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Governing Economic Security

Challenges and ways forward
for the EU and its member states

The EU's push for economic security leaves the union with a governance dilemma. Greater centralized market steering appears necessary but member states are unlikely to confer such authority on the Commission. This analysis proposes possible ways forward: new channels for involving member states in agenda-setting, alongside capacity-building in smaller coalitions of countries.

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Summary

Economic security has rapidly become a top priority for the EU as the US and China increasingly use their dominant position in the international economy to coerce smaller actors, making dependence a source of risk and vulnerability. However, enhancing the security of a market co-owned by 27 member states is no easy task.

This analysis pinpoints a governance dilemma at the heart of the EU's economic security agenda and advances two novel arguments regarding its causes:

1. The agenda entails a new kind of EU integration that is less win-win than in the past. Drawing on game-theory, the analysis argues that economic security requires stronger centralized steering to forge collaboration and prevent defection from agreed solutions.
2. In response, the Commission is developing economic incentives to encourage collaboration among firms and member states. Seen through the lens of EU integration theory, this marks a shift from "rules-based" to "capacity-based" governance and is likely to trigger resistance and control instincts among member states.

The analysis concludes that the EU should adapt its responses to its governance strengths, seeking to enhance economic security based on rules and international trade, and keeping integration as win-win as possible. Meanwhile, it could encourage coalitions of member states that are willing and able to develop the strategic capacities needed to reinforce Europe's economic security.

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The opinions expressed in this publication are those of the author.

Introduction

Economic security has emerged as a top political priority in Europe and beyond. The reasons are closely linked to a fundamentally altered international context, as great powers, notably the US and China, act to enhance their relative strength vis-à-vis their rivals, often with limited regard for international law. These actors are increasingly using the international economy to generate power hierarchies and pressurize smaller actors, turning interdependence into a source of vulnerability.¹ This has left the European Union, which historically evolved in close interaction with the rules-bound international order and based on the premise of open trade, scrambling to reduce the risks of economic coercion and strengthen its autonomy in sensitive sectors – particularly critical technologies, energy, digital services and critical raw materials. The EU's economic security agenda is likely to have profound and long-lasting implications, shaping the balance between free markets and public intervention, as well as the relationship between the EU and the national level.

This analysis focuses on the EU's *governance* of economic security. The aim is not to evaluate the magnitude of security risks or the economic effects of the EU's different policies. Instead, the analysis seeks to deepen understanding of the governance challenges raised by the economic security agenda and identify ways for the EU to address these.² Governance is defined here as the process of steering society to achieve collective goals.³

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Governance is crucial because the economic security agenda involves a particularly demanding type of collective action: steering markets away from the main highways of the global economy, many of which lead to dependencies on the US and China, and instead encouraging new and more narrow pathways, including by sourcing and producing in Europe. The analysis argues that this steering is likely to intensify tensions in the EU's governance, raising fundamental questions about its ability to make joint decisions, given its composite and decentralized structure as a union of 27 states which are all keen to retain control in areas of core state power, such as security.

The current debate on governance seems focused on finding different ways to centralize decision making. The European Commission's 2023 strategy on economic security did not propose institutional change but instead focused on describing security risks and conceptualizing the EU's response in three pillars: promotion, protection and partnership.⁴ In its December 2025 communication on strengthening economic security, however, the Commission calls for a “paradigm shift” towards an “integrated, whole-of-government and business approach”.⁵ Key elements of the suggested approach involve combining enhanced risk assessment capacity with moves towards more centralized decision making, based on tighter coordination among member states and industry.⁶ These calls align with recommendations by policy experts who advocate more centralized structures for economic security governance, often in the form of an economic security council.⁷

¹ Farrell, H., & Newman, A. L. (eds) (2021), *The uses and abuses of weaponized interdependence*. Bloomsbury Publishing USA.

² The Commission's agenda is described in two key communications: on European economic security strategy, JOIN(2023) 20 and on Strengthening EU economic security, JOIN(2025) 977. Both documents focus mainly on what has been defined as “external economic security risks”, see Pisani-Ferry, J., Weder di Mauro, B., & Zettelmeyer, J. (eds) (2024), “Paris Report 2: Europe's Economic Security”, CEPR Press, Paris & London.

³ Peters, B. G. (1996), *The future of governing: Four emerging models*. Lawrence, KS: University Press of Kansas.

⁴ European Commission (2023), On “European economic security strategy” JOIN(2023) 20.

⁵ European Commission (2025), Strengthening EU economic security, JOIN(2025) 977.

⁶ For instance, the Commission wants to create a regular venue for national economic security advisers responsible for cross-government coordination of economic security, establish a centre of expertise on research security and bring together a trusted adviser group drawn from EU business representatives.

⁷ Gehrke, T., & Medunic, F. (2024), Fortune favours the bold: Upgrading the EU's geoeconomic strategy. ECFR; Alcidi, C. (2025), EU Economic Security: Confronting the dual challenge of China and the US. CEPS; Kribbe, H., & van Middelaar, L. (2025), The EU needs an Economic Security Council. *Internationale Politik Quarterly*, Sep 20; Folkman, V. et al. (2025), From firefighting to strategy: How the EU's new economic security doctrine can deliver. European Policy Centre.

“How can the EU move towards stronger centralized market steering while accommodating the demands of 27 member states for continued control, without generating severe inefficiencies?”

This analysis interprets the drivers and implications of this shift towards more centralized steering and explains why it is unlikely to succeed in achieving its objectives. It draws on insights and concepts from game theory and EU integration theory, and illustrates the dynamics based on topical examples of policies pursued as part of the economic security agenda.

Specifically, the analysis brings out a fundamental dilemma. On the one hand, the economic security agenda is driven by an imperative to adapt to a transforming world order, which requires enhanced steering of markets to ensure a strong and collective EU response to economic security risks. At the same time, however, there is a need to ensure that member states are on board, as their support is required to ensure the legitimacy and effective implementation of the economic security agenda. This raises the question: How can the EU move towards stronger centralized market steering while accommodating the demands of 27 member states for continued control, without generating severe inefficiencies?

The key drivers of this dilemma are analysed in terms of two main shifts. Section 1 uses game theoretical lenses to highlight how great power struggles and the economic security agenda are shifting the “nature of the game”, generating a need for stronger steering compared to traditional internal market integration. Section 2 draws on EU integration theory to demonstrate that the Commission’s response to this need – its attempts to build new EU capacities – is likely to trigger resistance from member states wishing to retain control. Section 3 concludes by discussing solutions to the identified dilemma. In contrast to calls for more centralized governance, it suggests that member states need to be closely involved in shaping the EU’s economic security agenda. It argues that a boosted senior-level network for economic security could ensure that EU action remains as win-win as possible while also facilitating collaborations in smaller groups of capacity-rich member states and industry actors. Shifting certain types of demanding collaboration to smaller groups of well-aligned actors could potentially alleviate the governance dilemma while still generating capacities that benefit all EU member states.

