

European Union: A Perfect Polar Storm

Nicole Koenig and Leonard Schütte

Suggested citation: Nicole Koenig and Leonard Schütte, "European Union: A Perfect Polar Storm," in: Tobias Bunde/Sophie Eisentraut/Leonard Schütte (eds.), *Munich Security Report 2025: Multipolarization*, Munich: Munich Security Conference, February 2025, 71–77, <https://doi.org/10.47342/EZUC8623-4>.

4

A Perfect Polar Storm

What challenges does the EU's liberal vision for the international order face? How and why are the EU's security, economic, and democratic models in crisis? And what will be the likely impact of the new US administration on the EU?

Nicole Koenig and
Leonard Schütte

Over the past decade, the contestation of the liberal international order has increased, challenging the EU's vision for the world. Today, these pressures are coming to a head, culminating in a triple crisis for the EU: Russia's war against Ukraine has destroyed Europe's cooperative security architecture; the increasing weaponization of economic interdependencies is threatening the EU's economic model; and the European model of liberal democracy faces unprecedented internal and external contestation. Donald Trump's re-election could intensify these crises and revive the debate about whether the EU needs to become, in the words of the French President Emmanuel Macron, a "third pole" with greater autonomy.¹

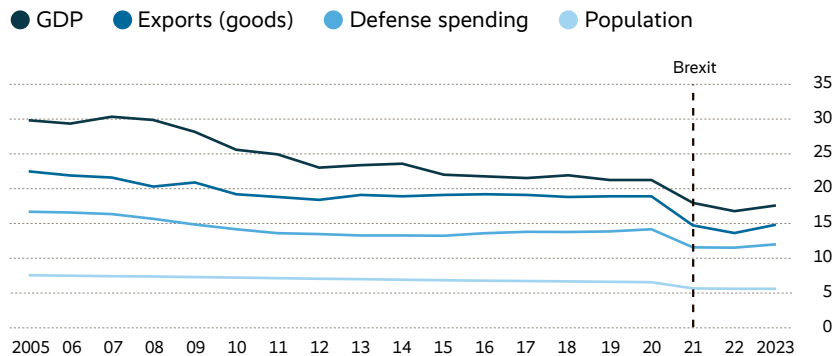
Into the Headwinds: A Liberal Power in a Post-Liberal World

The EU embodies the post-Cold War zeitgeist of the liberal international order.² Though not always consistently, it has sought to promote liberal values abroad.³ The EU's large single market and its regulatory propensity have allowed it to externalize its norms to shape global rules – the so-called "Brussels Effect."⁴ Through its enlargement policy, the EU has drawn candidate countries into its orbit by requiring them to adopt its vast body of laws. The EU has also been a strong supporter of the multilateral institutions that underpin the liberal international order. It has played a major role in the creation of the International Criminal Court and is a long-standing supporter of the UN, the WTO, and environmental agreements.⁵ Its member states and institutions together are the largest financial contributor to the UN system, with a total share of around 33 percent, and the leading donor of official development assistance, accounting for 42 percent.⁶ The EU has thus been a central driver and beneficiary of the transformation of the pre-1990 order into the post-Cold War order of "postnational liberalism,"⁷ in which international institutions and rules curtail national sovereignty in pursuit of liberal values.

However, the EU's vision for the international order has been facing headwinds for some time. Recent power shifts have emboldened revisionist countries, such as Russia and China, which are seeking greater benefits from and influence over the order.⁸ Meanwhile, the US has become increasingly dissatisfied with the order it once helped build, as its influence has been waning.⁹ This discontent with the liberal order has translated into increasing international gridlock, with many international institutions unable to address pressing global challenges. Moreover, the rise of nationalist populism in many Western societies has created a backlash against economic and cultural globalization, fueling protectionism across the globe that challenges the EU's free trade model.¹⁰ At the same time, the EU's capacity to address these challenges has been shrinking, exacerbated by the UK's withdrawal from the EU, with its power resources in relative decline (Figure 4.1). More recently, these headwinds have become a perfect storm for the EU, putting three key elements of its liberal vision in jeopardy.

