

The EU “28th Regime” as Geoeconomic Instrument

Geopolitics of Regulatory Integration

Geopolitics for Business 2025–2026

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0. Executive Summary

The 28th Regime is not simply a corporate law reform. It is the most significant attempt by the EU to use legal integration as a geopolitical instrument in an era defined by the weaponisation of economic interdependence. The aim of this report is to examine whether it can succeed.

The argument proceeds in four main sections. Section 1 establishes the geoeconomic context in which the 28th Regime emerges; an era of fragmentation in which states compete through economic instruments, rather than military force, and how Europe's legal fragmentation has left it structurally exposed. Section 2 develops into the theoretical framework that will be followed throughout the whole report. Specifically, it draws on structural power and weaponised interdependence to explain why legal fragmentation is not an inefficiency to be corrected but a structure of power that specific actors have interests in preserving. Section 3 instead maps three concrete dimensions through which this vulnerability operates: the silent tax that transfers power away from Europe, the sovereignty transfer that quantifies what has already been lost, and the internal-external nexus through which domestic and foreign actors converge to keep fragmentation intact.

Section 4 introduces a Sector Prioritisation Matrix that identifies where the 28th Regime's potential geopolitical impact is the greatest, establishing the digital sector as the primary case for analysis. The case study tests this argument empirically, tracing how fragmentation builds dependency, how the latter is weaponised, and what the 28th Regime can and cannot change.

Finally, Section 6 translates the whole analysis into three distinct geopolitical scenarios, and a set of strategic recommendations that emerge from these.

The central finding of this report is that the 28th Regime is a necessary but insufficient condition for European strategic autonomy. Its geopolitical significance lies not in what it delivers alone, but in what it makes possible, and in the fact that actors who benefit from the status quo are already working to ensure it never reaches its potential.

1. The EU 28th Regime: a new era of geoeconomic competition

The 28th regime emerges in a specific era of fragmentation after decades of global economic integration, also referred to as “slowbalisation” or “geoeconomic fragmentation” (‘GEF’). This phase resulted from the consequences of disruptors, trade tensions, and regional wars that occurred starting from Russia’s invasion of Ukraine (IMF, 2023). This resulted in a progressive weaponisation of production, trade, and technology, in which decoupling has replaced interdependence as the dominant logic of great power competition. In this picture, states no longer compete through military force but through economic instruments, and conflicts are pursued with the grammar of commerce (Luttwak, 1990).

The rules-based international order faces serious challenges, entering a phase marked by the resurgence of power politics. [...] wars and trade conflicts are increasingly undermining the principles of a rules-based international system [...]. The European Union's success rests upon the pillars of free trade and openness (Letta, 2024).

The 28th Regime: definition and institutional context

The 28th Regime refers to a proposed optional EU-wide legal framework for companies that would apply alongside the 27 national company law systems, offering companies the option of choosing a uniform, harmonised European regulatory framework for cross-border transactions without displacing national regulations (EPRS, 2025). Technically, it would establish a single harmonised set of rules governing the full lifecycle of a company operating across the Single Market, covering from corporate law, labour law, tax treatment, and investment plans. Under the current proposal, companies opting for it would be able to incorporate as EU Inc., automatically recognised in all Member States from the very beginning, thanks to the digital-by-default registration process (European Commission, 2026b).

This idea for the 28th Regime was reintroduced and strategically reframed by Enrico Letta in his 2024 report “*Much more than a market*” (Letta, 2024) and subsequently adopted as a priority by the European Commission in the Competitiveness Compass (COM(2025)30), where the instrument has been framed as a tool to reduce Single Market fragmentation, simplify the regulatory environment for firms, and closing Europe’s innovation and scaling gap (European Commission, 2025).

Legal integration as strategic imperative

The 28th Regime can be understood as a policy response to a structural constraint within the European Single Market. The transition that the world is currently living, from a globalised, rule-based system to a multipolar one defined by competing regulatory blocs, has fundamentally changed the terms on which legal and institutional arrangements shape competitive outcomes. In a multipolar world, unified legal environments are not merely administratively convenient, they become instruments of power, as argued by the Letta Report (2024) and the Draghi Report (2024). This insight demonstrates that the persistent fragmentation is no longer just an inefficiency, but it is a real disadvantage in a world where legal cohesion is an increasing determinant of geopolitical weight.

