

"Interdependence creates power asymmetries that states can exploit for coercive purposes."
Henry Farrell & Abraham L. Newman. *Weaponised Interdependence*

Introduction: From Liberal Economic Order to Structural Insecurity

For decades, globalisation rested on two assumptions:

- a. American strategic predictability, and
- b. economic complementarity with China.

Both are no longer entirely valid. US foreign and trade policy has become volatile, with sudden changes introducing uncertainty even among allies¹. The 'era of American tariffs' has turned trade policy in the West into a back-and-forth of absolute unpredictability. At the same time, China has gone from being a partner in integration, that is, an expanding market, a partner in global value chains, an actor that would supposedly gradually converge towards liberal economic rules, in short, a country that was integrating into the existing international system, to become a systemic competitor, with an explicit strategy of industrial dominance, control of technological nodes and use of economic power for coercive purposes².

This double shift is forcing states to rethink their economic strategies as instruments of security.

False pragmatism and the erosion of collective resilience

An essential element is the analysis of so-called 'opportunistic pragmatism', understood as the adoption of short-term tactical decisions – for example, allowing one-off contracts to Chinese suppliers in sensitive sectors, relaxing regulatory or cybersecurity standards, or accepting low value-added investments for circumstantial reasons – which may seem rational from a strictly national and short-term perspective.

¹ <https://www.politico.eu/article/eu-parliament-delay-trade-vote-donald-trump-tariffs/>

Note: All hyperlinks in this article are active as of 2 March 2026.

² EUROPEAN COMMISSION. *EU-China – A Strategic Outlook*. 2019.

However, when these decisions accumulate in an uncoordinated manner, they generate profoundly negative systemic effects: they reduce the market scale available for non-Chinese alternatives, accelerate deindustrialisation processes, weaken the credibility of coalitions of like-minded countries and increase China's potential power of economic coercion.

These dynamics are part of a renewed form of strategic pragmatism, in which states diversify their economic relations and form alliances to increase their room for manoeuvre and reduce vulnerabilities in an increasingly uncertain environment. However, this approach would lose coherence if it degenerated into a return to tactical and opportunistic understandings with Beijing. Within the European Union (EU), European leaders have a window of opportunity to strengthen their industrial capabilities and decision-making autonomy, but this requires restraint in the face of temptations to take short-term approaches that prioritise immediate benefits over strategic sustainability. Bilateral agreements of this nature would not strengthen collective resilience, but would erode common negotiating cohesion and weaken the capacity to respond to systemic competition.

The problem, therefore, does not lie in an isolated concession, but in the sum of fragmented decisions that progressively erode collective resilience.

The right kind of pragmatism: discipline, scale and coordination

In the face of this failed approach, a disciplined strategic pragmatism should emerge, based on four interrelated pillars. First, collective action among like-minded countries, in Spain's case, the European Union, whose coordination makes it possible to preserve the market scale necessary to ensure industrial viability while reducing dependence on China. Secondly, the adoption of shared standards in areas such as cybersecurity, sensitive technologies and public procurement, with the aim of reducing vulnerabilities without resorting to market closures. Thirdly, the use of selective defensive instruments – such as *anti-dumping* measures, investment *control* mechanisms or anti-coercion tools – designed as deterrents rather than expressions of generalised protectionism.

Finally, structural diversification, which involves replacing critical dependencies through sustained investment and cooperation processes, rather than through simple short-term trade reorientations.

This pragmatism does not seek decoupling, but rather a collective and coordinated reduction of risks.

The EU-India agreement as a model of functional coalition³

The recent agreement between the European Union and India represents a conceptual break with opportunistic pragmatism, placing the geopolitical and industrial dimension at the centre of the negotiating logic rather than as a secondary derivative of purely commercial interests. It is not just a question of reducing tariffs or facilitating trade, but of articulating a strategic partnership that responds to an international environment characterised by systemic competition, the fragmentation of value chains and the growing instrumentalisation of trade.

The agreement combines the economic, regulatory and normative scale of the European Union with India's demographic dynamism, technological talent and growing industrial capacity, creating a potential space for structural complementarity⁴. For the EU, India offers an alternative for diversification in a large market with sustained growth prospects; for India, the partnership with Europe facilitates access to advanced standards, investment, technology transfer and positioning in value chains with higher added value.

The agreement also opens up areas of cooperation in critical sectors such as clean technologies, artificial intelligence and technologically advanced production (with potential for cooperation in the defence and space industries), all of which are central to global technological competition. This sectoral focus reveals that the logic of the pact is not merely transactional, but strategic: it is about building joint capabilities in areas that define the economic autonomy and industrial resilience of both parties.