1. The nature of the game: from win-win to win-lose

For several decades, global markets evolved with relatively little concern for geopolitical economic security risks. The prevailing assumption was that actors would pursue win-win solutions based on open trade while broadly conforming to the norms upheld by the rules-based international order. We are now moving towards a geoeconomic world order in which dominant players with large domestic markets and control over natural resources, such as the US and China, use economic tools to carve out geographical spheres of influence.⁸

While this change in the international order is well known, the original argument made in this section is that the EU’s response to this development has fundamental implications for its internal decision making, leaving it more challenging and conflict-ridden. To highlight this point in simplified game-theoretical terms, it argues that the economic security agenda can be seen to have moved a significant share of policymaking from “coordination games” – policy issues where interests are not inherently conflicting – to “collaboration games”, which are characterized by more directly conflicting interests, where incentives for

⁸ Roberts, A., Choer Moraes, H., & Ferguson, V. (2019), Toward a geoeconomic order in international trade and investment. *Journal of International Economic Law*, 22(4), 655–676.

individual short-term gain conflict with collective aims.⁹ This, in turn, creates a functional need for stronger, centralized steering – a need for which there is no simple solution in terms of governance.

1.1 How the economic security agenda differs from the EU’s traditional market steering

The EU’s historic integration generated benefits for a broad range of actors, both private and public sector. Efforts to dismantle national regulatory barriers benefited private sector actors by granting access to a vast internal market, while member states gained through increased growth. At the same time, this market integration was often achieved through joint, stringent rules in areas such as sustainability and consumer protection, which aligned with the preferences of public interest actors. All major strands of EU integration theory agree that this broad alignment between public and private sector interests was a fundamental driver and enabler of integration.¹⁰ The EU’s overarching aim of generating a “competitive social market economy” (art. 3, TEU) enjoyed the support of key societal factions and stakeholder groups, and united the member states.¹¹

The EU’s external action further reinforced these win-win dynamics, as the union used its market power to secure access to foreign markets while also extending EU rules abroad.¹² In this way, the EU supported market access for private sector actors while contributing to the management of globalization, which appealed to public interest actors.¹³ In some cases, international firms voluntarily applied EU rules even beyond EU borders based on the expectation that it would generate access to other markets – a phenomenon known as the “Brussels effect”.¹⁴

Great power struggles on the international scene have changed the nature of the game, as great powers shift from seeking absolute gains through cooperation to enhancing their relative gains vis-à-vis geopolitical rivals. This shift is most directly visible in the international arena, where the Brussels effect and other soft mechanisms of rule diffusion weaken as great powers such as the US and China increasingly “go it alone”, for instance by increasing tariffs and reducing efforts to coordinate market rules internationally.¹⁵ At the same time, new tensions have emerged within the EU, as it seeks to strengthen economic security, in particular in relation to the US and China.

“... the Brussels effect and other soft mechanisms of rule diffusion weaken as great powers such as the US and China increasingly ‘go it alone’ ...”

⁹ On these terms, see Stein, A. A. (1982), Coordination and collaboration: regimes in an anarchic world. *International organization*, 36(2), 299–324. The key difference is that *coordination games* have stable pareto-optimal outcomes: “once established, the regime that makes expectations converge and allows the actors to coordinate their actions is self-enforcing; any actor that departs from it hurts only itself” (112–313). *Collaboration games* have no such stable equilibrium outcome as each actor has self-interested incentives to defect from the regime.

¹⁰ While functionalist theory usually stresses that transnational firms generated a functional need for integration, which triggered various spillover effects, intergovernmental theories usually stress that bottom-up pressure from market interests influenced decision making through national preference formation. Some theories also highlight how the Commission “played the market” by strategically communicating the wins for private sector actors and public sector actors, see Jabko, N. (2017), *Playing the market: A political strategy for uniting Europe, 1985–2005*. Cornell University Press.

¹¹ Of course, the exact degree of societal support varies over time. Indeed, some understand the EU as an evolving compromise between competing societal factions orchestrated by EU institutions, see Schmitz, L., & Seidl, T. (2023), *As open as possible, as autonomous as necessary: Understanding the rise of open strategic autonomy in EU trade policy*. *JCMS: Journal of Common Market Studies*, 61(3), 834–852.

¹² When the EU adopted stringent internal rules, it often complemented these with policies encouraging others to adopt similar standards through extraterritorial regulation, regime vetting and international agreements. This meant that international trade was, to a considerable extent, conducted on the EU’s terms. See Jarlebring, J. (2024), *The European Union’s market power: Techniques, constraints and implications for external action* (Doctoral dissertation, Acta Universitatis Upsaliensis).

¹³ Jacoby, W., & Meunier, S. (2010), Europe and the management of globalization. *Journal of European Public Policy*, 17(3), 299–317.

¹⁴ Bradford, A. (2020), *The Brussels effect: How the European Union rules the world*. Oxford University Press.

¹⁵ Coordinating market rules was never a smooth exercise, as shown by Krasner, S. D. (1991), *Global communications and national power: Life on the Pareto frontier*. *World politics*, 43(3), 336–366. However, as Drezner argues, international regime building was often enabled by converging domestic regimes in the US and Europe. See Drezner, D. W. (2008), *All politics is global: Explaining international regulatory regimes*. Princeton University Press.

While the economic security agenda is broad and diverse, three kinds of policies illustrate this point. First, to reduce the risk of foreign coercion, the EU is developing instruments to control incoming and outgoing flows of goods, services and investment, and to protect critical infrastructure. Second, to enhance its autonomy and resilience, the EU is setting objectives to enhance its production in critical sectors (see fact box 1). Third, the EU is seeking greater control over sensitive information, to detect risks, identify “counter-dependencies” and reduce “technology leakage”. While all these aims are often framed in general terms, they primarily address specific cases of unwanted exposure to either the US or China.¹⁶

Fact box 1: Quantitative EU aims relating to domestic EU capacities and production

The Critical Raw Materials Act (2023) contains quantitative aims for EU capacities along the value chain (extraction, processing, recycling, import diversification).

The Chips Act (2023) is linked to an EU objective to have a 20% share of the global market by 2030.

The **NetZero Industry Act** (2023) includes a binding benchmark objective of at least 40% domestic manufacturing capacity of key netzero technologies.

In defence, the **Security Action for Europe** (SAFE) regulation (2025) requires member states using joint borrowing to ensure that components produced outside the EU, EEA-EFTA and Ukraine do not exceed 35% of the total cost of the end product.

The Industrial Accelerator Act, proposed in March 2026, will set minimum “made in the EU” requirements for public procurement and subsidy schemes in sectors such as aluminium, concrete and mortar, net-zero technology and electric vehicles. For instance, for electric vehicles benefiting from such schemes, at least 70% of the value of non-battery components must be produced in the EU.

Further aims are expected to be included in public procurement reform and the **Cloud and AI Development Act**, scheduled to be announced in early 2026.

“In contrast to traditional EU integration, which expanded markets, these new policies aim to restrict markets.”