Figure 4.1

The EU's share of key indicators, 2005–2023, percent of global total



Data: Eurostat; SIPRI; IMF; UN. Illustration: Munich Security Conference

Eye of the Storm: Shattered Security Architecture

Russia's war against Ukraine has destroyed Europe's cooperative security architecture, testing "the norm against territorial conquest [...] in the most threatening and vivid way since the end of World War II."¹¹ Europeans have responded to Russia's invasion of Ukraine by delivering weapons and significantly increasing defense spending. The number of European states that are both in the EU and NATO and meet NATO's two-percent target for defense spending has risen from four in 2021 to an estimated 16 in 2024.¹² Yet these increases remain insufficient, given Ukraine's needs and warnings that Russia could expand its war effort into NATO territory within five to

eight years.¹³ Putin's regime is already issuing nuclear threats and launching aggressive hybrid attacks on European countries, including election interference, as recently seen in Moldova, Georgia, and Romania. A Russian victory over Ukraine would embolden Moscow to intensify these attacks and pursue its imperial ambitions across the post-Soviet space.

Compounding the crisis, the new US administration has signaled a potential reduction in security assistance to the continent, forcing Europe to assume a greater share of the burden of deterring Russia and supporting Ukraine. During the presidential campaign, Trump repeatedly suggested reducing aid to Ukraine and claimed he could end the war within 24 hours, raising concerns that Kyiv might be pressured into negotiating from a position of weakness.¹⁵ In January, however, he said that he hoped the war would be over "long before six months."¹⁶ Furthermore, he has made continued US membership in NATO contingent on European nations paying their "fair share," going as far as to demand they spend five percent of GDP on defense.¹⁷ EU member states thus face a triple challenge. First, they have to raise defense spending amid fiscal constraints and increasing domestic backlash. Second, they must overcome the perennial fragmentation of their defense industrial base and significantly deepen cooperation both among themselves and with non-EU European Allies, notably Norway and the UK.¹⁸ Third, they should concretize the promised "ironclad security guarantees" for Ukraine established in the recent joint declaration by multiple European foreign ministers,¹⁹ either by charting a realistic path toward NATO membership or through robust bilateral arrangements.

Economic Thunder: Securitized Interdependence

The global geoeconomic turn threatens to undermine the EU's traditional economic model. The EU has been the exemplar of the post-Cold War era of hyperglobalization. As one of the world's most open economies and the actor with the largest number of trade agreements, the EU has long promoted the WTO (Figure 4.2). In December 2024, after 25 years of negotiations, the EU signed a deal with the South American Mercosur bloc, potentially establishing the world's largest trade zone, which would be an important step in the EU's quest to diversify its trade relations. Yet final ratification is still pending and some key member states remain opposed to the deal. Overall, the EU's role as a champion of free trade and benign economic interdependence is increasingly out of step with the growing securitization of economic relations. The pandemic, rising geopolitical tensions between the US and China, Beijing's increasing economic coercion, and Russia's war on Ukraine have led key international actors to prioritize national security over considerations of economic efficiency.²¹ As a result, the WTO is paralyzed and the specter of a



"A safe Ukraine means a safer Poland, Sweden, Norway, Europe, and the whole West. [...] If Ukraine loses, we all lose."¹⁴

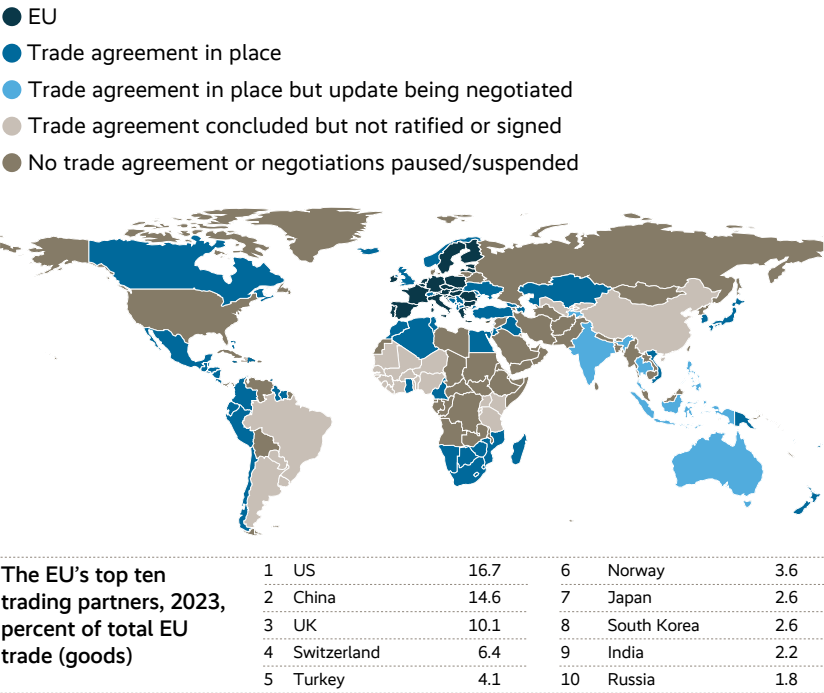
Donald Tusk, Polish Prime Minister, Nordic-Baltic Summit, November 28, 2024