In contrast to globalisation, which is primarily driven by market forces, the roots of fragmentation lay predominantly in geopolitics. [...] A comprehensive approach to enhance the EU's resilience, support its economic competitiveness and safeguard its interests is imperative (Letta, 2024).

KEY DATA. The EU as the world's second economic power

GDP: EU: \$23.03tn, US: \$32.38tn, China: \$20.85tn. The European Union, taken as a single economic entity, constitutes the world's second largest economic bloc only if it functions as a unified entity. Fragmentation forfeits this structural position (IMF, April 2026).

2. Law as power: theoretical framework

To understand why the 28th Regime matters beyond its technical design, it is necessary to establish a theoretical framework that explains how law functions as a form of power in the international political economy. The concepts developed in this section are more than analytical tools, they are the lenses through which legal fragmentation becomes visible as a geopolitical condition, and the 28th Regime can be read as a strategic instrument rather than a corporate law reform.

2.1 Structural power and weaponised interdependence

Susan Strange (1988) argues that power in the international system is increasingly exercised through control over four key structures: finance, production, security, and knowledge. Within this framework, legal fragmentation can be seen as the condition that erodes Europe's position across each of these dimensions. When the legal environment is fragmented across 27 jurisdictions, Europe becomes less able to mobilise capital, scale production, and retain talents for knowledge, thus losing the foundations of structural power. This vulnerability is compounded by the rise of new techno-nationalism: as states increasingly seek to control strategic technologies and use them as instruments of geopolitical competition, the ability to anchor firms, capital, and expertise within one's own legal jurisdiction becomes a precondition for strategic autonomy (EC, 2025; Petricevic and Teece, 2019). From this perspective, the 28th Regime becomes fundamental to address a geopolitical liability, since by offering a unified legal framework, it strengthens precisely the conditions to which power depends in an era of intensified techno-nationalist competition.

Farrell and Newman (2019) show that interdependence is not always neutral. It becomes weaponisable when many actors depend on infrastructure controlled by a small number of powerful states or firms. In these centralised networks, power lies in controlling the key nodes on which others rely, and what transforms structural position into actionable power is the effective jurisdiction over those nodes. A state can host those central nodes, but if it lacks the jurisdiction over them, it cannot weaponise them. This weaponisation occurs through two main mechanisms. The first is the chokepoint effect: the actor at the centre can block or restrict access to essential infrastructure, turning dependence into direct coercion. The second is the panopticon effect: because the central actor has visibility over the network and the capacity to exclude others, exposed actors may change their behaviour in advance, even without a direct

interruption. In both cases, control over infrastructure becomes a source of geopolitical power and, in this sense, the 28th Regime is relevant as jurisdictional instrument: by creating a European legal framework within which firms can operate, it begins to shift jurisdiction over strategic economic activities back towards the EU.

2.2 The EU: between geopolitical exposure and regulatory power projection

Within this picture, the European Union is structurally exposed. As Luttwak (1990) argues, countries are increasingly pursuing the logic of conflict through the grammar of commerce by using trade, investment, and regulation as instruments of power. This is the logic of geoeconomic statecraft: the use of economic tools to pursue strategic objectives. Yet, the EU's ability to engage in this logic is constrained by its own fragmentation. While competitors like US or China can support their firms directly, set strategic priorities, and use economic pressure through more unified systems, the EU is divided, becoming ineffective and more vulnerable.

This links to another important concept explained by Gilpin (1987). Markets are never politically neutral, instead, they reflect and reproduce existing power relations, systematically advantaging those who operate within unified legal and economic environments over those who do not. A fragmented legal system becomes a condition directly translating into reduced bargaining power, weaker firm competitiveness, and diminished capacity to act as a coherent geopolitical actor.

Yet, the EU is not without tools. Anu Bradford (2020) shows that the EU already projects power globally through regulatory standards tied to access to its market, a dynamic often described as the "Brussels Effect". This works because the European market is large and sufficiently unified to make exclusion from it a credible threat. This is where the 28th Regime becomes relevant: by reducing legal fragmentation within the Single Market, it can strengthen the internal unity on which this regulatory power depends.

