Geopolitics and the global economy at a Crossroads: Scenarios and options for economic policymakers in Europe and likeminded countries

9 September 2025

The purpose of this session *is for Ministers to discuss how the EU and likeminded partners should act in the short to medium term in order to strengthen economic resilience and strategic autonomy, while, building on strategic partnerships, shifting the long-term developments of the global economy and geopolitical realities in a favourable direction.*

The setting: a changing international order

In the postwar international order multilateral economic cooperation based on common rules has been a key foundation for stability and greater prosperity in Europe and much of the world. However, **important changes to the geopolitical and geoeconomic foundations of this landscape are afoot.**

Crises and shocks in the last five years have had profound negative effects: the Covid pandemic with its destructive economic effects and supply chain disruptions; Russia's illegal full-scale invasion of Ukraine that also brought an energy and inflation crisis in its wake; and more recently a trade shock emanating from the US introduction of "reciprocal" tariffs that is perniciously affecting growth and inflation prospects across the globe.

Underlying these short-term ructions, tectonic geopolitical and economic shifts seem to be accelerating. Russia's war in Ukraine has seriously intensified geopolitical tensions and put the question of European defence readiness at the centre of attention. The increasing economic and political power of China, and the way it is being used, has important spillover risks for Europe and likeminded partners. Rapid advances in technology, digitalisation and AI have potential while also bringing a variety of challenges. And a pivotal break towards American unilateralism under the current US administration is forcing Europe and other long-term US partners to reconsider their handling of alliances and strategic partnerships.

Recent developments have interacted to **amplify economic and security risks of asymmetrical dependencies in strategically important areas such as defence, technology, finance, energy and raw materials.** It is in this context that Europe and most western liberal democracies have had to reconsider what was the predominant strategy during the postwar era of increasing globalisation: the notion that mutual interdependence would be a driver of stability, prosperity and security. Addressing those dependencies is key to mitigate vulnerabilities, lower the risk of coercion, improve resilience and thus to enhance our strategic autonomy.

Three geopolitical scenarios for the coming decade

In their paper for this session, Bruegel has outlined three scenarios for geopolitical developments in the coming decade, with a common denominator being the contention that the world order will become increasingly multipolar, but with the US and China as the two major powers. However, Europe's political clout and economic outlook would be significantly different under each scenario. At the same time, Bruegel highlights that European efforts and choices can shape the form and likelihood of those scenarios emerging.

- Scenario 1 is a "worst-case scenario" where the international system is characterized by instability, loose opportunistic alliances, minimum international corporation and no provision of public goods except for control of nuclear proliferation.
- Scenario 2 is a "middle scenario" where a three-block world materializes: one US-led block, one China-led block, and a third block of non-aligned set of powers. Under this scenario, different degrees of international cooperation and provision of public goods persist depending on the different blocks' willingness to stay interdependent and their ability to manage resulting risks, as well as whether and to what degree the US will continue to provide global public goods. As such, Bruegel specifies two variants of this second scenario. First, a decoupling variant with intense US-China geopolitical rivalry and little cooperation between the two superpowers resembling a state of cold war. Second, a "de-risking" variant with less intense rivalry between the US and China, where some interdependencies between the two remain, though managed by economic security policy, and international cooperation persists to a larger degree than in the decoupling variant, including in reformed versions of the Bretton Woods institutions.
- Scenario 3 is a "best-case scenario" where multilateral cooperation and provision of global public goods are regenerated in all areas with potential negative externalities, including climate change, trade and finance.

The avenues for action for Europe and likeminded partners. What to do?

The probability of each of the three scenarios unfolding is endogenous to the actions of Europe as the continent has the real and potential leverage and economic weight to push developments in a favorable direction. Whether Europe will be able to act with strategic autonomy depends on its ability to strengthen its economic resilience, its leverage and its capacity to deploy its bargaining power in reforming or constructing international governance arrangements that promote European and global welfare.