"If we don't spend more together now to prevent war, we will pay a much, much, much higher price later to fight it."²⁰

Mark Rutte, NATO Secretary General, Carnegie Europe, December 12, 2024

Figure 4.2
The EU's trade agreements around the world, 2024



Data: European Commission; Eurostat. Illustration: Munich Security Conference

“policy-led geoeconomic fragmentation” of the world economy into competing blocs looms large.²² These trends are unfolding while the EU is suffering from internal economic woes and sluggish growth. Recent reports identify several causes, including an aging workforce, low productivity growth due to weaknesses in the tech sector, insufficiently integrated capital markets, and inadequate levels of investment.²³

Following Trump’s electoral victory, pressures on the EU’s economic model could escalate. If implemented, Trump’s plans to impose both universal tariffs of ten percent and unilateral tariffs of 60 percent on Chinese goods could lead to trade wars with significant repercussions for European economies. As the US is the EU’s top trade partner, a trade war between them would not only cause considerable welfare losses;²⁴ the US tariffs against China would also divert Chinese goods to the European market, thus intensifying existing tensions over Beijing’s market-distorting practices of flooding the European market with cheap, heavily subsidized exports.²⁵ Economists therefore warn of a “second China shock” that could destroy “Europe’s core industries.”²⁶ In a worst-case

scenario, these trade wars could lead to the breakdown of the WTO, with welfare losses for the EU far exceeding those arising from bilateral trade disputes.²⁷ Amid these challenges, it is imperative that the EU diversifies its trade relations and forges new partnerships with countries of the so-called Global South, though the difficulties in concluding the trade agreement with Mercosur serve as a stark reminder that the EU will, at times, have to make painful concessions.²⁸



“For a very long time, we took [democracy] for granted [...]. But today our democracies are under threat.”³²

Ursula von der Leyen,
European Commission
President, European
Parliament Plenary,
July 18, 2024

Illiberal Winds: Shaking Democratic Foundations

The European model of liberal democracy is facing unprecedented internal contestation, exacerbated by external pressures and interference. Political extremes – especially the far right – have been gaining traction since the early 2000s, a trend underscored by the 2024 European Parliament elections.²⁹ This trend is also taking hold in the European Council and Council, where – at the time of writing – seven governments include far-right parties (Figure 4.3). Austria, where the far-right Freedom Party was tasked with forming a government for the first time in January, could soon join this group. Fragmentation and polarization have also weakened France and Germany, the EU’s two traditional policy drivers. After a crushing defeat in the European Parliament elections, with the far-right National Rally coming in first, French President Emmanuel Macron called a snap election, that resulted in a hung parliament and a center-right minority government led by Michel Barnier. This government was ousted just three months later by a no-confidence vote, leaving complex budget negotiations to the next minority government under

Figure 4.3

Seat distribution in the European Parliament and European Council, 2004–2024, percent



Data: European Parliament; various sources. Illustration: Munich Security Conference

François Bayrou. Meanwhile, Germany's coalition government collapsed in November after months of infighting over the budget, triggering a snap election in February 2025, ahead of which the far right is rising in the polls and a new far-left party could enter the Bundestag.³⁰ Polarization is also contributing to trends of democratic backsliding and rule of law violations in several EU member states, challenging the EU's credibility as a promoter of democracy and universal values abroad.³¹

Divisions between and within member states are further complicating joint decision-making, often resulting in lowest-common-denominator compromises. Unlike trade policy, where qualified majority voting applies, foreign and security policy decisions require unanimity. Hungary's months-long blockade of funds to partially reimburse weapon deliveries to Ukraine is a case in point.³³ Looking ahead, these divisions could stifle ambitions to create major new funding instruments aimed at arresting the EU's economic and military decline. Compounding the challenge, the new US administration could exacerbate internal divisions. Analysts anticipate that the second Trump presidency will embolden illiberal and populist movements in Europe, normalizing and amplifying their rhetoric and policy positions.³⁴ President Trump's preference for bilateral and transactional diplomacy could also prevent a unified stance toward the US, as European states vie for preferential relations.³⁵

