



CEPS EXPLAINER

WHY 2025'S Q1 SHOCKS COULD BE THE LAST OPPORTUNITY TO FORGE AN EU MASTER PLAN



SUMMARY

Europe has been profoundly shaken by the first three months of Donald Trump's second administration. And because of this, the EU must urgently embrace a much wider and more ambitious strategic master plan, something it has thus far failed to do.

Meanwhile, the new European Commission has begun its first full year, with the unenviable task of setting the EU agenda amongst all this turbulence. Key early initiatives indicate a focus on shoring up the EU's resilience, competitiveness and enhancing its strategic autonomy.

However, this isn't enough. With the rest of 2025 likely to remain tumultuous, now is the moment to assess whether the EU's current priorities match the urgency of the challenges ahead. There have been some positive steps in the right direction – but more can and should be done.



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INTRODUCTION

Unprecedented times present huge challenges – but also opportunities. Europe is still reeling from the shock of Donald Trump's return to the White House but it's becoming clearer every day that nothing will ever be as it was before. Europe – namely the EU and the surrounding states – will need to stand much more on their own *vis-à-vis* the US, but also China. This naturally takes time to both digest and to adapt to.

But Europe has many partners around the world to help it redefine its relationships. It's also time to take a quantum leap in EU integration, to facilitate a more united foreign and security policy, to forge closer alliances with like-minded countries and to fully exploit other opportunities as and when they arise.

The situation's seriousness has been exemplified by the high number of top-level meetings. The European Council has met an exceptional three times in Q1 2025 (it's normally just once per trimester) and national and European leaders have met several times in other groupings, most often to discuss continued European support for Ukraine after the US' shameful decision to disengage. We've already seen several meetings in the Elysée in Paris and one in [London](#). It's unclear at this stage what progress has been made through these meetings – other than simply maintaining strong public support for Ukraine.

2025 is also the first full year of the von der Leyen II Commission, a period when the agenda is debated and then set. Several key initiatives have already been revealed, including the [Competitiveness Compass](#), the [Savings and Investment Union Communication](#), [ReArm Europe](#) and the [White Paper on European Defence](#).

However, the time is now ripe to undertake a first assessment of the College's priorities after such a tumultuous first three months of the year – and before what's likely to be an equally tumultuous rest of 2025.

THE EU AND THE SECOND TRUMP ADMINISTRATION

Despite all the warnings, the EU and the European Commission were not ready for Trump's return. The EU reacted late to both President Trump's provocations and those of his incoming administration. This applies to territorial claims (particularly over [Greenland](#)) and interference in EU domestic matters. And this is still happening now, with one potent example being the [warnings given to European firms](#) that they need to be aligned with the US administration's anti-DEI policies if they want to participate in US government procurement.

Winding the clock back a little, many of the provocations made by Trump and his eventual administration against the EU and some of its Member States started as [early as November 2024](#), in the immediate aftermath of the US elections. When the administration took office, it very much continued its anti-EU rhetoric. The first tariff announcement came on 3 March with a 25% tariff on steel and aluminium imports. This led to an immediate (but also the first formal) [response](#) from the Commission, with swift and proportionate draft countermeasures on US imports into the EU.

There have been attempts to react more strongly against American interference, for example in the [German federal election](#) and ongoing investigations under the EU Digital Services Act (DSA). Indeed, regarding the latter, a [letter](#) signed by 12 EU Member States, including Germany, led to the announcement that ongoing DSA investigations would continue apace. On 23 April, multimillion fines [were announced](#) by the Commission against Apple and Meta, with action against X (formerly twitter) still planned.

The second batch of tariff measures came on 25 March, with the announcement of a 25% tariff on automobiles and certain automobile parts, starting on 3 April. The third set of tariffs came on 2 April, lauded by Trump as 'Liberation Day', with a generalised 20% tariff on EU imports. Alas, these were later withdrawn, after a (to be expected) crash in the financial markets.