³ SÁNCHEZ APARICIO, Javier. IEEE. <https://www.defensa.gob.es/documents/2073105/3450260/ieee-2026-acuerdo-comercial-India-UE-Analisis16.pdf/83ae5b13-6d71-ccf7-8005-6b2296e89259?version=1.0&t=1771326583500&download=true>

⁴ https://ec.europa.eu/commission/presscorner/detail/en/ip_26_184

Beyond its specific technical provisions, the agreement sends a broader political signal: coalitions between like-minded economies can generate real economic benefits that are sustainable and compatible with reducing strategic dependencies. In this sense, the EU-India case illustrates that structural diversification does not imply isolation or decoupling, but rather the deliberate construction of viable alternatives through coordinated cooperation and long-term vision.

Economic security as the central axis of contemporary policies

A profound redefinition of the concept of economic security is essential so that it is no longer understood as a secondary issue of market, industry or innovation policies, but rather as a structural pillar of national and collective security. This conceptual shift responds to the realisation that economic vulnerabilities—especially technological and industrial ones—can be exploited with strategic effects comparable to those of traditional military instruments.

a. From economic efficiency to strategic resilience

For decades, economic policy-making in advanced economies prioritised efficiency, cost reduction and deep integration into global value chains. This approach was based on three fundamental assumptions:

- Economic interdependencies reduced the risk of conflict.
- Global markets would ensure reliable supplies.
- Technology was politically neutral.

These assumptions are no longer valid. The geographical concentration of productive capacities, the use of massive subsidies and state control of strategic sectors have turned interdependence into a potential source of coercion. As Farrell and Newman have pointed out, interdependence does not eliminate power, but rather reconfigures it, creating asymmetries that can be exploited for coercive purposes⁵. In this context, resilience—

⁵ FARRELL, Henry & NEWMAN, Abraham L. "Weaponised Interdependence: How Global Economic Networks Shape State Coercion", *International Security*.

understood as the ability to absorb shocks, adapt, and maintain critical functions—becomes central to public policy design.

b. Critical sectors and structural dependence

There is widespread consensus that there are a number of critical sectors in which external dependence generates systemic risks, notably the energy and electrification sector, as well as smart grids, renewable technologies, storage systems and key components; digital and dual-use technologies, such as artificial intelligence, semiconductors, advanced *software*, and cloud computing; critical infrastructure, including transport, telecommunications and financial systems; technologically advanced manufacturing, particularly robotics, drones and precision industrial machinery; and, across the board, the defence industry, whose external dependence directly compromises operational autonomy, the sustainability of military capabilities and the credibility of deterrence⁶.

In these areas, dependence is not limited to final supply, but also affects intermediate nodes—components, standards, data, maintenance—where external control can create persistent vulnerabilities that are difficult to reverse.

c. Economic security and political power

At this point, it is necessary to analyse the explicit connection between economic dependence and political power, insofar as industrial and technological dominance allows influence over the regulatory decisions of third parties, imposes asymmetric costs in crisis contexts, and conditions the political options of other actors without resorting to visible coercive measures, thus shifting strategic competition from the strictly military sphere to the economic, technological, and regulatory spheres⁷.

This phenomenon explains why economic security has been progressively and explicitly integrated into the state's main strategic planning instruments. What for decades was treated as a separate sphere—governed by the logic of markets, efficiency and

⁶ <https://arxiv.org/abs/2503.10140>

⁷ EUROPEAN CENTRAL BANK. *Economic Insecurity and Political Polarisation*. 2020.

interdependence—has come to be considered an essential component of national and collective security.

This conceptual shift is not merely rhetorical. Economic security has been explicitly incorporated into national security strategies⁸ or equivalent documents, which recognise that the vulnerability of supply chains, external technological dependence or the loss of critical industrial capabilities can generate systemic risks comparable, in their strategic effects, to those derived from conventional military threats. The economy is thus no longer conceived as a separate sphere from security, but has become one of its structural foundations.

At the same time, the so-called 'defence white papers' have significantly expanded their traditional scope, integrating economic, industrial and technological dimensions as essential elements of deterrence and as conditions for sustaining prolonged military efforts. The ability to nurture and maintain a solid defence technology and industrial base, secure and continuous access to critical components—from semiconductors to advanced materials—and the resilience of national and allied innovation ecosystems are now considered prerequisites for military credibility and effective deterrence.