Europe's Choice: Brace or Be Blown Away

Europe is facing the most challenging geopolitical situation since the end of the Cold War. Russia's raging war threatens to destroy both Ukraine and the European security order, while geoeconomic tensions and structural economic weaknesses are jeopardizing Europe's prosperity. Meanwhile, internal polarization is undermining the EU's credibility and capacity to act. These pressures are set to intensify with the new US administration, which may reduce its security commitment to Europe, launch trade wars, and embolden populist movements that deepen Europe's internal divisions. The EU and its member states have responded by increasing defense spending and devising economic security strategies. Yet this will not suffice to protect the pillars of the liberal order, especially as the US grows increasingly unwilling to shoulder an unequal burden.³⁶ The extent to which the Trump administration follows through on its announcements will determine whether the EU must recalibrate its relationship with the US or go as far as to emancipate itself from Washington to become a more autonomous pole. Either way, to arrest its decline and reclaim influence, the EU must reinvent itself. This is a herculean task, but if the EU is really made in crisis, this is the time to prove it.



"Our Europe is mortal [...]. It can die, and it all depends on our choices. These choices have to be made now."⁵⁷

Emmanuel Macron,
French President,
Sorbonne University,
April 25, 2024

Key Points

- ① The EU's liberal vision for the international order has been facing headwinds for some time, and these winds have now turned into a perfect storm.
- ② Russia's war against Ukraine has destroyed the cooperative security architecture in Europe and undermined the global norm against territorial conquest.
- ③ The increasing securitization of economic interdependencies around the world is undermining the EU's free trade agenda and risks aggravating Europe's structural economic weaknesses.
- ④ Rising illiberalism and growing polarization are undermining the EU's capacity to act and credibility as a promoter of liberal values abroad.
- ⑤ The new US administration could dramatically intensify these crises by reducing its security commitment to Europe, launching trade wars, and deepening internal divisions.

Quotations originally in British English have been adapted to American English. In some cases, stylistic adjustments were made to quotes.

Endnotes

4 European Union: A Perfect Polar Storm

Suggested citation: Tobias Bunde and Sophie Eisentraut, "Introduction: Multipolarization," in: Tobias Bunde/Sophie Eisentraut/Leonard Schütte (eds.), *Munich Security Report 2025: Multipolarization*, Munich: Munich Security Conference, February 2025, 13–31, <https://doi.org/10.47342/EZUC8623-1>.

