domestic and international challenges. At the global stage, China will maintain its efforts to position itself as the de facto leader of the so-called "Global South". Strategic competition between China and the US will have far-reaching implications, especially for Europe and countries in the Indo-Pacific. A divisive stance by the US towards Europe and antagonism vis-á-vis the EU could offer Beijing opportunities to exploit rifts within the EU, potentially undermining transatlantic cooperation, particularly on matters related to economic security.

- A small island with big strategic weight, **Taiwan** will remain a key player in the coming year. The EU's current perspective has a key limitation: discussions surrounding a potential Taiwan conflict are still largely dichotomic - framed as either war or peace - lacking focus on the grey zone tactics Taiwan is currently facing. The EU could play a crucial role in the coming year by addressing Taiwan's ongoing challenges.

- With the US poised to disrupt the multilateral trading system through a new wave of tariffs, the EU and **Japan** will face the challenge of shaping economic security within a non-protectionist, multilateral paradigm – one that avoids conflicts between like-minded countries. A coordinated push for meaningful World Trade Organisation (WTO) reform would be a natural step towards restoring the necessary confidence in multilateralism. Moreover, as the US casts uncertainty over its Indo-Pacific policies, the EU and Japan are likely to hedge by deepening their cooperation.

- In 2025, the EU should stay firmly committed and continue to secure uninterrupted military and financial assistance for **Ukraine**, support the country's accession process and the opening of negotiating chapters, starting from the "Fundamentals" cluster, as well as promote diversified cooperation and engagements with different actors of Ukrainian civil society. While this will be challenging given that it looks like US policy is profoundly changing on Ukraine, it is without alternatives for Europe.

- As **Russia**'s increased militarisation and empowered war machine poses a growing threat to Europe, the EU and its member states must enhance its own defence capabilities, increase the pressure of sanctions, and counter Russian attempts to leave room for further aggression in Europe during possible peace talks.

- Since the start of Russia's full-scale invasion of Ukraine, the **Baltic Sea region** has been the theatre of several systematically planned acts of aggression. The Baltic Sea region will require strong attention and fast and decisive responses by NATO, the EU and its member states in 2025.

- At a time of global geopolitical uncertainty, the **South Caucasus** will continue to be impacted by evolving global and regional dynamics along with internal struggles, throughout 2025. Instability from historical antagonisms and shifting power dynamics will remain a handbrake on the region's development and prosperity. Overall, the EU's engagement in the South Caucasus region has increased since 2022. The EU should accelerate its efforts in 2025 given uncertainty over US engagement in the region.

- **Türkiye** will continue its assertive and often transactional foreign policy, leveraging its geographical position whenever possible and dancing to its own tune. Still, ties with traditional partners, the US and EU, remain important, particularly for economic reasons. Given the common security threats that both Türkiye and the EU face, and the potential reduction of US involvement in European security, developing a more structured relationship should be an imperative.

- Given European interests and the start of the new EU leadership, there is both the need and the opportunity for the EU and its member states to re-craft their approaches to the **Middle East and North Africa (MENA)** region, and become visible players again. Hereby, the EU will be facing a US President confident that he will make a difference in a war-torn region.

- 2025 will be an important year for **South Africa** to consolidate domestic democratic power sharing and continue to pursue inclusive international institutional governance. South Africa took over the G20 presidency from Brazil in December 2024 and will host the forum in November 2025. The G20 summit in Cape Town will be an opportunity for EU broad engagement on key issues on debt sustainability and climate financing for developing countries.

- 2025 will test the EU's ability to turn its strategic ambitions in **Central Asia** into action. Major geopolitical changes following Russia's full-scale invasion of Ukraine, alongside growing global interest in the region, will call on the EU to move beyond dialogue to deliver on its trade, energy, and connectivity commitments.

- The waters of the **Black Sea** will continue to be a contested space in 2025. As the EU works on its strategy towards the Black Sea region, it is important to keep a close eye on US strategy as well as on progress in the development of the Romanian offshore energy infrastructure and the level of political support among member states for the new EU Black Sea Strategy.

Spaces to watch in 2025, mapped in the "Flashpoints" chapter, include:

- **How does the US/European interaction in security and defence play out:** President Trump has an opportunity to launch a rebalancing of NATO over his four-year term, with Europeans taking more responsibility for their defence, increasing spending and being involved more in land forces, air and missile defence and maritime security, while the US scales back its land and air forces. The US could undermine NATO if President Trump pursues a deal with Putin carving up Ukraine against Kyiv's wishes. The EU needs to be present and ensure that Ukraine's voice is heard and that any ceasefire deal must be linked to negotiations for a just and sustainable solution.

- **Technology is now central to geopolitical power struggles as the global competition for technological supremacy continues to shape the geopolitical landscape.** In 2025, major powers such as the US, China, the EU, ASEAN, and Japan all face new challenges and opportunities that could define their economic and strategic futures. While the EU remains committed to open trade, multilateralism, global standards, and tech regulation, its future influence and market position will depend on the strength and relevance of its own technological capacity. It will also need to strengthen its partnerships with other democracies.

- **How can the EU's foreign and security policy succeed in a malign environment?** Adding to an already complex internal EU and global environment is a US president who will operate with a modus operandi of unilateral decisions and erratic unpredictability. This will challenge the usually longer cycles of foreign and security strategy and will make it particularly difficult for the EU's 27 member states to reach the required consensus on key issues. Most importantly, the EU and its member states need great determination to strengthen European security in 2025. It may no longer be possible to mend internal political deadlocks, driven by political and ideological differences between and within member states, collectively at EU level. This will very likely mean that coalitions of willing and capable EU member states along with third European countries such as the UK will start to advance in 2025.

- **The Sahel region has fallen further into uncertainty in 2024, and the prospects for 2025 signal more escalatory dynamics and an increasingly deteriorating security situation.** Yet, it will be very challenging for the EU to give increased attention to the Sahel region, given the multiple regional and global crises that have scattered the EU's resources. Europeans will continue to face an increasing influence of China and Russia in the region, waves of disinformation campaigns, and difficulties in establishing channels with the juntas leading Mali, Niger and Burkina Faso and channel aid.

- **The crisis of International Law:** To what extent the EU and its member states will be able to preserve the spirit of cooperation on the global stage will depend on its own internal unity. But it will also be key to observe in 2025 how President Trump will position the US. It will be much harder for the EU to uphold the law of cooperation, let alone the principles of sovereignty and territorial integrity, with a President in the White House openly undermining them, as comments about Greenland, and most recently about Gaza, for example, suggested in early 2025. Preserving and enhancing cooperation remains crucial to preserving an international system capable of addressing climate change, poverty alleviation, and ensuring the digital revolution benefits humanity.

- **In 2025, global maritime governance faces several pressing challenges that threaten the stability and sustainability of the world's oceans.** These challenges are deeply interconnected, involving geopolitical, environmental, and legal aspects which require coordinated international efforts to address. The EU can play an important role in helping to offset or overcome them.

- It will be imperative in 2025 to keep watch over the way the EU engages, and with whom, to support **WTO reform** efforts and forge coalitions with like-minded countries. EU efforts should include focusing on emerging markets and developing economies, committing to maintaining a rules-based, inclusive trading system, and tackling shared challenges.

The Chapter on "Policies, Emerging Challenges and Opportunities" entails the following dynamics for the EU in 2025:

- **Adapting EU foreign policy for a post-multilateral world:** In 2025, the EU needs to deal more with the world as it is and less as it would wish it to be. The EU should not vacate the multilateral space, but should be more selective and invest more time, energy and money in working pragmatically with like-minded partners and through informal groupings.

- **Economic security** is at the top of the agenda for the European Commission mandate 2024-2029. However, attaining a measure of economic security will entail trade-offs. In the years ahead, Europeans will have to decide where they draw the line on what they are willing to sacrifice to become a more assertive player in the new multipolar world.

- The EU should step up its ambition in **global health** and rethink its current approach to partnerships in order to deal with common challenges faced by countries across the globe, such as climate change, global demographic shifts and a shortage of health professionals.

- In 2025, the EU should **strengthen its engagement with civil society both domestically and abroad** to better succeed with its proclaimed modern and joined-up foreign policy.

- Having just kicked-off the new politico-institutional term, and in light of the start of negotiations for the Multiannual Financial Framework (MFF) from 2028 onwards, 2025 offers a renewed opportunity to **accelerate the enlargement process** and advance towards a 30+ members union.

- **Delivering on European security:** 2025 will have to be the year in which the EU and its members states take huge steps toward strengthening the European pillar within NATO and demonstrate that the NATO-EU-Member States triangle can work in an "all-hands-on-deck" way to establish a path towards Europeans being able to look after their own continent's security.

- **Emerging technologies and hybrid threats:** Emerging technologies are transforming our world. This digital world has its own economies, finance, and governance and its borderless nature will challenge democratic governance. The EU is by and large ready for these developments, but staying ready will require constant vigilance.

- 2025 is poised to be a dark moment for **AI governance**. However, not all hope is lost for Europe's plan to become an AI continent. Realising this vision will require bold and swift actions such as long-term investments in strategic tech sectors, streamlining the digital acquis to strengthen enforcement, and a more proactive attitude on the international scene when it comes to promoting AI safety.

- In 2025, the EU should prioritise long-term regional stability and resilience through **comprehensive migration partnerships** in its Southern Neighbourhood that balance economic and institutional reform, and migration management.

- **International climate finance, global competition and strategic partnerships:** Many of the regions where the EU seeks to deepen cooperation - Africa, Latin America, and the Caribbean - are also among the hardest hit by climate change. Climate financing, a key priority for these regions, offers the EU an avenue for supporting climate action, demonstrating leadership and strengthening critical partnerships in 2025.

- **Addressing invisible climate migration:** The EU has an opportunity to lead in 2025, for example by addressing the nexus of climate change and forced displacement. Recognising and responding to the plight of the invisible climate migrants is not only a moral obligation but also a strategic necessity.

- In 2025 **BRICS** is likely to undergo some soul-searching. As Trump weaponises ties with allies and rivals alike, and the war in Ukraine reaches a critical point, it will benefit the EU to take the motivations of BRICS+ countries more seriously and to listen to the call for incremental reform that most of its members espouse.

3. The EU's Foreign and Security Policy Mandate

3.1. A WATERSHED FOR EUROPE AT HOME AND IN THE WORLD (ALMUT MÖLLER)

In 2025, the EU's most urgent task at home is to rebuild the continent's security architecture. In its foreign policy, the EU should therefore seek to develop a narrative and build global partnerships that help underpin this transformative change.

The return of Donald Trump to the White House has meant that Europeans have to adapt to a tremendous shift in US foreign and security policy. Over many years, and well before Russia's illegitimate annexation of Crimea and its war of aggression against Ukraine, US administrations had warned Europeans against complacency, pointing both to an evolving security situation in Europe and a recalibration of US resources. Even though these warnings yielded limited results over the years, they were heard especially in European countries that felt acutely exposed to Russia's aggressive neo-imperialism.

Making a big bang at the Munich Security Conference in February 2025, the new US administration boldly declared an end to the values-based relationship that has shaped Europe and the world for many decades, and which has played a key role in keeping many Europeans safe.

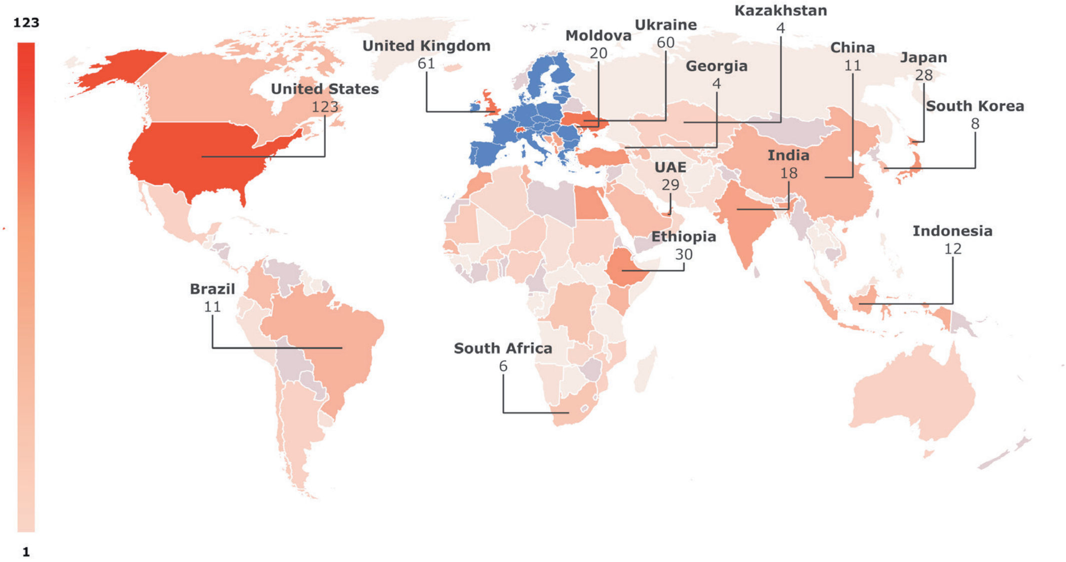
At the time of writing, unilateral US positions on key European security interests are evolving by the hour, driven by both the words and actions of President Trump and his core team. There is a great deal of uncertainty over what comes next. But one can safely say that this is a watershed moment for a free and democratic Europe unlike any other since World War II. The implications are existential: first, Europeans have been left acutely vulnerable; second, Europe's future political architecture is now at stake, as both EU and non-EU countries will have to come together to take fundamental decisions on common goods; third, the EU's economic power is under threat, given that a global order that allowed it to play to its strengths is now being dismantled; fourth, the future of liberal democracy in Europe is in doubt; and fifth, the way that Europeans interact with the US and other parts of the world from now on is under question.

There is a great deal of uncertainty over what comes next. But one can safely say that this is a watershed moment for a free and democratic Europe unlike any other since World War II.

Figure 1

HUMAN RESOURCES WHERE?

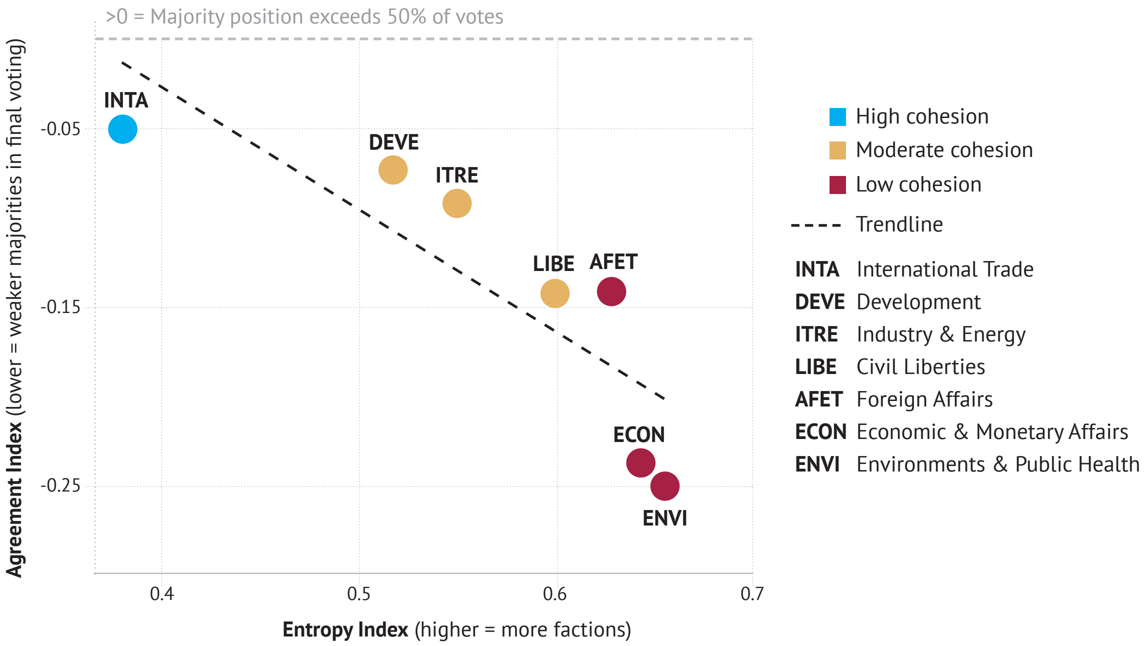
Number and place of Commissioners' trips abroad (2019-2024)



Source: Eulytix (2024); visualisation by Raul Villegas, EPC; map data from World Food Programme (WFP).

Figure 2

MEASURING COHESION IN SELECT EUROPEAN PARLIAMENT COMMITTEES (2019-2024)



Source: Eulytix (2024) through committee-specific archives; visualisation by Raúl Villegas, EPC.

The task ahead is clear: European governments must use their own resources to keep Europeans safe and prosperous in the years to come. This requires significant financial, military and political resources, as well as ground-breaking work to rebuild both the political and security architecture of Europe. It will have to involve a new division of labour between the European pillar of NATO (that's if NATO survives in its current shape, which is not a given) and the EU and its members, as well as non-EU members, such as the United Kingdom, Turkey or Norway.

The task ahead is clear: European governments must use their own resources to keep Europeans safe and prosperous in the years to come.

Most urgently, Europeans must quickly come together with a concrete and credible plan on how to protect and restore Ukraine's sovereignty and territorial integrity. This will also be important if Europe is to avoid being marginalised when the US and Russia negotiate over the future of European security. At the same time, Europeans will have to understand and act on what the new US course means for the future of NATO at large. This will be very difficult to assess, given ambiguous messages from the US leadership. Fundamentally, the tremendous loss of mutual trust between Europe and the Trump administration will make meaningful engagement very difficult. Yet while preparing for the worst, Europe should avoid placing all its eggs in one basket, and instead work on widening its options.

All of this will mean that Europe must spend significant resources this year both at home and on conflictual transatlantic engagement. However, it would be a mistake for Europe to turn inwards now. Europeans need to be smart and understand that the EU's continued and strengthened engagement with other parts of the world can actually help underpin European power at home, through new partnerships based on attractive offers – and, ideally, trust – and by shaping a European narrative that underlines the common opportunities that can come with a fundamental reboot of the global order.

This Outlook Paper helps map some of these opportunities in both Europe's neighbourhood and beyond. The words and deeds of the US in recent weeks, both at home and on the global stage, have alienated not only Europe, but other parts of the world as well. As a result, it is not just Europe that is looking for new friends. Europe should not let this historic moment pass it by.

3. 2. WHAT EUROPEANS THINK ABOUT SECURITY AND DEFENCE (MIHAI SEBASTIAN CHIHAIA)

Member states and European societies have different perceptions of what constitutes a threat. But security and defence are increasingly a cause for concern among EU citizens, many of which favour joint European approaches. While public opinion on these matters is complex and might shift quickly, European leaders must continue to engage their electorates for greater investment in European security in 2025.

Security and defence are increasingly a cause for concern among EU citizens. In fact, there are few issues upon which Europeans agree so strongly as those relating to security and defence. According to the Spring 2024 Eurobarometer[1] poll capturing public opinion on this matter, 80% of Europeans believe that co-operation in defence matters at the EU level should be increased, and 77% are in favour of a common defence and security policy among EU member states.

Security and defence are increasingly a cause for concern among EU citizens.

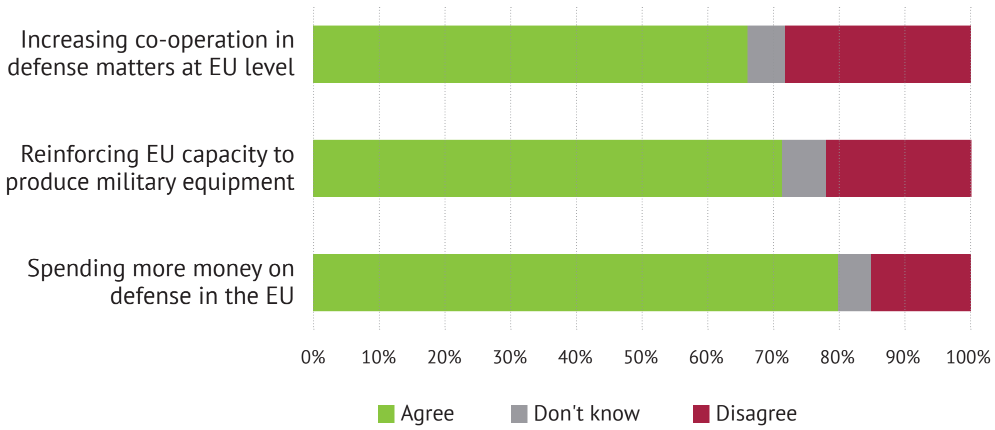
This is not only because of Russia's war of aggression against Ukraine, but also because of the larger context marked by a growing number of hybrid attacks on critical infrastructure in Europe, the crisis in the Red Sea where Iran-backed Houthi rebels disrupted international shipping, the raging conflicts in the neighbouring Middle East region, and an overall sense of insecurity about where the world is heading. On top of this, several political and military European leaders have cautioned about a potential Russian attack on EU and/or NATO member states in the not too distant future.

Several political and military European leaders have cautioned about a potential Russian attack on EU and/or NATO member states in the not too distant future.

Against this background of evolving threats, 71% of EU citizens agree that the EU needs to reinforce its capacity to produce military equipment, and a whopping 80% say that EU member states' purchase of military equipment should be better coordinated.

Figure 3

ATTITUDES TO EUROPEAN DEFENCE AND SECURITY POLICY



Source: Mihai Sebastian Chihaia for Internationale Politik Quarterly (IPQ) (2024), data from Eurobarameter (July, 2024).

These attitudes are in line with the security and defence priorities outlined by the new political leadership of the EU. As we have entered a new political cycle at EU level, and given the return of Donald Trump to the White House, there is an overwhelming consensus among EU leaders on the need to continue to take greater responsibility for the security and defence of Europe.

There is general agreement that more money for defence at the EU level is needed. European citizens may overwhelmingly support this goal in theory, but how to get there is the real question. This requires prioritising security and defence over other areas. If there should be more money for defence, which areas should be funded less? When asked about current priority areas for the EU, security and defence ranks only third among European citizens, after the environment and climate change, which is top, followed by irregular migration, as noted in the Flash Eurobarometer[2] on EU challenges and priorities, published in July 2024.

Questions such as how exactly to finance Europe's defence needs and how funds would be distributed among different defence priorities will continue to dominate European debates throughout 2025. And there will have to be clear trade-offs.

While defence is undoubtedly at the top of the policy priorities in European capitals, the sense of urgency[3] to implement measures and increase defense budgets also clearly varies. The threat perception between member states differs, by and large driven by geography, and this is noticed both at the political and at the public opinion level. The Flash Eurobarometer on EU challenges and priorities[4] reflects this. In some EU member states, security and defence is a top-ranked priority. This applies, for instance, to countries such as Estonia (52%) and Lithuania (51%) while, by contrast, at the other end just 20%of respondents see this as a priority in Italy. This will mean that EU leaders will have to engage in very different domestic dynamics on this matter, and it is unlikely that all of them will take this challenge on in the first place, let alone succeed.

It is important to note that public opinion in EU member states does not seem to be standing in the way of strengthening joint European approaches to security and defence.

The results of Flash Eurobarometer on EU challenges and priorities highlight that 64% of Europeans are concerned about the EU's security in the next five years.

According to the most recent Autumn 2024 Eurobarometer,[5] when asked about main priority areas for the EU in the medium term (next five years), Europeans rank security and defence first (33%), followed by migration (29%) and economy (28%).

It is important to note that this data on European public opinion regarding security and defence clearly leaves room for interpretation. Apart from believing in joint European approaches, citizen's responses might also be motivated by anti-NATO or anti-US sentiment or they might reflect the desire to push off responsibilities on decision-makers at EU level. But fundamentally, it is important to note that public opinion in EU member states does not seem to be standing in the way of strengthening joint European approaches to security and defence. In this time of great security threats on the one hand, and increasing rifts within and between European societies on the other, this fact is no small thing. It gives European leaders determined to take care of European security much more political breathing space to do so than previously – well, at least in principle.

European politicians can by no means take overall public support for granted, especially in countries where citizens' mindsets are focusing elsewhere.

Having said that, European politicians can by no means take overall public support for granted, especially in countries where citizens' mindsets are focusing elsewhere. Nevertheless, they have to continue to make the case for larger investments in defence and keep public opinion on board by highlighting the critical importance of these measures for deterrence and long-term security in Europe and showcasing defence and preparedness as a European public good.

4. Regions and Players

4.1. ALL'S WELL THAT ENDS WELL: COMBINING HARD AND SOFT POWER IN WARTIME EU AND UK (MARIA MARTISIUTE)

With Russia's war of aggression against Ukraine, and in light of a new government in the UK (and in the US), post Brexit relations between the UK and the EU have provided for new opportunity, and, from an EU perspective, a necessity for renewed cooperation. The UK and the EU and its members share wartime urgency and responsibility to prevent the destruction of European security. In 2025 they should act swiftly by combining elements of both hard and soft power in ways that are practical and mutually reinforcing.

The UK is indispensable for the defence of Europe, especially in view of the risk of US disengagement in time of war and a realistic possibility of confrontation between NATO and Russia. Senior British military chief said recently that "if the British Army was asked to fight Russians [in Eastern Europe] tonight, it would fight tonight."[6] The commitment of the UK to Europe through military force is vital. However, a build-up of sustainable and innovative defence for the long haul can only happen if hard power goes hand in hand with soft tools: industrial cooperation, science and innovation, and people-to-people contacts.

Six months after the Labour government announced a new UK-EU security pact,[7] progress has been slow. With the Trinity House Agreement on Defence[8] signed between Germany and the UK, the new Green Industrial Partnership[9] sought by the UK and Norway, and the JEF Leaders' Summit in Tallinn,[10] it seems that the UK's bilateral and regional relations across Europe take precedence over cooperation with the EU. Given that the EU's competencies in security and defence have so far been marginal, and power lies within EU member states, this comes perhaps as no surprise. However, things are more complicated, and both the EU and the UK should again invest in strengthening their mutual engagement.

Both the EU and the UK suffer from defence industry gaps and underinvestment, the results of which are further exacerbated by the return of President Trump to the White House.

While latest developments in relations between Europe and the UK are positive overall, they also signal a lack of foresight, given the state of world politics and multiple wars in and around Europe. Both the EU and the UK suffer from defence industry gaps and underinvestment, the results of which are further exacerbated by the return of President Trump to the White House. The current state of European investment in security is also dangerous in the context of Trump-imposed preparations[11] for a 'ceasefire' in Ukraine, and contrasts with Russia,[12] who approved record spending on defence and mobilised North Korean[13] troops against Ukraine.

There is urgency to translate the political ambition of the UK into concrete deliverables on European ground. The priority should be to identify which capabilities and capacities the UK and the EU should invest in every domain (land, air, sea, space, cyber, nuclear) from dual-use research and technologies to cybersecurity, intelligence, and operations. In forging a closer relationship, it should also be borne in mind that the UK and the EU are inextricably linked in supply chains. To scale up, British firms should join EU's projects of European interest,[14] while the EU's companies should participate in the UK's Defence Industrial Strategy.[15] This comes with a challenge since both London and Brussels have been operating in a politically constrained environment where there are a number of "red lines"; however, a recent major poll showed that British and European citizens favour a stronger relationship between the UK and the EU, which should spur new political momentum for compromise.