None of these developments come as a big surprise. Europe and the EU were warned repeatedly that a second Trump administration would be highly disruptive. The administration's disdain for Europe and NATO was well known, and tariffs had already been slapped on several EU products. In a January 2024 [Foreign Affairs article](#), experts

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called for 'Trump-proofing Europe': *'Trump may well be more antagonistic to Europe and European values in a second term, dramatically increasing the risks to the continent's security and aggravating its existing difficulties. A re-elected Trump would be completely unchained from the old, pro-democracy Republican establishment.'* The authors called on the EU to form an 'economic security committee', boost Europe's defence and reinforce its values.

As we mark the administration's first 100 days, the feeling is still that the EU and Europe were more taken aback by what's happened than they should have been and have repeatedly struggled to formulate a coherent response. As far as the EU's core competences are concerned, it has responded in the trade policy field but only in a reactive way. Concerning other domains, which are shared and support competences



with the Member States, such as on European values and territorial matters, it has hesitated.

As the EU is a very diverse and complex construction, responding doesn't happen straight away and it does take time. On the plus side, there may be signs of emerging consistency, most clearly on Russia, defending Ukraine and continuing sanctions.

But as this author [argued](#) all the way back in January 2025, a political Commission should be much more outspoken, assertive and do everything it can to avoid being always on the defensive. Thus far, the Commission has failed to really embrace this – and this needs to change.

EUROPE AND ITS SECURITY SITUATION

The most dramatic change for Europe and the EU was President Trump's U-turn of on US support for Ukraine, his openness to negotiate with Vladimir Putin and his wavering support for NATO. This has all been a true wake-up call for Europe, with real shockwaves being sent through Europe's policy circles and European public opinion. Suddenly, it became painfully clear how dependent Europe is on US defence capabilities. It made previously unthinkable scenarios suddenly imaginable, such as a [nuclear-armed Germany](#). But it's also an opportunity to bring European security governance in order, which is long overdue.

The main mover is Germany – 80 years after the end of the Second World War, its security architecture is (finally) up for review. This was already raised many times during Trump's first administration, but Germany barely made any effort to change. Today, the US still has about 35 000 troops stationed in Germany, the second highest in the world after Japan.

How difficult it is to change the German mindset was clear from the [August 2024 article](#) in the New York Times by the former German ambassador to the US and former chair of the Munich Security Conference, Wolfgang Ischinger, who strongly advocated for maintaining the US security umbrella.

The main shaker was US Vice-President, J.D. Vance, who purposely caused an absolute upheaval with his [speech](#) in Munich on 14 February, relegating Europe's long-held security architecture to the dustbin of history.

But what could a new security architecture in Europe look like, and how rapidly could it be deployed? European security without the US will only be credible with a single unified European command structure and radically upgraded capabilities. The latter is currently being widely discussed, albeit mainly from a budgetary perspective, but to our

knowledge, without a clearly coordinated approach towards a more integrated military structure.

A more advanced approach starts with mapping needs and vulnerabilities, EU-wide standards and [Europe-wide procurement](#). But this means modifying the EU Treaty. Obviously, some of these matters are dealt with today by NATO, yet NATO is an intergovernmental body that has an operational structure for military command – in short, it's not a rule maker.

The March 2025 European Defence White Paper proposes that the EU would actively support and help coordinate Member States' efforts in building up sufficient deterrence capacity to prevent a potential war. It distinguishes between short and medium-term needs to address vulnerabilities and shortfalls. It should help Member States to close critical gaps in military hardware and facilitate both military mobility and a European defence industrial base.

But the White Paper starts from the current EU security set-up, in close cooperation with NATO, and doesn't discuss any other architecture scenarios for defence cooperation. In an EU-only scenario, the question then emerges over whether the Common Foreign and Security Policy (CFSP) should be adapted, or an entirely new structure will be needed to guarantee Europe's future security. For now, the Commission probably prefers to remain prudent.