In contrast to traditional EU integration, which expanded markets, these new policies aim to restrict markets. Firms are increasingly being asked to source production in Europe and refrain from engaging in risky investments and trade relationships, and to keep sensitive information from the EU’s geopolitical rivals while sharing this information with public authorities. These are substantial demands, especially to the extent that market actors are expected to limit cooperation with China and the US, which lead on many technologies, have large and attractive internal markets and host the vast majority of large multinational firms. As the European Commission itself notes, “...the EU, its Member States and industry will increasingly need to be ready to accept economic costs for the benefit of reduced vulnerabilities and enhanced overall security”.¹⁷

1.2 Implications for governance: the challenge of ensuring collaboration

The governance implications can be clarified using insights from game theory. Scholars have argued that the EU’s traditional governance of markets generally reflects “coordination games”, in which actors’ interests are not inherently conflicting.¹⁸ In practice, the European

¹⁶ European Commission (2025), Strengthening EU economic security. JOIN(2025) 977.

¹⁷ Ibid. For instance, the Commission argues that “business must become more resilient and diversity their critical supply chains, notably by eliminating a complete reliance on a single high-risk supplier. It is also crucial to integrate in their business models the costs that come with greater diversification recognising the benefit that resilience to geopolitical risks brings.” (p.12).

¹⁸ See for instance Garrett, G. (1992), International cooperation and institutional choice: the European Community’s internal market. *International Organization*, 46(2), 533–560.

Commission's role has often been to help member states select one among many mutually beneficial options (for instance, different regulatory standards), frequently with the support of market actors, and then to defend the agreed rules internally and externally. In coordination games, there is only a limited need for strong enforcement. Once a standard for a particular product or service is set, it makes economic sense for market actors (and member states) to apply it, as exemplified by the Brussels effect.

“... individual actors may have incentives to pursue short-term individual gains in ways that undermine the collectively optimal choice.”

By contrast, it can be argued that decision making on the economic security policies described above corresponds more closely to so-called collaboration games. These represent a different type of collective action problem, where underlying interests are less well aligned. The most famous example is the “prisoner’s dilemma” (see fact box 2), which demonstrates analytically that individual actors may have incentives to pursue short-term individual gains in ways that undermine the collectively optimal choice. Resolution of collaboration games requires either a great deal of trust among the parties or the generation of systems for controlling “defection” and incentivizing sticking to the collective line. Defection is particularly likely if there are many parties and when incentives to defect are strong.¹⁹

Fact box 2: The prisoner’s dilemma

The prisoner’s dilemma is a classic thought experiment in game theory that shows how two rational individuals might fail to cooperate even when it is in both of their best interests. In the scenario, two prisoners are questioned separately, and each has the choice to either betray the other or stay silent. If both stay silent, they receive light sentences; if one betrays while the other stays silent, the betrayer goes free while the silent one gets a harsh punishment; if both betray, they both receive moderate sentences. The dilemma highlights how self-interest and lack of trust can lead to outcomes that are worse for everyone, making it a powerful model for understanding cooperation, competition and decision making in politics, economics and everyday life.

Seen from this game-theoretical perspective, the relevant “collective choice” in economic security policy is action to ensure that the EU cannot be coerced or otherwise undermined by foreign great powers. Achieving this aim requires collaboration by a large number of actors, including major private sector firms and EU member states. Defection, meanwhile, amounts to actions that undermine that aim. For instance, when it comes to the EU’s objective to increase Europe’s share of production in specific markets (see fact box 1), defection might consist of firms and member states continuing to source products or services from outside Europe or abstaining from investing in European production capacity. A specific example of such de facto defection is the case of semi-conductors. The European Court of Auditors notes that the EU is far from reaching its target of producing 20% of global semiconductors because “the resources and the success of the strategy largely rely on member states’ actions [and] investments of the private sector...”²⁰ Many of these parties have considerable economic incentives to continue to source chips from or collaborate with the US and Chinese firms that have come to dominate the global chips value chains, largely through active industrial policies.²¹

¹⁹ It should be noted that the aim here is not to apply game theory formally. There are many kinds of collaboration games beyond the prisoner’s dilemma (for instance “the Tragedy of the Commons”), and these are always highly simplified models that never fit perfectly with real-world cases. The point here is merely to highlight the basic distinction between coordination and collaboration games, and use empirical examples to illustrate how these concepts may be used to understand the economic security agenda. For further reading, see for instance Stein, A. A. (1982), Coordination and collaboration: regimes in an anarchic world. *International organization*, 36(2), 299–324.

²⁰ European Court of Auditors (2025), [The EU’s strategy for microchips](#).

²¹ Bown, C. P., & Wang, D. (2024), Semiconductors and Modern Industrial Policy. *Journal of Economic Perspectives* 38(4): 81–110.

Indeed, there are often particularly strong incentives to source production in the US and China, given their dominance in the relevant markets, and the fact that these actors might require de facto defection from the EU line as a condition for market access or take direct action to undermine joint EU efforts. The latter problem is illustrated by recent developments in the raw materials domain. While the Commission is negotiating a raw materials agreement with the USA, the US side has made bilateral offers to individual member states, effectively seeking to weaken the EU's collective negotiating position.²² According to the EU's competitiveness guru, former prime minister of Italy Mario Draghi, the EU risks being "picked off one by one by China and the US".²³

1.3 No simple governance solution

The shifting "nature of the game" described above is the main trigger of the governance dilemma that this paper seeks to describe. With so many actors involved, many of which have strong incentives to defect, ensuing collaboration would seem to require significantly stronger and more centralized market steering to strengthen the EU-level's capacity to prevent defection (e.g. to neutralize US leverage over 27 separate member states). In this vein, Draghi recommends moving towards what he calls "pragmatic federalism", which essentially implies entrusting the European Commission with more power.

This is easier said than done. First, as is discussed further below, it is unlikely that member states would agree to grant the Commission sufficient powers to the extent that it implies ceding control in areas of core state competences. Second, the EU's economic security agenda is plagued by fundamental difficulties in articulating the best collective choice. Member states (and firms) have different preferences depending on the industry and the degree of embeddedness in the global economy, and these shape their perceptions of risk and mitigation strategies. This generates a difficult and ongoing debate about whether the EU should strive for "de-coupling" or "de-risking", "autonomy" or "resilience", "buy in Europe" or "buy with Europe". These difficulties are compounded by the fact that threats change over time, sometimes quite rapidly,²⁴ and that the aims of enhancing autonomy and restricting technology leakage often stand in opposition to the aim of enhancing productivity.²⁵

In sum, centralizing decision making would require a great deal of faith in the EU's capacity to agree on a joint line and to enforce this over time while remaining cohesive. If the Commission's traditional role centres on helping member states to select win-win solutions with considerable support from market actors, centralization would require the Commission to step up as an executive power in order to implement political, redistributive decisions against the (short-term) interests of the market and some member states. Such a move from the current consensus norm would be difficult, given that the Commission's legitimacy is traditionally seen as resting on its ability to define efficient win-win solutions. The Commission has very limited democratic (input) legitimacy independent of member states.²⁶ As section 2 demonstrates, however, a shift in the Commission's role is already well under way.