It should also be borne in mind that the UK and the EU are inextricably linked in supply chains.

To maximise the impact of defence capabilities throughout their lifecycle, it is essential to foster dual-use research through Horizon Europe[16] and the European Defence Fund,[17] and to strengthen people-to-people contacts. It would be easier to create synergies between civil and military research and deployment if researchers, students and educators could more freely move between the UK and the EU. This could take the form of "free movement of services" or Enrico Letta's "fifth freedom"[18] of research.

As the UK negotiates its future participation in FP10[19] during the 2028-34 MFF, London and Brussels should lay the ground early in 2025 for an agreement encompassing defence industrial cooperation, FP10, and education/research mobility. This would bolster the EU-UK global standing in defence, unlock additional funding for London, and empower a generation of learners and innovators.

The UK and the EU share wartime urgency and responsibility to prevent the destruction of European security. They should act swiftly, by combining elements of both hard and soft power in ways that are practical and mutually reinforcing.

Given London's global influence in shaping world affairs bilaterally as well as through multilateral fora (the Commonwealth, G7, G20, the UN), it is imperative that both sides of the Channel join forces on issues of shared interests and common concerns (authoritarian axis of Russia, China, North Korea and Iran, global economy, climate change, rules-based international order) to tackle geopolitical challenges through coordinated global action.

4.2. THE US: IS IT POSSIBLE TO AVOID A COMPLETE TRANSATLANTIC BREAKUP? (RICARDO BORGES DE CASTRO, IANA MAISURADZE & RAÚL VILLEGAS)

The biggest challenge for the EU during 2025 and beyond in its relationship with the US is to avoid a total breakup between Brussels and Washington. Preparing for the worst is likely to be the best strategy to avoid transatlantic relations from deteriorating fundamentally on key issues for both sides: Euro-Atlantic security, relations with China, and trade and economic prosperity.

The return of Donald Trump to the White House in 2025 with a stronger popular mandate and fewer guardrails will usher in a very difficult period for the EU and transatlantic relations. Europeans should prepare for the worst and find ways to avoid a full-blown breakup with Washington DC. This will likely entail risks and difficult trade-offs – and, in light of the outcomes of the recent Munich Security Conference, could ultimately fail.

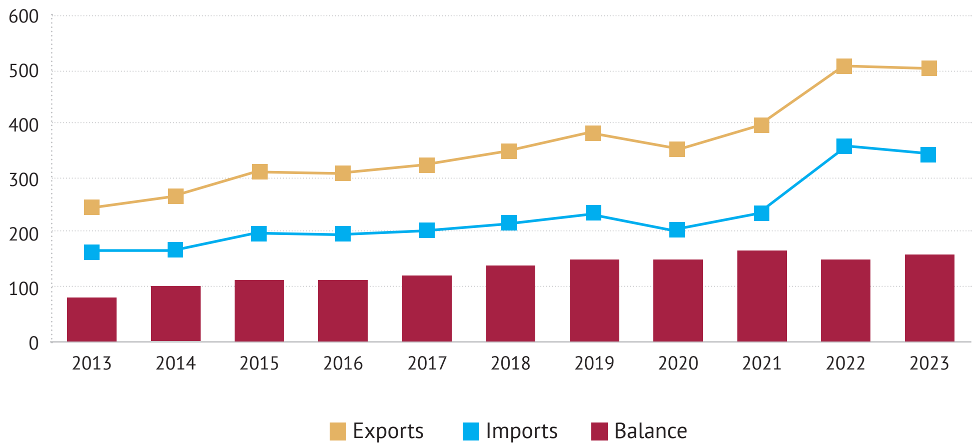
The return of Donald Trump to the White House in 2025 with a stronger popular mandate and fewer guardrails this time will usher in a very difficult period for the EU and transatlantic relations.

Europeans should be ready to either make unpalatable deals or considerably scale up their involvement and commitments in a few key strategic areas: security and defence; support for Ukraine; trade and economic security, and, relatedly, relations with China. Although transatlantic partners share converging interests in these areas, the outlook for cooperation is likely to be marked by uncertainty and President Trump's transactionalism (see table 1).

Moreover, the management of these challenges will be under additional stress if President Trump and some in his tech entourage undermine the EU's unity and internal cohesion by empowering disruptive leaders such as Viktor Orbán of Hungary or by boosting far-right and Eurosceptic forces (as Vice President JD Vance did recently in Germany with the Alternative for Germany party, AfD).[20] At a time when the Franco-German engine is severely weakened, divisions are growing among the EU27, and member states are facing increasing Russian interference, further US meddling in European domestic politics would be very negative.[21]

Figure 4

TRADE IN GOODS WITH UNITED STATES (€ BILLION), 2013-2013



Source: Eurostat (2024).

Table 1. Transatlantic outlook(s) for 2025

Key issues	Positive outlook	Negative outlook	Silver-linings & downside spillovers
Euro-Atlantic security	• Greater support for Ukraine's defence and reconstruction than shown during campaign if Trump comes to understand Ukraine's victory as strategically important. • Pushing against Trump's current course, finding a politically conceivable negotiated deal to end the war in Ukraine – with Ukraine having agency, and the solution being just, yielding sustainable peace in Ukraine and in the region, and Europeans having a seat at the negotiating table.	• Disagreements over NATO burden-sharing, defence spending, and military contributions. • Risk of Trump withdrawing from NATO, using security guarantees as bargaining chips (in exchange for resources and trade concessions), or demanding greater European financial commitments than achievable. • Expansionist ambitions and hostility targeted at small states and middle powers giving wings to revisionist forces. • Ambiguous US stance on Russia, potentially leading to unfavourable settlement terms for Ukraine, and EU members being pushed aside, yet having to deal with securing unfavourable outcome.	• European states stepping up their security preparedness. • EU developing a more diversified approach to partnerships – which may mean stronger security cooperation with the UK and Canada. • EU to purchase US defence exports under tariff threats, undermining the EU's defence industrial base. • Fragmentation of EU unity as member states may seek bilateral agreements with Trump.
China and foreign policy	• Shared concerns over China's trade practices and geopolitical influence, including in Europe.	• Trump pushing for a more hawkish EU stance on China, with pressure to align with US economic statecraft under tariff threats. • Escalating focus on the Middle East, with increased US support for Israel and confrontational policies toward Iran, destabilising the region. • Narrowing US leadership in 'Global South' engagement, with Trump expressing expansionist ambitions in the Western Hemisphere and threatening extreme retaliation against BRICS. • Trump's preference for transactional or mini-lateral arrangements risks undermining multilateralism.	• EU failing to adopt a coherent China strategy before being hit with the consequences of either a US-China trade war or a US-China deal. • Further marginalization of EU in MENA while being exposed to the direct impact of developments in the region. • Opportunity for EU policy diversification in the 'Global South' by taking advantage of the straining of relations between US and some of its regional neighbours (Mexico, Panama, etc.).
Trade, competitiveness, and economic security	• Maintenance of the Trade and Technology Council (TTC) and cooperative approach to solve existing trade disputes and irritants.	• Resumption of trade wars and tariffs, targeting EU exports (especially Germany). • Rollback on data privacy progress, with Trump demanding deregulation for US tech corporations. • Growing US-EU industrial and tech gaps as the US strengthens dominance and the EU struggles to invest sufficiently in competitiveness, potentially facing economic recession. • Disagreement over financial deregulation, particularly on cryptocurrencies.	• EU buying more oil and Liquified Natural Gas (LNG) from the US to placate Trump while continuing decoupling from Russian gas. • Reversal of the Inflation Reduction Act could attract green capital fleeing the US (back) to the EU. • Further erosion of WTO and the multilateral trade system.

Source: Authors.

Whether President Trump pulls out or not from NATO, the EU27 should be spending more on their own deterrence and defence capabilities, ensuring that 2% GDP spending is the floor rather than the ceiling – still far short of what President Trump seems to be demanding now.[22] This is likely to force very difficult decisions for most EU countries given the number of challenges that Europeans need to face simultaneously: from competitiveness and the twin transitions (green and digital) to defence.[23] If the US does renege on its NATO Treaty Article 5 commitments, the biggest change will be the greater urgency with which Europeans need to make unavoidable decisions regarding their security. Either way, greater EU defence preparedness will be essential in the face of a Trump administration ready to use security guarantees as a bargaining chip.

Europe's security architecture will be at a crossroads in 2025 if President Trump persists in trying to solve the war in Ukraine 'behind' Ukraine's and Europe's back.[24] This could mean an unfair and unjust peace for Kyiv. In this scenario, Europeans will face a dilemma: either go along with Trump while exerting pressure to ensure that the deal is favourable to Ukraine's terms (another Minsk Agreement or a Normandy Format solution would produce an unsustainable ceasefire and would diminish the EU's credibility), or step up their support and involvement in the conflict independently from the US, risking the ire of the American administration and attempts by some European leaders to torpedo Brussels' efforts to live up to its commitments to Kyiv.

Relations with China are intimately connected with transatlantic, economic, and security policies. In this regard, Europeans should expect uncertainty and double-talk. While there are expectations that the Trump presidency may be more hawkish on Beijing, with 'decoupling' becoming more prominent than von der Leyen-Biden's 'de-risking', President Trump himself seems infatuated with his relationship with Xi Jinping, breaking tradition and inviting the Chinese Premier to his inauguration (which Vice President Han Zheng attended in Xi Jinping's stead).[25] China is likely to continue being understood as the US's long-term national security challenge, but Europeans should be prepared for surprises and avoid being squeezed by potential Trump-Xi deals, conducted without the EU's involvement and likely overseen by the coterie of billionaires that advise President Trump.

Europe's security architecture will be at a crossroads in 2025 if President Trump attempts to solve the war in Ukraine 'behind' Ukraine and Europe's back.

Trade is an area where both sides of the Atlantic would gain more from cooperating than clashing. President Trump's plans to wage across-the-board tariffs as an alternative to corporate and income tax through the creation of an 'External Revenue Service'[26] may not only damage the international trade system but also backfire and hurt US consumers – particularly his blue-collar electoral base – by leading to higher prices and inflation. Additionally, threats of protectionist measures and sanctions against jurisdictions imposing excessive regulation or 'discriminatory' taxes on American corporations are likely to complicate the EU's efforts to regulate Big Tech while increasing investment and competitiveness.[27] More likely, however, the threat of tariffs will be the stick wielded in political – as already seen with Colombia –[28] and trade negotiations with allies and adversaries alike, with the closing of trade deficits at the top of Trump's protectionist agenda (rather than the rollback of trade itself, which grew between the EU and the US during his first administration, as figure 4 shows).

Trade is an area where both sides of the Atlantic would gain more from cooperating than clashing.

The EU will have to watch such a rebalancing carefully. Even if de-dollarisation is extremely unlikely,[29] balanced US trade will reduce global dollar supplies and perhaps accelerate cross-border payments in BRICS currencies[30] – a scenario which Trump has threatened to address by pouring yet more gasoline on the fire.[31] Moreover, downscaled access to US consumer demand could spur a China still partially reliant on export-driven growth[32] to channel more of its trade to EU markets and to markets the EU has set its sights on for diversification – both developments potentially complicating the EU's economic security efforts.

The biggest challenge for the EU during 2025 and beyond in its relationship with the US, as stated earlier, is, therefore, to avoid a total breakup between Brussels and Washington. This will be difficult and there will be many spoilers on both sides of the Atlantic. Alignment on values will not smooth over these uncertainties and may become increasingly tenuous – particularly as the Republicans close ranks behind Trump's shifting foreign policy doctrine, which now combines isolationism with expansionist ambitions for Greenland and the Panama Canal.[33] Thus, preparing for the worst is likely to be the best strategy to avoid transatlantic relations from deteriorating fundamentally on key issues for both sides: Euro-Atlantic security, relations with China and trade and economic prosperity.

4.3. LATAM: FROM REBOOTED TIES TO LONG-TERM VISION (RAÚL VILLEGAS)

Advancing the rebooted ties with LATAM in 2025 will not depend on diplomatic endurance and trade milestones alone but also on avoiding a race to the bottom of environmental standards that would – in the long run – either push the EU to betray its core values or to fall behind more opportunistic, transactional actors.

The long-overdue reboot of EU-LATAM relations in 2023–24 has yielded partial results. The EU has modernised its Global Agreement with Mexico[34] and prepared the implementation of its Advanced Framework Agreement with Chile.[35] Rekindled negotiations for a free trade agreement (FTA) with Mercosur following the 2023 EU-CELAC (Community of Latin American and Caribbean States) Summit have finally led to a breakthrough,[36] positioning the blocs for tariff-free trade of 90% of goods.

Moving into 2025, this progress should not be grounds for complacency. The FTA with Mercosur still requires ratification by an increasingly divided EU27, and a potential split by the Commission into EU-only and mixed agreements could stoke Euroscepticism.[37] Moreover, its environmental and human rights provisions remain to be tested.[38] Meanwhile, the Global Gateway Initiative, with €45 billion pledged for the region through 2027 (raised from a mix of EU and member state funds, plus private capital),[39] remains behind China's Belt and Road Initiative (BRI), which has thus far mobilised upward of 300 billion USD through foreign direct investment (FDI) and loans.[40]

By prioritizing high-growth sectors over large infrastructure and leveraging the – as of 2022 – 741 billion EUR in cumulative private EU FDI stocks in the region,[41] the EU's Global Gateway could secure a winning niche. However, as BRI flows blend increasingly with Chinese private capital,[42] which is leading in technology-intensive sectors – including solar, wind, telecom,[43] and EVs[44] – the window of opportunity may narrow in 2025. At the same time, with uncertainty surrounding a Panama Canal in Trump's crosshairs[45] and South-South trade on the rise, flagship BRI projects like the Chancay Megaport[46] may not only continue playing a sizeable role in regional connectivity but become strategic hubs for global trade.

With another EU-CELAC Summit expected in late 2025, the new Commission and the Polish and Danish presidencies must avoid a restagnation.

Thus, while the prospect of China securing an FTA with Mercosur ahead of the EU has been averted, and the EU is now better positioned to access the region's critical raw materials (CRMs), green energy, and untapped markets, it has yet to articulate a long-term strategy. With another EU-CELAC Summit expected in late 2025, the new Commission and the Polish and Danish presidencies must avoid a restagnation. To that end, grasping LATAM's increasingly polarised politics while putting forward a distinct value proposition will be essential.

Last year's elections, concluding the 2021–24 electoral 'supercycle,' consolidated left-leaning governments in Chile, Colombia, Brazil, and Mexico. Maduro's contested election revived US sanctions,[47] further deepening Venezuela's political and humanitarian crisis. Meanwhile, right-wing authoritarianism has solidified in Honduras and El Salvador, and Javier Milei's Argentina has become a regional wildcard and source of uncertainty. Focusing on aggressive free-market reform[48] and attempting to woo US private capital through deregulation,[49] Milei is set to stay out of BRICS while simultaneously deepening Argentina's monetary reliance on Chinese currency swaps.[50] And, though supportive of the EU-Mercosur FTA, he may flaunt its environmental provisions[51] and call into question the viability of Mercosur itself.[52]

Regional instability is set to intensify under Trump 2.0.

Regional instability is set to intensify under Trump 2.0. Anti-immigration policies and mass deportations will strain relations with Claudia Sheinbaum's government and add pressure to Mexico's fragile economy as Central American migration bottlenecks at the US-Mexico border. The loss of migrant remittances, coupled with the potential voiding of the US-Mexico-Canada Agreement (USMCA) through a tariff war,[53] could push Mexico and others to expand trade ties with alternative partners – even as US firms have increasingly 'near-shored' their supply chains to Mexico (and, to a less degree, to countries such as Colombia and Brazil).[54] Moreover, frustration with the shortcomings of the multilateral system – exacerbated under Trump's assault – will fuel LATAM countries' calls for reform, particularly regarding representation in institutions like the World Bank and the IMF.[55] As US influence declines, it will fall to the EU to heed these calls and work toward rekindling – rather than merely expecting – buy-in for multilateralism.

Inflation,[56] external debt,[57] and the lingering effects of COVID-19 have slowed growth across LATAM. For countries like Peru, Bolivia, Chile, Mexico, Argentina, and Brazil, economic modernization and income growth will depend on effectively leveraging CRMs[58] – such as lithium – and a strong potential for green energy generation.[59] However, the pitfalls of extractivism, including environmental degradation, inequality, and overexposure to volatile commodity markets, remain significant risks.

In this context, the EU's ability to broker mutually beneficial and sustainable partnerships will be critical. This includes promoting local value addition in the extractive sectors, as seen vis-à-vis Chile, where CRM exporters could benefit from a carve-out to the anti-dual pricing clause,[60] allowing them to sell at a discount domestically and thereby encouraging the local refining and utilisation of CRMs. More broadly, the EU should strengthen collaboration and human capital mobility between LATAM and EU start-ups, research centres, and academic networks; roll out Global Gateway funds in the green and digital sectors while assisting LATAM exporters in meeting regulatory standards, particularly regarding the Carbon Border Adjustment Mechanism (CBAM); and develop European investment or savings products to channel capital into productive, de-risked cross-regional projects.[61]

If the EU is to position itself for the long game in LATAM, it must minimise trade-offs between its core values and the procurement of goods and commodities needed to fulfil the twin transitions and the competitiveness agenda. Advancing rebooted relations with LATAM in 2025 will thus depend not only on trade milestones but also on avoiding a race to the bottom – one that, in the long run, would set the EU up for failure against more opportunistic, agile, and transactional actors.

4.4. THE INDO-PACIFIC: A THEATRE CALLING, BUT CAN THE EU ANSWER? (ELIXABETE ARRIETA & IVANO DI CARLO)

Given the growing political weight of the Indo-Pacific region, the EU has the opportunity to emerge as a more active player. With its so far limited hard power, the EU should prioritise strengthening ties with Indo-Pacific countries in areas where it can deliver immediate and tangible benefits. Key opportunities include enhancing supply chain resilience and addressing non-traditional security challenges such as maritime security, piracy, cybersecurity and disinformation.

The Indo-Pacific remains a dynamic and economically vibrant region, home to some of the world's most critical maritime routes, which are essential for international commerce, energy supplies, and strategic military positioning. As it becomes increasingly interconnected, its geopolitical relevance continues to grow, driven by strategic competition, evolving alliances, and the race for resources and technological innovation.

Looking ahead, the economic outlook for 2025 is projected to remain largely stable.

President Trump 'predictable unpredictability' has one clear pattern: "America First".

A major wildcard in the geopolitics of the Indo-Pacific is Donald Trump's return to the White House. President Trump 'predictable unpredictability' has one clear pattern that can be easily anticipated: "America First". This agenda will likely lead to a recalibration of US economic engagement in the region, marked by protectionist trade measures and a demand for partners to shoulder a greater share of their security costs. For this reason and drawing from his previous policies in the region, Trump is likely to pursue a transactional strategy, fostering selective relationships with Indo-Pacific countries.

In light of this, some Indo-Pacific leaders fear that Trump will be an additional destabilising factor in the region, worried that they will be forced into tougher choices as the US-China competition intensifies. However, with "transactionalism" being the key word of Trump's mandate, countries in the Indo-Pacific largely view it as synonymous with pragmatism, which in turn could yield some positive spillovers across the region. In addition, a US that shifts its focus away from liberal values and value-driven foreign policy aligns more naturally with nations that do not necessarily conform to the Western democratic model. Yet if his geoeconomic view can be at least guessed from Trump's speeches, his stance on security issues is less clear, fuelling anxiety among key partners (e.g. The Philippines, Taiwan).

According to the 2024 annual survey published by the Institute for Southeast Asian Studies, a slight majority (50.5%) of Southeast Asian respondents said they would align with China over the US (49.5%) in the ongoing US-China rivalry.[62] While this shift is not directly tied to Trump's re-election, it reflects broader concerns about how the US and more broadly the West are perceived, particularly due to their increasingly inward-looking policies and position on the Israel-Hamas war. Yet, the same survey says that the EU is the most trusted player to navigate the uncertainties stemming from the US-China strategic rivalry. This trust offers the EU an opportunity to assert itself in the Indo-Pacific by adopting a more pragmatic and differentiated approach that prioritises mutual strategic interests with the countries in the region.

The EU could focus on issues related to economic security, cyber and maritime security, space and technology, and climate change, if not collectively at least with its most active member states in the area. While it cannot surpass the US or China in their respective domains of strength, Brussels has the potential to carve out a significant role in the region by demonstrating its commitment to a more inclusive multilateralism or by supporting multilateral fora in the region more consistently.

Despite the EU's continued interest in engaging more with the countries in the Indo-Pacific, Brussels may face increased pressure if transatlantic relations worsen. If Trump pressures Europe to shoulder greater financial responsibility for the war in Ukraine, Brussels may find itself compelled to prioritise immediate challenges over long-term interests in the Indo-Pacific. With the EU struggling to maintain influence even in regions closer to its borders (e.g. the Middle East and Sub-Saharan Africa), Indo-Pacific nations are well aware of its geopolitical limitations.

Key flashpoints like the East and South China Seas are likely to remain volatile, raising the risk of miscalculation, particularly as tensions between China and The Philippines or Taiwan rise. The tightening Russia-North Korea axis has increased the significance of the Indo-Pacific region for Europe, drawing the two theatres closer as the presence of North Korean troops in Russia and Pyongyang's ongoing military support to Putin's war efforts demonstrates. The EU will likely use this to convince Washington of the importance of being committed to Europe's defence and security as both theatres are intertwined. However, this narrative is unlikely to gain traction in the US, as the White House is more prone to leverage the situation to push Europe to substantially invest in its own defence and across theatres. On top of that, sudden domestic changes like the ones in South Korea, with its current administration hanging by a thread, could spark additional instability in the region.

Relatively less anxious is India, which will continue to play a great role in the region. Having surpassed China in 2023 as the world's most populous nation, India's nominal GDP will likely outstrip Japan's to become the fourth largest economy.[63] Prime Minister Modi's third term will cement his dominance in Indian politics and his prominent role on the global stage. His global ambitions, driven by a multi-alignment foreign policy that engages diverse partners such as the Quad, G7, and Russia, will not face necessarily greater challenges, as these are likely to align with US transactionalism. In this context, the EU should not lose political momentum, while also staying realistic about what can be accomplished, particularly in terms of bilateral economic relations.

Having surpassed China in 2023 as the world's most populous nation, India's nominal GDP will likely outstrip Japan's to become the fourth largest economy.

Although geographically distant, instability in the Indo-Pacific poses direct economic and political risks to the EU. Given the growing political weight of the region, the EU must move beyond the sidelines and emerge as a more active player, capable of providing concrete security commitments and economic initiatives. Limited in hard power, the EU must prioritise strengthening ties with Indo-Pacific countries in areas where it can deliver immediate and tangible benefits. Key opportunities include enhancing supply chain resilience and addressing non-traditional security challenges such as maritime security, piracy, cybersecurity, and disinformation.

4.5. CHINA: A YEAR OF TRADE-OFFS AND DELICATE BALANCE (IVANO DI CARLO)

In 2025, China will navigate a complex landscape of domestic and international challenges. On the global stage, China will maintain its efforts to position itself as the de facto leader of the so-called "Global South". Strategic competition between China and the US will have far-reaching implications, especially for Europe and countries in the Indo-Pacific. A divisive stance by the US towards Europe and antagonism vis-á-vis the EU could offer Beijing opportunities to exploit rifts within the EU, potentially undermining transatlantic cooperation, particularly on matters related to economic security.

In 2025, China will navigate a complex landscape of domestic and international challenges. Domestically, economic growth is projected to decelerate to 4.5% in 2025,[64] reflecting deep-seated structural issues within its economy, such as an ageing population, the persisting effects of the real estate crisis, high debt levels and youth unemployment. Sluggish consumer spending and faltering business confidence will continue to hamper substantial growth, especially if China's structural challenges remain unaddressed.

On the international stage, China will maintain its efforts to position itself as the de facto leader of the so-called "Global South", advocating for an alternative international order by exploiting fault lines and seeking more support from countries disillusioned with Western double standards and/or broken promises. With a Trump administration likely being openly hostile towards some international organisations, it would not be difficult for Beijing to step in where Washington steps back, presenting itself as a pillar of stability and a reliable global partner.

China is expected to deepen its engagement with non-Western countries, both politically and economically, with exports likely to expand in emerging markets across Southeast Asia, the Middle East, Africa, and Latin America. Nevertheless, Beijing will seek to balance its coalition-building efforts with developing and emerging countries while preserving access to Western markets, which are essential for its economic stability and political legitimacy, particularly since domestic vulnerabilities and the pursuit of international ambitions are increasingly on a collision course.

Relations with the US will remain a major point of tension. Not surprisingly, Washington will continue to view China as a central foreign policy challenge, and strategic competition between the two powers will have far-reaching implications, especially for Europe and countries in the Indo-Pacific. The new Trump administration is expected to opt for a more aggressive US economic posture towards China, heightening chances of trade and technology tensions. China's economy might be more vulnerable now, but it is also better equipped to partially offset the impact of US tariffs. Officials have indeed signalled the readiness to counter the impact of the tariffs with targeted measures (e.g., loosen monetary policy, more proactive fiscal policy, etc.) while doubling down on the path of self-sufficiency and technology-driven growth. At the same time, Beijing is accelerating efforts to diversify its export markets, recognising that traditional economic boosters like property construction and infrastructure spending are no longer a viable solution.

Adding to the domestic angle, China's economic trajectory in 2025 will also be dependent on how it manages its trade relations with other global economic powerhouses. Trade frictions with the EU are also on the rise and are likely to multiply in the years to come, due to both transatlantic and domestic issues within the EU. However, Beijing might prefer to approach these confrontations cautiously, as it risks undermining its access to the European market if it opts for overly aggressive retaliatory measures to stand up for its own interests. Alignment, whether voluntary or pressured, between the EU and US remains a concern for China, as a coordinated Western approach could limit its domestic and foreign economic options. Washington's potentially divisive stance in Europe and antagonism vis-á-vis the EU could offer Beijing opportunities to exploit rifts within EU member states, potentially undermining transatlantic cooperation, particularly on matters related to economic security.

2025 will also mark the 50th anniversary of EU-China diplomatic relations, but any celebrations are likely to be overshadowed by escalating trade and geopolitical tensions. Two key factors will drive these ongoing strains: economic competition and geopolitical rivalry. China's so-called 'pro-Russian' neutrality and its increasingly assertive global posture have led the EU to view China more as a systemic rival than as a partner. The new EU's foreign policy chief, Kaja Kallas, is expected to adopt a firm stance on China, scrutinising its actions through the lens of its deepening relationship with Russia. While Beijing may hope to use the anniversary as an opportunity to reset ties, Europe appears more inclined to use the occasion to voice its dissatisfaction.

Significant work remains to be done at the EU level, as internal fragmentation and different national interests complicate the bloc's ability to develop a cohesive approach toward China.