We shouldn't forget that discussions over a proper European security union have been happening for a very, very long time. Already in 1950, the EU almost created a [European Defense Community](#). In 1992, the CFSP was added to the EU Treaty, and after the Balkan wars, a standing European intervention force of 50 000-60 000 personnel was proposed as part of the Helsinki European Council in December 1999 (the Helsinki Headline Goal). A rapid intervention force has also been [proposed](#) by High Representative Josep Borrell but only with a target of 5 000 soldiers.

A CLEAR FOCUS FOR THE VON DER LEYEN II COMMISSION

The second von der Leyen Commission's motto is 'clean (or green) competitiveness' (see the President's [speech](#) to the European Parliament at the start of her second mandate). But the Commission hasn't formally set this down in stone, as was the case with the 'geopolitical Commission' and 'strategic autonomy' from the first von der Leyen term. This could be because a clear and uniformly agreed definition of 'competitiveness' remains elusive. Or that competitiveness as an ambition is nothing new – including for the EU. For President Trump, restoring US competitiveness, already one of the most competitive economies in the world, means setting high import tariffs to tackle the US trade deficit in

goods. Germany, in contrast, is viewed as uncompetitive but has the largest trade surplus in the world after China.

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A loose definition of 'competitiveness' came with the Competitiveness Compass, what's likely to be a core document for the second von der Leyen term. It states that *'competitiveness is one of the EU's overarching principles for action'*, following the [Draghi report](#). It means closing the innovation gap by simplifying

rules, removing single market barriers (as defined in the [Letta report](#)), enhancing market finance and investing in skills and high-quality jobs.

To close the gap, the Compass already has a first set of actions lined up: a [Start-up and Scale-up Strategy](#) for companies [Q2 2025], the 28th regime as an additional regime to overcome legal barriers [Q4 2025-Q1 2026], the [European Innovation Act](#) [Q4 2025-Q1 2026], the [European Research Area Act](#) to strengthen EU research spending [2026] and a series of initiatives to help companies better adopt AI. But whether this will be enough to [close the 'mid-tech' trap](#), namely European companies' inability to scale up and innovate, is still up for debate. EU companies spend about half as much on R&I as a share of GDP as US companies and public R&I spending in the EU is highly fragmented (Draghi report, pp.28-29).

Skills and high-quality jobs are not listed as a key imperative but have instead been relegated to an [enabler of competitiveness](#) in the Compass. Businesses are clearly seen as the [agents](#) of Europe's prosperity – not people and workers – which is also evident from the [Union of Skills](#) Communication. The various proposals' approach also appears to water down the Corporate Sustainability Reporting Directive (CSRD) and Corporate Sustainability Due Diligence Directive (CSDDD), which will reduce reporting and traceability on ESG and due diligence.

This simplification effort is contained in a series of omnibus measures, with a first proposal to scale down the CSRD's reach and delay the CSDDD's implementation, with more to follow on the taxonomy and Carbon Border Adjustment (CBAM). These two latter proposals were made the day the [Clean Industrial Deal](#) was unveiled in [Antwerp](#), to set a strategy for affordable clean energies (following the declaration to re-industrialise Europe a year before). The first omnibus led to many questions from policymakers, analysts and corporations about how the omnibus measures would [weaken the EU's lead](#) in sustainable finance and reducing disclosures, thus undermining the EU's authority as a policymaker

and rule-setter. Adjustments could have been better made in secondary instead of primary legislation.

Then the [Savings and Investment Union \(SIU\) Communication](#) is supposed to build a strong consumer base, but constructing cost-efficient long-term savings instruments won't be easy. Past EU attempts have not been successful and a prudential regime for an attractive and stable long-term financial product is no *sinecure*. The SIU also aims to tackle the fragmentation of infrastructures and enhance supervisory efficiency. Rather than becoming overwhelmed, it should first prioritise enforcement, as there has been a *lot* of financial legislation over the past few decades.