A more integrated European Union would be less vulnerable to chokepoint coercion and more capable of projecting regulatory power globally. In this sense, legal integration is not only an internal market reform, but also a geopolitical condition for reducing external dependence and geoeconomic exposure.

3. Structural dimensions of EU geopolitical vulnerability

The theoretical framework established in Section 2 identified legal fragmentation as a structural vulnerability. This section demonstrates how that vulnerability operates in practice through three interconnected effects.

At first, a silent tax that transfers power away from Europe, followed by a sovereignty transfer that quantifies what has already been lost, and an internal-external nexus through which both domestic and foreign actors work to keep fragmentation in place. Together, they form the causal chain the 28th Regime is designed to break.

3.1 Regulatory fragmentation transfers power to external actors: the “silent tax”

Legal fragmentation is a condition that actively transfers structural power away from Europe, acting as a silent tax. As Gilpin’s framework (1987) helps deducing, firms based in unified legal systems benefit from lower complexity and lower costs, while European fragmentation weakens their competitiveness and creates a structural disadvantage for them (Letta, 2024).

3.1.1 From fragmentation to jurisdictional loss: compliance costs and administrative duplication

The persistence of national corporate, tax, and incorporation frameworks leads to huge duplication that generates significant administrative burdens translating into higher transaction and coordination costs for firms operating across borders. From a geopolitical perspective, direct consequences emerge since operating in Europe becomes more expensive than opting for a single unified jurisdiction, and firms migrate (Letta, 2024). This is the real mechanism through which the silent tax is producing a jurisdictional loss: a systematic transfer of strategic assets outside European legal control (Pistor, 2019). The 28th Regime addresses this problem by reducing the legal and administrative costs of operating across the EU, thereby lowering the incentive for firms to relocate abroad.

KEY DATA. The Silent Tax quantified

Estimates by the ECB suggest that internal fragmentation is equivalent to an implicit tariff of approximately 110% on services and 60% on goods; a “silent tax” that systematically erodes firm competitiveness and the EU’s structural power base (ECB, 2025).

3.1.2 From jurisdictional loss to strategic dependence: the scaling deficit

A second mechanism is the link between jurisdictional loss and strategic dependence. When firms cannot scale inside the European Single Market, they not only grow more slowly, but also become more dependent on foreign infrastructures controlled by external actors. This creates a vulnerability because that dependence can later be used as leverage (Farrell and Newman, 2019).

This is where Europe’s scale-up problem becomes geopolitically relevant. Although Europe produces many start-ups, these firms face persistent obstacles to scaling within the Single Market. The problem, therefore, is not a lack of innovation, but a lack of scale. In a context of techno-nationalism, this matters because scale is a precondition for strategic autonomy. By offering a single legal framework across Member States, the 28th Regime aims to reduce one of the main barriers that prevents European firms from scaling within their home market, addressing a root cause of external dependence rather than only its effects (EPRS, 2025).

Therefore, the 28th Regime can help European firms scale more easily within the Single Market and reduce the pressures that push them to rely on foreign jurisdictions and infrastructure.

3.2 The sovereignty transfer: quantifying what Europe has already lost

While Section 3.1 explains the mechanism through which fragmentation transfers power, this part aims at establishing how much power has been already transferred, and why the structure of that transfer is self-reinforcing in ways that make reversal increasingly difficult over time.

3.2.1 The Delaware flip as jurisdictional transfer

The most visible manifestation of this transfer is the “Delaware flip”. As Pistor (2019) demonstrates, every European startup that incorporates in Delaware is not simply making a business decision, but it is executing a transfer of sovereignty. Relocating property, tax base, governance structure, and investor relationship into a foreign legal system makes them to be subjected to foreign laws, export controls, sanctions, and any other future geopolitical leverage the foreign country may choose to exercise.

3.2.2 Network effects and geopolitical lock-in

Firms, investors, and legal professionals converge on established jurisdictions mainly because others have done so before them, and over time, this creates a self-reinforcing system in which early advantages translate into structural dominance.

This is the chokepoint logic of Farrell and Newman (2019) applied to legal and financial networks: whoever controls the central node accumulates advantage that make the system progressively harder to exit. A new European legal framework, even if well-designed, must overcome decades of accumulated foreign network effects. Its effectiveness will depend on its ability to provide a simplified and standardised corporate environment, but design alone cannot guarantee access. Only if the Regime achieves sufficient adoption to generate its own network effects, offering clear advantages over existing options, will it enable firms to scale without relocating.