Significant work remains to be done at the EU level, as internal fragmentation and different national interests complicate the bloc's ability to develop a cohesive approach toward China. A prolonged trade war between China and the EU, especially in strategic sectors, could have serious repercussions for both players. As a result, it is more likely that the EU and China will engage in a series of targeted, issue-based trade 'tit-for-tat battles' rather than opting for a full-scale trade war. Old and current challenges are expected to outweigh new opportunities, since heavy US tariffs targeting China could lead to a surge of Chinese exports towards the EU, reigniting concerns about 'overcapacity'.

China, constrained by domestic economic pressures, can ill afford the risks of a large-scale trade war. Nonetheless, adventurism in the EU's China policy is likely to weaken the EU position vis-á-vis China. Not to mention if Trump were to strike an unexpected 'grand bargain' with China, which would leave the EU more isolated and vulnerable than ever before. To maintain its influence, Brussels must move beyond reactive measures and establish a more coherent policy framework with specific goals in mind. The second von der Leyen Commission will face a significantly more polarised political landscape, both internationally and domestically. While in recent years the EU has developed more sophisticated tools to navigate its relations with China, and to some extent with the US, the ultimate effectiveness of its approach will hinge on a clear vision that combines political will and unity – elements that appear to be in shorter supply than ever.

4.6. TAIWAN: A STRAIT TINTED IN GREY (ELIXABETE ARRIETA)

A small island with big strategic weight, Taiwan will remain a key player in the coming year. The EU's current perspective has a key limitation: discussions surrounding a potential Taiwan conflict are still largely dichotomic - framed as either war or peace - lacking focus on the grey zone tactics Taiwan is currently facing. The EU could play a crucial role in the coming year by addressing Taiwan's ongoing challenges.

In 2025, Taiwan will remain an economic powerhouse in the Asia-Pacific, with a projected 3.1% GDP growth driven by technology giants like Taiwan Semiconductor Manufacturing Company (TSMC) expanding into the EU and the US, alongside booming demand for high-performance computing and AI. But Taiwan's significance is not just in its technological clout - it lies in the fact that the island sits at the heart of the US-China power struggle.

While the Democratic Progressive Party (DPP) secured another term, Taiwan enters a new phase of leadership with President William Lai replacing Tsai Ing-wen. Domestically, Lai must address the DPP's electoral setbacks, including the loss of the Legislative Yuan majority to the KMT (Kuomintang) and weaker presidential results. On cross-strait policy, Lai is expected to take a stronger pro-independence stance, as Tsai's more moderate "Two sides of the Strait" approach failed to ease tensions with China. Lai has already signalled this shift, using new language[65] that asserts that Taiwan and China are "not subordinate to one another." However, Lai will have to accommodate his plans, as opposition parties push to rebalance the power between the executive and legislative branches while they also slash key proposals, such as cutting national spending by 6.6% and freezing almost half of the defence budget.[66]

As Lai adopts a more assertive pro-independence stance, China will likely increase its incursions and drills around the island. However, Beijing views the DPP's election losses as a favourable development and will not likely accelerate its current reunification roadmap. While there is speculation about China building up its capacity for an all-out invasion,[67] neither its capabilities nor rhetoric suggest an imminent full-scale kinetic conflict. Instead, it is more likely to see an intensification of previous strategies: a heightened use of grey zone tactics, further limiting Taiwan's strategic manoeuvrability.

Militarily, this will mean more frequent incursions and exercises, gradually erasing the existence of the median line[68] in the Taiwan Strait. Additionally, the so-called 'Kinmen model' of law enforcement inspections could be extended to other islands or the entire archipelago, setting the stage for a limited quarantine[69] - a plausible scenario intended to stay below the threshold of armed conflict in light of Taiwan's declaration that a blockade would constitute an act of war.[70] These tactics will be paired with increasingly sophisticated cognitive warfare – misinformation and information manipulation tactics[71] – targeting two fronts: first, Taiwanese society, by fostering a sense of vulnerability and fatalism, which could drive public support for engagement with China. Second, international public opinion, by highlighting the high costs the international community – mainly the US – would face in defending Taiwan, thereby weakening American response.

For Taiwan, deterrence through assurances may prove more important than arms sales alone. While the US has bolstered deterrence through military cooperation and arms sales, enhancing cross-strait relations is not a priority for Trump,[72] and he is not expected to invest considerable political capital in Taiwan to strengthen diplomatic assurances. However, growing isolationist tendencies are not only visible within the Trump government but also in public opinion. It is not just figures like the President questioning the support for allies; there is a broader increasing erosion of public backing.[73] These shifts make the US a prime target for China's grey zone tactics, which aim to amplify the perceived costs of defending Taiwan and increase pressure for a negotiated settlement.

Growing isolationist tendencies are not only visible within the Trump government but also in public opinion.

Meanwhile, the war in Ukraine has also triggered increased debate in Europe regarding Taiwan's future. Alongside the deepening economic ties between the EU and Taiwan – expected to grow[74] with the EU's Chips Act[75] – there will likely be more discussions this year about Europe's diplomatic role in a potential Taiwan contingency. Although European support towards Taiwan is growing, particularly from Central and Eastern European countries,[76] the EU's current perspective has a key limitation: discussions surrounding a potential Taiwan conflict are still largely dichotomic – framed as either war or peace. Such perceptions in public debate overlook the grey zone tactics Taiwan is currently facing.

This is where the EU could play a crucial role in the coming year by addressing Taiwan's ongoing challenges. Continuous diplomatic language – ranging from European Council conclusions to statements by the High Representative for Foreign Affairs and Security Policy (HRVP) – could send clear signals of European engagement, helping reduce Taiwan's sense of isolation. Additionally, the EU could collaborate by sharing expertise through its ongoing Foreign Information Manipulation and Interference (FIMI) strategy, countering cognitive warfare that undermines both Taiwanese and international public opinion. Another area where the EU could contribute is in civil defence, strengthening the psychological preparedness of the Taiwanese to mitigate their vulnerability to Chinese pressure.

4.7. JAPAN: A MIRROR ACROSS THE PACIFIC (RAÚL VILLEGAS)

With the US poised to disrupt the multilateral trading system through a new wave of tariffs, the EU and Japan will face the challenge of shaping economic security within a non-protectionist, multilateral paradigm – one that avoids conflicts between like-minded countries. A coordinated push for meaningful WTO reform would be a natural step towards restoring the necessary confidence in multilateralism. Moreover, as the US casts uncertainty over its Indo-Pacific policies, the EU and Japan are likely to hedge by deepening their cooperation.

Following the narrow victory of Prime Minister Shigeru Ishiba in the October 2024 snap election,[77] Japan enters the second half of the decade under political continuity, with the ruling Liberal Democratic Party (LDP) having stayed in power since 1955 with few interruptions. However, significant changes have taken place beneath this layer of continuity. Since 2021, under former PMs Yoshihide Suga and Fumio Kishida, the country has taken pioneering strides to frontload economic security considerations into its policymaking process, culminating in the 2022 Economic Security Promotion Act[78] and the creation of cabinet and ministerial-level economic security portfolios.[79]

Efforts on this front are likely to continue in 2025 under Ishiba, who is also set to focus his term on strengthening Japan's defence capabilities amid growing uncertainty in the South China Sea, the Taiwan Strait, the Senkaku Islands,[80] and the Korean Peninsula. This may involve fixing defence spending at (or above) the traditional 1% of GDP cap,[81] enhancing counterstrike capabilities,[82] increasing participation in the Indo-Pacific collective security architecture, and – most radically – revising Article 9 of Japan's Constitution, which restricts the country's ability to maintain a conventional military.[83]

Nevertheless, Ishiba's plans will be limited by the LDP's weak position in the lower house of Japan's National Diet and may be further constrained if similar results follow in the upcoming July election for the upper house.

Japan's response to new security challenges recalls that of the EU, and both sides have sought closer cooperation since signing a Strategic Partnership and Free Trade Agreement (FTA) in 2018.[84] With Trump's arrival in the White House casting uncertainty over US Indo-Pacific policies, the EU and Japan are likely to hedge against uncertain US security guarantees by expanding their collaboration. Under their respective Indo-Pacific strategies, this could include further joint naval exercises with EU Member States,[85] increased cooperation on cybersecurity under the EU-Japan Digital Partnership,[86] and heightened focus on critical infrastructure – particularly submarine cables,[87] which are drawing increasing attention amidst a wave of Russia-led sabotages.[88]

On the economic security front, the EU-Japan High-Level Economic Dialogue is likely to continue expanding cooperation on resilient supply chains and semiconductor production, which both sides have tried to bolster through separate bids to build TSMC plants.[89] With Trump poised to disrupt the multilateral trading system through a new wave of tariffs, the EU and Japan will face the challenge of shaping economic security within a non-protectionist, multilateral paradigm – one that avoids zero-sum negotiations between like-minded countries, such as the recent US-Nippon Steel merger fiasco.[90] A coordinated push for meaningful WTO reform would be a natural step towards restoring confidence in multilateralism and should be pursued in concerted fashion as a reaction to Trump's threat of blanket tariffs on global imports (which could include Japan).[91]

At the EU level, a deeper understanding of Japan's pioneering economic security legislation may be crucial as the new Commission inaugurates a dedicated economic security portfolio and expands its June 2023 strategy, particularly in areas where Japan has trailblazed ahead of the EU, such as research security[92] and public-private partnerships.[93]

Japan's domestic challenges may also drive convergence with the EU. In 2025, Japan will face three critical turning points. First, with demographic stagnation unlikely to reverse and the elderly population reaching 30.3% of the total,[94] significant adaptations will be in order – an issue reflected in the agenda of the upcoming Osaka World Expo and perhaps not sufficiently present in the EU's policy bandwidth despite shared demographic trends. Second, if companies and public administrations fail to modernise their legacy IT systems and prioritise innovation, Japan's economy could begin facing up to 13 trillion yen in yearly opportunity costs[95] – closely mirroring the worst-case scenario for the EU's own tech, investment, and competitiveness lag.

Lastly, with an ageing and shrinking domestic market[96] and higher interest rates set to strengthen the yen at the expense of export competitiveness,[97] Japan will increasingly need to engage a diverse range of geographies – both in terms of labour and high-income or growing consumer markets. This will likely lead to increased commercial engagement and investment with the EU, ASEAN, and the broader Indo-Pacific region, supported by agreements like the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and Indo-Pacific Economic Framework (IPEF), and – contingent on Seoul's political future – may also accelerate rapprochement with South Korea, particularly with the 60th anniversary of diplomatic normalisation in 2025.

With an ageing population and a steep tech race ahead as key common challenges, Japan's next steps may offer valuable opportunities as well as lessons for the EU.

4.8. UKRAINE: WESTERN SUPPORT REMAINS DECISIVE FOR THE COUNTRY'S FUTURE AND EUROPE'S SECURITY (SVITLANA TARAN & AMANDA PAUL)

In 2025, the EU should stay firmly committed and continue to secure uninterrupted military and financial assistance for Ukraine, support the country's accession process and the opening of negotiating chapters, starting from the "Fundamentals" cluster, as well as promote diversified cooperation and engagements with different actors of Ukrainian civil society.

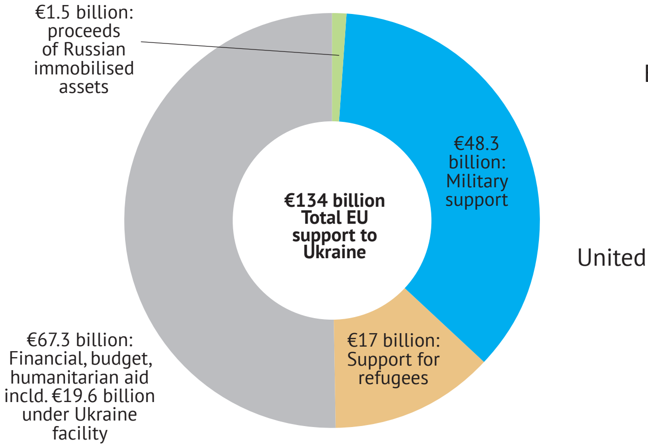
In 2025 efforts to launch peace negotiations in an attempt to deescalate and potentially end Russia's war of attrition in Europe, something prioritised by US President Donald Trump, will be stepped up. Along with the preparations for these negotiations, Ukraine will also need to withstand a fourth year of Russian aggression, while also simultaneously carrying out internal reforms to advance its EU accession process and progress towards NATO membership.

The level of Western support Ukraine receives will continue to be pivotal for the course of the war and efforts to launch negotiations. However, uncertainty regarding continued, timely and united support of Western allies will be even higher in 2025,[98] amid growing war fatigue in many of Ukraine's partners, geopolitical and transatlantic tensions, and possible reduced US commitment to NATO under President Trump. With Russia's progress on the front and uncertainty hanging over Western aid, including from Washington, Ukraine could be forced to enter negotiations from a weak position, and under an existential sovereignty threat.

The level of Western support Ukraine receives will continue to be pivotal for the course of the war and efforts to launch negotiations.

Figure 5

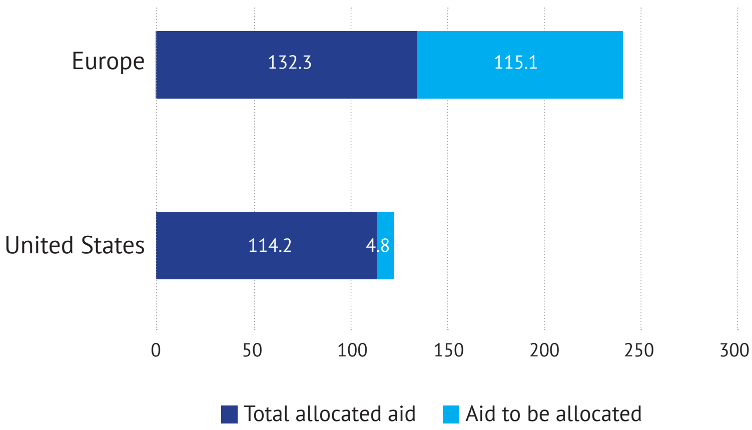
TOTAL EU SUPPORT TO UKRAINE (THE EU, ITS MEMBER STATES, ITS FINANCIAL INSTITUTIONS & PROCEEDS OF RUSSIAN IMMOBILISED ASSETS) 24 FEBRUARY 2022 - JANUARY 2025



Source: European Commission, Eurostat.

Figure 6

GOVERNMENT SUPPORT TO UKRAINE: BY COUNTRY GROUP, € BILLION. ALLOCATIONS AND COMMITMENTS JANUARY 24, 2022 TO DECEMBER 31, 2024



Source: Kiel WP "The Ukraine Support Tracker.

The peace process is expected to be challenging, with potential escalations on the ground. Ukraine and the EU need to ensure that they have a seat at the negotiation table. With Russian President Vladimir Putin believing that his forces can further advance into Ukraine, his willingness to engage in negotiations on terms other than his own is likely to remain questionable. Other options, such as a potential ceasefire, would likely be temporary and unstable, with Europe and Ukraine facing persisting security threats and high risk of a future confrontation.[99] With Poland now holding the EU Presidency, it should use its historic allyship with the US to reiterate the security challenges, further convince Trump to maintain NATO's 'deterrence and defence' posture through its military presence in the east, and ensure the EU (at least some member states) are an integral part of a US-driven negotiation process.

In this context, Ukraine will continue seeking strong and credible security guarantees from its Western partners, including a clear and credible NATO membership perspective, that would help deter a further expansion of Russia's occupation or a future invasion. Simultaneously, Ukraine will push for closer political and military cooperation with NATO, securing NATO's support for the long-term development of Ukraine's Armed Forces, boosting its domestic defence industry and joint weapons production with Western partners.

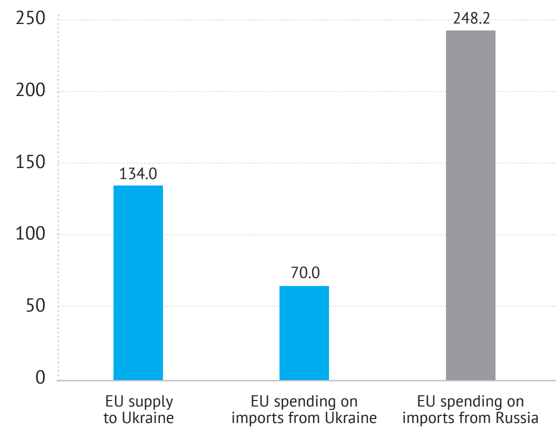
Ukraine is also likely to struggle under the pressure of an accumulating war burden and internal challenges, both economic and political, including a deep population decline, the mass destruction of energy and critical infrastructure, macro-financial uncertainty, and risks emanating from the excessive centralisation of power under martial law which has placed most power in the hands of the office of the President while weakening other pillars of governance.

Presidential elections will be unlikely due to the inability to conduct free, fair and inclusive elections during the hot phase of the war[100] (they may only take place after Ukraine and Russia agree on a ceasefire).[101] Ukraine's need for further mobilisation will become more acute and painful for the society. Consequently, internal political pressure might intensify, making Ukraine more vulnerable to Russian attempts to destabilise the situation in the country.

Ukraine's EU accession process will serve as an important safeguard towards Ukraine's democratic consolidation, with the broad support of the Ukrainian public and the active participation of its civil society. Ukraine will be keen to open multiple negotiating chapters, starting from

Figure 7

EU SUPPORT TO UKRAINE & EU IMPORTS OF GOODS FROM UKRAINE VS EU IMPORTS OF GOODS FROM RUSSIA, € BILLION



Source: European Commission, Eurostat.
Note: EU Import data are for the period of March 2022 - December 2024.

the Fundamentals cluster during Poland's EU presidency in the first part of 2025. Conditionality of financial support and the merit-based approach of the accession, already incorporated into the EU's Ukraine Facility instrument[102] and accession framework[103] for Ukraine, will ensure a strong focus on the fundamental democratic and anti-corruption reforms during its accession process. It would also be wise for the EU to integrate security concerns into the enlargement process,[104] as any further deterioration in Ukraine's security could impact its preparations for membership.

Lastly, external financing will remain a cornerstone for Ukraine's economic stabilisation and reconstruction, with EU contributions playing an increasing role.[105] With the gradual integration in the EU internal market and further trade liberalisation under the Association Agreement,[106] it will be essential for Ukraine's own economic capabilities to develop transport corridors and to recover and protect energy and critical infrastructure.

In 2025, the EU should stay firmly committed and continue to secure uninterrupted military and financial assistance for Ukraine, support the country's accession process and the opening of negotiating chapters, starting from the "Fundamentals" cluster, as well as promote diversified cooperation and engagements with different actors of Ukrainian civil society.

4.9. RUSSIA: STAYING ON A WAR FOOTING AND FORGING STRATEGIC ALLIANCES (AMANDA PAUL & SVITLANA TARAN)

As Russia's increased militarisation and empowered war machine poses a growing threat to Europe, the EU and its member states must enhance its own defence capabilities, increase sanctions' pressure, and counter Russian attempts to leave room for further aggression in Europe during possible peace talks.

The increased military expenditures in Russia's 2025 budget, an increase in the number of troops,[107] coupled with continued advances along the frontline, demonstrate Moscow's appetite to continue its war of attrition against Ukraine. As the war enters its fourth year, Russia will aim to wipe out Ukraine's economic and military resources, undermine its resilience, and gradually erode Western support, in an effort to impose its conditions on Ukraine in any future peace negotiations.

While Russia has available resources to wage war, Russian President Vladimir Putin will try to further advance into Ukraine to achieve his goals[108] and will only be willing to negotiate on his terms. In any eventual peace talks, Russia will aim to hinder decisions regarding Ukraine's Euro-Atlantic and European integration processes, particularly NATO membership which it strongly opposes. Moscow will also aim to create conditions to further weaken and destabilise Ukraine afterwards and leave room for future aggression. Any possible ceasefire in Ukraine is likely to be used by Russia to rearm and prepare for renewed war.

Russia will also prioritise extending its occupation of Ukrainian territories. This will make it increasingly challenging for Ukraine to retake all of its territories,[109] particularly as Russia tries to entrench itself in these regions, which Putin refers to as "historic territories that have reunited with Russia".[110] At the same time, Russia will continue employing nuclear threats, including the modernisation of its nuclear forces,[111] aiming to deter any increase in Western military aid for Ukraine that could inflict a 'strategic defeat' on Russia. Russia's withdrawal from Syria may signify its limited military capabilities in other regions and suggests that its primary focus is on the war in Ukraine, which is seen by the Kremlin as a part of a global confrontation with the West.[112]

On the global arena, Russia will be actively promoting the narrative about the formation of a new multi-polar world order[113] with new centres of influence, primarily in 'the global East and South.' Russia will also likely target EU societies to try to further weaken support for Ukraine by spreading misinformation and division. More initiatives are expected to be developed to forge alliances and blocs such as BRICS+, the Shanghai Cooperation Organisation (SCO) and others to create a "single Eurasian space"[114] as a balance to the West. Russia will try to implement its own agenda with these partners with the aim of helping the Kremlin withstand Western sanctions, encourage de-dollarization, and undermine the existing international system.

Russia's military cooperation with North Korea and Iran, which intensified after its full-scale invasion of Ukraine, will continue to bolster its war effort in violation of international sanctions. New comprehensive strategic partnership agreements with North Korea[115] and Iran will provide more possibilities for cooperation in defence, trade, and energy,[116] including military technology and intelligence exchange.[117] These partnerships will aim to jointly challenge Western influence and security, increasing the risk of globalised conflicts.

Russia's military cooperation with North Korea and Iran, which intensified after its full-scale invasion of Ukraine, will continue to bolster its war effort in violation of international sanctions.

Russia will remain reliant on cooperation with China, which significantly shores up the Kremlin's military economy[118] and war efforts in Ukraine (i.e. by enabling the shipment of components critical to Russia's defence industry). However, this will increasingly imbalance the relationship[119] in Beijing's favour in terms of economic and geopolitical dependence.

Table 2. Major sanctions, restrictive measures, and export controls on Russia adopted by the EU in 2024 (based on 13th (23 February 2024), 14th (24 June 2024), and 15th (16 December 2024) packages of sanctions).

ENERGY	
24 JUNE 2024	Prohibition on providing goods, technology or services to LNG projects under construction in Russia. Prohibition on the transshipment of Russian LNG through EU ports. Prohibition on the import of Russian LNG into specific terminals which are not connected to the EU gas pipeline network.
TECHNOLOGY AND DUAL-USE PRODUCTS	
23 FEBRUARY 2024	The extension of export restrictions on sensitive dual-use and advanced technologies that contribute to Russia's military capabilities, including additional electronic components for drones, missiles, and helicopters, other vehicles, as well as bans on specific rare earths and thermal cameras with military applications. Addition of 96 Russian and third-country entities to the list subject to enhanced restrictions in relation to dual-use and advanced technology items (incl. entities registered in Iran).
24 JUNE 2024	Extension of export restrictions on further 15 technological items found on the battlefield in Ukraine or equipment needed to produce such items. Addition of 87 Russian and third-country entities to the list subject to enhanced restrictions in relation to dual-use and advanced technology items (incl. entities registered in China, the United Arab Emirates, Uzbekistan, Syria, and Armenia). Extension of export controls on dual use/advanced technology items, including chemicals, thermostats, DC motors and servomotors for unmanned aerial vehicles (UAV), machine tools and machinery parts.
16 DECEMBER 2024	Addition of 29 Russian and third-country entities to the list subject to enhanced restrictions in relation to dual-use and advanced technology items (incl. entities registered in Uzbekistan and Singapore).
OTHER INDUSTRY	
24 JUNE 2024	Reinforcement of the current export bans on industrial goods focusing on four sectors which are key to Russia's war economy: chemicals, plastics, vehicles parts and machinery. Import ban on helium.

FINANCIAL, IT CONSULTANCY AND OTHER BUSINESS SERVICES

24 JUNE 2024

Prohibition for EU banks outside Russia to connect and carry out transactions using the Financial Messaging System of the Central Bank of Russia (SPFS).
Prohibition on transactions with third-country banks using SPFS to increase Russia's financial resilience and to support the circumvention of our sanctions.

Prohibition on transactions with banks and crypto assets providers, in Russia and third countries, that facilitate transactions supporting Russia's defence-industrial base.
Transaction ban to protect arbitration.

Creation of a legal basis for EU operators to claim compensation in the EU for damages caused by Russian companies linked to sanctions implementation and expropriation.

Prohibition on the acceptance of applications for registration of new trademarks and patents requested by Russian persons and persons resident in Russia.

16 DECEMBER 2024

Prohibition of the recognition or enforcement in the EU of those rulings issued by Russian courts based on Article 248 of the Arbitration Procedure Code of the Russian Federation.
Extension of deadlines applicable to certain derogations needed for divestments from Russia.

ENFORCEMENT AND ANTI-CIRCUMVENTION MEASURES

24 JUNE 2024

Best efforts obligation concerning foreign subsidiaries: EU companies will have to undertake their best efforts to ensure that their subsidiaries in third countries do not take part in any activities undermining EU sanctions.

"No Russia" clause for Intellectual Property Rights (IPR) transfers, to ensure that industrial know-how transferred outside the Union is not used to manufacture Common High Priority (CHP) goods intended for Russia.

Due diligence requirements for CHP goods.

16 DECEMBER 2024

For the first time since the start of Russia's invasion, the EU has adopted 'fully-fledged listings' (i.e. a travel ban, an asset freeze and a prohibition to make funds available) on seven Chinese persons and entities, supplying sensitive drone components and microelectronic component to the Russian military industry, facilitating circumvention.

MEDIA

24 JUNE 2024

Prohibition on accepting financing from the Russian state and its proxies by political parties, NGOs and media service providers in the EU.

TRANSPORT

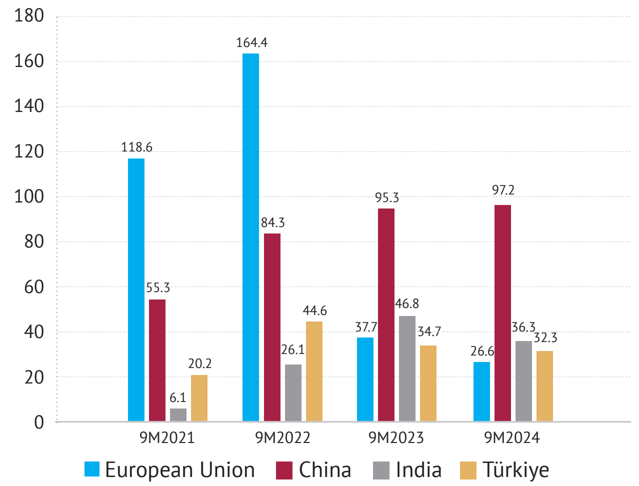
24 JUNE 2024	Maritime: Listings of 27 vessels (Russian shadow fleet) supporting the Russian warfare. Prohibition on port access and services for 27 listed vessels. Aviation: prohibition on non-scheduled flights if a Russian person decides the origin or destination.
16 DECEMBER 2024	Tightening the existing prohibition to transport goods by road in the EU. Adding 52 vessels originating from third countries to the list of those subject to a port access ban and ban on services related to maritime transport (79 designated vessels in total).