Enforcement is indeed the EU's Achilles heel and should have been a higher priority for this Commission mandate. The idea of a chief Commission Vice President for enforcement (as proposed by the Letta Report (p. 129) and [CEPS](#)) was dropped and enforcement responsibility is now spread across different Commissioners. Although there was a slight improvement in 2024, the overall number of infringement procedures initiated by the Commission against Member States remains [very high](#). In financial services regulation, for example, 'goldplating' fuels a self-perpetuating regulatory cycle – national additions to EU rules trigger amendments at the European level, which in turn lead to further national divergences. The result? Increasingly complex EU rulemaking.

The President of the European Court of Justice indeed reminded the College of Commissioners of [their core task](#) when they were formally inaugurated in January 2025, i.e. to act as 'guardian of the Treaties' and preserve the rule of law and its founding values. In a world undergoing profound change, he declared that the Commission's task is to provide the necessary impetus to 'increase Europe's resilience and added value.' The Treaty empowers the Commission to ensure that economic operators comply with EU law and to request declarations from the Court if Member States have failed to fulfil their obligations, through preliminary binding rulings.

Questions remain over the unclear division of labour in the College and the primacy of the Commission President. The concern is that this Commission has become even more presidential, although cooperation with the European Council President and the High Representative seems to be going much more smoothly than under the previous Commission. To move forward, as proposed by the authors of the Foreign Affairs article mentioned at the beginning of this Explainer, the Commission should create an economic security committee, as a council of senior economic advisers, to actively assist decision makers.



TIME FOR A NEW EMPHASIS ON THE EU'S NEIGHBOURHOOD

The shaky geopolitical context, and the bizarre moves of the new Trump administration, have led the EU to rapidly reconcentrate its attention on its immediate neighbourhood.

NOW IS A GOLDEN OPPORTUNITY FOR THE EU TO RESET ITS STRATEGIC POSITIONING IN ITS REGION AND THE WORLD, BUT THROUGH DECISIVE ACTION RATHER THAN LOFTY DECLARATIONS.

The UK seems to be gradually moving [closer to the EU](#) again. A [new bilateral trade agreement](#) has been proposed with Switzerland. Iceland and Norway are even considering to [re-launch membership talks](#). The Commission President visited Turkey in December. And there's the eternal question about the Western Balkans and the difficult start to Moldova and Ukraine's accession negotiations. Now is a golden opportunity for the EU to

reset its strategic positioning in its region and the world, but through decisive action rather than lofty declarations.

The countries that have been left outside the EU's front door the longest are those in the Western Balkans, with only one country – Croatia – having joined since the [2003 Thessaloniki European Council declaration](#) on the EU's support for extending membership to the region (Slovenia's 2004 entry was already locked in by this point). While the summit spoke about a 'privileged relationship', discussions have dragged on for far too long, leading to a decline in regional support for the EU. Negotiations started with Montenegro in 2010, followed later by the others, while Kosovo has been waiting to be formally recognised as a candidate member since 2022 – five EU Member States still do not recognise its sovereignty. Regardless of the uneven pace of progress, the EU simply cannot let its immediate neighbourhood destabilise or become open to blackmail by other foreign powers because of internal EU disagreements.

Very recently, Trump's turmoil around [the Arctic](#) and Russia's warmongering have brought Iceland and Norway closer to the EU. Iceland wants to pick up the accession discussions that were halted in 2013, while Norway's conservative opposition leader Erna Solberg [has changed tack](#) and is said to be 'in favour of EU membership'. This would require modernising the EU's fisheries policies, setting a dedicated EU plan for the Arctic and bringing Greenland into the discussions, Denmark allowing. A coalition of EU countries could station troops in Greenland, to demonstrate their resolve to support it, and [devise a plan](#) for the island's development. In the spirit of strategic autonomy, Greenland's geostrategic position and resources should not be left up for grabs.

The UK has also recently drawn just a little closer to Europe. Prime Minister Keir Starmer was invited to the informal European Council on 3 February, participated in the Elysée security summits and organised a leaders' summit in London to support Ukraine on 2

March 2025. The geopolitical situation has made the UK realise how much geography still matters and that [Europe remains its main market](#) – all the illusions of Brexit apart. A quick fix on a much closer relationship with the EU is, however, not on the horizon. Even with the very recent news of a [new EU-UK strategic partnership](#), the governing Labour Party has taken a ‘softly-softly’ approach and this will likely continue for the short-to-medium term. With the upcoming review of the EU-UK Trade and Cooperation Agreement, the EU should prepare itself to be open to deepening its relationship with such a key ally.