"... the aims of enhancing autonomy and restricting technology leakage often stand in opposition to the aim of enhancing productivity."

²² Interview in Brussels.

²³ Foy, H., & Tamma, P. "Mario Draghi calls for EU 'federation' to avoid being picked off by US and China". Financial Times, 2 February 2026.

²⁴ Five years ago, resilience against pandemics was top of the agenda, while the memory of the financial crises still lingered. Since then, the focus has rapidly shifted to foreign coercion, first from China (e.g. critical raw materials) and more recently from the US (e.g. digital services).

²⁵ As the European Court of Auditors notes regarding the chips act "industry stakeholders and national authorities express concerns that export controls in the EU and other parts of the world may significantly impact the EU's semiconductor industry, disrupting global supply chains and limiting access to critical materials and advanced technology. Such restrictions raise production costs, delay access to equipment and affect EU competitiveness." European Court of Auditors (2025), [The EU's strategy for microchips](#).

²⁶ While the Commission is accountable to the European Parliament and the Council, member states still control the nomination power and appoint "their" commissioner.

2. The shift towards capacity-based governance

This section highlights how the Commission is developing new steering instruments to enhance its capacity to manage the collaboration challenges described above. Traditionally, the Commission's toolbox for market governance has centred on proposing and enforcing rules, hence the conventional characterization of the EU as a "regulatory state".²⁷ Recently, however, the Commission has moved towards a new kind of steering, based on EU-level capacities to carry out an active industrial policy. While this shift is embedded in a broader competitiveness agenda, the economic security agenda is an increasingly central driver.

Theoretically, this can be understood as a fundamental shift from rules-based to capacity-based governance, a distinction developed by Philipp Genschel and Markus Jachtenfuchs, professors at the European University Institute in Florence and the Hertie School of Governance in Berlin. They argue that "rules and capacities both enable governance but in fundamentally different ways". Rules "facilitate decentralized co-ordination by defining standard ways of doing things. They tell actors what to do and how to do it". Capacities, by contrast, "enable governance actors to mobilize the material resources of society for common purposes. They constitute the core powers of the state: no sovereign state without coercive, fiscal and administrative resources".²⁸

"... member states are likely to seek to resist or co-opt the EU's new toolbox, which further sharpens the governance dilemma."

This section demonstrates that the key new "capacity" being developed is EU-level funding for enhanced resilience and autonomy. While this funding is still relatively limited, the Commission aspires to use it in combination with regulatory instruments to incentivize specific national-level and industry-level funding of industrial policy, ultimately to shape broader industrial capacities. However, driving large-scale investments in security-sensitive areas would move the EU close to core state power. This means that member states are likely to seek to resist or co-opt the EU's new toolbox, which further sharpens the governance dilemma.

2.1 The instruments and implications of the new capacity-based steering

The Commission articulates its overarching ambition in relation to capacity-based steering in its December 2025 communication on strengthening EU economic security. In general terms, it wishes to "play to the EU's strengths in terms of [...] the unparalleled weight of the EU's single market, our technological and industrial capabilities as well as access to EU funding programmes". Specifically, it intends to "incentivise in its funding activities projects that support the EU's economic security".²⁹

A principal implementation instrument is the proposed European Competitiveness Fund (ECF), with a total envelope of €234 billion for the period 2028–2034.³⁰ The ECF aims to increase European competitiveness by, inter alia, "reducing or preventing the Union's strategic dependencies, and reinforcing the Union's resilience, and economic security, including through diversifying sources and markets, support to ramp up European production of strategic technologies and creating, strengthening and protecting critical Union value chains and infrastructure" (art. 3, ECF-regulation). The ECF will be

²⁷ Majone, G. (1994), The rise of the regulatory state in Europe. *West European Politics*, 17(3), 77–101.

²⁸ Genschel, P., & Jachtenfuchs, M. (2025), Capacity-Building and the New Intergovernmentalism. *JCMS: Journal of Common Market Studies*. "Rules refer to laws, regulations, norms and standards of behaviour that co-ordinate actions and expectations in a society. Capacities refer to money, staff, equipment and other material resources that allow governance actors to produce public goods and services on society's behalf."

²⁹ European Commission (2025), Strengthening EU economic security JOIN(2025) 977 final. p. 4.

³⁰ See Jarlebring, J. (2025), One Fund to Rule Them All. An analysis of the proposed competitiveness fund. 2025:13epa, Swedish Institute for European Policy Studies (SIEPS).

“Beyond EU-level funding, the Commission also aims to steer national investments.”

complemented by sectoral initiatives, which “will be used to build up the EU’s own capacity and strategic capabilities in high-risk areas”.³¹ Specifically, the Commission pledges to “incentivise companies to reduce dependencies in emerging technology areas as part of the upcoming Chips Act 2.0, Quantum Act, Cloud and AI Development Act [...] the Commission Strategy on Open Source” and the Advanced Materials Act.³²

Beyond EU-level funding, the Commission also aims to steer national investments. A central instrument is set to be the upcoming Competitiveness Coordination Tool (CCT),³³ which is intended to align national industrial policies with EU-funded initiatives and “include an economic security component for key strategic sectors”.³⁴ Additional initiatives involve reforming public procurement to introduce “European preference” criteria in strategic sectors.³⁵ For instance, the recently proposed Industrial Accelerator Act (IAA) sets “made in the EU” requirements for certain materials used in publicly supported projects.³⁶

Taken together, these initiatives would strengthen the Commission’s capacity to incentivize collaboration on the economic security agenda, by forging agreement on difficult collective choices and reducing the risk of defection (on these terms, see section 1).

First, they would enable direct intervention in markets – through, for instance, grants, guarantees, equity instruments and “buy European” schemes – to encourage collaboration on autonomy and resilience objectives. The proposed ECF regulation grants the Commission broad discretion on allocating funding, which is likely to be further developed by sectoral legislation. For example, the proposed Biotech Act envisages a central role for the Commission in identifying high-impact strategic projects aimed, among other things, at reducing dependencies on third-country suppliers (art. 3–4). Similarly, the proposed IAA regulation delegates considerable power to the Commission to specify products, materials and third countries to be covered by “made in the EU” requirements (recital 59). The CCT and additional procurement reforms could further expand this intervention capacity, although their precise mechanisms are still to be defined.

Second, they may allow the Commission to incentivize firms and member states to share sensitive information and manage the risks of technology leakage.³⁷ The ECF, for instance, allows funding to be conditioned on transfer restrictions and supply requirements (art. 10, ECF-regulation). Meanwhile it entrusts advisory roles to a “strategic stakeholder board” and “observatory of emerging technologies”, which could enhance the Commission’s ability to access sensitive information on dependencies and other vulnerabilities.³⁸

³¹ Communication on Strengthening EU economic security JOIN(2025) 977 final. p. 4.

³² Ibid, p. 17. See also Commission’s website: [Towards the Advanced Materials Act - Research and innovation](#).

³³ Miller C., et al. (2025), The Competitiveness Coordination Tool, Friedrich Ebert Stiftung.