RESTRICTIVE MEASURES ON INDIVIDUALS AND ENTITIES

3 FEBRUARY 2024	Addition of 194 individual designations targeting Russia's military and defence sector, Russian companies and individuals involved in the shipping of North Korea's (DPRK) armaments to Russia, fighting circumvention.
24 JUNE 2024	Addition of 116 listings of 69 individuals and 47 entities subject to asset freezes, and – in the case of individuals – also to travel bans.
16 DECEMBER 2024	Addition of 84 listings, which consists of 54 persons and 30 entities for actions threatening the territorial integrity, sovereignty and independence of Ukraine. As of 20 December 2024, a total of 2400 individuals and entities are subject to restrictive measures (vs 1943 individuals and entities as of 18 December 2023).

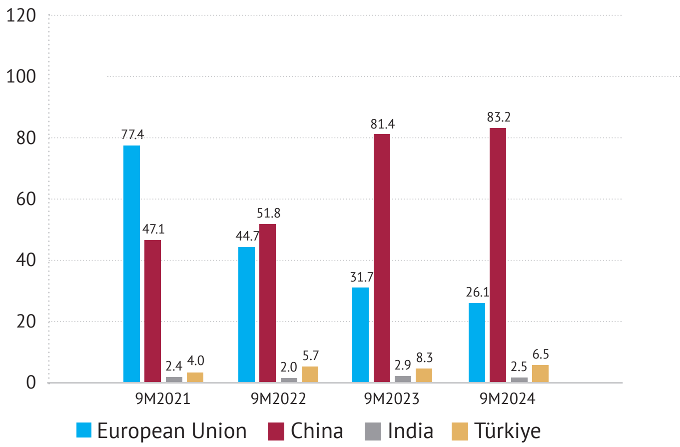
Figure 8

IMPORTS FROM RUSSIA BY MAJOR PARTNERS, JANUARY-SEPTEMBER 2021-2024, $ BILLION



Source: UN Comtrade.

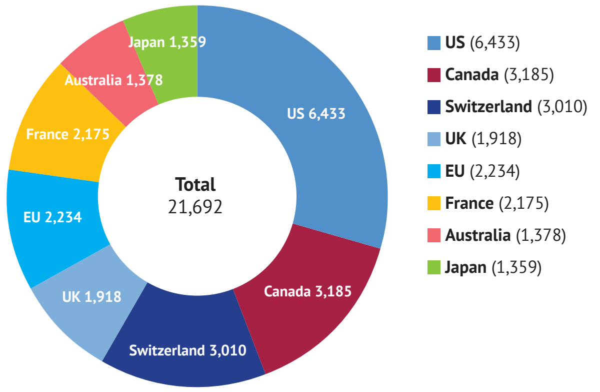
EXPORTS TO RUSSIA BY MAJOR PARTNERS, JANUARY-SEPTEMBER 2021-2024, $ BILLION



Source: UN Comtrade.

Figure 9

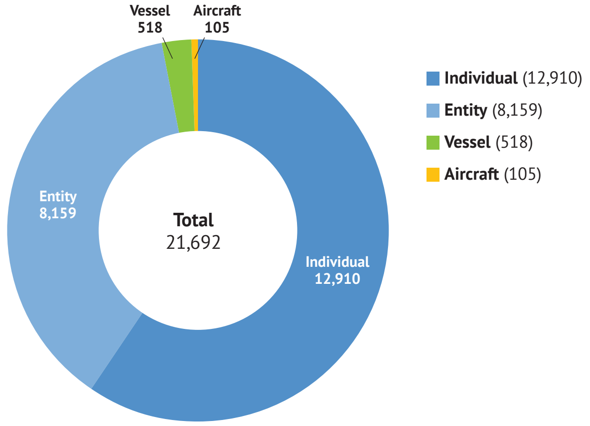
MAGNITUDE OF SANCTIONS PROGRAMMES TARGETING RUSSIA BY MAJOR SANCTIONING COUNTRIES, 22 FEBRUARY 2022 – 19 JANUARY 2025



Source: Castellum.AI.

Figure 10

SANCTIONS OF MAJOR SANCTIONING COUNTRIES TARGETING RUSSIA BY TYPE OF SANCTIONS, 22 FEBRUARY 2022 - 19 JANUARY 2025



Source: Castellum.AI.

With a prolonged war, the militarisation of the Russian economy will intensify due to skyrocketing military spending - projected at $145 billion, or 6.3% of GDP for national defence, a 25% increase from 2024[120] – enabled by still high oil revenues[121] and increasing tax burdens.[122] The economy has partially adapted to Western sanctions by exploiting their loopholes, gaps, and slow implementation, as well as through the support from third countries such as China, India, the United Arab Emirates (UAE), Türkiye, and others. Russia has also managed to expand domestic production of drones and missiles.[123] A further enhancement of Russia's military capabilities threatens further military expansion.

Russia's economy and military capabilities will become more vulnerable to fluctuations in oil prices and the West's pressure to further strengthen sanctions through their better implementation and enforcement.

However, the costs of sustaining the war and maintaining Russia's growing military sector are expected to rise, gradually depleting Russia's own resources and financial buffers,[124] and undermining civilian production. Financial pressure and macroeconomic imbalances[125] will likely deepen, with persisting high interest rates, elevating inflation and a weakening Ruble, underinvestment in infrastructure, negative demographic trends and labour shortages.[126] Under such challenges, Russia's economy and military capabilities will become more vulnerable to fluctuations in oil prices and the West's pressure to further strengthen sanctions through their better implementation and enforcement.

As Russia's increased militarisation and empowered war machine poses a growing threat to Europe, the EU must enhance its own defence capabilities, increase the pressure of sanctions, and counter Russian attempts to leave room for further aggression in Europe during possible peace talks.

4.10. THE BALTIC SEA (PAUL TAYLOR & MARIA MARTISIUTE)

Since the start of Russia's full-scale invasion of Ukraine, the Baltic Sea region has been the theatre of several systematically planned acts of aggression. The Baltic Sea region will require strong attention and fast and decisive responses by NATO, the EU and its member states in 2025.

The Baltic Sea has long been a focus of a strategic contest between Russia and the West. Since the start of Russia's full-scale invasion of Ukraine, it has been the theatre of several systematically planned acts of aggression – the blowing up of the Nord Stream 1 and 2 underwater gas pipelines by still unidentified saboteurs; the cutting of seabed telecommunications and electricity cables in the Gulf of Finland and the Baltic apparently by Chinese vessels, and, most recently, by a tanker carrying Russian oil; Russian jamming of GPS signals for civilian aircraft; and increased passage of Russian "shadow fleet" tankers of questionable seaworthiness and with uncertain insurance carrying oil exports evading a Western-imposed price cap. That all prompted NATO to launch the Baltic Sentry mission in January 2025, with an increased presence to protect critical infrastructure.

In some respects, this threat is not new, because for more than 20 years now Russia has been provoking the Baltics and Poland in various ways. However, undersea infrastructure attacks are a new development that threatens European and Euro-Atlantic security.

The next stage in Baltic tensions could involve an oil spill from a tanker in Russia's phantom fleet of aged vessels, or a potential standoff over Western attempts to inspect such ships. Two such tankers broke up and sank in a Black Sea storm in late 2024, polluting the Russian coast. That prompted eight Nordic and Baltic states, the UK and the Netherlands to order spot inspections of insurance on "shadow fleet" tankers sailing in the English Channel, the Great Belt, the Sound between Denmark and Sweden, and the Gulf of Finland. Any attempt by Western authorities to stop and board a Russian merchant ship or to close the sea lane between Denmark and Sweden to such tankers could escalate into a naval incident.

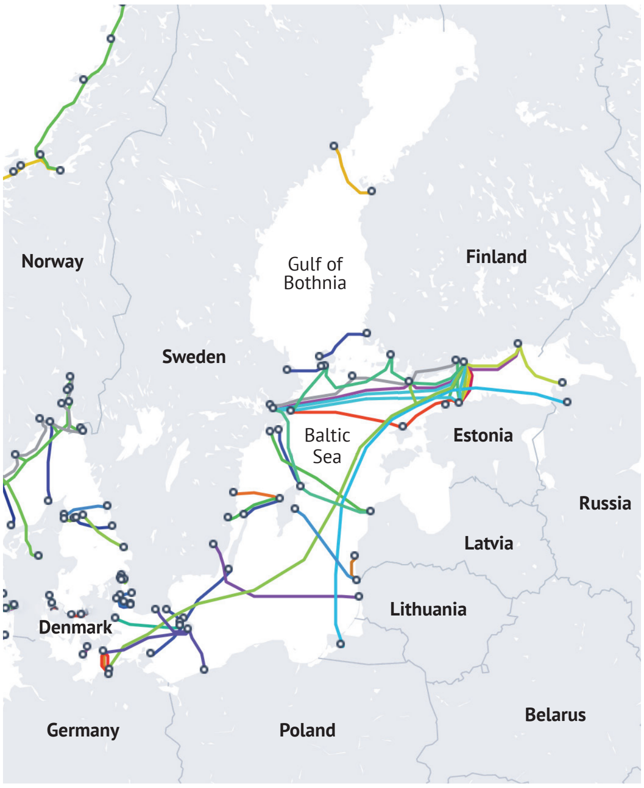
From an infrastructure point of view, it is not just undersea cables that are important, but also the major Rail Baltica infrastructure project that is part of EU's North Sea Baltic Corridor. This first European standard gauge railway is one of the top priorities of the EU and NATO aimed at completing the Baltic States' integration into the EU's Single Market in connectivity, especially with Germany, the Netherlands and Belgium. It crosses five EU and NATO countries (all Baltic) and is the missing cross-border link in Eastern Europe, strategically important also for military mobility, enabling the movement of NATO troops and equipment.

The accession of Finland and Sweden to NATO means the Baltic has become overwhelmingly a "NATO lake" with the key exception of Russia's 512 km coastline on the Gulf of Finland, and the Russian exclave of Kaliningrad, that is home to naval, air/helicopter and missile bases key to Russia's Baltic Sea fleet - with a 183 km Baltic coastline surrounded by Lithuania. NATO sources say the alliance would neutralise Kaliningrad on day one of any armed conflict, but excluding an all-out war, the exclave gives Moscow a base inside NATO and EU territory to engage in psychological and covert warfare. It is important to note that Russia and Belarus have strengthened their relations in defence and security under their Union State, which constitutes another evolving threat to the Baltic region.

It is important to be aware of Russia and Belarus having strengthened their relations in defence and security under their Union State, which constitutes another evolving threat to the Baltic region.

Figure 11

BALTIC SEA SUBMARINE CABLE MAP



Source: TeleGeography.

Against that backdrop, the accession to Finland and Sweden to NATO is reassuring, as the Baltic States can now be more easily defended and reinforced by sea and air, but that does not remove existing vulnerabilities, in particular the Suwalki Gap and the Estonian city of Narva.

The Baltic Sea region will require strong attention and fast and decisive responses by NATO, the EU and its member states in 2025.

4.11. THE SOUTH CAUCASUS (AMANDA PAUL)

At a time of global geopolitical uncertainty, the South Caucasus will continue to be impacted by evolving global and regional dynamics along with internal struggles, throughout 2025. Instability from historical antagonisms and shifting power dynamics will remain a handbrake on the region's development and prosperity. Overall, the EU's engagement in the South Caucasus region has increased since 2022. The EU should accelerate its efforts in 2025 given uncertainty over US engagement in the region.

Over the past few years, the South Caucasus has experienced significant geopolitical turbulence, impacting the regional *status quo*. This includes Russia's full-scale invasion of Ukraine, the 2020 Nagorno-Karabakh war, and, more recently, the political crisis in Georgia.

Once a Kremlin playground, Moscow's role as the regional hegemon ended with its war in Ukraine and its inability to dedicate major resources to other theatres. While throughout 2025 Russia's influence in the region will continue to be reshaped, Moscow still represents a threat, not least through its hybrid warfare and the use of non-military coercive levers, such as large-scale disinformation campaigns. How Russia's war in Ukraine ends, as well as the type of relations that the three countries of the region can secure with the EU and other external partners, will impact Moscow's future influence in the region.

In 2025, the foreign policies of Armenia, Azerbaijan, and Georgia will continue to evolve. While the EU and the US will remain crucial partners, other large powers now have major stakes in the region, including Türkiye, China, India, and some Gulf States, along with Iran.

Following **Armenia**'s 2020 war with Azerbaijan, when Moscow failed to effectively support its traditional ally, Armenia has prioritised strengthening ties with other actors. Having deeper cooperation with the EU and individual member states, particularly France, is a priority. Political, economic, and security ties[127] with the EU and several member states have been strengthened, including the deployment of the EU Mission in Armenia (EUMA),[128] which monitors the Armenian Azerbaijani border. Yerevan is also moving closer to applying for EU membership.[129] Much will depend on Armenia's ability to undertake the necessary reforms and EU internal dynamics. Yerevan has also developed new partnerships with other global actors, including India,[130] that span several areas, including security.

After decades of dreaming of EU membership, **Georgia**'s ruling party derailed the accession process only months after receiving EU candidate country status. There is a major risk of worsening ties with the EU in 2025. The country remains locked in a profound political crisis, following an election in October 2024 that international observers said was marred by serious irregularities and fell short of democratic standards, and which resulted in months of protests. The country's democratic backsliding at home and pivot towards Russian influence are simultaneous and interrelated and seem set to continue. China's increasing influence[131] in Georgia, including plans to construct a large deep-sea port at the strategic Black Sea town of Anaklia, is also impacting the geopolitical balance of the region. Georgia's U-turn is and will continue to affect the regional balance to the detriment of democratic and pro-European forces.

Azerbaijan remains the most interest-based, transactional country in the region. Baku has seen its regional weight increase following its victory in the 2020 Karabakh war. The demise of Russia as the regional hegemon, and the growing role of Türkiye, with which Baku has deep political, economic, and military cooperation, have also benefited Azerbaijan. A clear sign of Baku's growing power was when President Aliyev blamed Russia for the downing of an Azerbaijan Airlines plane in December 2024, which killed 38 people, and demanded justice.

Despite major concerns over democracy and human rights, EU reliance on Baku for energy has made the country an important[132] partner. This is likely to increase in 2025 as the remaining gas flows from Russia to the EU (including LNG) further reduce. Cooperation with the EU on the Middle Corridor[133] is also a priority for Baku.

Strengthening inter-regional cooperation in the South Caucasus would enhance security and stability and is crucial. However, such cooperation depends on Armenia and Azerbaijan overcoming the remaining obstacles[134] and finalising a Peace Treaty. An agreement would also open the way for the normalisation of Türkiye-Armenia relations, which would further boost regional stability and economic prosperity.

Strengthening inter-regional cooperation in the South Caucasus would enhance security and stability and is crucial.

Overall, the EU's engagement in the South Caucasus region has increased over the last five years. In addition to strengthening bilateral relations with all three countries, the EU has acted as a facilitator for peace talks between Armenia and Azerbaijan under the former President of the European Council, Charles Michel. Furthermore, the EU has developed an ambitious connectivity strategy[135] that aims to connect the EU to Central Asia, which is rich in natural resources. Yet despite these developments, and despite the geopolitical significance of the region and its relevance to wider Black Sea security, the EU does not have a clear strategy. To shore up regional stability, the EU should reinforce efforts to promote conflict resolution and societal resilience and to counter disinformation. Taking a central role in supporting regional cooperation and connectivity should be also a priority as it can counter China's regional ambitions, including the BRI. It is also important to devise long-term financial support programmes and capacity-building for civil society and independent media. With Türkiye's growing regional influence, the EU should engage with Ankara on areas of common interest, including connectivity projects which would also enhance broader regional stability.

Furthermore, given that Washington may adopt a more isolationist foreign policy under Trump, the South Caucasus seems unlikely to figure highly on Washington's foreign policy agenda. The loss of US engagement, particularly support for civil society, would be a major blow. It would be important for the EU and its member states to pick up the slack. In 2025, the EU should capitalise on the decline in Russian influence and reinforce its presence as a matter of priority. There is a clear opportunity to strengthen regional security as well as boost the EU's global image as an impactful geopolitical actor.

4.12. TÜRKIYE WILL CONTINUE TO DANCE TO ITS OWN TUNE (AMANDA PAUL)

Türkiye will continue its assertive and often transactional foreign policy, leveraging its geographical position whenever possible and dancing to its own tune. Still, ties with traditional partners, the US and EU, remain important, particularly for economic reasons. Given the common security threats that both Türkiye and the EU face, and the potential reduction of US involvement in European security, developing a more structured relationship should be an imperative.

To prevent a further erosion of public support, Türkiye's leadership will continue to prioritise improving the country's economic situation by further diversifying its economic partners and looking for new investment opportunities. Türkiye will pursue a pragmatic and interest-based foreign policy prioritising security, economic resilience and strategic autonomy. Economic and foreign policy will continue to be closely linked, with Ankara continuing to march to the beat of its own drum in international affairs more generally, playing an increasingly influential role in its neighbourhood and elsewhere.

Further rebuilding of the economy will remain a top priority. Due to Finance Minister Mehmet Şimşek's tight fiscal discipline the economy is healthier than 12 months ago and some of the damage to Türkiye's credibility in the global financial community has been repaired. Yet, there is still some way to go. Further reducing inflation and re-attracting investment will be key.

Türkiye's opposition will continue to try to take advantage of the ruling party's ongoing economic problems at national, local and regional levels. It will also continue working to consolidate the massive gains it made in the 2024 local elections, including winning not only major metropolises but also provincial and conservative districts in Anatolia.

Although President Erdogan has reinstated orthodox economic policies, it will take time to repair the damage. With his "man of the people"[136] image in tatters, Erdogan is forced to kowtow to his ultranationalist and ultra-Islamist[137] alliance by adopting an extremely conservative agenda. Pandering to their whims is likely to result in a further crackdown on the already beleaguered LGBTQ+ community along with further eroding women's rights[138] which are in an increasingly precarious state.

Türkiye's already very limited media freedom[139] also seems set to further decline, including online platforms, as does the space for independent civil society[140] which continues to come under significant pressure.

2025 also seems set to see a new strategy towards Türkiye's Kurdish population.[141] It is not the first time that the government has attempted to reconcile with the Kurds. However, potential early Presidential elections – aimed at allowing Erdogan to remain in power - would necessitate significantly boosting support from the Kurds, which is currently very low.

In terms of foreign policy, Türkiye will remain an important and influential actor in its neighbourhood and beyond, as seen vis-à-vis the role it is playing in Syria. Ankara will continue to adopt an assertive and often transactional foreign policy, leveraging its geographical position whenever possible and dancing to its own tune and interests. Still, ties with traditional partners, the US and EU, remain important, particularly for economic reasons.

Türkiye increasingly wants a foot in both the West and the East, at a time when the international order is being reshaped and middle powers such as Türkiye have increased geopolitical weight.

Türkiye increasingly wants a foot in both the West and the East, at a time when the international order is being reshaped and middle powers such as Türkiye have increased geopolitical weight. Türkiye's effort to position itself as a mediator on Russia's war on Ukraine, Erdogan's presence at the 2024 BRICS Summit and the request to join the SCO are clear signals of this, along with efforts to deepen ties with China. Since the visit of Foreign Minister Hakan Fidan to Beijing in May 2024 relations have rapidly intensified.

Türkiye's influence in other regions, including Africa, the South Caucasus, Central Asia and the Gulf continues to increase. The latter is important for Türkiye[142] for capital flows and investment to the country. Türkiye will also continue to use its growing defence industry[143] to boost its economy and global footprint and increase Ankara's strategic autonomy by reducing the need and influence of foreign suppliers.

While ties with Washington have been difficult for several years, Ankara hopes to reset relations under the new Trump administration. President Erdogan has invited Trump to visit Türkiye, and efforts are underway to resolve lingering bilateral issues, including Ankara disposing of the S-400 missile defence system it bought from Russia several years ago, but has never used.

While ties with Washington have been difficult for several years, Ankara hopes to reset relations under the new Trump administration.

Efforts to improve relations between Athens and Ankara are set to continue[144] and have brought stability to the Eastern Mediterranean and Aegean. The two capitals have developed a good relationship with hopes of finding effective and long-term solutions to several thorny issues.

However, a major improvement in Türkiye-EU relations in 2025 seems unlikely. The unresolved Cyprus problem remains an obstacle along with the ongoing erosion of fundamental rights and freedoms and Ankara's refusal to release political prisoners, including Osman Kavala.[145]

While there may be more high-level dialogues beyond migration, including foreign policy, overall relations seem set to remain transactional. Yet, given the common security threats that both Türkiye and the EU face, including Russia's war in Ukraine, instability in the Black Sea region, and the potential reduction of US involvement in European security, developing a more structured relationship should be an imperative. Differences with Ankara should be better managed, and tangible and obtainable incentives should be put on the table for progress in improving fundamental rights and freedoms and reengaging in a UN-led process on Cyprus. In addition to starting negotiations to modernise the EU-Türkiye Customs Union and speeding up the process for receiving visas – particularly for students and businesspeople which has become excruciatingly slow – other areas including Türkiye's involvement in EU defence initiatives should be put on the table. Without a positive joint vision, this important relationship will remain adrift, which will be detrimental to the EU and its geopolitical ambitions.

4.13. THE MIDDLE EAST AT A CROSSROADS (MIHAI SEBASTIAN CHIHAIA)

Given European interests and the start of the new EU leadership, there is both the need and the opportunity for the EU and its member states to re-craft their approaches to the MENA region, and become visible players again. The EU now faces a US president confident of making a difference in a war-torn region.

2024 was a turbulent year for the Middle East. It was dominated by the continuation of the war in Gaza, the toppling of Syrian dictator Bashar al-Assad, the escalation of the Israel-Hezbollah war, the Iran-Israel escalation, and an increasingly dire humanitarian situation, in particular in Gaza and Lebanon. The Houthis continued to disrupt shipping in the Red Sea.

In 2025, the Middle East will continue to be shaped by these fundamental developments. At present, there are hopes for Syria to find a sustained peace in a Syrian-led, inclusive process. Given that a first-phase ceasefire was reached in Gaza in January 2025, all eyes will be on its potential transformation into a permanent end to the conflict, the post-war period and the future status of Gaza.

Figure 12

2024 TIMELINE

January 2024
The US and partners launched a series of military strikes on Houthi sites in Yemen to secure vital maritime routes.

February 2024
EU launched operation EUNAVFOR Aspides.

14 April 2024
Iran launched a drone and missile assault on Israel in retaliation for the killing of IRGC commander Mohammad Reza Zahedi at the Iranian embassy in Syria on 1 April.

31 July 2024
Ismail Haniyeh, chairman of the Hamas political bureau, is killed in Iran.

September 2024
The Israeli offensive in Lebanon intensifies.

27 September 2024
Hassan Nasrallah, the Secretary-General of Hezbollah, is killed in Beirut.

1 October 2024
Iran launched a missile attack at Israel.

16 October 2024
Hamas leader Yahya Sinwaris killed in Gaza.

26 November 2024
Israel - Hezbollah ceasefire is reached.

December 2024
Rebel groups led by Hayat Tahrir al-Sham (HTS) topple the Assad regime in Syria.

15 January 2025
Ceasefire agreement between Israel and Hamas is reached.

Source: Author.

The conflict between Israel and Hezbollah, despite the latter being severely weakened by Israel's war in 2024, will likely continue as a slow burner. Tensions between Israel and Iran will remain high with further frictions and limited confrontations likely.

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Uncertainty over advancements in Iran's nuclear programme will top the list of security challenges in 2025. At the same time, negotiations to reach a diplomatic solution to the Iranian nuclear programme, a revival of the JCPOA or a JCPOA 2.0, will be marked by slow progress and difficulties.

Despite a hiatus in attacks in the Red Sea, the shipping community will be cautious about a return to business as usual. The risk of a new series of attacks will be high throughout 2025.

Given the severe humanitarian crises across the region, the international community will have to double down on efforts to ensure that humanitarian aid reaches the post-war and conflict areas.

With the start of the new political cycle and the new EU leadership, there is both the need and the opportunity for the EU and its member states to re-craft the approach to the MENA region in 2025. The EU now faces a US president confident of making a difference in a war-torn region, likely wanting to build on the Abraham Accords of his first term in office. While President Trump is likely to adopt a bold approach to the region, with increased support for Israel coupled with a potentially confrontational approach in relations with Iran, the EU and its member states risk being cast as bystanders despite significant interests in the neighbouring region. This includes the pursuit of a two-state-solution for Israel and the Palestinians, which is vital for a sustainable and lasting peace in the region but unlikely to become a priority for Trump.

The appointment of the first ever EU Commissioner for the Mediterranean is a good sign for developing further cooperation with the Southern Neighbourhood. Nevertheless, it is unclear how much attention the new High Representative for Foreign Affairs and Security Policy (HRVP) will want, and be able, to dedicate to the region. How to tackle Russia's influence in the region and the future of EU-Iran relations will also need to be a frequent discussion among EU policymakers, as will relations with Türkiye.

The EU will continue to enhance relations with the Gulf Cooperation Council (GCC). Building on the first EU-GCC Summit[146] that took place in October 2024, the EU and GCC will continue to build on progress achieved and explore boosting cooperation in areas such as maritime security, connectivity, energy cooperation, climate change and people-to-people contacts. In the Red Sea, the EU's Common Security and Defence Policy (CSDP) operation Aspides will continue to operate.

China is likely to continue to intensify engagement with the Middle East and strengthen relations with its Arab partners in 2025. This should also be seen in the context of the growing geopolitical competition with the US.

The development of the India-Middle East-Europe Economic Corridor (IMEEC) and India's policy of multi-alignment in the Middle East should be closely watched in 2025. India will look to further strengthen its partnerships in the region and continue to carve out its own approach.

NATO will continue its efforts to build bridges into the region at this critical juncture. With the nomination of a Special Representative for the Southern Neighbourhood and the opening of a liaison office in Jordan, NATO's aim will be to enhance dialogue and cooperation with partners and find new ones.

4.14. SOUTH AFRICA (CHRISTOPHER VANDOME)

2025 will be an important year for South Africa to consolidate domestic democratic power-sharing and continue to pursue inclusive international institutional governance. South Africa took over the G20 presidency from Brazil in December 2024 and will host the forum in November 2025. The G20 summit in Cape Town will be the second occasion that the EU has been joined by the African Union as the two international organisations that sit as part of the group. It will be an opportunity for broad engagement by the EU on key issues such as debt sustainability and climate financing for developing countries.

2025 will be an important year for South Africa to consolidate domestic democratic power-sharing and continue to pursue inclusive international institutional governance. The country will begin the year with a Government of National Unity (GNU) in place following the African National Congress (ANC) losing its outright grip on power in the May 2024 elections for the first time since the advent of democracy in 1994. The alliance government will remain focused on energy, jobs and economic growth. However, international issues and the respective partnerships of different parties will continue to cause fractures and disagreements as the country takes over the Presidency of the G20 and hosts the forum in November 2025.

The national economic outlook for South Africa has been given a well-earned boost following the May 2024 elections and the formation of the GNU between the

ANC, Democratic Alliance and eight other parties. The agreement for executive and legislative cooperation has been welcomed by investors and companies, leading to a rise in business confidence and a positive outlook from international ratings agency S&P. The International Monetary Fund (IMF) has raised its growth forecast for the county, expecting GDP to increase by 1.5% in 2025 (0.3 basis points above previous forecasts), including in response to the easing of the energy crises. However, there are still concerns over worsening unemployment and creeping government debt, which the government says will stabilise in 2025/2026. While there are some lines of broad policy consensus among the parties, disagreements on the role of the state, land and healthcare will continue to cause political tension.

