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AIES-Alpbach Security Track Report

Moment of Truth for Europe

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Introduction

The European Forum Alpbach 2024 (EFA24) took place under the theme *Moment of Truth* – a motto that has only grown in relevance since then. The continuing Russian war of aggression against Ukraine has entered its fourth year and, worsening Europe’s position, the transatlantic relationship is on a knife’s edge. The United States has repositioned itself under the second Trump administration, pursuing a rapprochement with Russia while pressuring both Ukraine and Europe. Europe is experiencing another “wake-up moment” and needs to prepare itself to stand independently of the US on the world stage – will the continent finally rise or hit the snooze button once more?

Last year’s European Forum Alpbach served once more as an important venue to discuss the abundant challenges confronting Europe, as well as available solutions and priorities in this new era of geopolitics. At the halfway point between then and the upcoming forum, we take a look back at the discussions of last summer, the developments unfolding since, as well as the foreseeable road to EFA25. What is Europe’s position in the international system? Is Ukraine’s future Europe’s future? Can the EU step up in the field of defence and will member states pursue future defence procurement in a joint fashion? And most importantly, can we

brace for the storm(s) that not only gather on the horizon but are already on top of us?

Winds of Radical Change

Participants agreed that Europe as a whole—and the European Union in particular—benefited significantly from the post-Second World War international institutions established under the framework often referred to as the “Washington Consensus.” Key among these were the International Monetary Fund (IMF) and the World Bank, which played a central role in stabilizing economies, promoting reconstruction, and fostering global economic integration. These institutions provided financial assistance, policy guidance, and a rules-based system that supported Europe’s economic recovery, development, and eventual unification.

“This year is truly a moment of truth for the world and for Europe...”

The free trade system underpinned the success of the member states and made the European Union an economic powerhouse. Beyond the potential withdrawal of the US from the European Security Architecture, it also seems intent on destroying the global economic system it had helped create. The erosion had started long before the flurry of tariffs imposed in March and

April 2025, not least due to the abuse of the WTO framework by China and others. Despite that, the unpredictability of new trade barriers thrown up by Washington – and nothing less than rapid, unmanaged decoupling from China – presents a sea change for the global economy.

The European Union wields considerable leverage in the realm of trade, but has to thread the needle between defending its economic interests and fuelling an unwanted escalation. Diverging priorities of member states – an obstacle impeding a joint position in numerous policy fields – loom threateningly. The situation may have aggravated since EFA24, but even then, it was clear to the discussants that Europe was on the backfoot.

European companies have lost capital and expertise to competitors in the US and China, and are struggling to remain competitive and innovative as a result. The lack of competitiveness has become painfully apparent in the sectors of the very technologies reshaping advanced industries and driving the green transition, such as battery technologies, solar panels, wind turbines, semiconductors and most importantly, artificial intelligence.

The continent is not without success stories though, such as the Dutch ASML (semiconductor production machinery). However, European companies

struggle to scale up in the face of a dearth of funding and due to overregulation. The hopeful Swedish Northvolt enterprise presenting a European alternative for advanced batteries recently failed in this competitive environment. The regulatory and administrative fragmentation often undermines the potential of the Single Market, the latter being a project that represents both success and unfinished business.

The policy reversal of the Von der Leyen II Commission towards slashing red tape and reducing the regulatory burden for European enterprises may appear as a welcome change from this perspective. But at the same time it threatens the achievability of climate goals, and even to undermine the EU's strong position in shaping global regulatory frameworks.

Risky Business: Europe's Economic (In-)Security

Facing immense pressure from increased energy prices, the result of Russia's commodity war, and the ambition to reduce European dependence on Russian energy exports, as well as the return of mercantilist policies, Europe's growth lags far behind the U.S. and East Asia. The Single Market remains unfinished not only in the defence sector, but also with respect to the Banking and Capital Markets Union. This constrains Europe's ability to autonomously fulfil its defence demands and limits the available funding for all industries.

The bulk of the EU's budget is still steered into the agricultural sector, although the Common Agricultural Policy itself needs modernization, even if Ukraine, an agricultural giant, was not striving for membership. Participants discussed that many small-scale farmers in the EU remain heavily dependent on subsidies, but also highlighted that alternative models gain traction and need to be accompanied by policy change.

“Europe will not survive the 21st century as a museum.”

Considering the tremors resulting from the US shift, a stronger engagement with other trade blocs is imperative. But agriculture and food products also remain the main obstacle for concluding additional trade agreements, as the continuing dispute on the pact with MERCOSUR plainly displays. It is clear that Europeans should not budge on long-fought-for quality standards, but at the same time a new *modus operandi* is needed to deepen trade relations with emerging economies.