KEY DATA. Capital and Unicorn Gap as a sovereignty metric

- In AI, 61% of global start-up financing flows to US firms, compared with 17% to China and 6% to the EU (Mazza, 2025).
- The EU had 121 unicorns in 2025, against 721 in the United States (CB Insights, 2026).
- US VC investment was three times higher than EU levels as recently as 2025 (KPMG, 2026).
- A 2026 Bocconi analysis found that EU VC investment stands at less than 10% of US levels at the scale-up stage, precisely when firms cross the threshold into geopolitical relevance (Angeloni et al., Bocconi IEP, 2026).

In a framework of new techno-nationalism, these figures do not only reflect competitiveness; they also point to a broader problem of sovereignty. More precisely, it can be seen as a sovereign deficit: every firm that fails to scale up in Europe, either relocates or disappears, losing talents with it (European Commission, 2025a).

3.3 The internal-external nexus: when domestic politics serves foreign interests

A further manifestation of the geopolitical risk for the 28th Regime lies in the political obstacles to the 28th Regime. These reflect a deeper structural convergence between internal forces that resist further integration, and external actors that benefit from European fragmentation.

This resistance can really prevent a full implementation of the 28th Regime, weakening the Union's ability to act as a coherent geopolitical actor.

3.3.1 Integration theory and the structural roots of internal resistance

Not all EU member states have the same interest in the 28th Regime. The political economy literature (Bruszt and Vukov, 2024; Börzel & Langbein, 2019) identifies the East-West and North-South asymmetries within the EU that generate structural resistance to integration. The post-2008 economic divergence in Europe resulted in some EU member states being more prone to benefiting from the 28th Regime and, in general, from integration, than others (Palier et al., 2018).

Countries such as Ireland, the Netherlands, and Luxembourg resist primarily for fiscal reasons, having built their competitive models precisely on the regulatory fragmentation the Regime seeks to overcome (Tandfonline, 2025). On the other hand, Nordic countries, Germany and France resist from another perspective: trade unions, that play a fundamental role in those countries, have strongly criticised the proposal on the ground that it would allow companies to opt out of national labour laws especially (Corporate Europe Observatory, 2025).

If key Member States resist or only partially support it, the EU risks creating a two-speed system in strategic sectors like tech and defence, where fragmentation is most damaging.

3.3.2 External weaponisation of internal divisions

What makes internal resistance geopolitically significant is that it does not operate in isolation. The sovereigntist forces most likely to block the 28th Regime are often the same forces with the closest ties to external powers that have a strategic interest in preventing European cohesion. This creates a structural convergence between external actors who benefit from a fragmented Europe and internal forces who oppose a deeper integration, with each of them producing the same outcome.

- **External actors:** Russia benefits from a weakened EU because fragmentation limits Europe's ability to respond to military pressures. Moreover, Russian politician networks have replicated, at political level, the same fragmentation logic that energy dependence produced at the economic level (Cenusa, 2025). China, instead, is systematically exploiting fragmentation by establishing advantageous bilateral agreements with Central and Eastern Europe countries (Marò & Torok, 2022). Further, the current US Administration has also aligned more closely with the so-called "sovereigntist bloc" (Poland, Austria, Italy, and Hungary), identifying it as more compatible with its foreign policy objectives (Sole24Ore, 2025).

- **Internal forces:** The return of the populist hard-right in several EU member states may hinder integration efforts, combining Euroscepticism with sovereigntist takes (The Economist, 2025).

In an increasingly populist environment, the 28th Regime may face domestic political resistance, sovereigntist mobilisation, and the formation of blocking coalitions capable of delaying, diluting, or politically delegitimising its adoption. A reform justified at EU level as enhancing Europe's autonomy may be interpreted within some member states as weakening national governments.

4. 28th Regime and geopolitical impact: sector prioritisation matrix

Strategic vulnerability, regulatory friction, and the potential geopolitical impact of the 28th Regime may differ markedly across industries. The following section introduces a three-dimensional Sector Prioritisation Matrix (details in footnote and Appendix) that strategically positions nine sectors to identify which sector the 28th Regime delivers the greatest strategic impact relative to its geopolitical weight.