2024 has been a momentous year for democratic pluralism within the Southern African Development Community. The formation of the GNU in South Africa was followed by electoral wins for opposition parties in Botswana and Mauritius, while post-election violence marred the poll in Mozambique. Going forward, South Africa will continue to be the largest regional economic power, but it will need to adjust to a new era of regional collaboration beyond shared ideologies with liberation movements or longstanding working relationships with dominant parties. South African regional military deployment in Mozambique come to an end in December 2024, and there is unlikely to be domestic appetite in the GNU for further continental contributions in the immediate future.

2024 has been a momentous year for democratic pluralism within the Southern African Development Community.

South Africa took over the G20 presidency from Brazil in December 2024 and will host the forum in November 2025. It marks the culmination of the IBSA (India, Brazil, South Africa) trilogy of hosting the international forum and will be an important chance for South Africa to reinforce messaging on global institutional reform and increased inclusion of emerging markets. South Africa's theme for the summit will focus on solidarity, equality and sustainable development, with emphasis on addressing inequality, investment in infrastructure and overcoming energy challenges. South Africa will continue to pursue its challenge against Israel through the International Court of Justice (ICJ) in 2025, and attempts may be made to articulate clearer positions on global non-alignment, in particular the ANC's relationship to Russia. Yet coalition partners will be keen for such controversial topics to become a diminishing part of South Africa's engagement with the rest of the world, allowing for a stronger message of solidarity and inclusion of the G20 presidency that could bring economic benefit for the country and continent. The November summit in Cape Town will be the second occasion that the EU has been joined by the African Union as the two international organisations that sit as part of the group and will be an opportunity for broad engagement by the EU on key issues such as debt sustainability and climate financing for developing countries. It will conclude the 'Scaling up Renewables in Africa' campaign for increased finance and clean energy access, launched by European Commission President Ursula von der Leyen and South Africa President Cyril Ramaphosa in Rio 2024.

4.15. CENTRAL ASIA: FULFILLING AND UPGRADING COMMITMENTS (RAÚL VILLEGAS)

2025 will test the EU's ability to turn its strategic ambitions in Central Asia into action. Major geopolitical changes following Russia's full-scale invasion of Ukraine, alongside growing global interest in the region, will call on the EU to move beyond dialogue to deliver on its trade, energy, and connectivity commitments.

2025 will be a touchstone year for the new European Commission's ambitions in Central Asia. Since its first Central Asia Strategy in 2007,[147] the EU has shifted from a development and human rights focus to a broader, more pragmatic agenda, balancing normative values with strategic interests in energy, minerals, and connectivity. The 2019 Strategy[148] and the 2023 Roadmap[149] have guided this shift, but major geopolitical changes following Russia's full-scale invasion of Ukraine, alongside growing global interest in Central Asia, will require a revamped approach to external action in the region.

Member states like Germany[150] and France[151] have already followed this lead, and energy trade between Central Asia and Central and Eastern European member states via the Caspian Sea has steadily grown since 2022[152] – which has played a significant role in phasing out Russian imports. Despite these advances, the 5+1 format, through which the EU can collectively engage with the region and foster its integration, has slowed, with no EU-Central Asia Summit taking place in 2024 despite established commitments.[153]

Fulfilling these commitments, however, goes beyond summitry and dialogue and requires concrete action on several critical fronts.

First, Global Gateway investment in the G7-backed Trans-Caspian International Transport Route (TITR) will be essential. Bypassing the Russia-controlled Trans-Siberian route and potentially halving transport times for Europe-Asia trade,[154] the TITR (also known as 'Middle Corridor') is poised to become a key artery, growing more strategic as flashpoints in the Red Sea, the Indo-Pacific, and – perhaps – the Western Hemisphere add uncertainty to maritime trade.[155]

However, significant infrastructure bottlenecks, a lack of harmonised railway standards, and slow customs processes will severely limit the TITR's potential unless EU investment is deployed swiftly and extensively.[156]

Significant infrastructure bottlenecks, a lack of harmonised railway standards, and slow customs processes will severely limit the TITR's potential unless EU investment is deployed swiftly and extensively.

China's influence in the region is likely to keep expanding – particularly as US engagement becomes more tenuous.[157] With China-Central Asia trade reaching over 90 billion USD in 2024,[158] attracting and retaining Chinese investment will remain a priority for Central Asian states. BRI investment has begun to flow into the TITR,[159] China's Silk Road Initiative continues to play an outsized role in developing the telecom infrastructure of countries like Uzbekistan,[160] and China has consistently pursued a 5+1 format with the region since its launch under the umbrella of the Shanghai Cooperation Organization,[161] which it chairs in 2025.

Indeed, this year may see significant China-led projects, such as the construction of the China-Kyrgyzstan-Uzbekistan CKU railway[162] (part of the TITR) or the long-delayed expansion of the Central Asia-China Gas Pipeline,[163] which will likely make Chinese demand in the region's energy markets even more dominant. Thus, given the increasingly complex EU-China relationship, the EU must clarify its scope for cooperation with China in the region and better capitalise on the resources it has already deployed. Indeed, the EU is already Central Asia's foremost trading partner,[164] and its public and private FDI stocks are more substantial than often acknowledged – perhaps due to the complex array of sources (European Investment Bank,[165] European Bank for Reconstruction and,[166] and private financial institutions) providing the capital.

Central Asia's mineral and energy wealth will present both opportunities and challenges for the EU. Kazakhstan's and Uzbekistan's green hydrogen potential, along with their reserves of critical raw materials – from lithium and copper to rare earth elements (REEs)[167] and uranium[168] – will likely grow more attractive as the EU seeks to diversify its green supply chains and some member states dust off the nuclear energy card. Moreover, the long-speculated Trans-Caspian Pipeline, connecting Turkmenistan's gas reserves to the Southern Gas Corridor and the EU, now seems more plausible[169] – despite environmental concerns and its potential to irk China, Turkmenistan's top energy buyer.

The EU has already begun tapping into these reserves through strategic partnerships with Uzbekistan and Kazakhstan. Still, these milestones must be accompanied by sustained efforts to diversify their economies, increase value creation, and help elevate them to middle-income levels. Such economic autonomy would strengthen Central Asia's capacity for 'multi-vector' diplomacy,[170] enabling a balanced engagement with the EU, the US, China, and Russia.

Russia, though falling behind the EU and China, will likely remain a powerful player in the region, especially vis-à-vis Kyrgyzstan (heavily dependent on remittances from its workers in Russia) and Tajikistan. Russia's influence, exerted in the past through the Eurasian Economic Union (EAEU) and the Collective Security Treaty Organization (CSTO), may in 2025 markedly shift to BRICS, which Russia now views – as demonstrated during the Kazan summit last October – as the best counterweight to Western coalitions, and which has recently granted Kazakhstan and Uzbekistan partner status.

Nonetheless, two dynamics could put the wind at the EU's back. First, Central Asian states have demonstrated an increasing preference for collective, ASEAN-style regional cooperation with each other (as captured in the Central Asia 2040 Concept)[171] and with their powerful neighbours. This will make subordination to either Russia's or China's spheres of influence less likely, opening the door to greater cooperation with distant powers: from the EU to other major regional investors such as Japan or Türkiye. Second, as Central Asia grows in strategic importance, it may become a point of competition and an irritant in Russia-China relations – a meaningful opportunity for EU interests within and beyond the region.

4.16. THE BLACK SEA REGION (MIHAI SEBASTIAN CHIHAIA)

The waters of the Black Sea will continue to be a contested space in 2025. As the EU works on its strategy towards the Black Sea region, it is important to keep a close eye on US strategy as well as on progress in the development of Romanian offshore energy infrastructure and the level of political support among member states for the new EU Black Sea Strategy.

The waters of the Black Sea will continue to be a contested space in 2025. The Ukrainian military use of sea drones has dramatically changed the balance of power, inflicting significant losses to the Russian Navy over the past years, and forcing Russia to redeploy its naval assets from Crimea to the Black Sea coast of Krasnodar Krai. While Russia does not have command of the sea, it still possesses significant resources to conduct land attacks from the sea, undertake missile strikes on commercial vessels carrying Ukrainian grain exports, and launch drone strikes on Ukrainian port infrastructure.[172] The attacks on Ukrainian port infrastructure and commercial vessels will most likely increase in 2025. The strikes will also cause insurance premiums to rise.

Floating sea mines in the Black Sea will continue to pose a serious threat. Joint demining operations,[173] known as the Mine Countermeasures Black Sea (MCM Black Sea) Task Group[174] and comprising Türkiye, Romania and Bulgaria, started operations in July 2024 and will continue to be very relevant in countering this threat.

The 2024 NATO Summit declaration emphasised the strategic importance of the Black Sea and welcomed the activation of the MCM Black Sea Task Group. On the sidelines, Bulgaria and Romania signed a Memorandum of Understanding (MoU) to establish a Regional Special Operations Command for the Black Sea.[175] In addition, Romania began work to upgrade the Mihail Kogălniceanu Airbase, near Constanţa Port on the Black Sea, to become a major hub for NATO operations. It is expected that the 2025 Summit will reflect on defence and deterrence in the Black Sea region as well as on NATO's future approach.

The EU will also work to develop its own Black Sea Strategy in 2025, as outlined in the mission letter[176] to the European Commissioner for Enlargement. The strategy will most likely focus on aspects related less to security and more to energy, connectivity and people-to-people contacts. How to engage Türkiye through this strategy will be one of the main questions on the minds of the EU policymakers. Nonetheless, the EU cannot develop its new Black Sea strategy as if there were no link to NATO. In fact, the upcoming strategy will be very relevant in shaping future EU-NATO cooperation in the Black Sea region. There is important potential to enhance cooperation in areas such as maritime security, military mobility, countering hybrid threats, protecting critical infrastructure, and crisis management. The EU strategy will require significant political will and support from the member states as well as financial resources to implement.

Further areas to watch in 2025 with regard to the Black Sea region include: the development of a formal US strategy towards the Black Sea region, progress in the development of Romanian offshore energy infrastructure, and the level of political support among member states for the new EU Black Sea Strategy.

5. Flashpoints: What to Watch in 2025

5.1. HOW DOES THE US-EUROPEAN INTERACTION PLAY OUT? (IANA MAISURADZE& PAUL TAYLOR)

Donald Trump has an opportunity to launch a rebalancing of NATO over his four-year term, with Europeans taking more responsibility for their defence. This means increased European spending and greater involvement in land forces, air and missile defence and maritime security while the US scales back its land and air forces. Crucially, Washington must continue to provide strategic nuclear and intelligence guarantees to Europe and a limited but rapidly reinforceable conventional presence on the ground.

NATO's defence plans will require European allies to spend nearer to 3% of GDP than the current 2% target, which not all members are meeting. Trump will browbeat Europeans to raise military spending. That can be helpful if it is part of a coordinated plan agreed within NATO, without unilateral threats. The US should support the EU's role in aggregating demand and stimulating European defence industries, and refrain from launching a trade war on his European allies.

Trump could undermine NATO if he pursues a deal with Putin, carving up Ukraine against Kyiv's wishes. The EU needs to be present and ensure that Ukraine's voice is heard and that any ceasefire deal is linked to negotiations for a just and sustainable solution. If Trump orders a unilateral pullout or shows public reluctance to come to the aid of European allies or continue US nuclear deterrence in Europe, he will undermine the US's credibility within NATO, and NATO's credibility as a defence organisation.

5.2. GLOBAL TECHNOLOGY COMPETITION AND GEOPOLITICS (CHRIS KREMIDAS-COURTNEY)

Technology is now central to geopolitical power struggles as the global competition for technological supremacy continues to shape the geopolitical landscape.[177] In 2025, major powers such as the US, China, the EU, ASEAN and Japan all face new challenges and opportunities that could define their economic and strategic futures.

The US: Seeking to maintain technological dominance. The US continues to lead in key technological areas such as artificial intelligence (AI), quantum computing, biotechnology and space exploration. However, the challenge lies in sustaining their leadership amid rising competition from China and other powers. A critical focus for the US has been maintaining a vibrant innovation ecosystem, supported by a strong venture capital environment and policies that encourage research and development, as well as ensuring national security by protecting its technological edge in defence and cybersecurity.

The US-China rivalry,[178] particularly in the area of AI and semiconductors, is pivotal. Both nations are vying to control the technological standards that will govern the future of industries powered by these new technologies. Washington's efforts to slow Beijing's progress, especially through export controls and sanctions, reflect an increasingly assertive approach to retain technological superiority.

China: Self-sufficiency and global influence. China's long-term strategy, embodied in initiatives such as "Made in China 2025" and the Digital Silk Road (DSR), aim to reduce reliance on Western technologies while establishing the country as a global tech leader.[179] The DSR, a subset of the BRI, seeks to expand China's influence in digital infrastructure across participating countries, raising concerns about data privacy, cyber espionage and the export of digital authoritarianism.

China's technology policy focuses heavily on self-sufficiency, particularly in semiconductors and AI. The Chinese government is channelling massive investments into domestic innovation, with the goal of securing a dominant position in these sectors. By 2025, China's ambition is not only to achieve technological independence but also to influence and shape global standards, particularly in emerging fields such as 5G, AI and quantum technologies.

The EU: Striving for digital sovereignty. The EUhas placed digital sovereignty at the core of its technological strategy. The EU seeks to reduce dependence on foreign technologies, particularly those from the US and China, and to foster domestic capabilities in key areas such as semiconductors, cloud computing, and AI.

Additionally, the EU has focused on developing regulatory frameworks to promote privacy and data security, exemplified by the General Data Protection Regulation (GDPR), the Digital Services Act (DSA) and the AI Act, in addition to encouraging investment in research and innovation to remain competitive on the global stage.

The EU's recent efforts include the European Chips Act,[180] aimed at boosting semiconductor production within Europe, and initiatives to secure global supply chains for critical technologies.

Japan: Innovation and partnership. Japan's approach to global technology competition[181] focuses on sustaining innovation while managing the economic impacts of its aging population. Japan remains a leader in high-tech sectors like robotics, green technology and biotechnology, but it must ensure continued investment in research and development to maintain this edge.

Japan is also working to secure its supply chains for critical technologies, particularly in the context of global trade tensions and natural disasters. The country has prioritised partnerships and trade agreements to support its technology sector, while investing in sustainable practices to address climate change and energy security.

ASEAN: Navigating between giants. The Association of Southeast Asian Nations (ASEAN), which includes ten diverse countries such as Indonesia, Singapore and Thailand, is becoming an increasingly relevant player in the global technology competition. By 2025, ASEAN is expected to consolidate its position[182] as a growing digital and AI hub, with an aggregated GDP that will make it the fifth-largest economy in the world. However, ASEAN faces unique challenges as it navigates a delicate geopolitical balance between the US, China and the EU.

ASEAN countries remain in a precarious position. Both the US and China have shown increasing interest in the region's tech ecosystem. The region's digital sovereignty will depend on its ability to avoid over-reliance on either global power, while maintaining beneficial relationships with both. This could make the EU or Japan a preferred partner.

Both the US and China have shown increasing interest in the tech ecosystem of ASEAN countries.

Geopolitical Implications. Technology has become the new arena for geopolitical rivalry. Control over critical technologies, such as AI and semiconductors, is increasingly viewed as a source of national power,[183] influencing both economic and military strength. This competition is not just about economic dominance;[184] it also encompasses national security and ideological values. The struggle for control over digital infrastructure, particularly in cyberspace, is closely linked to issues such as surveillance, censorship and information warfare.

While the EU, remains committed to open trade, multilateralism, global standards and tech regulation, its future influence and market position will depend on the strength and relevance of its own technological capacity. It will also need to strengthen its partnerships with other democracies. In addition, further investing in the technology sector, upgrading the EU's venture capital ecosystem, and strengthening partnerships will be vital to enable Europe to compete globally and attain technological sovereignty amid ongoing crises and disruptive innovations.

5.3. CHANGING MODE: HOW CAN THE EU'S FOREIGN AND SECURITY POLICY SUCCEED IN A MALIGN ENVIRONMENT? (ALMUT MÖLLER)

In 2025, the EU will have to deliver in an extremely challenging global environment with an openly malign partner on the other side of the Atlantic. Given that the US has contributed to keeping many Europeans safe and prosperous for decades, this change is profound. The foreign and security policy impact of Trump will happen fast, come with many surprises in many parts of the world, and will affect the very foundations of transatlantic cooperation.

The EU and its member states have to significantly step up to compensate for this rapid change. This includes adopting an accelerated working mode. Over the years, the EU has developed a foreign and security policy practise, drawing on the power of respective member states to underpin collective action. This has often been a bumpy road, with intrainstitutional quarrels and failures but learning and progress too. Overall, the EU was able to grow in this role in a benign environment. The UK's departure was a huge blow to collective EU power and global tectonic shifts have come with unprecedented tests, including to multilateralism itself. Existentially, Europe has been confronted with Russia's war of aggression against Ukraine and its threats against EU member states' territorial integrity.

Trump's return means that Washington will operate with a modus operandi of unilateral decisions and erratic unpredictability, which will challenge the usually longer cycles of foreign and security strategy, and will be particularly difficult for the EU consisting of 27 members to adapt to.

Most importantly, the EU needs great determination for EU-NATO cooperation this year, taking advantage of the opportunity that the new leadership of NATO offers.

The EU has strong stakes in convincing others that the world is a better place if it is based on reformed multilateralism and a commitment to collective action.

Overcoming internal political deadlocks, driven by political and ideological differences between and within member states that can no longer be reconciled at EU level, will very likely mean that coalitions of willing and capable EU member states will have to advance in 2025, first and foremost in European security and defence. This working mode is likely to include renewed collaboration with the UK, and other third countries such as Norway.

The EU has strong stakes in convincing others that the world is a better place if it is based on reformed multilateralism and a commitment to collective action. However, the EU will also have to be in listening mode to better understand why, in many parts of the world, the Trump presidency is perceived with positive anticipation, and understand the implications for liberal Europe.

The European Commission and External Action Service should allocate more resources to accelerate building alliances around the globe for a reformed and more inclusive multilateralism. A key building block to achieve this goal is a stronger strategic presence on the ground in middle powers.

5.4. THE SAHEL (MIHAI SEBASTIAN CHIHAIA)

The Sahel region has fallen further into uncertainty in 2024, and the prospects for 2025 signal more escalatory dynamics and a deteriorating security situation.

High levels of violence, expanding armed conflict, human rights violations and extreme poverty have characterised the region over the past year. Burkina Faso, Mali and Niger announced their withdrawal from the Economic Community of West African States (ECOWAS). The Niger junta asked US forces to leave the country, the EU's Common Security and Defence Policy operations EU Capacity Building Mission (EUCAP) and EU Military Partnership Mission (EUTM) Niger have ended, and Germany has withdrawn its military forces from the Sahel. Against this background, a growing Russian presence and military cooperation with Burkina Faso, Mali and Niger unfolded.

In 2025, terrorism will remain a key issue. Sahel-based terrorist groups such as Jama'at Nusrat al-Islam wal-Muslimin (JNIM) and the Islamic State in the Greater Sahara (ISGS) will be looking to expand their operations in the region and the areas they control. The humanitarian situation coupled with structural conflict drivers such as poor governance, under-development and climate change will continue to plague the region.

The EU should pay more attention to the Sahel in 2025 as the risk of an even bigger security vacuum in the proximity of the EU's Southern border is constantly growing. The EU and its member states should openly acknowledge their past failures, actively engage with the region, and highlight the shortcomings and bad practices of other external actors in the region.

Yet an increased EU focus towards the Sahel region will be very challenging given the multiple regional and global crises that have scattered the EU's resources. Europe will continue to face the increasing influence of China and Russia in the region, waves of disinformation campaigns, and difficulties in establishing channels with the juntas leading Mali, Niger and Burkina Faso.

5.5. THE END OF ASPIRATION: CRISIS OF INTERNATIONAL LAW (JURAJ MAJCIN)

Many scholars of international law and political commentators often describe today's era as "post-Westphalian." This term refers to the Peace of Westphalia in 1648, which ended the Thirty Years' War and introduced the principles of sovereignty and territorial integrity to international relations. However, labelling the current transformation as "post-Westphalian" is not only Eurocentric but also an imprecise characterisation of the evolving international legal system.

The original Westphalian order was centred on the coexistence of states, with no aspirations for deeper inter-state cooperation or shared global objectives. Its focus was on maintaining peace through a static balance of power, rather than fostering collaborative progress.

In today's international system, rules governing sovereignty and territorial integrity – the cornerstones of the law of coexistence – are not being abandoned. This does not mean, however, that they are not being violated.

Ukraine is one of many examples of how sovereignty and territorial integrity continue to be under threat.

Yet there remains a broad consensus for the time being that such actions are breaches of international law. For instance, the United Nations General Assembly (UNGA) overwhelmingly condemned Russia's war against Ukraine, with 141 countries voting in favour of the resolution and only five opposing it. The hesitation of many countries that voted in favour of the resolution to impose consequences on Russia for this violation remains a separate issue.

What is at stake now is not the law of coexistence but the law of cooperation, which emerged after World War II with the creation of the United Nations (UN).

What is at stake now is not the law of coexistence but the law of cooperation, which emerged after World War II with the creation of the United Nations (UN). This new framework transformed international law into a tool for progress and justice, going beyond mere stability. The 1990s marked a peak in this cooperative spirit, with universal human rights, free trade, and environmental protection becoming pillars of the international order, embodied by institutions like the International Criminal Court (ICC) and WTO. It is in this enabling environment that the European Community was further developed into the EU in the 1990s, benefitting from an international order that reflected its own legal and political set up. However, today's more fragmented international system signals a regression back to coexistence.

Universal treaties with more progressive aspirations are becoming increasingly rare. A good example is the new UN Cybercrime Convention, hailed by some as a success in international law but widely criticised by human rights groups for offering only limited safeguards against governmental abuses. Institutions like the ICJ, the International Tribunal for the Law of the Sea (ITLOS), the ICC, and the WTO continue to function but face neglect from their founding members and active undermining by non-participating states.

Contrary to general belief, authoritarian states such as China or Russia have not abandoned international law and global governance institutions; rather, they seek to reshape them to serve their interests. Cyberspace has emerged as a new battleground for these efforts, with authoritarian governments pushing for norms that favour control and surveillance over openness. In this regard, Chinese efforts at influencing the standard-setting processes within the International Telecommunication Union (ITU) merit a special attention.

Contrary to general belief, authoritarian states such as China or Russia have not abandoned international law and global governance institutions; rather, they seek to reshape them to serve their interests.

The answer to this tectonic shift cannot be Europe's retreat from international norm-setting and global governance. As a traditional champion of international law, Europe risks leaving a vacuum that authoritarian regimes are eager to fill. To push against these authoritarian tendencies, Europe must not only reach out to the like-minded states around the world but also engage more effectively with the Global South.

But the EU has to engage in an increasingly challenging environment. To what extent the EU and its member states will be able to preserve the spirit of cooperation on the global stage will depend on its own internal unity. But it will also be key to observe in 2025 how President Trump will position the US. It will be much harder for the EU to uphold the law of cooperation, let alone the principles of sovereignty and territorial integrity, with a president in the White House openly undermining them, as his comments about Greenland, for example, suggested in early 2025.

Preserving and enhancing cooperation is crucial to preserving an international system capable of addressing climate change, poverty alleviation, and ensuring the digital revolution benefits humanity. The US withdrawal from the World Health Organization (WHO) and Paris Climate Accords, along with its obstruction of the WTO's dispute mechanism, presents the EU with an opportunity to lead efforts to revitalise these institutions and build coalitions to uphold the multilateral order. Without this, the world risks sliding into a static, Hobbesian order of pure coexistence, unable to confront the global issues that demand collective action.

5.6. CHALLENGES TO GLOBAL MARITIME GOVERNANCE (CHRIS KREMIDAS-COURTNEY)

In 2025, global maritime governance faces several pressing challenges that threaten the stability and sustainability of the world's oceans. These challenges are deeply interconnected, involving geopolitical, environmental and legal aspects, which require coordinated international efforts to address.

Erosion of the rules-based international order. A major challenge is the erosion of the rules-based international order. This is especially true for the UN Convention on the Law of the Sea (UNCLOS). Countries like China have increasingly engaged in activities that undermine UNCLOS and international maritime law. This includes ignoring The Hague Tribunal's South China Sea ruling, attacking the Vietnamese and Philippine Coast Guards in their exclusive economic zones, and building artificial islands within them. Türkiye has also shown similar disregard for international maritime law in the Mediterranean.[185]

Illegal, unreported and unregulated (IUU) fishing. IUU fishing undermines global efforts to sustainably manage marine resources. It is particularly problematic due to its scale and the involvement of state actors and illegal fishing cartels. China's fishing fleet has been reportedly engaging in IUU activities across the globe, often in violation of local laws and international agreements.[186] This practice is depleting fish stocks in Africa, Oceania and South America. It threatens local fishing communities, causing food insecurity in many developing nations.

Insufficient law enforcement. The third challenge is weak law enforcement and a lack of maritime domain awareness (MDA) in the developing world. The world's oceans are vast, but the resources to monitor and enforce maritime laws are often inadequate. This is especially true for smaller countries with large exclusive economic zones. They cannot track illegal activities like IUU fishing, smuggling and human trafficking. This insufficiency is exacerbated by the practice of disabling transponders,[187] allowing vessels involved in illicit activities to "go dark" and avoid detection.

Vulnerability of maritime infrastructure to cyber threats, natural disasters and climate change. Finally, the vulnerability of maritime infrastructure to cyber threats, natural disasters and the impacts of climate change pose a significant risk to global maritime governance. As we've seen in recent history, cybersecurity incidents can disrupt global trade,[188] lead

Figure 13

MAP SHOWING THE WORLD'S OCEANS FROM A SINGLE PERSPECTIVE VIEWPOINT

Source: World Shipping Council (2021).

to environmental disasters, and compromise the safety of maritime operations.

In addition, impacts of climate change, including rising sea levels, more frequent and severe disasters and ocean acidification, threaten the physical infrastructure of ports and coastal facilities.[189]

What Europe can do. Strengthening global maritime governance involves not only enhancing legal frameworks and enforcement capabilities but also integrating climate resilience into maritime strategies to protect the world's oceans.

The EU should continue to promote adherence to UNCLOS and lead diplomatic efforts to resolve maritime disputes. The Union can also lead the fight against IUU fishing through investigating EU-based companies engaged in it, adopting more stringent market access protocols for fish products, and enhancing the enforcement capabilities of its global partners.

Additionally, Europe can bolster maritime infrastructure resilience by investing in green ports and climate-resilient technologies. By fostering international collaboration and setting high standards for maritime governance, Europe can significantly contribute to the protection and sustainable management of the world's oceans.