This evolution reflects a broader understanding of security and defence, which is no longer understood exclusively in terms of platforms, personnel or operational deployments, but is directly linked to the health of the industrial, scientific and technological fabric that underpins military power in the long term. Thus, the boundary between defence policy and industrial policy is blurring, and the ability to fight and deter now depends as much on arsenals and doctrines as on resilient value chains and strategically protected production capabilities.

Finally, economic security has become a cross-cutting theme in foreign and trade policy frameworks. Decisions on trade agreements, investment control, exports of sensitive technologies, and regulatory standards are no longer made solely on the basis of immediate economic benefits, but also with regard to their long-term geopolitical

⁸ Thus, the *European Union's Economic Security Strategy* (2023), the *EU Strategic Compass* (2022), the *United States National Security Strategy* (2025), *Japan's National Security Strategy* (2022) and *NATO's Defence Production Plan* (2023).

implications. Market and trade policies are thus shifting from being an instrument of openness and integration to also becoming a tool for strategic risk management.

As a result, the boundary between economic policy and defence policy is becoming increasingly blurred. What for decades was treated as a matter of productive efficiency or industrial competitiveness is now understood as a constituent element of the state's strategic power. Economic planning, technological regulation and industrial policy are thus becoming central instruments of national security.

d. The role of regulation and industrial policy

Far from implying a return to classic protectionism, the new approach to economic security is articulated through selective and sophisticated instruments, as outlined in the European Union's *Economic Security Strategy* (2023)⁹, the United States' *National Security Strategy* (2025)¹⁰ and Japan's *National Security Strategy* (2022)¹¹. These instruments include cybersecurity regulations applied to critical infrastructure and suppliers, foreign investment screening mechanisms, trade defence instruments against *dumping* practices and distortive subsidies, and coordinated industrial policies aimed at sustaining strategic capabilities.

Taken together, this doctrinal approach assigns a dual function to these instruments: reducing immediate vulnerabilities to systemic risks while creating incentives for investment in alternative technological ecosystems that strengthen resilience, decision-making autonomy, and strategic credibility in the medium and long term.

e. Economic security, social cohesion and political stability

One frequently underestimated element is the impact of economic insecurity on social cohesion.

Accelerated and geographically concentrated deindustrialisation has far-reaching economic and political effects. In particular, it causes the persistent destruction of skilled

⁹ <https://www.consilium.europa.eu/es/politicas/european-economic-security/>

¹⁰ <https://www.whitehouse.gov/wp-content/uploads/2025/12/2025-National-Security-Strategy.pdf>

¹¹ <https://www.cas.go.jp/jp/siryoku/221216anzenhoshou/nss-e.pdf>

jobs and the degradation of regional human capital¹², erodes the tax base of the affected territories, limits the capacity to provide public services¹³ and contributes to dynamics of economic insecurity that fuel political polarisation and support for populist or extremist movements¹⁴.

From this perspective, economic security is not only a matter of competitiveness or strategic autonomy, but also of democratic stability. Preserving industrial capabilities becomes a preventive policy against social fragmentation.

f. Implications for coalitions of like-minded countries

Economic security cannot be guaranteed unilaterally, as state economies alone, even the most advanced ones, lack the scale to replace complex and highly specialised supply chains, sustain alternative technological standards in the face of dominant ecosystems, or absorb in isolation the high economic, industrial and social costs associated with the transition to more resilient productive structures. This observation is a recurring theme in the regulatory output on security- s in most Western countries, which agree on the limitations of purely national responses (see 5.4 above).

In this context, coalitions of like-minded countries are emerging not as an ideological choice, but as a functional requirement, indispensable for preserving industrial capacity, reducing critical dependencies and maintaining decision-making autonomy in an environment of systemic competition.

Only through close regulatory coordination, the creation of shared market economies and joint investment in critical technologies — as reflected in the EU's Strategic Compass (2022) and NATO's *Defence Production Action Plan (2023)*—is it possible to generate credible incentives for productive relocation, sustain alternative innovation ecosystems,

¹² AUTOR, D., DORN, D. & HANSON, G. "The China Shock: Learning from Labour-Market Adjustment to Large Changes in Trade", *Annual Review of Economics*, 8. 2016, pp. 205-240; OECD. *The Next Production Revolution: Implications for Governments and Business*. Paris, 2017.

¹³ INTERNATIONAL MONETARY FUND. *The Rise of Corporate Market Power and Its Macroeconomic Effects*. Washington, D.C. 2019; WORLD BANK. *Rebuilding Local Government Finances After Economic Shocks*. Washington, D.C. 2020.