1. For instance, Germany's first National Security Strategy, published in 2023, notes: "We are living in an era that is increasingly multipolar and marked by rising systemic rivalry." See The Federal Government, "Robust. Resilient. Sustainable: Integrated Security for Germany," Berlin, 2023, <https://perma.cc/BW4U-K8PE>, 23.
2. See, for instance, then-EU High Representative for Foreign Affairs and Security Policy Josep Borrell: "Over the last three decades, we have seen a rapid transformation in the distribution of power around the world. We went from a bipolar configuration between 1945 and 1989 to a unipolar configuration between 1989 and 2008, before entering in what we today could call 'complex multipolarity.'" Josep Borrell, "Multipolarity Without Multilateralism," Brussels: European External Action Service, September 24, 2023, <https://perma.cc/Y9FU-KGPA>.
3. Jo I. Bekkevold, "No, the World Is Not Multipolar," *Foreign Policy*, September 22, 2023.
4. Ministry of External Affairs of the Government of India, "Remarks by External Affairs Minister, Dr. S. Jaishankar at the BRICS Outreach Session in Kazan," New Delhi: Ministry of External Affairs of the Government of India, October 24, 2024, https://www.mea.gov.in/Speeches-Statements.htm?dtl/38461/Remarks_by_External_Affairs_Minister_Dr_S_Jaishankar_at_the_BRICS_Outreach_Session_in_Kazan.
5. For an overview of various definitions of "polarity" and a summary of the literature, see Goedele de Keersmaecker, *Polarity, Balance of Power and International Relations Theory: Post-Cold War and the 19th Century Compared*, Cham: Palgrave Macmillan, 2016, as well as Nina Græger et al. (eds.), *Polarity in International Relations: Past, Present, Future*, Cham: Palgrave Macmillan, 2022.
6. For a discussion of the literature, see Keersmaecker, *Polarity, Balance of Power and International Relations Theory*, 30–34. A key point of contention relates to the question of whether a state needs to excel in all crucial sectors to be considered a great power or whether it is sufficient to be strong in some. In a classic formulation, Kenneth Waltz maintained: "The economic, military, and other capabilities of nations cannot be sectorized and separately weighed. States are not placed in the top rank because they excel in one way or another. Their rank depends on how they score on all of the following items: size of population and territory, resource endowment, economic capability, military strength, political stability and competence." See Kenneth N. Waltz, *Theory of International Politics*, Boston: McGraw-Hill, 1979, 131.
7. "To Paris, U.S. Looks Like a Hyperpower," *International Herald Tribune*, February 5, 1999.
8. Stephen G. Brooks and William C. Wohlforth, "The Myth of Multipolarity: American Power's Staying Power," *Foreign Affairs* 102:3 (2023), 76–91, 78. Also see Michael Beckley, *Unrivaled: Why America Will Remain the World's Sole Superpower*, Ithaca: Cornell University Press, 2018; Stephen G. Brooks and William C. Wohlforth, "The Once and Future Superpower: Why China Won't Overtake the United States," *Foreign Affairs*, April 13, 2016.
9. SIPRI estimates are higher than official Chinese figures, but do not inflate the Chinese budget as some other recent estimates have done. For an overview of the debate on assessing Chinese military spending, see M. Taylor Fravel, George J. Gilboy, and Eric Heginbotham, "Estimating China's Defense Spending: How to Get It Wrong (and Right)," *Texas National Security Review* 7:3 (2024), 40–54, <https://doi.org/10.26153/tsw/54043>. Similar to SIPRI, the authors estimate that Chinese defense spending amounts to around 36 percent of comparable US defense spending in 2024.
10. For a recent overview of the overseas bases, see Congressional Research Service, "U.S. Overseas Basing: Background and Issues for Congress," Washington, DC: Congressional Research Service, July 10, 2024, <https://perma.cc/W2BW-348K>.
11. Andrea Gilli and Mauro Gilli, "Why China Has Not Caught Up Yet: Military-Technological Superiority and the Limits of Imitation, Reverse Engineering, and Cyber Espionage," *International Security* 43:3 (2019), 141–189, https://doi.org/10.1162/ISEC_a_00337.
12. Felix Gerding and Jonathan S. Hartley, "De-Dollarization? Not So Fast," *Economic Letters* 238 (2024), <https://doi.org/10.1016/j.econlet.2024.111665>.
13. Although its dominance has decreased, 57 percent of the allocated reserves are in US dollars, while only 20 percent are in euros, almost 6 percent in Japanese yen, and close to 5 percent in pounds sterling – all currencies of US allies. The Chinese renminbi accounts for just a little more than 2 percent. See International Monetary Fund, "Currency Composition of Official Foreign Exchange Reserves (COFER)," Washington, DC: International Monetary Fund, December 20, 2024, <https://perma.cc/45FL-A7GT>.
14. Paulo Nogueira Batista Jr., "BRICS Financial and Monetary Initiatives – the New Development Bank, the Contingent Reserve Arrangement, and a Possible New Currency," Sochi: Valdai Discussion Club, October 3, 2023, <https://perma.cc/H6K6-PL9A>.
15. Pål Røren, "Unipolarity Is Not Over Yet," *Global Studies Quarterly* 4:2 (2024), <https://doi.org/10.1093/isagsq/ksae018>, 2.
16. "Trump Says Ukraine Peace Talks Could Begin Soon After Taking Office," *Radio Free Europe*, January 7, 2025.
17. Joshua Posener et al., "Trump Tells Allies to Spend 5 percent of GDP on Defense," *Politico*, January 8, 2025.
18. Nicole Koenig, Leonard Schütte, Natalie Knapp, Paula Köhler, Isabell Kump, and Jintro Pauly, "Defense Sitters: Transforming European Militaries in Times of War," Munich: Munich Security Conference, Special Edition of the Munich Security Report, June 2023, <https://doi.org/10.47342/LIHA9331>.
19. Foreign Ministers of Germany, France, Italy, Poland, Spain, the United Kingdom, and the High Representative of the European Union for Foreign Affairs and Security Policy, "Joint Declaration," Paris: Ministry for Europe and Foreign Affairs, December 12, 2024, <https://perma.cc/SEPZ-M45U>.
20. Mark Rutte, "To Prevent War, NATO Must Spend More," Brussels: Carnegie Europe, December 12, 2024, <https://perma.cc/2QGQ-UG2Q>.

