Turning Chaos into Opportunity

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When President Trump announced the "Liberation Day" tariffs on April 2, 2025, he could never have imagined that the liberated would be the Europeans. The unpredictability of the US administration, while Russia shows the extent of its imperialist ambitions, is leading to a consensus in Europe on the need to develop its own capacities independently of the United States. But could this crisis be the catalyst for the creation of genuine strategic autonomy in Europe?

Putting Defence First

For too long, Europe has neglected its defence capabilities and placed the continent's security in American hands. Billions of dollars have left Europe and ended up in the hands of US companies. The result is a fragmented European military industry that is slower and where the production of defence equipment is more expensive than in the Russia due to a lack of economies of scale. This is already backfiring, as the United States is using this dependency as leverage to force Ukraine into an unfair deal with Russia, while Europe does not have the capacity to fill the gap of a possible US withdrawal.

In this sense, "Readiness 2030" (previously Rearm Europe), the plan of the European Commission to invest €800 billion in defence through loans and fiscal flexibility, is a step in the right direction. Investing the money that used to go to the US into the European defence industry will help to lower prices, boost the economy in the areas where these companies operate and enable Europe to defend itself and its allies regardless of the wishes of the United States. For this to be effective, however, it should not be a one-off effort, but a new element in the core structure of the European Union. This means establishing European priorities and procedures for joint procurement with and without European funding, investing in European universities and companies to develop technologies useful to the military (and society), building dual-use infrastructure and creating supply chains that ensure the continuous production of military equipment.

Time to Trade

Protectionism has hindered the economic development of the European Union. Now that the United States is abandoning its role as the world's consumer of last resort, European industry can only survive and prosper if it expands into new markets and finds new partners. Therefore, Europe urgently needs to diversify its trade networks and invest to increase the competitiveness of its economy.

The MERCOSUR agreement plays a crucial role in this strategy, as it opens the doors to a large consumer market in Latin America that is capable of integrating into European supply chains for raw materials and intermediate industrial products. Similarly important is the conclusion of free trade agreements with other countries such as India, Indonesia or Australia, which have large consumer markets for European products, natural resources needed by European industry and the ability to create diversified supply chains for the continent's economic security. This means, of course, that Europe must decide which industries it wants to protect. However, amid the chaos caused by the US administration, Europe cannot afford to protect legacy sectors such as internal combustion vehicles when it could use these resources to foster new, more competitive industries.

European Technology

Europe is not currently at the forefront of technological development. While the continent struggles with digitalisation, China dominates the technologies for energy transition and competes with the United States for leadership in AI and quantum computing. However, Europe has the potential to take the lead. To do so, the EU must begin trusting its citizens to build the industries of tomorrow by encouraging entrepreneurship and competition and creating regulations that do not stand in the way of innovation.

In this area, Europe could take China as an example and try to persuade Chinese companies to set up their industries on European soil in partnership with European companies to gain access to the single market. While strategic competition with China is real, Europe should not miss the opportunity to learn from China in key technologies such as energy storage, provided there are security safeguards in place. Europe has the human capital and economic power to catch up quickly, it just needs the willingness to do so.

Between Two Giants

In the process to rebuild European capabilities (and self-confidence), chaos could be an advantage. With China and the United States fighting each other, Europe can use this competition as leverage to negotiate favourable deals with both powers. On the one hand, China is looking to build alternative trade relationships to replace the United States. For Europe, this would mean to drop the aspiration to lead in certain areas, such as solar panels,

which are dominated by China, gaining instead access to technologies and markets needed by the European industry, particularly as the Chinese government moves to promote domestic consumption. On the other hand, if Europe avoids the mistake of trying to maintain the transatlantic relation with the US as it is at all costs, it will be in a good position to negotiate a favourable agreement with the United States. Especially if the Americans want to avoid a close relationship between the EU and China. In this scenario, the most realistic and smartest position would be to strategically engage with both sides.

Conclusion: A New Age for Europe

It is logical that the mood in Brussels is gloomy. For eight decades, the transatlantic relation has been the lens through which European politicians understood the world. However, with the economic slowdown on the continent and the threat to its security posed by Russia, Europe cannot limit itself to reacting to what others are doing. The chaos of the Trump administration will undoubtedly pose immense challenges for Europe. But if its leaders seize this moment to reform the Union, create autonomous defence capabilities, make the economy more competitive, build autonomous capabilities in emerging technologies and resist the temptation to align itself fully with either one of the two great powers, the result could be a stronger and more autonomous Europe emerging from the chaos.