³⁴ Communication on Strengthening EU economic security JOIN(2025) 977 final. p. 16.

³⁵ Ibid., p. 4.

³⁶ Besides an overall aim to increase manufacturing’s share of EU GDP to 20%, the act sets quantitative “made in EU” requirements for public procurement in selected sectors such as steel, cement, aluminium, automotive, and net-zero technologies (see also fact box 1).

³⁷ To put this in more theoretical terms, EU funding allows the Commission to exercise power through conditionality. See Becker (2025), Conditionality as an Instrument of European Governance – Cases, Characteristics and Types. *JCMS: Journal of Common Market Studies*, 63(2), 402-419.

³⁸ Other examples can be found in the Communication on Strengthening EU economic security. For instance, the Commission wishes to establish an “Economic Security Information Hub, with real-time monitoring of market shifts and supply diversification, mapping of high-risk entities, and helping check eligibility for EU funding and procurement”. On the screening of Foreign Direct Investments (FDI), the Commission wants to “Explore the scope to provide financial support to companies subject to FDI screening decisions in situations where their financial viability may be at risk absent an investment.”

Third, capacity-based steering could be used to create new means to pre-empt and strike back against foreign coercion by generating counter-dependencies. Policy experts have argued that the EU can strengthen its geopolitical leverage by generating “choke points” on which others depend, for instance based on European leadership in cutting-edge semiconductor technologies.³⁹

2.2 Reaction from industry and member states: co-option and control

While capacity-based steering might strengthen the Commission’s ability to incentivize collaboration, it is also likely to generate new and potentially intractable governance challenges. Both industry actors and member states are likely to seek to co-opt these new EU capacities.

On the industry side, so-called industrial capture is a well-known phenomenon in research on industrial policy. Specifically on economic security, competing sectors will seek to be designated “security critical” in order to attract funding, which could result in industry-induced mission creep, with investments being spread over broad areas.⁴⁰ This risk is particularly pronounced where the Commission is dependent on industry-provided information for risk assessments and mitigation strategies. Research suggests that technological leaders often position themselves as indispensable “epistemic authorities” in order to shape the Commission’s decisions.⁴¹ Moreover, firms may accept funding but later dilute their original objectives. This dynamic is illustrated by the evolution of Gaia-X, a large-scale project to develop federated European cloud infrastructure. Initially conceived to enhance European digital sovereignty, the project gradually incorporated major US technology firms central to the dependency problem.⁴²

It should be noted, however, that it is not just industry capturing the Commission; research indicates that the Commission often builds close relationships with industry to gain access to key information and build political support.⁴³ Indeed, co-option or orchestration of key industrial players is arguably a central part of the Commission’s efforts to solve the collaboration challenges described in section 1. Especially in a decentralized political system such as the EU, successful implementation of a win-lose agenda hinges on mobilizing strong support from the “winners”.⁴⁴

“On the member state side, efforts to develop EU-level capacities are likely to prompt demands for stronger national control.”

On the member state side, efforts to develop EU-level capacities are likely to prompt demands for stronger national control. Genschel and Jachtenfuchs argue that member states have a particular tendency to resist the generation of EU-level capacity in areas of core state competences, such as security. Where member states do accept EU capacity building, they tend to insist on intergovernmental control mechanisms.⁴⁵ The underlying dynamics are summarized in fact box 3.

³⁹ Teer J., et al. (2025), *Autonomy or Indispensability? Identifying the EU’s Semiconductor Lodestar*, Institut Montaigne.

⁴⁰ This tendency has been confirmed by research, see Dür, A., Mateo, G., & Visart, L. (2025), *Geopolitics meets business interests: the EU and European economic security*. *Journal of European Public Policy*, 1-28.

⁴¹ Obendiek, A. S., & Seidl, T. (2023), *The (false) promise of solutionism: Ideational business power and the construction of epistemic authority in digital security governance*. *Journal of European Public Policy*, 30(7), 1305-1329.

⁴² See for instance Autolitano, S., & Pawlowska, A. (2022), *Europe’s quest for digital sovereignty: GAIA-X as a case study*. Istituto Affari Internazionali (IAI).

⁴³ Woll, C. (2009), *Who captures whom? Trade policy lobbying in the European Union*. *Lobbying in the European Union: Institutions, Actors and Issues*, 268-288.

⁴⁴ Research has shown that the Commission has successfully mobilized support among specific stakeholders for its new autonomy agenda, see Schmitz, L., & Seidl, T. (2023), *As open as possible, as autonomous as necessary: Understanding the rise of open strategic autonomy in EU trade policy*. *JCMS: Journal of Common Market Studies*, 61(3), 834-852.

⁴⁵ Rules, in this context, refer to “laws, regulations, norms and standards of behaviour that co-ordinate actions and expectations in a society.” Capacities, meanwhile, refer to “money, staff, equipment and other material resources that allow governance actors to produce public goods and services on society’s behalf”. Genschel, P., & Jachtenfuchs, M. (2025), *Capacity-Building and the New Intergovernmentalism*. *JCMS: Journal of Common Market Studies*, 63, 65-76.

Fact box 3: Why member states seek control over EU capacity building (according to Genschel and Jachtenfuchs)

Functional control. The risk of EU policy failure is more severe for capacities than for rules. In regulatory integration, formal rule suspension or simple non-compliance provides a safety valve against European failure: if EU rules cause harm, the member states can fall back on national action collectively or individually. In capacity building, the national fallback option is more constrained because the material resources committed to EU capacity building reduce the resources available for national back-up capacity.

Distributive control. The immediate costs of regulatory integration are low. Rules are immaterial. The costs of writing them are just the transaction costs of negotiation – and these are essentially similar for all parties involved. Capacities are material. The costs of capacity building are immediate and precede any possible benefit. Cost considerations are likely to dominate at the negotiation stage. This creates a net recipient–net contributor conflict. The former will demand more capacity building in the name of European efficiency, insurance and solidarity. The latter will advocate strong controls to guard against inefficiencies, redistribution and exploitation (moral hazard and adverse selection). The net contributors have much to contribute to EU capacity building but comparatively little to gain. Net beneficiaries, in turn, contribute little but potentially gain a lot.

Political control. In market regulation, the risk of a domestic backlash is often low because national ownership and control of core state powers remain unaffected. EU capacity building, by contrast, challenges both national ownership and national control. The member states are no longer the only ones with coercive, fiscal or administrative capacities, but the EU develops traces of statehood of its own. This makes the EU vulnerable to charges of foreign imposition and exploitation, and facilitates mobilization to “take back control”. In short, political control problems explain the prominent role of intergovernmental arrangements for the ownership and management of EU capacities.⁴⁶

“... this suggests that member states are likely to mix resistance to EU capacity building with attempts to assert control over the design and exercise of capacity-based tools.”