21. Leonard Schütte, "Economics: Trade Off," in: Tobias Bunde/ Sophie Eisentraut/Leonard Schütte (eds.), *Munich Security Report 2024: Lose-Lose?*, Munich: Munich Security Conference, February 2024, 79–85, <https://doi.org/10.47342/BMQK9457>.
22. Petros C. Mavroidis and Andre Sapir, "Key New Factors Likely to Shape the EU's Trade Agenda in the Next Five-Year Term," Brussels: European Parliament, Briefing: Requested by the INTA Committee, April 2024, <https://perma.cc/6A67-4VZ5>; Shekhar Aiyar, Andrea Presbitero, and Michele Ruta (eds.), *Geoeconomic Fragmentation: The Economic Risks From a Fractured World Economy*, Paris: Centre for Economic Policy Research, 2023.
23. Mario Draghi, "The Future of European Competitiveness: A Competitiveness Strategy for Europe," Brussels: EU, September, 2024, <https://perma.cc/68GP-XHXA>; Enrico Letta, "Much More Than a Market: Empowering the Single Market to Deliver a Sustainable Future and Prosperity for all EU Citizens," Brussels: European Council, <https://perma.cc/N5JF-4XSF>.
24. Gabriel Felbermayr, Julian Hinz, and Rolf J. Langhammer, "US Trade Policy After 2024: What Is at Stake for Europe?," Kiel: Kiel Institute for the World Economy, Kiel Policy Brief 178, October 2024, <https://perma.cc/5F8X-CNSM>.
25. Carlo Martuscelli, "A Trump Trade War 2.0 Will Be Worse Than the First for Europe," *Politico*, October 31, 2024.
26. Gustav Theile and Patrick Welter, "'Der China-Schock zerstört Europas Kernindustrie': Ökonom im Interview," *Frankfurter Allgemeine Zeitung*, September 4, 2024.
27. Felbermayr, Hinz, and Langhammer, "US Trade Policy After 2024."
28. Arthur Leichthammer and Elvire Fabry, "The EU's Art of the Deal: Shaping a Unified Response to Trump's Tariff Threats," Berlin: Jacques Delors Institute, Policy Brief, December 19, 2024, <https://perma.cc/P58J-TWPB>.
29. Max Becker and Nicolai von Ondarza, "Divided but Dangerous: The Fragmented Far-Right's Push for Power in the EU After the 2024 Elections," Berlin: SWP, SWP Comment 44, October 1, 2024, <https://doi.org/10.18449/2024C44>.
30. Wilko Zicht and Matthias Cantow, "Sonntagsfrage Bundestagswahl," *Wahlrecht.de*, January 2024, <https://perma.cc/UN2L-F8TJ>.
31. Anna Gora and Pieter de Wilde, "The Essence of Democratic Backsliding in the European Union: Deliberation and Rule of Law," *Journal of European Public Policy* 29:3 (2020), 342–362, <https://doi.org/10.1080/13501763.2020.1855465>.
32. Ursula von der Leyen, "Statement at the European Parliament Plenary by President Ursula von der Leyen, Candidate for a Second Mandate 2024-2029," Brussels: European Parliament, July 18, 2024, <https://perma.cc/U28U-HT6G>.
33. Maria Psara, "What Is the European Peace Facility and Why Hungary Is Blocking the Disbursements to Ukraine," *Euronews*, October 14, 2024.
34. Sophie Tanno, "Europe's Far Right Feels Emboldened by Trump's Win but It Could Be Short-Lived," *CNN*, December 1, 2024.
35. Ian Bond et al., "Can Europe Navigate Trump 2?," London: Centre for European Reform, Insight, November 8, 2024, <https://perma.cc/4HVD-3S3V>.
36. Hal Brands, "An 'America First' World: What Trump's Return Might Mean for Global Order," *Foreign Affairs*, May 27, 2024.
37. Emmanuel Macron, "Europe – It Can Die: A New Paradigm at the Sorbonne," Paris: Sorbonne, April 26, 2024, <https://perma.cc/C4NY-S364>.