



# **Europe on the Brink**

**An Industry Forum discussion paper**

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# Europe on the Brink

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### Forward

In 2024, as part of our annual undergraduate internship scheme, the Industry Forum set up a summer research project to address, 'Why we need a more united Europe.' This was always a dauntingly large subject, which after the election of Donald Trump, grew more challenging. We, therefore, extended the work through the summer of 2025. Our findings and conclusions are alarming; they are summarised in the following report: 'Europe on the Brink.'

In short, our research suggests that democratic European nations are in a new environment, in which Russia is more overtly hostile, the US is no longer a dependable military ally, and both the US and Russia are actively interfering in the internal politics of European nations. With the Ukraine/Russia war continuing, or even if it is concluded with a fragile peace, Europe's situation is unstable; without action it could get much worse. Furthermore, the slow democratic processes of expanding the EU, providing adequate support to Ukraine, and building an independent European military capability are taking far too long.

We have therefore concluded that tackling the evolving threats to European territory and democracy requires a radical new approach. This could be setting up a new overarching Alliance for Defence and Democracy (ADD), aimed specifically at countering these threats, and assuming much of the current role of NATO. The ADD would be open, at least, to all democratic European nations. It would not compete with the EU, but supplement it. Possibly it could provide final fulfilment of the hopes of its founders. It would initially focus on the urgent task of building a capable, autonomous European defence capability to halt Russian aggression and end the Ukraine/Russia war. From a position of strength, the ADD could, then, work towards improving relations with a post-Putin Russia.

The ADD could also be set up with the potential, in due course, to take on other economic and financial responsibilities, and represent all of Europe internationally. The problems of doing this are, of course, immense, particularly in regard to NATO. All committed Europeans, however, need to consider the consequences of failing to take control of Europe's destiny.

The Industry Forum will organise a meeting to discuss this report and its implications for the UK economy and businesses. We look forward to any opportunities to widen the debate.

Rod Dowler  
Executive Chair  
The Industry Forum

### **The big questions facing Europe**

In December, 2025, the democratic nations of Europe face big challenges. These threaten the stability of the continent, and the future prosperity of its people and businesses. In this short discussion paper, we suggest answers to five big questions:

- What are the new threats facing Europe?
- What are Europe's options?
- How would an alliance for defence and democracy work?
- What are the advantages and drawbacks of the proposed approach?
- What are the next steps for Europe?

### The new threats

'Democratic Europe,' encompassing some 40-plus democratic nations, with an economy on a par with those of the US and China, has never been a single united state. Since World War II, individual states have prioritised economic recovery and development, and depended on the U.S. guarantee of security as it is delivered through membership of NATO (the North Atlantic Treaty Organisation).

The economic failure of the post-war Soviet Union contributed to its collapse at the end of the 1980s. The newly freed states enlarged the family of independent, European democratic nations. Many European states are NATO members, and contribute militarily on a national basis, but US leadership of NATO has always been taken for granted. For the US, NATO was, for a long time, seen as a convenient way to help contain Soviet ambitions, and secure Europe as a major compliant economic partner. For European states, NATO was a convenient way to outsource security, and thus abdicate from the primary responsibility of a state - to protect its citizens. In the past 30 years, Europe spent the post-Soviet era 'peace dividend' reducing defence expenditure: the US did not.

The current Trump administration has reversed previous US policy, and is now questioning the US security guarantee to NATO members. This upends the security order that has underpinned the stability of Europe since 1945. It leaves democratic Europe exposed to a military threat, from an increasingly hostile Russia. It is not currently equipped to handle this on its own. Compounding this problem is the erosion of democracy by an illiberal populism, stoked externally by both the US and Russia, and a regional economic weakness that has emerged since the 2008 banking crisis, and to which the withdrawal of the UK from the EU contributed.

There is thus a clear and urgent need for Europe, as a whole, to be able to independently defend its territory and people from attack, and to resist external political interference undermining its democracies. These are tasks that the EU was not set up to do, and would have no mandate to do for non-members.

### The options

This situation is not stable, with high stakes gamblers deciding policy in Washington and the Kremlin. It is, therefore, essential for democratic Europe to develop the capability to deter or contain Russia without US help, as quickly as possible. Ukraine has shown that this is possible. Now leadership is needed to make all Europeans aware of the big dangers of their changed circumstances, and to create an effective mechanism for unified action.

There are three main options:

- Do little, and hope that threats do not fully materialise;
- Rapidly expand the EU, with a military arm and supplementary organisations and alliances to include non-EU members,
- Form a new overarching military alliance of willing states, which we have called 'The Alliance for Defence and Democracy,'

Doing little but hope looks like accepting a European future of fragmentation, economic decline, and possible civil unrest. Fragmentation might mean that some of Eastern Europe would be reabsorbed into Russia, the UK would get closer to the United States, and southern and northern Europe would drift apart. The problem with current initiatives to resist Russian destabilisation, such as the existing coalition of the willing and the EU defence fund, is that they are not working quickly enough and are not on a scale to deter Russian aggression independently.

Expanding the EU could, theoretically, create an entity that includes all democratic European states, capable of acting as a strong, unified military and economic power. Bearing in mind the rigorous EU accession and treaty negotiation processes, however, this appears extremely unlikely to be possible in the time available.

We conclude, therefore, that the best and only viable way forward would be the formation of a new 'Alliance for Defence and Democracy,' which would quickly provide a secure defence umbrella for participating democratic European states. It would have a mandate to widen its membership and deepen economic and democratic relationships.

### **An Alliance for Defence and Democracy**

The primary initial purpose of the ADD would be to provide a strong independent defence umbrella for democratic European nations. This would also provide the potential for these nations to further integrate socially and economically, and to act as a single body in international affairs.