Applied to economic security, this suggests that member states are likely to mix resistance to EU capacity building with attempts to assert control over the design and exercise of capacity-based tools.⁴⁷ While it is too early to assess exactly how member states will receive the new tools proposed by the Commission, initial evidence suggests that they will seek to both limit and control them. For instance, in negotiations on the ECF, the Council has strengthened national influence over implementation, while the key sticking point is the geographical distribution of funds across member states. Member states have also pushed back against the Industrial Accelerator Act, and the Commission’s CCT proposal has been postponed several times.⁴⁸

More generally, several studies indicate that the geopolitical security threats currently facing the EU – in particular the war in Ukraine – have so far led not to centralized EU capacities, but rather to member states reinforcing control at the national level.⁴⁹

⁴⁶ Genschel, P., & Jachtenfuchs, M. (2025), Capacity-Building and the New Intergovernmentalism. *JCMS: Journal of Common Market Studies*, 63, 65–76.

⁴⁷ Genschel and Jachtenfuchs argue that the key reason is resistance from national elites with an institutional and functional interest in maintaining capabilities at the national level. See Genschel, P., & Jachtenfuchs, M. (2016), More integration, less federation: The European integration of core state powers. *Journal of European public policy*, 23(1), 42–59.

⁴⁸ Because of national resistance, the IAA was diluted even before the Commission presented it publicly in March 2026. This, however, prompted French representatives to note that “what is proposed isn’t protective enough for our interests”. See Johnston I., EU to include UK and Japan in ‘Made in Europe’ plans. *Financial Times*, 4 March 2026. See also Jordyn D. & Gijs C., Backlash builds against EU Commission’s ‘Buy European’ push. *Politico*, 5 December 2025.

⁴⁹ Genschel, P. (2022), Bellicist integration? The war in Ukraine, the European Union and core state powers. *Journal of European Public Policy*, 29(12), 1885–1900; Genschel, P., Leek, L., & Weyns, J. (2023), War and integration. The Russian attack on Ukraine and the institutional development of the EU. *Journal of European Integration*, 45(3), 343–360; Hoeffler, C. (2023), Beyond the regulatory state? The European Defence Fund and national military capacities. *Journal of European Public Policy*, 30(7), 1281–1304; Demirci, B. B., Freudlsperger, C., & Schimmelfennig, F. (2025), Geopolitical rebordering? External boundary formation in the European Union. *Journal of European Public Policy*, 1–25. For an alternative perspective, see Steinbach, A. (2025), The supranational turn of EU defence policy. *Common Market Law Review*, 62(6).

2.3 Summing up the economic security governance dilemma

The analysis so far has sought to capture the dynamics that have led to the EU's economic security governance dilemma. As described in section 1, the trigger is a geopolitically induced shift to issues that are generally less win-win than those managed in traditional EU integration. This shift generates a functional need for centralized steering, to both forge joint solutions and prevent defection. However, this section has demonstrated that the Commission's response to this need – its attempts to incentivize collaboration through capacity-based steering – will further sharpen the dilemma, as member states are likely to seek to constrain and steer the new instruments.

3. Solving the governance dilemma

This concluding section considers possible solutions to the governance dilemma. As noted above, mainstream thinking is centred on centralizing decision making. The Commission and several think tanks have advanced various reform proposals:

- centralized expertise on risk assessment;⁵⁰
- centralized political forums for deciding on trade-offs and bridging existing silos in the Council structure; and⁵¹
- stronger steering structures within the European Commission.⁵²

While these proposals are not without merit, they face several limitations from the perspective developed in this paper. No tinkering with decision-making processes will change the EU's fundamental nature as a union of states. First, expert-based risk assessment can at best reduce but not eliminate divergences in views and preferences among member states on key questions such as the magnitude of different risks, the acceptable level of risk and appropriate mitigation strategies.⁵³ Second, central decision-making forums are unlikely to overcome member states' resistance to ceding control to Brussels or, more broadly, to adapting national structures and policies to fit EU-level arrangements. Finally, it remains unclear whether the Commission can – or should – be equipped with the tools required to enforce collaboration while simultaneously avoiding industry capture, given its relatively weak legitimacy basis compared to member states. For these reasons, centralized governance is likely to generate considerable friction and could result in policy failure.

The analysis in this paper would support an alternative strategy aimed at developing governance structures that ensure a primary focus on win-win policies. A key step would be to involve member states more directly in shaping the economic security agenda. Practically speaking, this could be achieved by boosting the existing economic security

“For these reasons, centralized governance is likely to generate considerable friction and could result in policy failure.”

⁵⁰ Arcesati R. & Gehrke T., (2024), [Europe's economic security agenda needs far better techno-industrial intelligence](#). Merics, 28 October, 2024.

⁵¹ Kribbe H., van Middelaar L. The EU needs and Economic Security Council. *Internationale Politik Quarterly*, 30 September, 2025; Gehrke T. & Medunic F., Fortune Favours the bold: upgrading the EU's geoeconomics strategy. European Council on Foreign Relations. 27 June 2024.

⁵² One suggestion is to establish an economic security directorate in the European Commission's Secretariat General combined with an executive vice president for geoeconomics.

⁵³ It has been argued that economic security policy involves so-called Knighian uncertainty, which cannot be resolved through expert-assessments, see [The economics of economic security](#). See also Berg, A., & Meyers, Z. Resilient growth – Aligning productivity with security. Centre for European Reform. 2025; Pisani-Ferry, J., Weder Di Mauro, B., & Zettelmeyer, J. (eds) (2024), *Europe's Economic Security*. Centre for Economic Policy Research (CEPR).

network, which was launched by DG Trade in 2025.⁵⁴ A boosted network should involve senior national officials who have the insights and mandates necessary to function as an interface between economic security strategies at the EU and national levels. Crucially, this should allow it to reveal national preferences, helping the Commission to avoid both overreach and underreach when proposing objectives and mitigation strategies. In the terminology of this paper, the network could help steer EU action towards coordination games and away from the most difficult collaboration games. However, such a network could also provide the basis for making member states part of the solution, by developing ways to shift implementation from EU27 to smaller groups of member states with aligned preferences and complementary strengths, so-called coalitions of the willing.

“A boosted economic security network could improve information flows and promote an all-of-government perspective, highlighting tensions and trade-offs.”

3.1 Limiting the governance dilemma by focusing on win-win policy

A boosted economic security network could improve information flows and promote an all-of-government perspective, highlighting tensions and trade-offs. More specifically, based on the analysis in this paper, the network should aim to produce three outcomes.