On another front, the EU's ambition to drastically reduce the member states' dependence on Russian energy imports and diversify its suppliers has shown mixed results. Some, such as the Baltics or Belgium, have successfully weaned their economies off Russian supplies in a short period. Others, such as

Hungary and Slovakia, show little appetite for switching to potentially more expensive alternatives such as LNG – not least because they would also lose transit fees.

While the Austrian national security strategy includes the ambition to reduce Russian imports, one divisive discussion in Alpbach centred on the fact that the country actually backtracked in 2024, with the Russian share of imports bouncing back to nearly 90%. While Russian gas may remain cheaper than LNG imports from other third countries, experts in Alpbach also highlighted the attached geopolitical risks. Participants thus

argued for more transparency for contracts with third-country suppliers and funding innovation to drive diversification in both energy production and resource imports.

Thus, Europe faces a complex, multifaceted challenge in the energy sector. On the one hand, security and resilience demand a diversification of suppliers. On the other, increased energy prices harm competition and threaten deindustrialisation of the heavy and chemical sectors. The green climate transition promises diversification and increased self-reliance, but is based on supply chains tied to another autocratic competitor – China. At the same time, electrification of individual transport and the server farms enabling the scale-up of domestic AI models will dramatically increase demand in the coming years.

Discussants at EFA24 saw no other way than to drastically increase power generation in Europe – at least doubling it in the coming 10 years. This has to be accompanied by a retooling of heavy industries and household supplies, such as boosting district heating models. During this process, the EU should not forego its climate leadership though, which was characterized as part of its soft power. Most importantly, though, the process needs to unfold as genuine transformation rather than being driven by regulation, and needs to incorporate intergenerational fairness. It will thus be challenging to strike a balance between the rapidly rising demand for energy and the decarbonization of European economies.

Boosting nuclear energy is one potential solution that proved controversial at EFA24 and within the EU itself. Since last year's forum, Italy has joined the growing club of nations with plans to expand nuclear power production, including France, Sweden, Poland, Czechia, and Romania. This pits them against staunch anti-nuclear countries like Austria, Germany and Luxembourg, complicating a cohesive EU strategy. However, the “nuclear discussion” in Europe has also gained an entirely different facet: the question of nuclear deterrence.

Better Safe than Sorry

The spectre of Donald J. Trump returning for a second presidential term loomed over many discussions in Alpbach. More than

half a year later, his actual return has swept like a hurricane over Europe and the world. For Europeans, the potential withdrawal of the US security umbrella appears to be the most threatening part of his new US foreign policy – even more so than the unfolding trade wars.

“The danger is real; the danger is here—we are living with a war in Europe.”

The new administration has fundamentally shifted course, striving for rapprochement with Russia at the expense of Ukrainian and European security. While the boldly stated goal of a rapid armistice and peace agreement has not materialized, Washington has all but abandoned Ukraine in the defence of its sovereignty. Likewise, previous statements by the US president have undermined the credibility of NATO's mutual defence clause. The transactional approach to security partnerships and the linkage of economic disputes to security guarantees raise the threat of a further withdrawal from the European security architecture.

During the 2024 forum, attending security and defence experts were already clear-eyed about the need for – finally – tackling Europe's defence homework. Expanding the defence industrial base, reconstituting atrophied armed forces, and the creation of the EU Single Defence Market were named as crucial elements. The war of attrition

against Ukraine and the need to both support the Ukrainian Armed Forces and scale up European capabilities make these measures nothing less than imperative. More than one participant commented on the lost time since 2022, during which the EU and its members made important but sluggish progress. While the European Defence Industrial Strategy (EDIS) released in June 2024 displayed high ambitions, its timely implementation remains in question.

At the Munich Security Conference in February 2025, at which EFA organized a side event on these very issues, the shock of Washington's repositioning became fully apparent. Since then, the Commission proposed a new ReArm Europe initiative to mobilize funds for defence and released the first EU Defence White Paper. Framed as “European Defence Readiness 2030”, the white paper unites the initiatives proposed since 2022. The European discussion thus appears invigorated, with Germany experiencing a second “Zeitenwende” with its major defence and infrastructure investment package. Nonetheless, the obstacles remain the same. Still there is no enduring consensus on third-country participation and how to mobilize additional funding – be it defence bonds and common debt, or a new investment vehicle outside of the EIB.

Despite the rapidly moving environment, stakeholders will thus continue to discuss the issue of mobilising funds and supporting

Ukraine in Alpbach in August 2025. If words are followed by deeds, the EU should have concluded negotiations of the European Defence Investment Programme (EDIP) by then. The participants will closely assess if the agreed funds will suffice to achieve the goals outlined in EDIS. In addition, the discussion will encompass the idea of projects of common interest and how to strengthen military mobility by leveraging infrastructure investments.