5.7. REFORM BUT CONTINUITY FOR THE WTO (SVITLANA TARAN)

Amid rising geopolitical and geoeconomic tensions and Trump's tariff plans, trade-restrictive measures and unilateral policies are expected to increase,[190] causing further decoupling between major rivals and deeper fragmentation of the global trading system. Growing trade disputes, particularly among the US, China and the EU, along with a shift towards bilateral rather than multilateral trade deals, risk undermining fundamental principles of the WTO, threatening its relevance, and disadvantaging smaller nations with less negotiating power.[191] The EU, meanwhile, will face tough trade-offs between enhancing competitiveness and adhering to multilateralism, potentially challenging Europe's unity.

However, this pressure could spur greater efforts to reform the WTO, making it more suited to the evolving global landscape and mitigating further economic fragmentation. Although the US is likely to disengage further from the WTO, leadership in fostering a more functional WTO is likely to fall to members keen on safeguarding the rules-based trading system. Greater involvement by emerging markets and developing economies[192] will be essential for making these efforts successful.

6. Policies, Emerging Challenges and Opportunities

6.1. ADAPTING EU FOREIGN POLICY FOR A POST-MULTILATERAL WORLD (PAUL TAYLOR)

In 2025, the EU needs to deal more with the world as it is and less as it wishes it to be. The EU should not vacate the multilateral space but become more selective and invest more time, energy and money in working pragmatically with like-minded partners and through informal groupings.

Since the end of the Cold War, the EU has conducted its common external policies in the belief that the world was evolving towards a system of multilateral, rules-based governance in which supranational institutions would enforce a global rule of law on everything from trade and carbon emissions to inter-state relations and human rights.

Seen from Brussels, this post-hegemonic universe would be centred on the UN and its agencies, the WTO, the international financial institutions (IFIs), the ICJ and the ICC. It would be underpinned by regional groupings such as the Organisation for Security and Cooperation in Europe (OSCE), the African Union (AU), the League of Arab States (AL), the GCC, the ASEAN and the South American economic community (Mercosur). EU policy was to work in partnership with these institutions to promote European values and interests – an approach defined in the EU's first common Security Strategy in 2003 as "effective multilateralism".

Life has not turned out that way. World order is increasingly contested and chaotic. The bodies designed to shape and enforce that order are largely toothless and decaying, the regional organisations are mostly hollow forums that have not developed enforcement mechanisms. State sovereignty has stubbornly resisted EU-style supranational governance, even – to a degree – within the EU itself on issues of the rule of law and state capture.

EU foreign, security, trade, climate and development policies have struggled to adjust to this Hobbesian world despite exhortations from former High Representative for Common Foreign and Security Policy, Josep Borrell, to learn "the language of power". The challenge for the new EU leadership is to adapt quickly to a form of post-naïve, selective multilateralism in which coalitions of the willing and bilateral ties with key partners will often be more useful than UN or regional bodies.

The US, with the self-confidence and jealously guarded sovereignty of a superpower, never invested as much political capital in multilateralism as the Europeans, even under Democratic presidents. Under a fully empowered second Trump administration, it is already pouring more energy into demolishing multilateral institutions such as the ICC and the Intergovernmental Panel on Climate Change. Russia only ever embraced multilateral governance to a limited extent, mostly in its period of maximum weakness in the 1990s, and abandoned the pretence once it reconstituted its power under Vladimir Putin. China was content to utilise the multilateral system as a rising economic power, securing WTO membership and building its influence in UN agencies, but it is now powerful enough to ignore inconvenient ICJ rulings on the South China Sea, and to pursue its own alternatives to the IFIs.

As a community of law, the EU has multilateralism in its DNA and cannot just write off institutions such as the WTO, the ICC or the ICJ, even when their outcomes are not enforceable. It cannot be as transactional as the US, as obstructive as Russia or as coercive as China. The European Commission cannot propose courses of action that violate international law.

As a community of law, the EU has multilateralism in its DNA and cannot just write off institutions such as the WTO, the ICC or the ICJ, even when their outcomes are not enforceable.

The EU should not abandon efforts to reform global governance. It should be supportive of calls from nations in the so-called Global South to reshape global bodies such as the UN Security Council, the IMF and the World Bank to give a bigger role to rising powers such as India, Brazil, South Africa, Nigeria and Indonesia. Europeans should, for example, be willing to abandon the convention whereby a European always leads the IMF and the US nominates the head of the World Bank. Yet history suggests a comprehensive overhaul of global institutions, however desirable, is unlikely given the requirement for decisions by consensus.

The EU should be more selective and invest more time, energy and money in working pragmatically with like-minded partners and through informal groupings such as the G7 on everything from fighting climate change to digital governance, building global infrastructure or regulating outer space. It should continue to work with UN agencies such as the WHO that deliver benefits for citizens worldwide. It should not cede the multilateral space to Chinese influence, but should expend less effort on empty shells like the OSCE, the UN Human Rights Council, the AU or the AL.

The EU should seek to build plurilateral agreements on trade governance and climate action where multilateral institutions are paralysed. In Africa, Latin America and Asia, it should work with willing national partners or groups of states rather than waiting for lumbering regional organisations to deliver. In 2025, the EU must deal more with the world as it is and less as it would wish it to be.

6.2. A WORLD TO LOSE: EU PROSPECTS IN A FRAGMENTING WORLD (VARG LUKAS FOLKMAN)

Economic security is at the top of the agenda for the European Commission 2024-2029 mandate. However, attaining economic security will entail trade-offs. The coming years will give a taste of where Europeans draw the line on what they are willing to sacrifice to become a more assertive player in the new multipolar world.

With economic security becoming an explicit part of Commissioner Maroš Šefčovič’s mandate, the new fragmenting multilateral order has taken conclusive hold on the EU.

During the mandate of the last European Commission, competition between the US and China kicked into high gear, forcing the rest of the world to weigh which side to align with. While it would be premature to speak of deglobalisation, the expansion of trade and economic intertwining has slowed down. War in Ukraine and Palestine has accelerated this.

We are entering a period of economic conflict, protectionism and regionalisation. In her mission letter to Defence Commissioner Andrius Kubilius, Ursula von der Leyen tasked him with preparing the EU for the “most extreme military contingencies.” These are words that should be heeded in economic planning as well.

From a WTO order to a sanction-based one

We are moving away from a rules-based trade regime with commerce as its main goal. As the WTO itself has noted, “security concerns increasingly affect trade policy,” a trend that tends to “weaken security and increase the likelihood of conflict”.

As seen under Donald Trump’s first administration, economic sanctions and trade restrictions are replacing multilateralism. As Trump again takes the reins, this trend will accelerate.

As seen under Donald Trump’s first administration, economic sanctions and trade restrictions are replacing multilateralism.

While tensions will rise in 2025, the actual numbers may not bear our worst fears out. Trade flows are slowing down but they have remained surprisingly stable[196] as the rhetoric around geoeconomic fragmentation has increased.

Trade may remain stable, but fragmentation will increase in 2025.[197] China is increasingly trading with the Global South, as trade among the countries of the South is on the up. On the other hand, trade between the EU and US is steadily increasing.

With fragmentations comes friction between trade blocs. If the US under Trump abuses the dollar for sanctioning power, we may see attempts by the BRICS states to challenge the dollar hegemony. Trump fears such a challenge to US authority, threatening crippling tariffs[198] on anyone thinking of such a move.

Falling behind

As Mario Draghi's recent report on EU competitiveness made abundantly clear, the bloc is falling behind the US and China on important indicators like productivity and innovation, as well as in key industries.

Member states are desperately trying to keep domestic production of electric vehicles, lithium-ion batteries and windmill turbines alive under the barrage of Chinese exports but are mostly failing. As in 2024, next year will likely see the closure of auto manufacturing capacity[199] and clean tech projects going bust in the EU.

Against this backdrop, economic security is at the top of the agenda for the coming Commission mandate. However, attaining it will entail trade-offs. Wherever trade defence measures are imposed, retaliation is sure to follow. Where investments are blocked, a factory could go unbuilt and promised jobs never materialise. The years ahead will give a taste of where Europeans draw the line on what they are willing to sacrifice to become a more assertive player in the new multipolar world.

As in 2024, next year will likely see the closure of auto manufacturing capacity and clean tech projects going bust in the EU.

6.3. GLOBAL HEALTH MUST GO BEYOND PANDEMIC PREPAREDNESS (ELIZABETH KUIPER)

The mandate of the new European Commission must reflect global realities and instabilities in 2025 and beyond, despite the changing nature of multilateralism. The EU should step up its ambition in global health and rethink its current approach to partnerships in order to deal with common challenges countries across the globe are facing, such as climate change, global demographic shifts and a shortage of health professionals worldwide.

In the Mission Letters[200] Commission President von der Leyen sent to her new college of commissioners, the topic of global health is glaringly absent. In a world of global health challenges, this is both surprising and shortsighted. With negotiations on the international pandemic treaty stalling,[201] the world remains unprepared to deal with new pandemics and outbreaks of deadly diseases such as Mpox and the Marburg virus.

Moreover, the health challenges the EU shares with its global partners go beyond pandemic preparedness. As the Letta[202] and Draghi[203] reports illustrated, the global demographic landscape has shifted significantly, with the EU facing a shrinking and ageing population. The lack of health professionals worldwide[204] is compounded by climate change, as rising temperatures and new diseases affect both people's health and their productivity.

Despite the complexities of today's fragmented geopolitical landscape, the EU should look beyond its borders and adopt successful models and methodologies from around the world in areas where commonalities can be found. A case in point is the demographic transition, where the EU can learn from the focus on longevity from parts of the world like Singapore,[205] Japan and the Global South.[206]

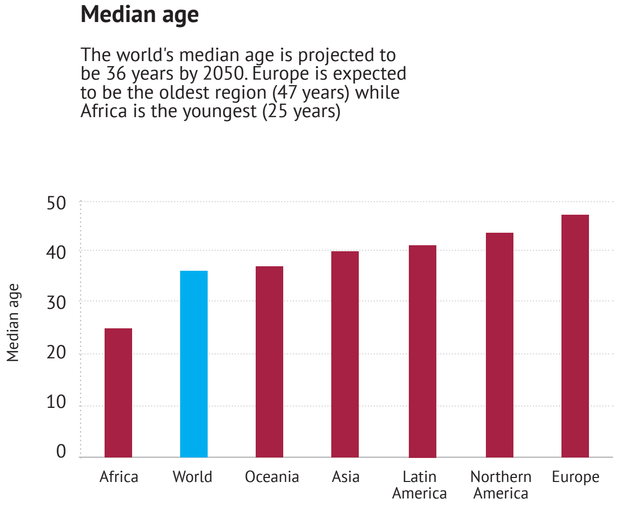
The same is true at a global level, with common challenges providing opportunities to build joint alliances and like-minded partnerships. Yet the recent G20's Call to Action on Global Governance Reform does not include health,[207] despite the creation of a G20 Joint Task Force on Finance and Health.[208] The EU's own Global Gateway Strategy[209] is aligned with the UN's Agenda 2030, the Sustainable Development Goals (SDGs) and the Paris Agreement. However, with President Trump abandoning the WHO, progress on the SDGs stalling[210] and the high risk that part of its objectives will not be achieved by 2030, the EU needs to rethink its current approach to partnerships based on mutual trust and common challenges.[211]

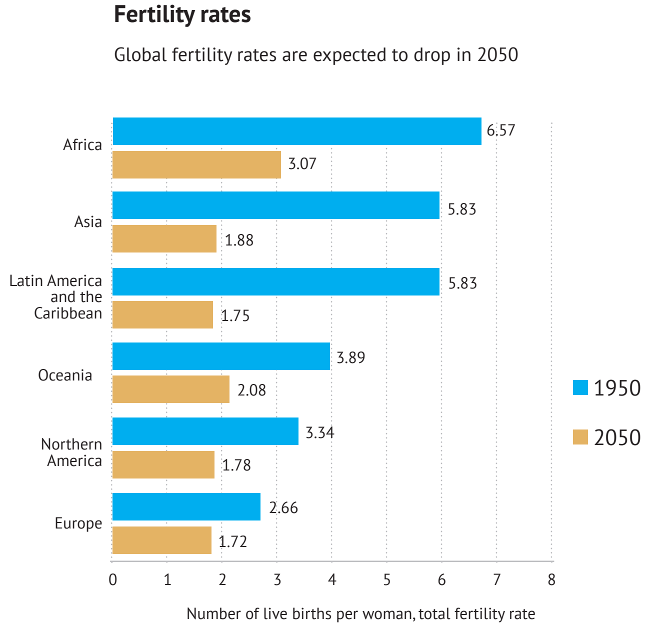
The EU's 2022 Global Health Strategy[212] positioned global health as an essential pillar of EU external policy. In 2025, the European Commission should do more to live up to this expectation and rethink its approach to the global health architecture and strategies in a world where the multilateral order is increasingly contested.

Prior to the 80th session of the UN General Assembly (UNGA 80) on 9 September 2025, the EU should call for a broader vision on health at the global level. The start of the new mandate is an opportunity for the EU to rethink the multilateral architecture, reflect on robust governance at global level and build new alliances with like-minded countries beyond the G20. In 2025, the EU should strive to present a joint vision on global health at the UNGA, focused on deepening existing collaborations with partners around the world.

Figure 14

GLOBAL POPULATION TRENDS





Source: IMF (2020).

6.4. A BOTTOM-UP PERSPECTIVE: CIVIL SOCIETY AND THE EU'S FOREIGN AND SECURITY POLICY AGENDA (JOHANNES GREUBEL)

In 2025, the EU should strengthen its engagement with civil society both domestically and abroad to succeed with its proclaimed modern and joined-up foreign policy.

Although civil society's influence on EU foreign policy may seem limited due to the predominantly intergovernmental nature of the Union's foreign policy, the role of civil society in shaping and supporting EU global action has become increasingly significant. Civil society has long been a consultation partner the European Commission and the European External Action Service on neighbourly and global matters. In such contexts, civil society organisations (CSOs) can fulfil important roles by providing advice to institutions and member states as experts working on the ground. They can also amplify EU messaging abroad, be a testing ground for policy ideas, and serve as interlocutors when diplomatic channels are complicated. However, civil society organisations working the field of foreign policy are also vulnerable to increasingly challenging funding environments and shrinking spaces for engagement.

Commission President von der Leyen's 2024-2029 political guidelines pledge to "step up (...) engagement with civil society organisations that have expertise and an important role to play in defending specific societal issues and upholding human rights".[213] She tasked Kaja Kallas, the new High Representative for Foreign Affairs and Security Policy, with developing a "modern and joined-up"[214] foreign policy for the Union. In 2025, redefining the role of civil society in foreign policy will be an important part of this.

Already today, civil society exerts influence on trade policies.

As internal and external policies become more and more intertwined, integrating civil society is also crucial for formulating an inclusive and ultimately more successful foreign policy approach at a European level. Already today, civil society exerts influence on trade policies.[215] They are a major player in global climate politics and on the humanitarian aspects of external dimensions of EU migration policies. In candidate countries in Southeast and Eastern Europe, civil society plays a key role in the path towards EU membership. Trade, climate action, migration and enlargement – these trends are likely to continue to shape policies in 2025 (see respective chapters), further underscoring the need for funding and engagement given the role and power civil society can have in such contexts.

Engaging with civil society on external affairs will also be critical in 2025. Civil society's backing will be important for promoting democracy and humanitarian support. As the recent CIVICUS monitor finds, "[c]ivil society offers a vital response [in conflicts], providing humanitarian aid, leading reconstruction efforts, collecting evidence of human rights abuses, urging the international community to act and calling for justice and an end to impunity."[216] This is evident in Ukraine, where civil society plays a crucial role for societal resilience, and in Gaza, where NGOs lead humanitarian efforts. In war zones such as Ukraine and Gaza, CSOs are often the first to step in to help but are then prone to suffering from political backlashes and direct attacks on their staff. Since 2018, global restrictions on civil society have tightened, and given current political shifts in Europe[217] and the US, this trend may persist into 2025, affecting Europe and the US as well. It is crucial for the EU to better understand these vulnerabilities and help where it can, especially where civil society is upholding key areas of democracy and human rights.

In the face of these challenges, the EU also needs to continue to support civil society at a European level and globally. While the EU already offers financial aid,[218] the upcoming discussions on the MFF starting in 2025 must ensure this support remains strong despite broader budgetary pressures. The EU should particularly focus here on strategic investment in civil society in its neighbourhood, supporting civil society in its direct vicinity.

To meet the challenges ahead, the EU must foster and fund a robust civic space at home and support resilient civil societies abroad. Only then can Kaja Kallas's vision of a "modern and joined-up EU foreign policy" be realised.

6.5. EU ENLARGEMENT AGENDA: IS THE EU SERIOUS IN ITS PURSUIT? (AMANDA PAUL & BERTA LÓPEZ DOMENECH)

Having just kicked-off the new politico-institutional term and in light of the upcoming publication of the Commission's pre-enlargement policy reviews and the start of the 2027-2034 MFF negotiations, 2025 offers a renewed opportunity to translate the current rhetorical commitment for enlargement into practice and advance towards a 30+ members union.

Having formed the new College of Commissioners, one of the topics that will mark the agenda in 2025 will be the discussions on the next Multiannual Financial Framework (MFF), determining the Union's budget for the 2027-2034 period. The amount allocated to finance enlargement will reflect the extent to which the EU is serious in its rhetorical commitment to expand the Union, as featured in the Council's strategic priorities and the Commission's political guidelines.

In Brussels, the debate about enlargement will continue to be linked to that of the Union's internal reform. The Commission is expected to carry out in-depth pre-enlargement policy reviews in some sectors in early 2025, in line with what President von der Leyen announced during her 2023 State of the Union speech and following up on last year's first assessment of the implications of a larger EU in four areas – values, policies, budget, and governance.[219] As with the budget allocation, the ambition of the internal preparations, and their endorsement (or not) by member states will signal the EU's political will for enlargement.

Having received the first funds from the Reform and Growth Facility for the Western Balkans – with the exception of Bosnia and Herzegovina, that hasn't yet its reform agenda –2025 will bring an opportunity to the Balkan EU aspirants to demonstrate their commitment to the reform process, especially when it comes to the rule of law issues. The new Commissioner for Enlargement Marta Kos will have an important role to play in supporting these processes and making sure that any new entrants will be ready on that front. Doing so would help to assuage concerns that further EU widening could have a negative impact on the Union's democratic functioning.[220] In this sense, the success (or not) of the frontrunners will surely influence the EU Member States' attitudes towards enlargement and the candidate's commitment to the reform processes.

In the Balkans, the opening of new chapters and the advance of the negotiations will also be determined by country-specific or regional dynamics, such as North Macedonia's constitutional amendment, Bosnia's completion of the reform priorities established by the EU as a condition to open accession talks (where no breakthroughs have been made so far) or the progress on the normalization process between Kosovo and Serbia. On this front, the appointment of the Danish diplomat Peter Sørensen, with expensive experience on the Balkans, as the new EU Special Representative for the Belgrade-Pristina Dialogue might give a new impetus to the dialogue.

Despite Russia's ongoing war of aggression, Kyiv is making important reform progress.

While during the Hungarian presidency, little progress was made, in 2025 Ukraine is expected to open three negotiation clusters during the Polish Presidency: the "fundamentals" cluster, which includes the judiciary, fundamental rights, public procurement, and financial control chapters, as well as the cluster related to foreign policy should be opened. Under the Danish Presidency in the second part of the year, Ukraine is expected to open the internal market cluster. This covers consumer and health protection, free movement of goods and capital, free movement for workers, and intellectual property law. Ukraine has established 36 working groups to prepare positions for the accession process across all clusters and is finalising the corresponding roadmaps. Despite Russia's ongoing war of aggression, Kyiv is making important reform progress. However, finding the necessary human capacity and expertise may prove challenging.

Moldova is also on track to open the fundamental cluster in early 2025 following the finalizing of its screening process. However, the country remains a major target of Russian hybrid warfare, in particular large-scale disinformation campaigns aimed at undermining the country's pro-EU leadership ahead of the 2025 parliamentary elections. The European Commission's adoption of a Growth Plan for Moldova worth €1.8 billion and underpinned by a Reform and Growth Facility for the period 2025-2027, boosts Moldova's economy and will help accelerate reforms.

Meanwhile, progress towards opening accession negotiations with Georgia remains frozen due to the ongoing political crisis in the country following an election in October 2024 that international observers reported as being harmed by serious irregularities, falling short of democratic standards, and which resulted in months of protests. The ruling Georgian Dream party's use of violence against protesters and media, as well as introducing laws reminiscent of Russian suppression of speech and LGBTQ+ rights earlier in the year, has also contributed to an increasingly difficult relationship.

6.6. SECURITY AND DEFENCE: DELIVERING ON EUROPEAN SECURITY (PAUL TAYLOR & JURAJ MAJCIN)

2025 will have to be the year in which the EU and its members states take major steps in strengthening the European pillar within NATO and demonstrate that the NATO-EU-member states triangle can work in an "all-hands-on-deck" way to establish a path towards Europeans being able to look after their own continent's security.

Russia's full-scale invasion of Ukraine in 2022 caught European nations off-guard and almost naked in terms of their ability to provide adequate assistance to Kyiv, let alone mount a sustained defence of the NATO area in a high-end conventional war. As Russia's war of aggression against Ukraine enters a fourth year, the return of Donald Trump to the White House means that Europeans have to make good on their commitment to finally address the threat that Russia poses to European security well beyond Ukraine.

In a watershed move, the EU agreed for the first time in February 2022 to use common funds to supply arms and ammunition to Ukraine. The initial €500 million had swelled to €11.1 billion by the end of 2024 in commitments from the European Peace Facility (EPF), an off-budget intergovernmental fund.[221]

The EU pledged in March 2023 to supply 1 million rounds of 155mm artillery munitions to Ukraine within a year. It fell well short of that target, delivering just half the promised number by spring 2024 due to manufacturing capacity constraints and an initial reluctance to buy outside the EU. Ammunition sent by some allies was not interoperable with other European cannons or with US-supplied guns. The Czech Republic launched a separate initiative to source 800,000 additional rounds worldwide, which many EU countries co-funded. Defence Commissioner Andris Kubilius said in December 2024 that EU states had supplied 1 million artillery shells in 2024 and would be able to produce 2 million rounds a year going forward.[222]

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The European defence industry was ill-equipped to respond to the sudden demand increase due to three decades of underinvestment. To re-equip their depleted armed forces urgently, many EU states turned to suppliers outside Europe, primarily the US but also South Korea, Brazil and Israel.

Against that backdrop, the Commission adopted a regulation to accelerate ammunition production (ASAP) in 2023[223] and proposed a European Defence Industrial Strategy (EDIS) in early 2024,[224] proposing incentives for joint development and procurement of weapons by EU member states but with little money available from the common budget until 2028 at the earliest. Mario Draghi's 2024 report on EU competitiveness singled out defence as an area where Europe could regain lost ground in crucial technologies if it invests together.[225]

Negotiations among member states on the European Defence Industry Programme (EDIP), a regulation to start implementation of EDIS, were stuck at the end of 2024 around long-running disputes over the definition of weapons made in the EU, eligibility criteria for companies from non-EU countries to access EU funding, and security of supplies. France leads the "buy European" camp, while Sweden and the Netherlands want to open up more to non-EU allies. The Polish presidency of the Council of the EU aims to reach agreement on the package during the first half of 2025.

In 2024, 22 European allies were set to meet NATO's 2% defence spending target, with Poland far ahead of its European peers, spending about 4% and aiming for 4.5% in 2025. However, West European members Italy, Spain, Belgium and Portugal spent only 1.5%, reflecting sharply differing threat perceptions.[226] It has become clear that

2% will not be enough to realise NATO's new strategy. A significantly higher target of 3% or more is expected to be adopted at a NATO summit in June 2025.[227]

In this context, a series of obstacles to a European defence surge will have to be addressed, 2025 being a decisive year. These are related to industry, infrastructure, finance and human resources.

EU defence industries are hollowed out and fragmented after three decades of underinvestment, with limited output potential and little spare capacity. They often used bespoke production methods and a cost-plus pricing system designed to serve a single government customer with detailed, nationally defined military requirements and long lead times for delivery.
The track record of European arms cooperation is mixed. Fragmentation and industrial or national rivalries have held up collaboration on future European air and land combat systems. Moreover, EU countries do not agree on arms export rules, a barrier to cross-border collaboration. The absence of long-term contracts, even after Russia's full-scale invasion of Ukraine, has made many European defence companies hesitant to massively expand production capacity, especially given fears that governments may revert to other spending priorities if and when fighting stops.

Despite the existence of voluntary NATO standardisation agreements (STANAGs) for equipment and ammunition, the war in Ukraine exposed widespread divergence in the implementation by European allies of technical standards for everything from artillery rounds to field communications, complicating logistics for Kyiv. European industry is also slow to integrate emerging technology, whereas the innovation cycle in Ukraine is between two and 12 weeks.

The Commission calculates that the EU has a defence investment gap of some €400 billion at current prices, based on the shortfall in defence spending compared to NATO's 2% of GDP target over the last 18 years. Commission President Ursula von der Leyen told EU leaders in June 2024 that EU countries needed to invest an extra €500 billion in defence over the next decade.[228]

Total spending on the defence industries in the 2021-2027 MFF was just €9.6 billion, less than 1% of the EU budget.

Total spending on the defence industries in the 2021-2027 MFF was just €9.6 billion, less than 1% of the EU budget. Defence Commissioner Kubilius has called for member states to put at least €100 billion for defence into the next seven-year budget plan, starting in 2028. Even if such a large allocation were agreed, most of the money would come too late to have an impact in the coming five years.[229]

Institutional and private sector investors, including public promotional banks and the EIB, remain reluctant to invest in the production of weapons, munitions and defence systems, fearing potential damage to their credit rating, reputation and business model. Commercial banks in some countries have withdrawn from lending to defence-related companies citing the EU's sustainable investment taxonomy as well as the Environmental, Social and Governance (ESG) criteria increasingly applied in the financial sector. Investment funds have seen their risk-return rating downgraded by ratings agencies because of their exposure to the defence sector. There is a clear need for a big move to change market perceptions about defence as a risky sector.[230]

In 2025, a coalition of European governments with EU support should issue joint defence bonds that would be attractive to insurance companies and pension funds, particularly if accompanied by safeguards to ensure the money was fully allocated to producing conventional weapons and common enablers (airlift, aerial refuelling, air and missile defences) for European countries. A long-term demand guarantee and a stable regulatory environment are vital to give investors confidence in a steady return.

The European Council and the European Parliament should issue a joint declaration that defence is an essential European public good, and that investing in security is compatible with sustainability and ESG criteria. The EU should also back this up by reallocating unspent structural and cohesion funds and Next Generation EU funds to defence-related projects especially for military mobility, port and storage infrastructure, and transport corridors.

A "big bang" in European military capabilities is feasible over the next decade, and it will have to be pushed decisively in 2025. An enhanced partnership between the EU and NATO will be central to achieving this. Merely increasing national defence expenditure with the same outdated national procurement processes will simply not do the job.[231]

6.7. EMERGING TECHNOLOGIES AND HYBRID THREATS (CHRIS KREMIDAS-COURTNEY)

Emerging technologies are transforming our world. This digital world has its own economies, finance and governance, and its borderless nature will challenge democratic governance. The EU is by and large ready for these developments, but staying ready will require constant vigilance.