The EU also proposed a new bilateral agreement with Switzerland at the end of 2024, to extend many of the single market freedoms to this neutral country and keep it more firmly within the EU’s institutional sphere. The agreement will have to pass the hurdle of difficult Swiss referenda, but the current geopolitical turmoil may help the Swiss decide to plump for closer integration with the EU.

The geopolitical situation brings Turkey back to the forefront. Relations between the EU and Turkey have stagnated over the last few years, lacking any strategic depth, while accession negotiations (ongoing for 20 years!) have come to a standstill. This has led to a crisis of trust between the two sides. The Cyprus issue remains the primary political obstacle, whilst the Mayor of Istanbul’s recent arrest and the ensuing large-scale public protests definitely won’t have helped. But Turkey is a key regional player and the [EU should keep the door open](#), while continuing to insist that it respects democratic principles. Modernising the customs union is a potent the EU could wield, as it facilitates 41% of Turkey’s total goods trade.

Finally, and more broadly, the EU’s roster of free trade agreements is an anchor of stability in the current circumstances, and the EU remains one of the world’s preeminent trade powers. Important agreements include the [EU-Japan Economic Partnership Agreement](#), the [EU-Canada CETA](#) (provisionally applied), the [EU-Korea Free Trade Agreement](#), the modernisation of the [EU-Mexico agreement](#), and, more recently, the finalisation of the [EU-Mercosur agreement](#) after 30 years of discussion... yet still to be ratified.

CONCLUSIONS: THE EU AS A PARTNER FOR TRADE AND DEVELOPMENT

Deep geopolitical changes mean that the EU must learn how to react more quickly and to adopt new ways of thinking *and* doing. If the EU wants to remain relevant as *the* regional cooperation model to look up to, it should use increasing US isolationism as an opportunity to regain its reputation and proudly fly the flag of open trade and sustainable development. But it should also be clear that any attempt to return to the ‘good old days’ of the transatlantic relationship is bound to fail. Europe needs to be strategically autonomous, so it can expand its military and develop high-tech industries. The opportunities are fourfold:



First, Europe needs to develop its own credible defence architecture, which may have to happen through a different set-up if decision making within existing EU structures cannot be adapted. A path has been cleared in the recent Commission White Paper that will allow the EU to re-arm and expand its defence industries but much more needs to be urgently done.

Second, as part of the competitiveness agenda, the EU needs to have a clearer strategy over how to prise itself out of the 'mid-tech trap', how it can develop its high-tech sectors and how it can close the productivity gap with the US. This will have to be based on strong single market enforcement and a winning innovation strategy. In short, simplification alone isn't the answer.

Third, thriving financial markets are a vital element for increasing competitiveness but instability, uncertainty and coercion are financial markets' worst enemies. The current market turmoil is an opportunity for Europe and the EU to develop its market further and present itself as a safe haven. Because, after all, financial centres tend to decline due to shortsighted political decisions, such as Brexit.

Fourth, now is the time for a new strategic enlargement, towards the Western Balkans, Moldova, Ukraine and the North Atlantic. This would strengthen the EU's spheres of influence economically and politically. The prospects for further EU enlargement should be made more concrete, with the benefits clearly laid out and widely communicated. This would ensure no ground is given to the forces that want to undermine the European project. Turkey should be engaged, alongside the UK and Switzerland, and the EU should actively utilise its status as one of the world's most important trade powers.

Three months into what is likely to continue to be a very tumultuous year, the Commission must react strategically in the interests of all Europeans, to ensure their welfare and the welfare of future generations.

Time is of the essence. The Commission (and the EU as a whole) has made positive steps in the right direction over the last three months. But it more should be done.

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