At the same time, the discussions on European defence readiness will gain an even broader dimension. The spectre of full abandonment by the US has triggered new discussions on the future of NATO and nuclear sharing. While Paris has declared openness to extend nuclear deterrence to EU partners, plenty of questions on capacity, doctrine and shareholding remain. The anti-nuclear stance of some member states and the sustainability of French commitment in light of election cycles are only two of the obstacles that need to be overcome. This presents only one of many issues that Europe needs to solve in the mid- to long-term, but the most pressing issue remains the gruesome war in Ukraine.

The Battle for Ukraine

At more than one session in August 2024, the future of Ukraine stood at the centre. Its defensive struggle against Russian imperialism is considered the first decisive theatre of the new struggle with revanchist autocracies

across Eurasia. Combat on the battlefields represents only one part of Ukraine's path to European integration. As some remarked in Alpbach, a full accession to the EU in the late 2020s or 2030s remains unrealistic.

“We live in a brutal world in which success demands long-term commitment.”

Despite the ongoing war, Kyiv has made good progress, but deeper reforms tackling issues in the judiciary, against corruption and improving business regulation are still needed. Partial steps, such as Ukrainian integration in EU programmes and bespoke bilateral treaties may provide stepping stones, but they will not offer the full transformational effect needed. In addition, some national economies struggle with the rerouting of agricultural exports into the Single Market during the war. Thus, the EU itself needs to reform in order to accept Ukraine into the fold. In Alpbach, the overdue reform of the EU's Common Agricultural Policy was repeatedly highlighted in this regard.

On the other hand, the potential size of Ukraine's economy and the demands of reconstruction offer plenty of potential for EU businesses themselves. As one participant noted, it would be better to import from Ukraine than China. The scale of the destruction – with the World Bank estimating \$486 bn for reconstruction at the time – also means that Europe will not be

able to mobilise the funds alone. One solution proposed was the utilization of \$300 bn in frozen Russian assets, but since then, no agreement was reached beyond the utilisation of proceeds.

While the reconstruction is a continuous process already unfolding, the country's future hinges on a sustainable end to the fighting. Throughout the war, the Ukrainian Armed Forces have had to grapple with materiel and manpower. The foreseeable end of US support further worsens the situation. Although Europe's defence industrial production has expanded only sluggishly, with political will some US contributions could potentially be replaced. Other crucial support, such as communications through Starlink, intelligence and reconnaissance data, as well as specific weapon systems, cannot.

Bilateral negotiations between Washington and Russia on an end to the war have appeared crude and yielded few results, but have likewise increased pressure on Europeans to step up. While sidelined from the talks, NATO member states need to prepare for troop deployments. The discussed scope extends from five brigades to provide security backing to Ukraine, to unrealistic demands for hundreds of thousands of peacekeepers. While a Franco-British coalition of the willing prepares

to commit troops to such an endeavour, little tangible progress has materialized from the negotiations themselves. Moscow remains intent on destroying Ukraine, and partial ceasefires for the Black Sea and strategic bombing campaigns have not been respected. Whatever unfolds in the coming months, it is clear that the defence of Ukraine will remain a discussion point for EFA25.

Conclusion: Europe in the World

EU enlargement has gained a new dynamic not only with respect to Ukraine, but also to the long-standing ambitions in the Western Balkans and wider Black Sea region. The existing accession rules nonetheless do not fit geopolitical realities, and foresee neither fast-track nor gradual processes. Developing a fresh approach supported by robust reforms that take strategic realities into account and prevent a brain drain from these countries is thus necessary. Seeking the EU's aegis has become a vision to escape Russian influence, and the Union must

ensure it lives up to that responsibility.

“Europe cannot survive without friends around the world.”

While the US is gradually withdrawing from multilateralism and soft power tools, the EU can leverage its soft power status to deepen partnerships. Like-minded partner nations, such as the UK or Canada, as well as those in the Indo-Pacific region have clearly signalled their interest in deepening cooperation. Japan, South Korea, Australia, and New Zealand are the most important partners to coordinate a joint approach on emerging industries and tech standards.

Even beyond that, opportunities await in equal partnerships. The countries of the so-called Global South gain confidence and influence, and Europe should encourage trade partnerships that encourage local value creation. As participants remarked, it is important, though, to forego any “new colonialism” and to develop inclusive supply chains.

Although Europeans need to balance this goal with strategic autonomy and resilience, beneficial partnerships extend beyond collaborative climate action.

Within a rapidly transforming international system, Europe needs to find its footing. An already aging wisdom is that the EU is driven by crises, and there are plenty of them. While progress has been made, and a positive dynamic has emerged in recent months, much remains to be done. In August 2025, discussions on how to secure the continent's security and prosperity will continue in Alpbach.

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