First, it should maintain a primary focus on enhancing economic security through trade policy and external cooperation. These areas remain largely coordination games: they generate gains for both public and private actors, benefit all (or many) member states and extend advantages to international partners. As a result, they are comparatively easy to agree on, entail limited risks of defection and do not require intrusive capacity-based steering that might trigger national resistance. The EU’s recent progress on broad trade agreements (e.g. with India and Mercosur) and targeted economic-security agreements, such as the numerous bilateral partnerships on critical raw materials, illustrate this relative ease of decision making.⁵⁵

Second, the network could help to ensure that the EU uses its regulatory toolbox in a calibrated manner, aligned with international cooperation. Scholars have described a shift towards a “regulatory security state”, as the EU adopts common rules and standards on economic security and instruments to counter foreign coercion.⁵⁶ As argued in this paper, this generates governance challenges by moving policymaking towards collaboration games and raising defection risks, which could in turn prompt centralization in areas of core state competence and provoke legitimacy concerns. Yet rules-based action also has an important advantage: it leaves ultimate implementation and control with member states. This means that member states are likely to accept a strong coordinating role for the European Commission, which should enhance governance efficiency.⁵⁷

Third, the network could help prevent the EU from overextending itself by shifting too far towards capacity-based governance to enhance economic security. While the theoretical case for economies of scale at the EU level is compelling, these benefits remain elusive if joint investments become mired in extensive and volatile bargaining between member states and industries over priorities. An economic security network could surface divergent preferences at an early stage and focus joint action on narrowly defined, security-critical technologies where trade policy and regulatory tools are insufficient.

⁵⁴ The Commission sees the existing economic security network as a means to “promote scenario development, align understanding of threats, risks and scope for mitigation, facilitate information exchange and support implementation, particularly in the use of the tools that are in the remit of Member State Responsibility”, p. 13, Communication on Strengthening EU Economic Security. JOIN(2025) 977. See also Demarais A., and Newman A. (2025), No brain, no brawn: Trump 2.0 makes an EU Economic Security Network essential. ECFR.

⁵⁵ Michalski, A., forthcoming. Becoming a geopolitical actor? The EU and the European Raw Materials Diplomacy.

⁵⁶ Kruck, A., & Weiss, M. (2023), The regulatory security state in Europe. *Journal of European Public Policy*, 30(7), 1205–1229.

⁵⁷ A good illustration of this is the anti-coercion instrument, which gives great responsibility to the Commission to propose actions, while leaving ultimate control with (a qualified majority of) member states.

Figure 1. **The traffic light model for selecting EU27 solutions to economic security concerns**

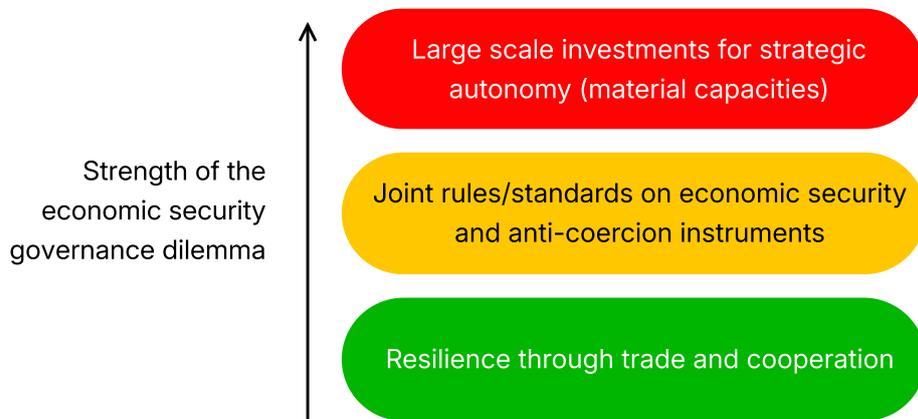


Figure 1 sums up the reasoning, providing a simple traffic light model that could be applied in a governance network. In the green sphere, the EU should move full speed ahead. As Bruegel notes, “the conclusion of new free trade agreements would make a significant contribution to diversifying export markets and could go together with tools to facilitate trade and the integration of value chains, such as negotiation with FTA partners of a common protocol on rules of origin or a supply chain resilience agreement”.⁵⁸ The EU could generate a broad trust-zone of countries where trade and markets remain relatively open and free.

In the yellow sphere, the EU should carefully consider the governance implications and calibrate the tensions between autonomy and competitiveness. Actions could include, for instance, measures to incentivize firms to diversify and abstain from deepening unwanted dependencies. To exemplify, the upcoming “cloud sovereignty framework”, which is intended to assess cloud services providers on a dependency-autonomy continuum, would appear to be a potent and innovative tool for enhancing economic security based on rules.⁵⁹ There should also be scope to strengthen regulatory action in tandem with cooperation among like-minded third countries, for instance on security standards and anti-coercion mechanisms. Interestingly, the proposed IAA-regulation would allow the Commission to include third countries in its “made in the EU” targets, which could incentivize production not only in Europe but also in partner countries such as the UK and Japan.⁶⁰

In the red sphere, the EU should seriously consider whether joint investments by the EU27 are the best way forward. For instance, large-scale EU-level investment to build a Euro tech stack, an independent digital infrastructure, is likely to be plagued by the governance challenges indicated in this paper, notably industrial capture and defection.⁶¹ Rather, instruments such as the ECF should focus primarily on enhancing productivity by fixing market failures, based on predefined criteria that can be assessed by independent experts. Any large-scale, security-driven investments to enhance autonomy should be targeted and exceptional. The Competitiveness Coordination Tool, meanwhile, should be devised in a way that makes it bottom-up, ensuring that EU investments complement national investments rather than directing them in a top-down manner.

“Any large-scale, security-driven investments to enhance autonomy should be targeted and exceptional.”

⁵⁸ Bercero, I. G., & Poitiers, N. F. (2025), From strategy to doctrine: the next steps for European economic security. Bruegel.

⁵⁹ European Commission (2025), [Cloud Sovereignty Framework](#), Version 1.2.1,

⁶⁰ See Johnston I., EU to include UK and Japan in ‘Made in Europe’ plans. Financial Times, 4 March 2026.

⁶¹ Economists have also argued that it will be very difficult and costly. Berg, A., & Meyers, Z. (2025), Resilient growth: Aligning productivity and security. Centre for European Reform.

3.2 Solving collaboration problems through coalitions of the willing

A boosted economic security network could also help to offload the EU's central agenda by identifying ways to develop capacities in smaller constellations of member states. While this would generate tensions in the internal market by undermining the level playing field, it also has the potential to unleash the power of states in ways that might contribute to the collective European good. Investments by some member states have the potential to make Europe as a whole less dependent on the US and China, or at least to strengthen Europe's strategic indispensability.⁶² In the words of Mario Draghi, this could help by building Europe “the capacity to defend ourselves and withstand pressure at key chokepoints – defense, heavy industry, and the technologies that will shape the future”.⁶³

“... collaboration in smaller groups of member states would align preferences from the outset, simplifying the definition of common objectives.”

This paper makes no judgment on the need for such investments; indeed, it considers it a political issue that cannot be settled based on expert analysis alone. However, the above analysis would support exploring governance solutions based on smaller groups of member states. The economic security dilemma applies primarily to collaboration among the EU27, a large and diverse group of states with varying interests and capabilities. In comparison, collaboration in smaller groups of member states would align preferences from the outset, simplifying the definition of common objectives. Even if participating states insist on maintaining control, decision making need not become paralysed if underlying preferences are sufficiently convergent. Moreover, defection risks would be easier to manage among a smaller number of like-minded partners, not least since smaller, tightly knit collaborations would be harder for actors such as the US or China to unravel.