¹⁴ RODRIK, D. "Why Does Globalisation Fuel Populism?", *Economics & Politics*, 33(2). 2021, pp. 297-323; EUROPEAN CENTRAL BANK. *Economic Insecurity and the Rise of Political Polarisation*. Frankfurt, 2020; BROOKINGS INSTITUTION. *The Geography of Discontent*. Washington, D.C. 2019.

and build economic resilience that is at once effective, sustainable, and strategically relevant.

Implications for the European Union¹⁵

The European Union faces a key strategic decision, marked by the conviction of US unpredictability, by a growing institutional awareness of the systemic risk associated with China¹⁶ and, yet, by the cumulative costs of inaction¹⁷.

In this context, there is a greater willingness to use regulatory capacity, so often called into question, now with European preference rules, reinforced cybersecurity standards and defensive mechanisms — including investment control, anti-coercion instruments and trade defence measures — with the aim of reducing critical dependencies and protecting strategic capabilities¹⁸.

However, the main vulnerability of the European approach remains the internal challenge arising from fragmentation into short-term national strategies that erode the coherence of the common framework¹⁹. If Member States act as isolated opportunistic actors, the EU's ability to generate scale, credibility and resilience is weakened; conversely, if they act in a coordinated and disciplined manner, the Union could consolidate itself as the core of an expanded coalition of economic resilience, capable of upholding its own standards, preserving its decision-making autonomy and exerting structural influence in an environment of growing geo-economic competition.

For the EU, too, economic security has become a structural axis of international competition, in which industrial, technological and regulatory vulnerabilities can translate directly into losses of political autonomy and deterrence capacity. In this new context, the effective response does not lie in national retreats or short-term opportunistic pragmatism,

¹⁵ As Commission President Ursula von der Leyen recently acknowledged, the EU faces "a world of imperial ambitions and hostile actors... a permanent state of flux and disorder".

¹⁶ <https://china-cee.eu/2025/11/10/the-eus-de-risking-strategy-towards-china-logic-trends-and-limitations-with-a-discussion-of-the-new-european-commissions-de-risking-s>

¹⁷ CASTILLA BAREA, J. C. IEEE. <https://www.defensa.gob.es/documents/2073105/3450260/ieee-2026-otan-ue-defensa-dos-pilares-analisis14.pdf/e6e46f1e-47a4-cdd1-d0ba-1139be577423?version=1.0&t=1771332313096&download=true>

¹⁸ https://www.europarl.europa.eu/RegData/etudes/STUD/2025/764371/ECTI_STU%282025%29764371_EN.pdf

¹⁹ [https://www.europarl.europa.eu/RegData/etudes/BRIE/2024/762402/EPRS_BRI\(2024\)762402_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2024/762402/EPRS_BRI(2024)762402_EN.pdf)

but in the articulation of stable coalitions between like-minded countries (or groups of countries) capable of generating scale, upholding their own standards and coordinating economic and security instruments.

For the European Union, the challenge is not only to recognise the strategic nature of the economy, but also to act in a coherent and cohesive manner, overcoming internal fragmentation in order to consolidate its position as a central player in collective economic resilience. Its ability to integrate industrial, trade, innovation, technological and security policies will determine not only its future competitiveness, but also its decision-making autonomy, internal stability and geopolitical relevance in an increasingly contested international order.

Conclusions

Economic coalitions of like-minded countries are not an ideological choice or a normative preference, but a functional and pragmatic response to an international environment characterised by high strategic volatility, systemic competition and the growing instrumentalisation of economic power.

In a context where interdependence can become vulnerability, collective action emerges as the only framework capable of generating sufficient scale, sustaining proprietary technological standards and preserving decision-making autonomy.

Consequently, it is a priority to strengthen coordination between like-minded countries in the face of opportunistic bilateral agreements which, although rational in the short term, erode collective resilience; consolidating common standards in technological and critical sectors as a condition for reducing dependencies and avoiding fragmentation; and using defensive instruments—regulatory, commercial, and industrial—in a coherent and predictable manner, as elements of deterrence rather than protectionist retreat.

Likewise, the consolidation of strategic agreements between like-minded actors, such as the agreement between the European Union and India, points to the possibility of building a new economic architecture based on industrial cooperation, market scale and regulatory convergence.

In this way, strengthening the role of the European Union as the central coordinator of collective economic security is an essential requirement for building effective coalitions, avoiding internal fragmentation and projecting structural influence in an increasingly contested international system.

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