The ADD would be based initially on the willing cooperation of some or all of the main European military powers. Many issues would need to be resolved, concerning membership, leadership, decision-making authority, risk preferences, resources, and more. The ADD would be given a mandate to make Europe fully capable of maintaining its own defence, within, say, three years. Continued cooperation with the US would be preferable, and need to be mutually agreed.

The implications for NATO are major. At present NATO has a two-tier membership structure. The US is the only member in the top tier; it takes independent decisions, and reserves critical military functions such as intelligence, surveillance and reconnaissance to itself. The ADD would act as an independent equal, and could take over the Europe-based NATO organisation. Whether this would be agreeable to the US and whether the new twin alliance would be called NATO, would need to be determined.

In a short period of time, the ADD could not match the full US military capability, but its primary responsibility would be countering the Russian conventional arms threat to Europe. This is a lower bar. Russia is, of course, a major nuclear power, and the combined nuclear arms of France and the UK, although formidable, might not deter them. A particular problem is that use of the UK deterrent depends, to some extent, on US permission. Nevertheless, assuming that the US would not welcome a Russian-controlled Europe, there is an incentive for Europe and the US to continue to act together to provide a nuclear deterrent to Russia.

The creation of the ADD could neutralise the conventional military threat from Russia, and meet US demands for greater European military self-reliance. Transferring much European military procurement from the US to European industry would accelerate independence and provide an economic boost to the continent. Economists accept that military spending frequently spurs innovation, and the US has certainly enjoyed such benefits in the past.

## **Europe on the Brink**

The ADD would also allow time for European nations to decide on the extent and form of any further steps to integrate their societies and economies. Further political integration would require the strengthening of pan-European culture, and the development of greater economic integration. It would require an overall economic architecture, and some transfer of taxation and fiscal powers to a central authority.

Such a project would require political momentum and a sense of purpose that goes beyond just protecting the continent from military dangers. It would require popular support for the values and culture of the largely social democratic group of nations. If the project were successful, it is quite possible that neither the US or Russia would be pleased to see Europe emerge as a powerful, independent, democratic military and economic bloc.

### **Advantages and drawbacks**

The full implications of an ADD structure are profound. A powerful, like-minded grouping of nations would be a stabilising force in Europe. It could bring about an end to the Russia/Ukraine war. It could also exert a strong moderating influence in the Middle East and Africa. Its large market would be attractive to many companies, and its universities and liberal cultures would attract world talent. This structure would also provide a means by which the UK and the City of London could play their full role in Europe, as could other nations that have thus far stayed out of the EU, for various reasons.

A renewed sense of urgency for cooperation is likely to bring considerable economic benefits to Europe. For example, completion of the EU single market project, improved trading arrangements for the UK and other non-EU members, better access to London capital markets for EU members, and a European defence industry fund facilitating a switch in procurement from US to European suppliers, could all help European businesses grow.

Economic distancing from the US, together with a more integrated European market, would also provide a boost to Europe's technology industries. This was one of the aims of the original EU single market project. Such economic growth would be necessary to finance increased defence spending, improved infrastructure, and the transition to renewable energy. The ADD could also, in due course, act as an independent voice in sorting out the currently unsatisfactory state of world organisations, such as the UN Security Council, the World Bank, the International Monetary Fund and World Health Organisation. Such ambitions may sound excessive, and will be difficult to achieve, but the current US president has shown that the status quo is not immutable.

Fierce opposition could be expected from some local European politicians, the US, and Russia. The current US administration clearly prefers bilateral relationships with individual states, and has shown a preference for autocratic states. It does not shy away from economic coercion, when it disagrees with the domestic or foreign policies of other states. Besides halting Russian expansion, a strong ADD might even lead eventually to a rapprochement with a post-Putin Russia.

### The next steps

If we accept that currently the future prospects for Europe are dark, the crucial question is how to make these, or better ideas, become reality. Leadership is essential, and could come from an eastern European state where the current military threat is felt most acutely, from the Baltic states, who also clearly perceive the risks posed by Russia, from the UK, seeking to reestablish itself as a pillar of Europe, or elsewhere. The current problems experienced in setting up the European Defence Fund with UK involvement illustrates precisely why a new approach such as the Alliance for Defence and Security is needed.

Such momentous changes do not occur because they are logical, but because they meet real needs, and have popular support. Populist politicians have been good at harnessing the politics of grievance; other politicians may emerge, to turn the politics of hope into practical actions. Whether or not the suggestions in this report are accepted, we hope they will help advance the discussion of whether or not Europe has the courage to take control of its own destiny.

The Industry Forum will organise a meeting to discuss this report and its implications for the UK economy and businesses. We look forward to any opportunities to widen the debate.

### **About this study:**

#### **The project**

This is a brief summary of the findings of a two-year Industry Forum research project, investigating the rapidly changing circumstances of the democratic nations of Europe, and the questions raised by the second Trump administration in the US. The research involved studying over 150 relevant documents in the public domain. The study was carried out by recent graduates from Oxford University, Murshed Shahriyar and Leo Warner, working under the direction of Rod Dowler, Executive Chair of the Industry Forum. It is intended as a framework for discussion, and does not represent the opinions of the Industry Forum, or the authors.

#### **The Industry Forum**

The Industry Forum was established in 1993, primarily to help businesses talk directly to political policy-makers about key business and economic issues, and discuss practical solutions. It now exists as a well-networked, bipartisan, not-for-profit think tank. Industry Forum members include leading international and FTSE 100 companies, as well as smaller companies, and trade associations. They include many sectors and interests. We work with some of the major embassies, and also invite the participation of a wide range of companies, think tanks and academics.

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