An increasingly popular term for this kind of collaboration is coalitions of the willing. Such coalitions have already emerged in the defence domain, largely on an informal and intergovernmental basis. A formal legal instrument that already exists is Important Projects of Common European Interest (IPCEIs). In its current form, IPCEIs rely primarily on exemptions from EU state aid rules, which allows participating states and firms to cooperate on specific projects without channelling funding via the EU budget. The Commission's role is to ensure compatibility with internal market principles rather than to direct or centrally coordinate investments. To date, the Commission has approved 11 IPCEIs in sectors such as batteries, cloud infrastructure and microelectronics/chips.⁶⁴

Admittedly, IPCEIs have “not been an unqualified success”, in part because “the process of agreeing an ICPEI requires significant haggling between national government funders and large companies”.⁶⁵ Nonetheless, insofar as European leaders seek to undertake large-scale investments to strengthen autonomy and resilience, IPCEIs remain – according to the analysis presented here – a potential way forward.⁶⁶ The analysis would support IPCEIs remaining bottom-up and owned by participating member states.

Figure 2 summarizes the governance framework suggested by this paper: first, a network for sharing intelligence and calibrating the EU's agenda, with a prominent role for member states; and, second, targeted investments in resilience and autonomy, embedded in the broader EU economic security strategy but ultimately driven and owned by coalitions of the willing. Both elements would complement the Commission's three-pillar economic security strategy, based on promotion, protection and partnership.⁶⁷

⁶² Teer, J., et al. (2025), *Autonomy or Indispensability? Identifying the EU's Semiconductor Lodestar*, Institut Montaigne.

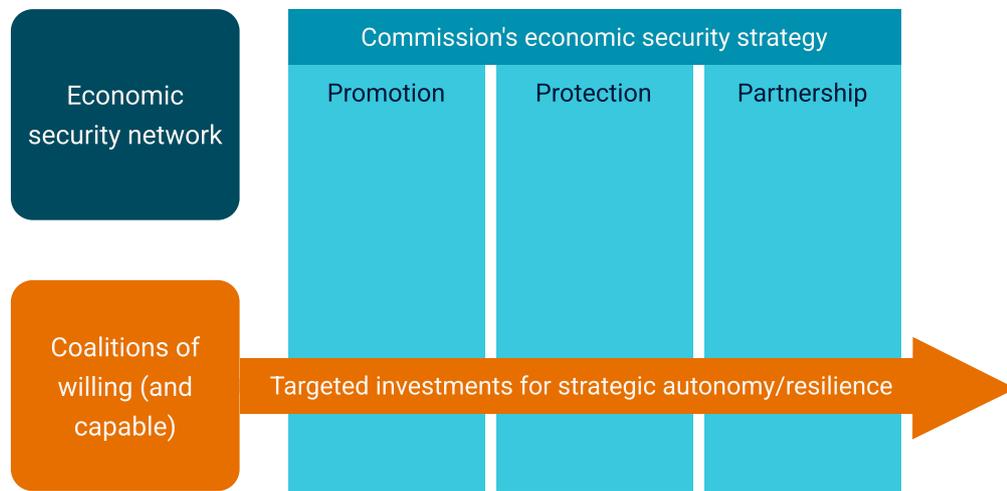
⁶³ Draghi, M. 'One year after the Draghi Report', Speech, 16 September 2025.

⁶⁴ See European Commission's website: [Approved IPCEIs - Competition Policy - European Commission](#)

⁶⁵ Bercero, I. G., & Poitiers, N. F. (2025, p. 8), *From strategy to doctrine: the next steps for European economic security*. Bruegel.

⁶⁶ See also Allen, C., et al. (2025), *Making IPCEIs a new vanguard for EU industrial policy*, European Policy Centre.

⁶⁷ European Commission (2023), *On “European economic security strategy” JOIN(2023) 20 final*.

Figure 2. **A governance framework for economic security**

Careful design could enhance the chances that joint EU action and action by smaller groups of member states become mutually supportive. For instance, in the *promotion pillar*, the Commission could offer top-ups to IPCEIs, based on funding from the ECF, while conditioning this support on a limited number of key demands. In the *protection pillar*, IPCEIs could potentially play a stronger role when it comes to implementing, for instance, action to prevent technology leakage. In the *partnership pillar*, the Commission could encourage third-country participation in IPCEIs and facilitate coordination with external action, for instance through Team Europe initiatives.⁶⁸

4. Summary and final remarks

This paper has sought to deepen understanding of the governance challenges posed by the EU's economic security agenda and identify ways for the EU to address these. It has argued that the agenda is marked by a fundamental tension: the need for stronger and more centralized steering of markets to mitigate security risks, on the one hand, and to secure member state support in order to ensure legitimacy and effective implementation, on the other. This dilemma has been analysed through two broader governance shifts. First, a shift to more conflict-ridden policymaking ("win-lose games"), driven by geopolitical pressures. Second, a shift to capacity-based governance, reflecting the Commission's efforts to incentivize collaboration and joint problem-solving.

The dilemma identified here has no simple solution. The fact that the economic security agenda is centred on de-risking the internal market and external trade – policy areas that are already highly integrated at the supranational EU level – makes the dilemma particularly intractable. As a union of states built around a common internal market, the EU must find common ways to make this market less vulnerable to geopolitical pressure.

The solutions suggested in this paper – a boosted economic security network to keep policies as win-win as possible and capacity building in smaller coalitions of member states – are not easy fixes. Such a network would require robust mandates and adequate staffing to

“As a union of states built around a common internal market, the EU must find common ways to make this market less vulnerable to geopolitical pressure.”

⁶⁸ Third-country participation is already possible today, although this is not explicitly promoted in the Commission's framework for IPCEIs (Communication on Criteria for the analysis of the compatibility with the internal market of State aid to promote the execution of important projects of common European interest 2021/C 528/02). For instance, Norway and the UK have taken part in IPCEIs.

avoid becoming a vehicle for enforcing a centralized, top-down strategy. At the same time, it would need to be sufficiently cohesive to foster trust and enable informed deliberation. IPCEIs, meanwhile, would need to target key needs to avoid proliferating into broader industrial policy or triggering a subsidy race that undermines the internal market.

Finally, the effectiveness of any economic security network will depend on the internal structures of the member states. National preferences must be aggregated across ministries and agencies, and strategies must be adapted through dialogue with EU partners. This is likely to prove challenging, as member states differ in their political and administrative systems, many of which are designed for a rules-based and liberal international order with limited centralized steering.

“... efforts to strengthen economic security must begin at the national level. The key challenge will be to pursue these efforts in close dialogue with European partners ...”

In principle, the shift to collaboration games discussed in this paper is also relevant at the national level. Strengthening economic security entails significant costs for certain actors, making it difficult to agree on and enforce coherent policies. The crucial difference, however, is that states – unlike the EU – have more centralized political authority, supported by comparatively robust mechanisms for generating input legitimacy. For this reason, efforts to strengthen economic security must begin at the national level. The key challenge will be to pursue these efforts in close dialogue with European partners, in order to preserve and build on the considerable value generated by EU cooperation rather than inadvertently undermining it.