Emerging technologies are transforming our world. They open new doors for democracy while also creating new vulnerabilities to hybrid threats. These new technologies include AI, extended reality, quantum computing and neurotechnology. AI is an example of a new technology that is already impacting governance by enhancing decision-making and situational awareness. But the greatest impact these will have in the coming years is on the cognitive landscape.

We are evolving our relationship with the digital world from interactive to immersive experiences. Social media has shifted from text to more engaging formats, like video. The next step in this evolution is extended reality (XR), which includes both augmented reality (AR) and virtual reality (VR). These technologies will blur the line between physical and digital realities, creating experiences that are more addictive and persuasive than anything we've seen before.

The rise of the metaverse – the 3D internet accessed via XR – allows users to interact with computer-generated worlds and each other. This digital world has its own economies, finance and governance, and its borderless nature will challenge democratic governance.

The unregulated nature of the metaverse is creating a new set of ungoverned spaces which citizens can access from inside their own homes. This could allow hybrid actors, criminals and terrorists to exploit these virtual spaces for influence campaigns, illicit trafficking and espionage.

The rise of conversational AI (CAI) poses a new disinformation risk since it can interact with citizens in real-time and adapt to their emotional responses, learning how to better manipulate each person by exploiting their emotions and biases. Also, generative AI can create very convincing disinformation at scale, undermining trust in society and democracy.

Neurotechnology adds another layer of complexity to these emerging threats. Experiments show that AI-powered neurotech can not only decipher human thoughts with high accuracy, but also influence behaviour. As these technologies become more commonly used, they will become more potent tools for societal manipulation by hostile hybrid actors.

Experiments show that AI-powered neurotech can not only decipher human thoughts with high accuracy, but also influence behaviour.

Is the EU ready? The answer is mostly yes, but staying ready will require constant vigilance and proactive steps.

Firstly, the EU leads in tech regulation with frameworks such as the GDPR, the DSA, and the AI Act. However, these existing laws must be updated or expanded. A Metaverse Governance Framework could help manage the unregulated nature of these spaces, regulating digital currencies and NFTs in the metaverse to prevent their illicit use by malign actors.

Secondly, since hybrid threats often first target private companies, enhancing collaboration between governments and the private sector is essential. Joint efforts could include advancing technologies, such as watermarking AI content and improving systems that detect deepfakes.

Next, the EU should encourage the creation of ethics boards to ensure these technologies are developed and enter the market responsibly.

Finally, EU research programmes could also support the development of new security measures to detect disinformation and safeguard neural data privacy. Additionally, research into the societal impacts of these technologies will help policymakers develop appropriate responses.

6.8. STRATEGIC AND COMPREHENSIVE PARTNERSHIPS IN 2025: BALANCING MIGRATION MANAGEMENT WITH REGIONAL STABILITY IN THE EU'S SOUTHERN NEIGHBOURHOOD (ANASTASIA KARATZAS)

In 2025, the EU should prioritise long-term regional stability and resilience through comprehensive migration partnerships in its Southern Neighbourhood that balance economic and institutional reform with migration management.

Amid heightened concern over irregular migration, 2025 will mark a critical juncture for the definition of the EU's "strategic and comprehensive partnerships" with partner countries in its Southern Neighbourhood.[232]

This will be driven by increasing momentum behind strengthening cooperation with non-EU countries to reduce irregular arrivals and strengthen the external border. Achieving this is seen as a key step for re-establishing public trust[233] in the Bloc's ability to effectively and collectively manage migration.[234]

Faced with uncertainty in the Middle East, including over the likelihood of the Israel-Hamas ceasefire averting the possibility of regional conflict and the future of Syria after the fall of the Assad regime, greater preparedness for the risk of onward movement to Europe will be warranted. Beyond stronger internal rules for meeting migration-related challenges,[235] disincentivising potentially destabilising irregular movements from countries of origin and transit through balanced partnerships could form part of those efforts.

On top of that, while irregular arrivals in the Central Mediterranean have declined, increases are evident along the Western and Eastern routes compared to previous years. Facing pressure from member states,[236] the European Commission has made it a priority to build on existing partnerships and reinforce cooperation with Morocco and Jordan, having already concluded a partnership with the latter in January 2025.[237] It will likely also push for similar strategic agreements with partners along the West African and Atlantic routes.[238] It will likely also push for similar strategic agreements with partners along the West African and Atlantic routes.[239]

Other than macro-financial investment, priority areas of cooperation will include trade and security, support for the green and digital transitions, as well as skills development and labour mobility.[240] Cooperation will also focus on irregular migration through capacity-building of migration authorities, anti-smuggling operations and cooperation on return and readmission. At the same time, as reflected in the recent migration deals, EU (financial) commitments will reinforce efforts aimed at addressing the root causes of migration by boosting domestic employment prospects, stimulating fiscal health through socio-economic reform and promoting political stability through democratic governance.[241]

However, the EU will increasingly face trade-offs in pursuing the objectives of its partnerships. For example, under pressure to reduce irregular arrivals, the European Commission and member states softened their tone on democratic reform and respect for fundamental rights when concluding the 2023 EU-Tunisia deal. Further east, also faced with increasing arrivals through Cyprus at the same time as growing regional instability, migration-related objectives were earmarked to receive a majority of funding under the EU's financial assistance package to Lebanon in May 2024. Framed in support of "socio-economic stability", the ensuing Israel-Hezbollah conflict fundamentally changed the basis of cooperation, with the EU shifting to humanitarian commitments to bolster internal and regional displacement response capacity.[242] As Syria's future unfolds, the EU-Jordan deal also foresees stronger coordination on humanitarian aid, other than border management and durable solutions for refugees, with Jordan continuing on "as a regional hub for assistance".[243] This reinforces the EU's focus on regional migration management, other than reflecting the transactional nature of such partnerships.

The EU will increasingly face trade-offs in pursuing the objectives of its partnerships.

These objectives, aiming to address drivers of migration at the source, will likely dominate the EU's efforts to further strengthen migration cooperation, though wavering commitments by partner countries, as in the case of Egypt and Tunisia, could quickly dampen EU ambitions in the new cycle.[244]

As restrictive migration policies become more mainstream across the EU, prioritising containment over reform objectives risks diverting financial resources away from efforts to pursue a shared agenda toward economic stability and societal resilience. Following this approach could further increase Europe's dependencies, leaving it more exposed to, and potentially less prepared to handle, destabilising pressure at the external borders. Yet in times of relative stability, reform promoting political stability, linked to upholding the rule of law and respect for fundamental rights, can ultimately feed Europe's promise to address root causes and stem irregular migration.

Having previously yielded to regional pressures in the MENA region, the EU's commitment to genuine economic and institutional reform over migration management objectives will be put to the test as the EU defines its strategy vis-à-vis its Southern Neighbourhood.

In that context, the changing domestic as well as regional environment will complicate the EU's pursuit of a common approach in the region, although its commitment to "strategic and comprehensive" partnerships set it down the right path. To succeed, cooperation must foster long-term political and economic stability through pursuing shared agendas that offer tangible benefits to the EU and its partner countries, demonstrated, for example, in opportunities for skills mobility.

6.9. BRIDGING GAPS: INTERNATIONAL CLIMATE FINANCE, GLOBAL COMPETITION, AND STRATEGIC PARTNERSHIPS (BROOKE MOORE)

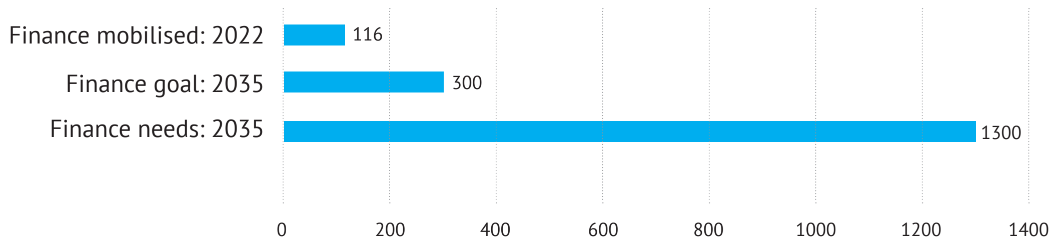
Many of the regions where the EU seeks to deepen cooperation – Africa, Latin America and the Caribbean – are also among the hardest hit by climate change. Climate financing, a key priority for these regions, offers the EU an avenue for supporting climate action, demonstrating leadership and strengthening critical partnerships in 2025.

The EU faces a shifting landscape where rising competition and geopolitical rivalries make strategic partnerships increasingly vital. Notably, many of the regions where the EU seeks to deepen cooperation – Africa, Latin America and the Caribbean – are also among the hardest hit by climate change. Climate financing, a key priority for these regions as highlighted in recent international forums like New York Climate Week,[245] the G20[246] and COP29,[247] offers the EU an avenue for not only supporting climate action, but demonstrating leadership and strengthening critical partnerships.

The EU's need for tools like climate finance to strengthen its relationships stems, in large part, from the growing disillusionment many countries feel with the EU's approach towards them. EU policies, like the CBAM and the EU Deforestation Regulation, are seen as threats to the competitiveness of the Global South,[248] while perceived double standards[249] in climate action have eroded trust in the EU's leadership. Meanwhile, competition between major global powers coupled with the rising market power[250] of emerging economies and their key role in EU's access to critical raw materials[251]

Figure 15

CLIMATE FINANCE NEEDS VS. MOBILISATION (USD BILLION)



Source: Brooke Moore (2025).

is shifting the balance of power. This shift is made starker by Trump's second term in office, leaving the EU increasingly isolated. The EU, therefore, must deliver tangible value to its partners to maintain its influence in this evolving landscape.

Despite these motivators, the $300-billion international annual climate finance target[252] that resulted from COP29 has been labelled by many as insufficient,[253] both in scale and also in responsibility, as an expanded donor base dilutes pressure on historically high-emitting developed nations. The EU and its member states' willingness to revisit these targets appears uncertain. Security and competitiveness dominate the Von der Leyen II Commission's priorities,[254] while the EU's largest climate financiers face strains. France is grappling with excessive debt,[255] while Germany, having missed[256] its 2023 €6-billion climate finance target, faces further budget constraints[257] in 2025. As a result, the focus has greatly shifted toward mobilising private financing.

The EU's need for tools like climate finance to strengthen its relationships stems, in large part, from the growing disillusionment many countries feel with the EU's approach towards them.

International private climate finance reached $21.9 billion in 2022,[258] a 52% increase from the previous year. For the EU, this trend will continue largely via Global Gateway,[259] which aims to deploy €300 billion across 2021-2027 including towards energy and climate projects, and the newly introduced Clean Trade and Investment Partnerships (CTIPs).[260] However, these initiatives pose challenges too. Global Gateway projects that benefit European companies despite its use of development funds raise concerns[261] of European interests outweighing the development objectives of recipient countries. Meanwhile, CTIP's narrow focus on raw materials, clean energy and technology could neglect critical projects in less "profitable" areas like climate adaptation and nature restoration. Tellingly, between 2016 and 2022,[262] nearly half of private climate finance went to energy, even as 6% of public mitigation finance targeted energy and transportation – despite a growing adaptation finance gap estimated between $194 billion and $366 billion annually.[263] While these offer only a snapshot, the bottom line is that though the need for private investment is clear, the EU must proactively address its limitations.

Hence, while increased pledges from the EU and member states will be essential, available public funds must be thoughtfully leveraged to catalyse private investments that better consider environmental and social returns. Supplemental revenue sources like airline or financial transaction taxes should also be explored to support efforts like adaptation and Loss and Damage[264] that are priorities for the Global South.[265] Progress in these areas would not only address pressing needs but also build trust and strengthen the EU's legitimacy within these nations. In this vein, directing CBAM revenues towards external climate financing is worth exploring further. Moreover, greater transparency and inclusion of finance recipients within decision-making is crucial to guarantee genuine added value for partners.

As climate impacts grow more severe, the issue of climate financing will only become more urgent. In a world where Trump's isolationism leaves the EU increasingly alone, a void emerges – one that offers both a challenge and an opportunity for the EU to step up as a stronger global player in a more fragmented, à-la-carte world order. Beyond the clear moral imperative, it is in the strategic interest of the EU and its member states to lead by example and finally deliver with meaningful climate financing.

6.10. INVISIBLE CLIMATE MIGRANTS (DIMITRIOS KANTEMNIDIS)

The EU has an opportunity to lead by example in 2025 by addressing the nexus of climate change and forced displacement. Recognising and responding to the plight of the invisible climate migrants is not only a moral obligation but also a strategic necessity.

The accelerating impacts of climate change are driving forced displacement on an unprecedented scale, creating significant challenges for the EU in 2025. The untold story of the invisible climate migrants represents an urgent humanitarian and policy issue. Failure to address this crisis could destabilise fragile regions, overburden Europe's migration systems, and erode its global leadership.

In 2023, weather-related disasters displaced 23.5 million people globally, including 1.5 million in Somalia due to prolonged droughts and severe flooding.[266] Libya's catastrophic floods, worsened by warming Mediterranean waters, displaced 40,000 individuals and highlighted the deadly interaction of climate hazards and infrastructure vulnerabilities. According to the United Nations High Commissioner for Refugees (UNHCR), more than 75% of forcibly displaced persons reside in regions with high exposure to climate risks, such as the Sahel and Horn of Africa. Refugee camps in these regions face worsening conditions, with projections indicating that the number of dangerous heat days will double by 2050.[267]

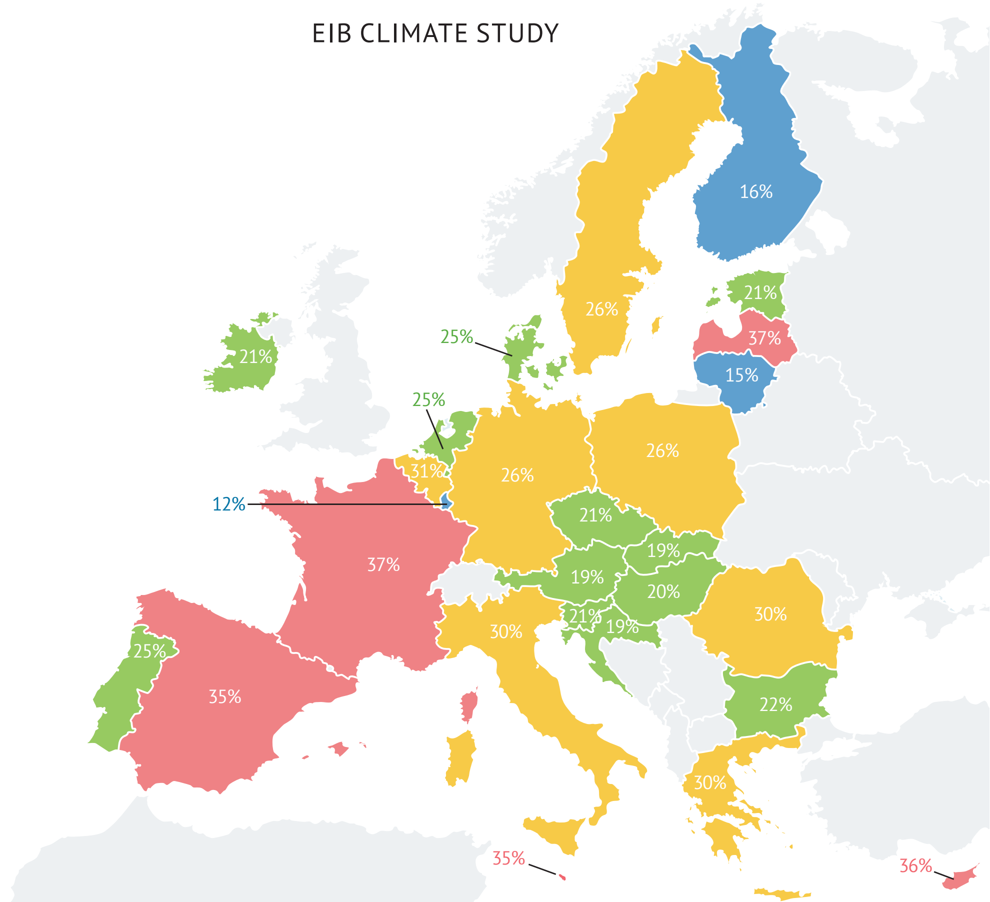
Europe is not immune. The European Environment Agency (EEA) identifies Southern Europe as a climate hotspot, where rising temperatures and resource scarcity threaten to render parts of the region uninhabitable.[268] Climate change will also drive internal migration within the EU, particularly in these vulnerable regions, requiring coordinated member state responses alongside external engagement. This situation poses significant risks to the EU's security and stability, as displacement pressures are expected to grow.[269]

Current EU migration frameworks inadequately address the climate-specific dimensions driving migration, as they often categorise climate migrants as economic migrants or war refugees without incorporating provisions to account for the environmental factors that lead to displacement.

To address these challenges, the EU must adopt a proactive and integrated approach. Legal recognition of climate migrants, as recommended by the UNHCR, is essential to ensure they receive adequate protection under international and EU law. Incorporating climate considerations into the Common European Asylum System can strengthen the EU's capacity to respond effectively. Aligning internal and external policies on

Figure 16

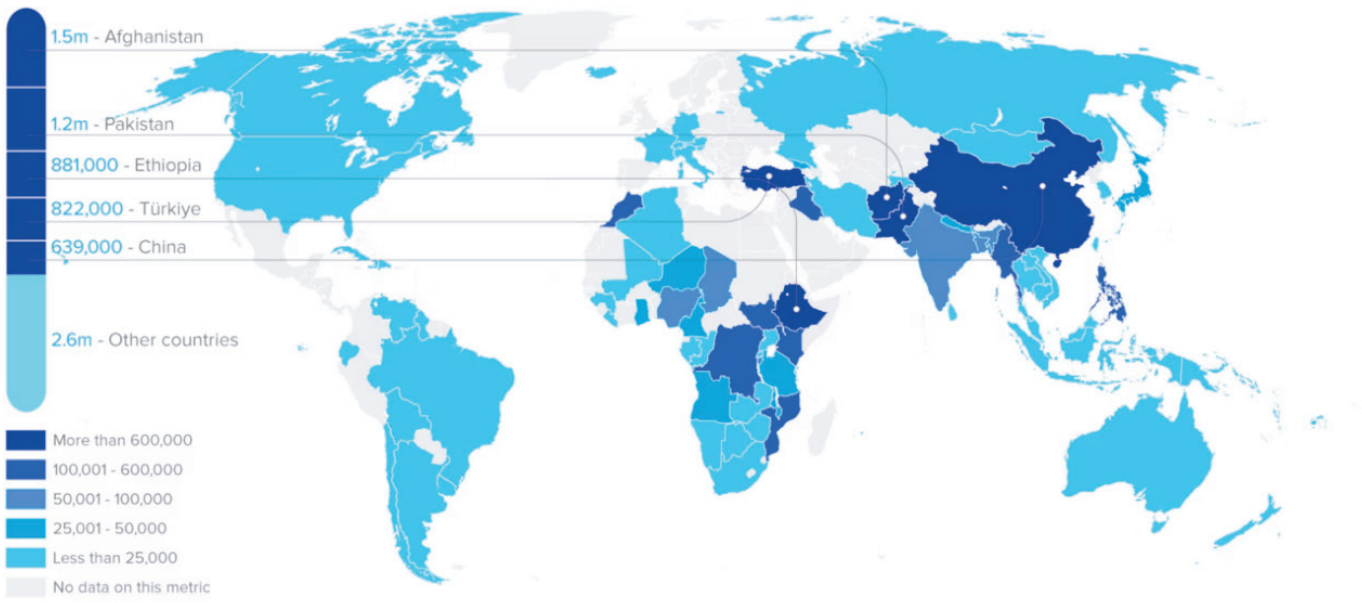
EIB CLIMATE STUDY



Source: BVA for the EIB (2022).

Figure 17

CLIMATE FINANCE NEEDS VS. MOBILISATION (USD BILLION)



Source: IDC (2024).

climate migration will also enhance member states' engagement and strengthen the EU's leadership on global resilience efforts.

Initiatives such as the Green Deal and Fit for 55 provide a pathway to integrate climate resilience policies but these must take account of migration issues. Targeted investments in early warning systems and disaster-resilient infrastructure are critical. Supporting vulnerable regions, such as the Gaza Strip and Sub-Saharan Africa, will address root causes of displacement while fostering regional stability. Cross-border cooperation, as highlighted by the Joint Research Centre, must be strengthened to mitigate shared risks and ensure cohesive action.[270]

Targeted investments in early warning systems and disaster-resilient infrastructure are critical.

Integrating climate migration into the EU's COP framework offers an opportunity to rebuild trust with the Global South, demonstrating solidarity beyond financial contributions. This dual focus will reinforce the EU's commitment to global justice and foster stronger international partnerships.

In 2025, the EU has an opportunity to lead by example in addressing the nexus of climate change and forced displacement. Recognising and responding to the plight of the invisible climate migrants is not only a moral obligation but also a strategic necessity. Bold and coordinated action now will safeguard Europe's stability while upholding its commitment to global justice.

6.11. BRICS: A TRANSITIONAL YEAR (AMANDA PAUL & RAÚL VILLEGAS)

In 2025, BRICS is likely to undergo some soul-searching. As Trump weaponises ties with allies and rivals alike, and the war in Ukraine reaches a critical juncture, it will benefit the EU to take the motivations of BRICS+ countries more seriously. The EU should also listen to the call for incremental reform that most BRICS+ members espouse.

Following rapid expansion under the BRICS+ formula (nine new partner countries joined this January alone),[271] and ramped-up efforts by Russia to shape the bloc into an anti-Western coalition, BRICS is likely to undergo some soul-searching in 2025.

Its members have effectively collaborated in an expanded format, including establishing the BRICS Informal Consultative Framework on WTO Issues[272] and launching the BRICS Grain Exchange,[273] among other initiatives. But with the bloc's *raison d'être* still subject to diverse interpretations and pragmatic economic goals topping the agenda, some members are bound to remain cautious. India, for example, will likely continue balancing its international engagements – maintaining its partnership with Russia[274] and cautiously re-engaging with Beijing[275] while remaining poised to benefit from a tougher US stance on China.[276]

However, in the absence of a shared vision, external pressures could unite the bloc. Trump's threat to impose extensive tariffs on BRICS[277] could generate solidarity among its members and bolster intra-bloc trade, which is already benefiting from rapidly rising South-South trade.[278] This reconfiguration should be followed closely and leveraged by an EU in need of diversifying its supply chains, as lower US demand could make the EU27 more competitive bidders of CRMs in global markets.

Trump's threat to impose extensive tariffs on BRICS277 could generate solidarity among its members and bolster intra-bloc trade, which is already benefiting from rapidly rising South-South trade.

Similarly, Russia's de-dollarisation campaign, which has thus far taken a backseat to the interests of other BRICS members to remain plugged into US financial institutions,[279] could gain traction if Trump decides to fully weaponise access to US markets and the dollar. In this respect, trade negotiations between the US and China will prove decisive. Tariffs could push China to strike a bargain to reduce its trade surplus by buying more US energy and goods, ironically leaving Beijing with fewer dollars – and US assets and debt – on its books and reducing positive incentives to 'resist' de-dollarisation (even though positioning the yuan as an alternative remains structurally unfeasible).[280] Conversely, but with a similar outcome, tit-for-tat tariff escalation combined with mounting US-China geopolitical rivalry could lead the White House to deploy its full geoeconomic arsenal, including financial sanctions – which would drive Beijing to double down on BRICS-centric payment systems and BRICS+ currencies.

In any scenario, BRICS+ countries are likely to continue exploring ways to foster greater use of local currencies in cross-border transactions as a hedge against reliance on the US dollar. Assuming the rotational BRICS presidency in 2025,[281] Brazil is set to build on this trajectory, advancing central bank digital currencies[282] and pushing for an international tax agreement.[283] In line with his speech at the 2024 Kazan Summit,[284] Brazilian President Lula may increasingly link these initiatives to broader economic and social goals, including climate action, poverty reduction, and equitable access to vaccines and medicines.

Hosting COP30 also this year, Brazil may further leverage BRICS' recent agreements on climate cooperation (such as the Framework on Climate Change and Sustainable Development and the MoU on the BRICS Carbon Markets Partnership) to position itself as a leader in climate governance. More broadly, and in line with its 2024 G20 presidency priorities, where calls for multilateral reform were central,[285] the country is likely to continue prioritising greater representation of the 'Global South' in multilateral institutions.

Indeed, if grievances such as underrepresentation are not addressed, BRICS+ members –particularly the smaller and newer among them – may move further away from multilateral institutions. The erosion of these institutions, coupled with their declining effectiveness in constraining rogue behaviour even among the very states meant to uphold them,[286] may push the EU toward a more pragmatic, ad-hoc approach to global partnerships. However, such an approach – favouring minilateral[287] and issue-specific cooperation – must not devolve into transactionalism.

In 2025, as Trump breaks and weaponises ties with allies and rivals alike, and the war in Ukraine reaches a critical juncture, it will benefit the EU to take the motivations of some BRICS+ countries more seriously and heed the call for incremental reform that a majority of its members – as opposed to revisionist Russia – espouse. Dismissing the existence of BRICS as merely transitory will not do anymore.

6.12. AI IN 2025: NAVIGATING A WORLD OF SHIFTING SANDS (FRANCESCO TASIN & GIULIA TORCHIO)

2025 is poised to be a dark moment for AI governance. However, not all hope is lost for Europe's plan to become an AI continent. Realising this vision will require bold and swift actions such as long-term investments in strategic tech sectors, streamlining the digital acquis to strengthen enforcement, and a more proactive attitude on the international scene when it comes to promoting AI safety.

2024 marked a significant year for AI in Europe, with the passing of the world's first comprehensive law on AI, the EU AI Act, as well as the launch of an AI innovation package. European ecosystems are developing fast in France[288] and Germany,[289] yet the overall picture remains that of Europe falling behind internationally and suffering from too little private and public funding for AI Research & Development (R&D), ventures and scaling.

For 2025, we anticipate three developments: the EU-US AI gap will continue to grow despite a potential increase in European investments; deregulatory pressures will push efforts to regulate AI down the agenda; and ongoing international convergence on AI governance will be seriously undermined.