Growth-inducing reforms, through a deepening of the EU single market and productivity-enhancing domestic structural reforms, are necessary but not sufficient to move decisively towards greater strategic autonomy. Bruegel highlights that such reforms will need to be complemented by European efforts to increase its resilience and address strategic vulnerabilities in a number of EU-internal policy areas (including defence, tech and AI, critical minerals, energy, financial autonomy and so on) as well as international policy areas (notably trade and climate policies).

A powerful coalition of partners working towards strengthening multilateral economic cooperation

Strong partnerships and alliances with likeminded countries can act as an important force multiplier for enhanced EU strategic autonomy and leverage. Combining Europe's economic clout with that of likeminded partners, a coalition of supporters of multilateral rules-based cooperation, could have a significant potential to affect the likelihood of the different scenarios unfolding as well as the developments within each of the different scenarios. In short, building effective coalitions with partners is essential for moving the EU from "scenario-taker" to "scenario-maker".

The simple exercise of aggregating the economic and trade size of a potential "coalition of the willing for multilateral cooperation", including non-EU countries participating in this ECOFIN discussion, should spur optimism. According to economic weight, the EU together with the UK, Canada, Norway and Ukraine constitute almost a quarter of global output and international trade. Obviously, the economic heft of a coalition of the willing naturally becomes larger the more economies that are willing to join. Adding the rest of the OECD countries makes such a coalition the largest economic block in the world in terms of output and trade.

Figure 1 Share of global GDP, 2025[1]

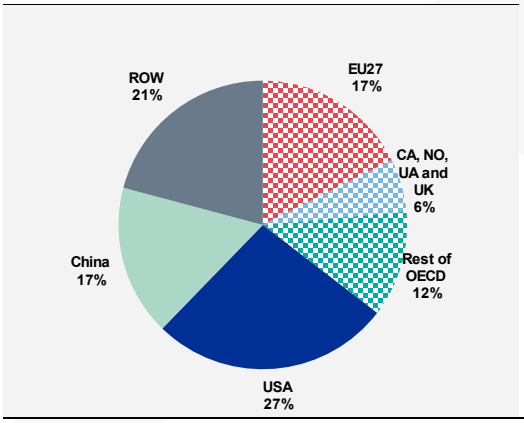
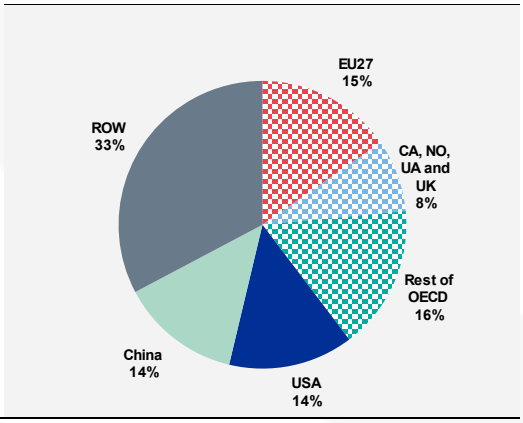


Figure 2 Share of global trade, 2024[2]



Notes [1]Measured at market exchange rates in USD. As shown by Bruegel, if measured in PPP adjusted GDP, the EU's and USA's share of global GDP is very similar, at 14 and 15 pct. respectively
[2]Total exports and imports of goods and services measured in USD. Data for the EU27 is excluding intra-EU trade.
Sources: The International Monetary Fund, Eurostat and own calculations.

Questions for discussion:

- *How do Ministers assess the geopolitical scenarios presented by Bruegel and the potential role and leverage of the EU in the different scenarios?*
- *In order to strengthen the European economy, resilience and strategic autonomy in a changing global landscape, how do Ministers assess the relative importance of policy areas outlined in Bruegel's note under the various scenarios?*
- *Which of the policies on the EU-internal agenda and the international agenda – as defined by Bruegel – do Ministers deem most important for increasing the likelihood of a favourable scenario, and what role can international cooperation and coalition-building play?*