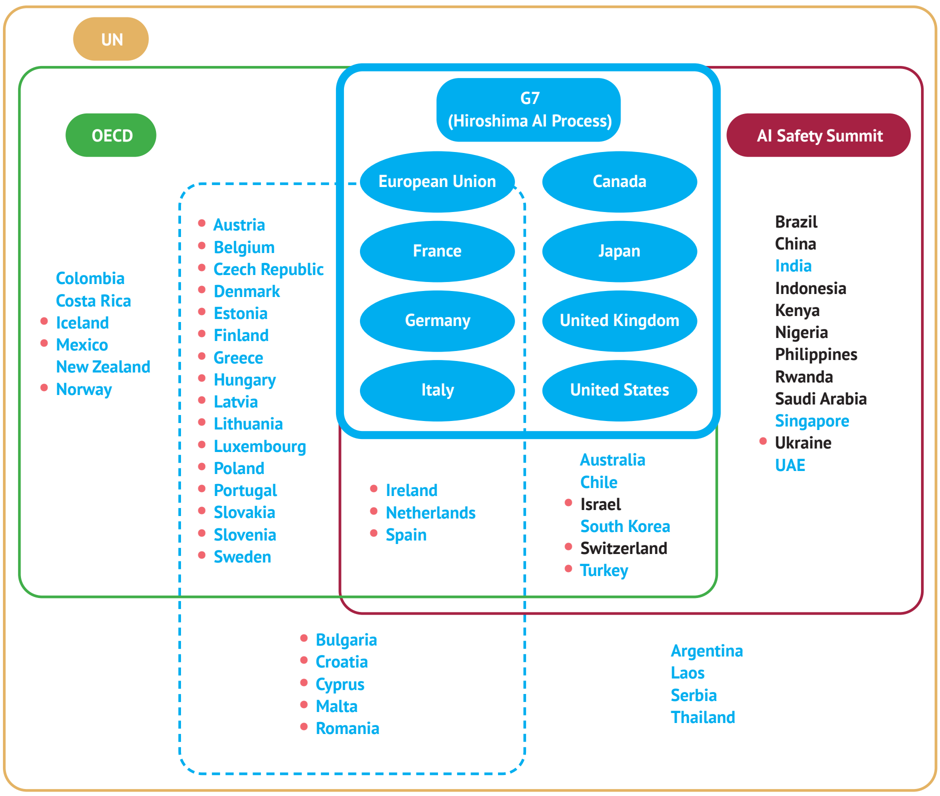
Despite recent talks of turning Europe into the AI continent[290] and boosting its technological sovereignty,[291] the old continent's AI sector is still largely dependent on US-based cloud computing[292] and AI foundation models.[293] Souring the picture, a newly sworn-in President Trump announced an unprecedented $500-billion project[294] to develop state-of-the-art AI infrastructure in the US. Stargate, which will be a joint venture between OpenAI, SoftBank, Microsoft, NVIDIA and Oracle, is approximately 125 times the size of the Commission's AI Innovation package. As such, the EU-US gap in AI infrastructure will likely continue to widen in 2025. If Europe wants to catch up, it will have to overcome the lack of political will for more EU-level public financing and facilitate EU-wide private investments.

In the last few years, there has been increased interest in mitigating the security and safety risks posed by AI. Both the US and the EU contributed to this momentum with the US Executive Order on AI[295] and the AI Act,[296] respectively. However, Order 14110 on AI was among the 78 executive orders that Trump repealed[297] within hours of starting his new mandate. Though unsurprising given the president's buddying relationship with Big Tech,[298] this decision could be indicative of a general inversion of route. Cutting red tape also seems to be the watchword of the new EU Commission following Mario Draghi's report on competitiveness.[299] As such, it is not far-fetched to predict that in 2025, concerns surrounding AI safety will give way to innovation-friendly policies. While reducing administrative burdens and simplifying enforcement are necessary, the EU should not sacrifice its security and the safety of its citizens at the altar of competitiveness.

A third likely outcome of the resurgence of greater-power competition is the disruption of international governance efforts. While the current situation – with the upcoming Paris AI Action Summit, the G7 Hiroshima Process, the Organisation for Economic Co-operation and Development (OECD)-UN collaboration, the AISI network and the EU-Latin America Caribbean countries (LAC) high-level dialogues – seems promising

Figure 18

THE GLOBAL AI GOVERNANCE LANDSCAPE



Notes: The European Union is considered a nonenumerated member of the G7. The countries shown in blue indicate those participating in the Hiroshima AI Process Friends Group (as of May 2, 2024). The nations with pink dots (•), plus the G7 members, are members or observers of the Council of Europe, the host organisation of the AI Treaty.

Source: Habuka & Socol de la Osa (2024).

for regulatory and technical alignment, the US could plunge the international system into crisis. Trump's precedents[300] and recent declarations[301] do not bode well for international cooperation in AI safety, with the future of the US AI Safety Institute uncertain.[302] Despite the souring scenario, not all hope is lost. A potential falling out with the US could finally prompt the EU to take the lead on the international stage and seek to take alternative partnerships with like-minded countries such as Japan, South Korea and Canada further.

In conclusion, 2025 is poised to be a dark moment for AI governance. However, despite the growing technological gap, the fizzling-out of the Brussels effect, and souring relationships with our Atlantic partners, not all hope is lost for Europe's plan to become an AI continent. Realising this vision will require bold and swift actions such as long-term investments in strategic tech sectors, streamlining the digital acquis to strengthen enforcement, and a more proactive attitude on the international scene when it comes to promoting AI safety.

7. Conclusion

2025 will be a year of fast-paced and profound global change. The return of Donald Trump to the White House has accelerated global trends that have challenged the EU for quite some time: growing global economic and political competition, the erosion of the post-WWII liberal international order, a tech revolution, and increasing nationalism and protectionism. Closer to home, Europe faces the return of a war of aggression, while the EU is struggling to find unity and use its deficient institutional backbone to shape collective policymaking.

Over the past years, Europeans have lost precious time to prepare for a regional and global environment that requires hard power to protect the security and prosperity of EU citizens. This included wasting time in institutional quarrels over priorities and national sovereignty when the writing was clearly on the wall that post-Cold War Europe faced a revisionist and imperialist power in its east. While some EU member states saw this threat for what it was, other key member states failed to see the signs of an existential threat to European interests until it was too late. As a result, the wake-up call of February 2022 has been much more costly: first in terms of the many human lives lost in Russia's war of aggression, but also with regard to liberal Europe's ongoing political and financial efforts to catch up and rearm.

Too much time has been lost, and in the meantime, liberal Europe and its institutions have been weakened from within. Nationalist, far- and extreme-right electoral successes have narrowed breathing space for those making the case for a stronger EU. Hence, 2025 is likely to witness profound institutional change, with coalitions of willing EU members along with non-EU partners deciding to take action in the field of security and defence, impacting on European unity, cohesion and, ultimately, power.

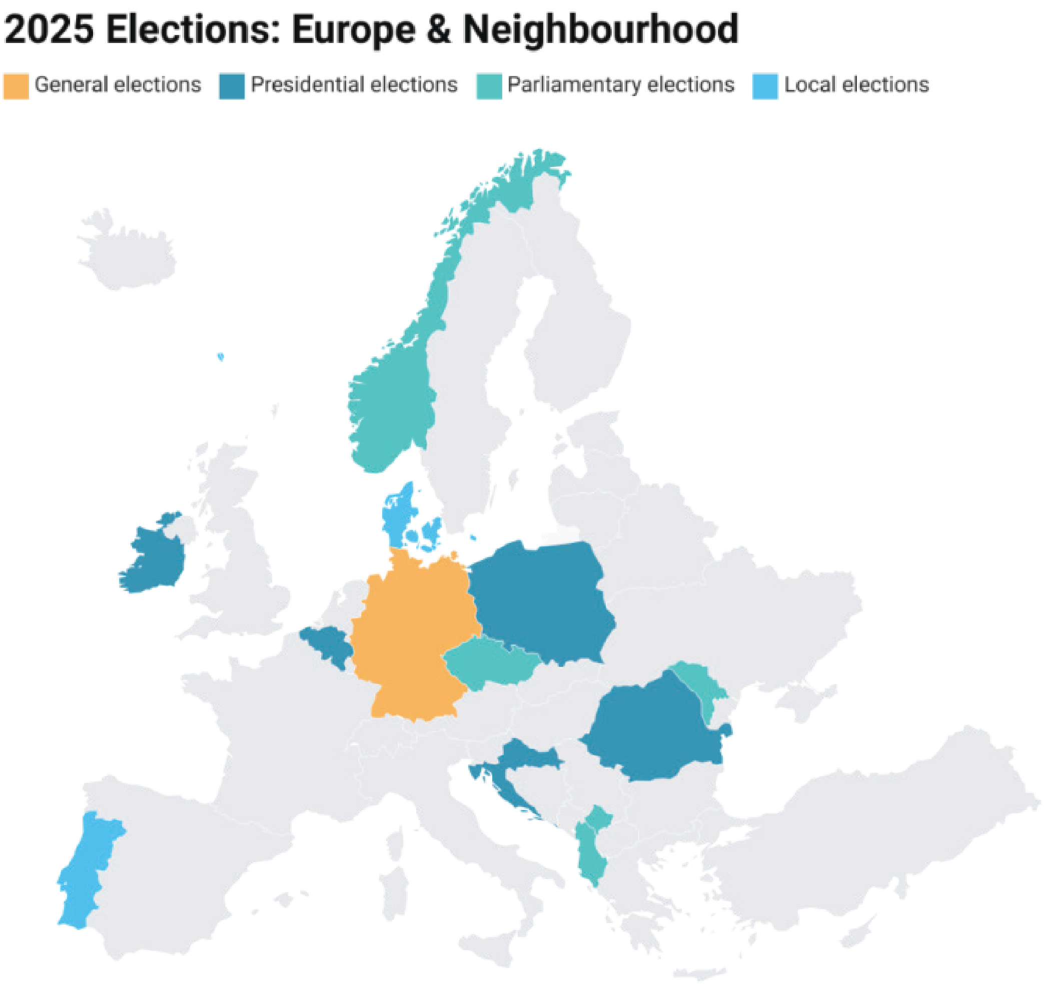
Nevertheless, the EU, its member states and societies still have a great deal of resources at hand to navigate and, albeit to a lesser degree, shape this changing world in their favour. 2025 will be a decisive year in this regard.

To catch up, the EU must learn to re-shape and adapt old partnerships and alliances and, more importantly, find new ones. This applies first and foremost to the relationshoip with the US, which requires a solid mental rewiring of European elites who have become too used to receiving global attention, and to a rather benign environment to flourish in over the past 30 years.

This Outlook Paper, published at a time of profound uncertainty, aims to be "brutally honest" in its analysis, but not defeatist. The contributions to this paper open up avenues for the EU and its members to embrace this new world with realism, determination and agency. To what extent this can be done politically is the key question, as obtaining majorities for collective EU action has become increasingly challenging.

To catch up, the EU must learn to re-shape and adapt old partnerships and alliances and, more importantly, find new ones.

Annex I. 2025 Elections and National Congresses

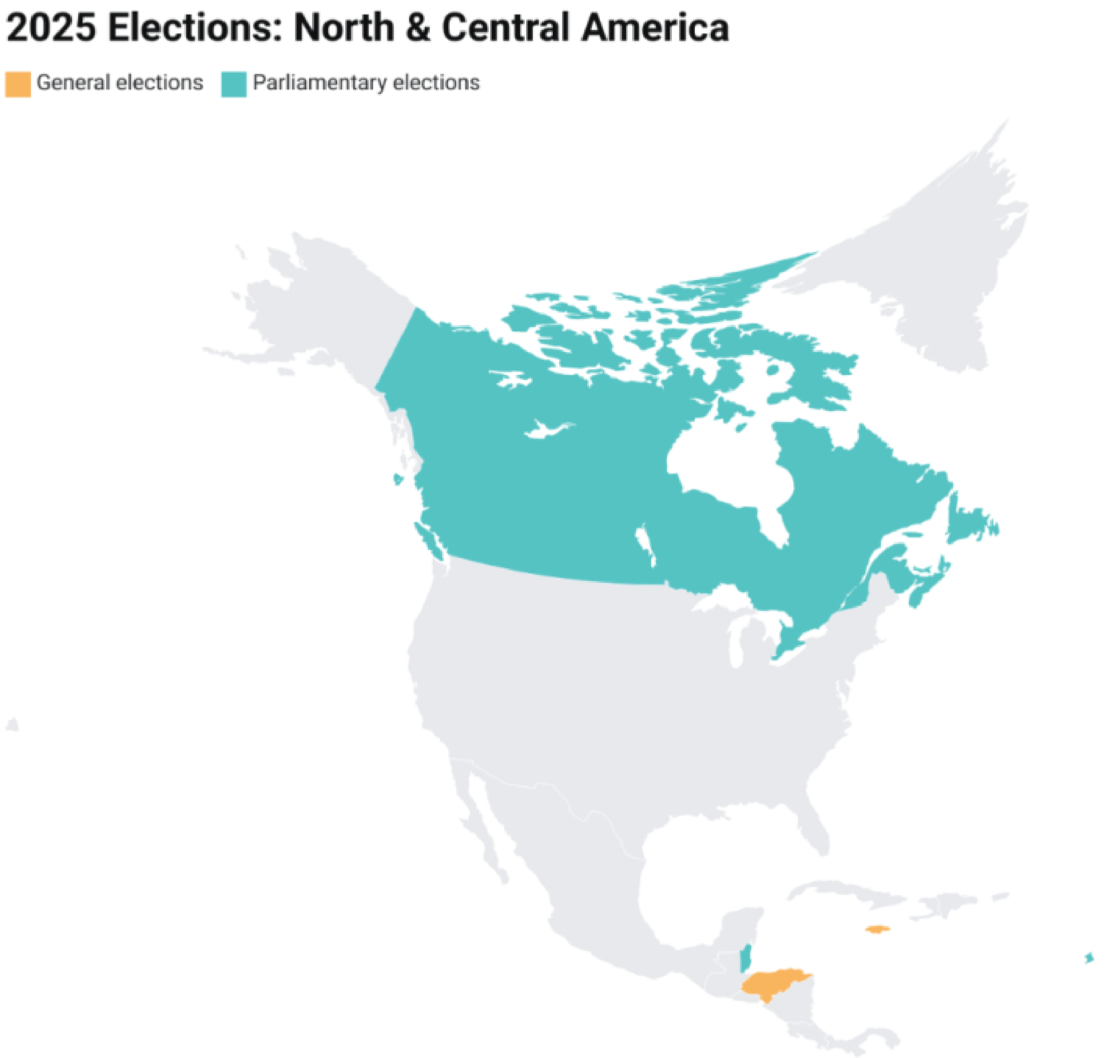


COUNTRY	DATE (EXPECTED DATE)	ELECTIONS TYPE
Albania	11 May	Parliament of Albania
Belarus	26 January	President
Croatia (2nd round)	12 January	President
Czech Republic	October	Chamber of Deputies (Parliament of Czech Republic)
Denmark	18 November	Municipal and regional councils
Estonia	TBD	Municipal councils
Finalnd	13 April	County and Municipal Councils
Germany	23 February	Bundestag (Parliament of Germany)
Greece	25-31 January	President
Ireland	TBD	President
Kosovo	9 February	Assembly of the Republic of Kosovo
Latvia	7 June	Municipal
Liechtenstein	9 February	Landtag (Parliament of Liechtenstein)
Moldova	TBD	Parliament of the Republic of Moldova
Norway	8 September	Storting (Parliament of Norway)
Poland	18 May	President
Portugal	TBD	Municipal and Parish Assemblies
Romania	4-18 May	President

COUNTRY	DATE (EXPECTED DATE)	ELECTIONS TYPE
Burundi	5 June	National Assembly (Parliament of Burundi) and Districit Councils
Burkina Faso	TBC	President and Parliament
Cameroon	5 October	President
Central African Republic	December, TBD	President and Parliament
Côte D'Ivoire	October, TBD	President
Comoros	12 January	Union Assemblies
Egypt	TBD	House of Representatives; Senate
Equatorial Guinea	TBC	President; House of Repesentatives; Senate
Gabon	12 April	President
Ivory Coast	October, TBD	President; Parliament of Ivory Coast
Malawi	16 September	President; Parliament of Malawi
Seychelles	27 September	President; General Assembly
United Republic of Tanzania	October	President; National Assembly; Zanzibar House of Represenstatives; Zanzibar President; Local Representatives;
Togo	15 February	Senate
Uganda	September-October, TBD	President; Parliament of Uganda

2025 Elections: Asia

COUNTRY	DATE (EXPECTED DATE)	ELECTIONS TYPE
Hong Kong	December	Legislative Council
Japan	October, TBD	House of Councillors (Upper House)
Kyrgyzstan	TBD	Supreme Council (Parliament of Kyrgyzstan)
Philippines	12 May	House of Representatives and Senate
Singapore	TBD	Parliament of Singapore
Tajikistan	2-28 March	Assembly of Representatives; National Assembly of Tajikistan

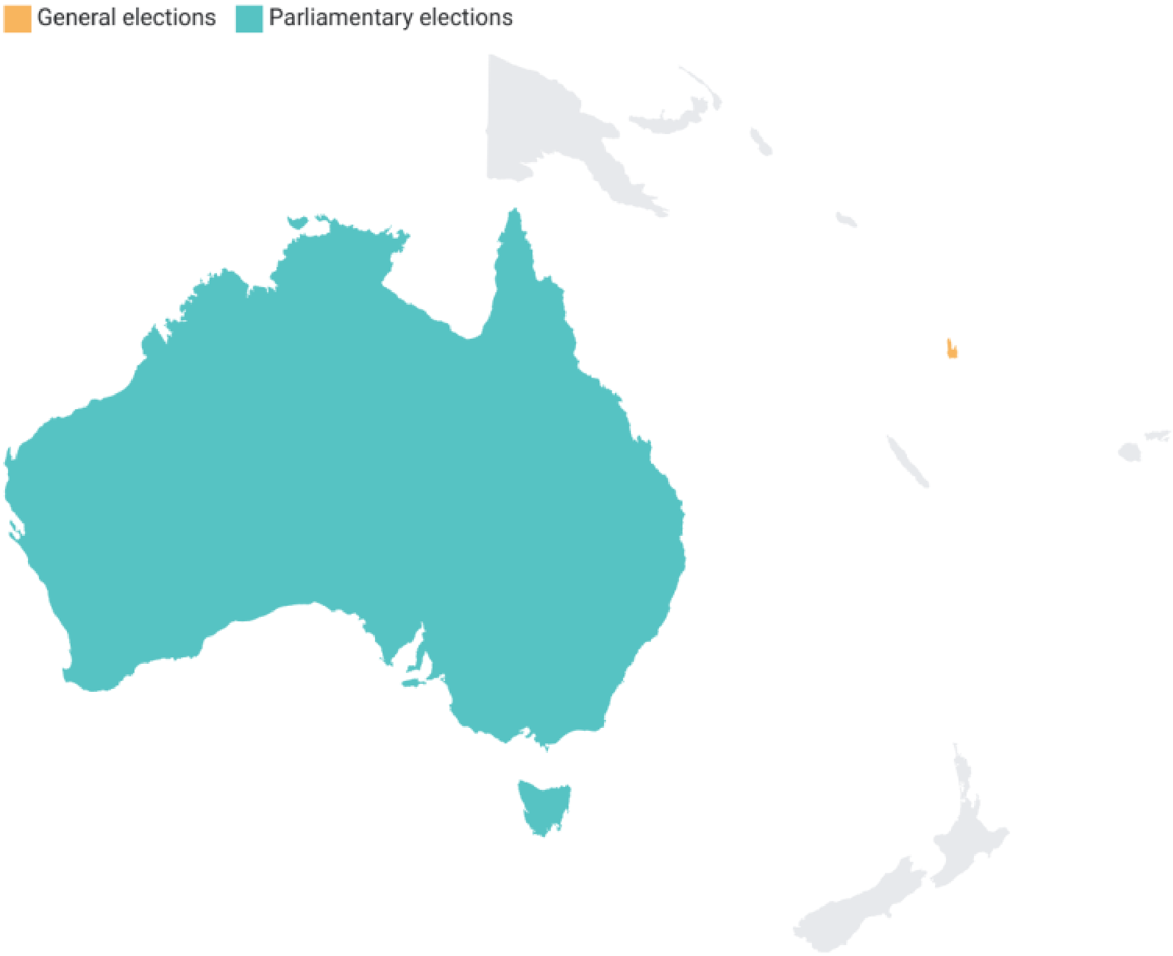


COUNTRY	DATE (EXPECTED DATE)	ELECTIONS TYPE
Belize	TBD	House of Representatives
Canada	TBD	House of Commons
Honduras	30 November	President; Parliament
Jamaica	TBD	House of Representatives
Trinidad and Tobago	TBD	Parliament

2025 Elections: South America

COUNTRY	DATE (EXPECTED DATE)	ELECTIONS TYPE
Argentina	TBD	Chamber of Deputies (Parliament); Senate
Bolivia	August, TBD	General
Chile	TBD	General
Ecuador	9 February	President; Members of National Congress; Central American Parliament
Guyana	TBD	President; National Assembly
Venezuela	27 April	National Assembly

2025 Elections: Oceania

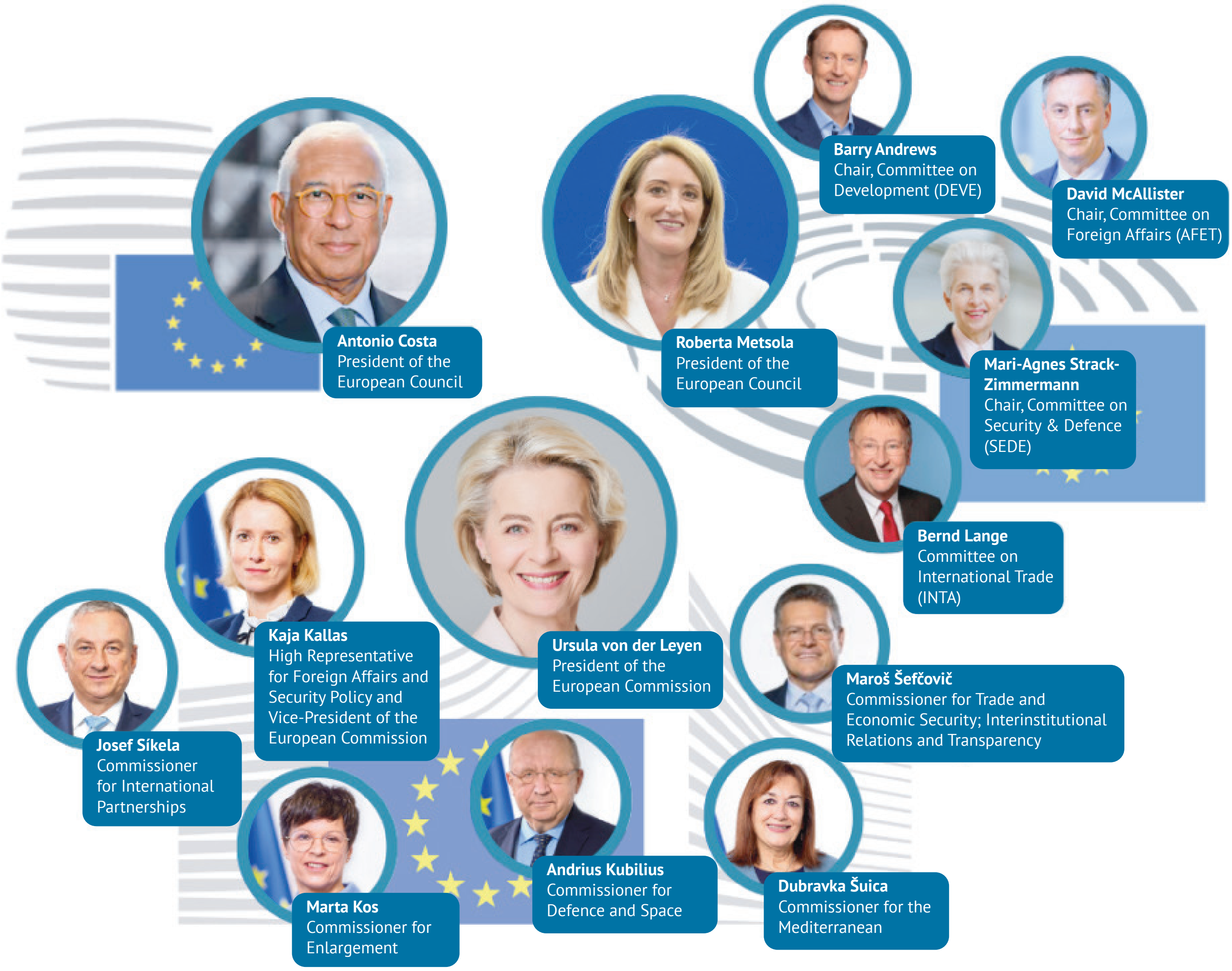


COUNTRY	DATE (EXPECTED DATE)	ELECTIONS TYPE
Australia	TBD	House of Representatives (Parliament); Senate
Micronesia	4 March	Congress of Micronesia
Nauru	TBD	Parliament of Nauru
Vanuatua	16 January	President; Parliament of Vanuatua

Annex II. Key EU meetings and international summits in 2025

ORGANISATION	DATE	EVENT	LOCATION
Council of the EU	January-June	Polish Presidency of the EU	Brussels, Belgium
World Economic Forum	20-25 January	World Economic Forum Annual Meeting	Davos-Knosters, Switzerland
European Council	3 February	Informal EU leaders' retreat in Belgium	Brussels, Belgium
AI Action Summit	10-11 February	AI Action Summit	Paris, France
Munich Security Conference	14-16 February	Munich Security Conference	Munich, Germany
African Union	15-16 February	38th African Union Summit	Addis Ababa, Ethiopia
European Council	20-21 March	European Council Summit	Brussels, Belgium
European Political Community	16 May	6th Meeting of the European Political Community	Tirana, Albania
IISS Shangri-La Dialogue	30 May-1 June	2025 IIS Shangri-La Dialogue	Singapore
G7	15-17 June	G7 Summit	Kananaskis, Canada
NATO	24-25 June	NATO Summit	The Hague, The Netherlands
European Council	26-27 June	European Council Summit	Brussels, Belgium
Council of the EU	July-December	Danish Presidency of the Council of the EU	Brussels, Belgium
BRICS	July	BRICS Summit	Rio de Janeiro, Brazil
United Nations	9-23 September	United Nations General Assembly	New York, United States
European Political Community	2-Oct	7th Meeting of the European Political Community	Copenhagen, Denmark
European Council	23-24 October	European Council Summit	Brussels, Belgium
United Nations	4-6 November	2nd World Summit for Social Development	Doha, Qatar
United Nations	10-21 November	COP30 Summit	Belém, Brazil
G20	22-23 November	G20 Summit	Johannesburg, South Africa
APEC	November	2025 APEC Summit	Gyeongju, South Korea
European Council	18-19 December	European Council Summit	Brussels, Belgium
European Council	TBD	EU-China Summit	Brussels, Belgium
European Council	TBD	EU-CELAC Summit	TBD
European Council	TBD	EU-AU Summit	TBD
Shanghai Cooperation Organisation	TBD	24th Meeting of the Council of the Heads of Government of the SCO Member States	Russia

Annex III. EU institutional set up for foreign and security policy in the new legislative cycle



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NOTES

The **Outlook Paper** is published yearly and identifies and anticipates developments in the EU's global relationships and policies for the coming year. It is not an exercise in prediction but rather an attempt to guide the EPC and EU community through a new year.

Every year, the EiW team, in collaboration with other EPC programmes, will select topics depending on their relevance for the EU and analysts' expertise. A central theme, key actors and regions, policies, emerging challenges and chronologies of key events within and outside the EU will always be included. What is likely to change each year are the countries and issues covered.

The Outlook Paper will also include a "Look Back" section that revisits the previous edition. This will be a critical feature to review and reassess previous assumptions and ensure the continued quality of our analysis.

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