The aim is to identify both the sectors most exposed to geopolitical risk and those with the highest VC intensity and startup scaling gap, as they would be the ones most susceptible to the benefits of the 28th Regime. One of the most fitting sector will be selected for the Case Study.

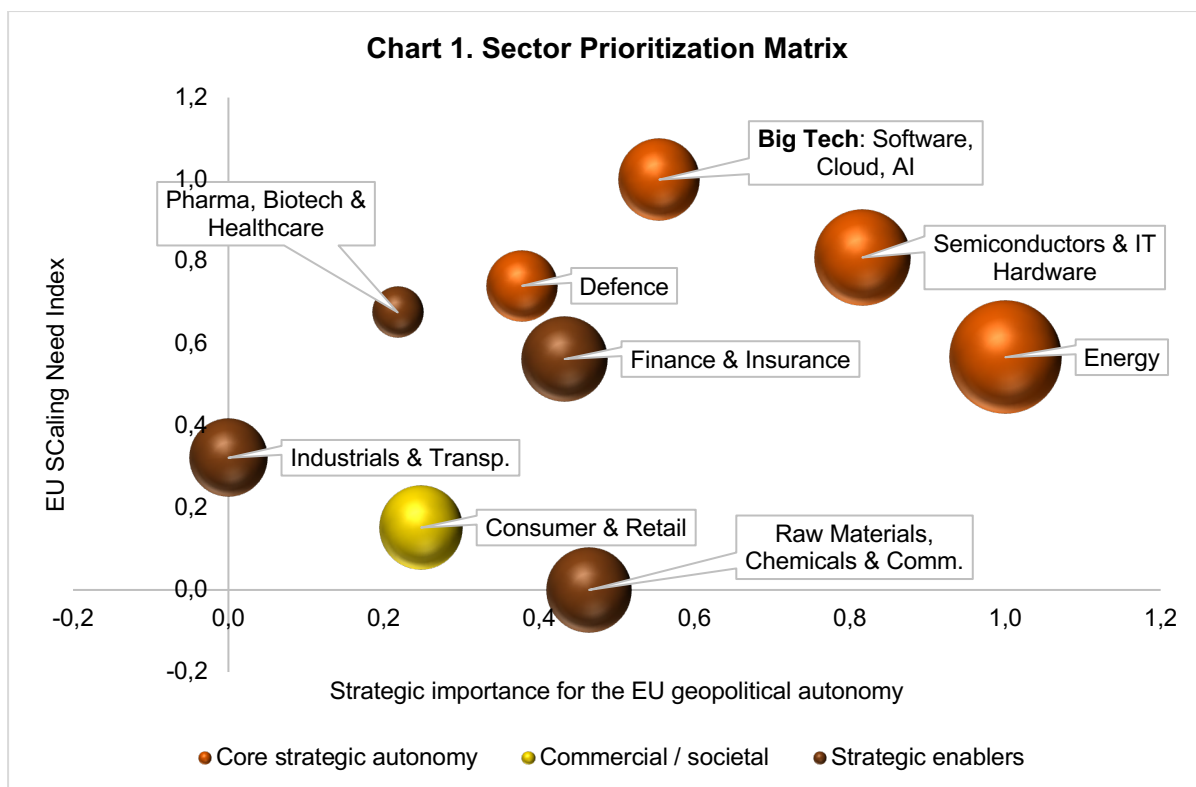
Results: Software, Cloud and AI as primary sector for the Case Study

Chart 1¹ presents the positioning of all the nine considered sectors across the Sector Prioritisation Matrix. Big Tech emerges from the matrix as the sector where the 28th Regime's potential geopolitical impact may be highest.

Maximum Scaling Need Index (1,000): Among the nine considered sectors, the EU faces a considerable scaling gap in Big Tech (Software, Cloud and AI) compared to the presence of unicorns in the US or globally. Additionally, Big Tech (Software and AI) attracted \$194.8 billion in global VC investment in 2025, far greater than any other sector (KPMG Venture Pulse, 2026). However, the EU captures a disproportionately small share of this capital. The 28th Regime may assist in redirecting capital to Europe.

Considerable Sovereignty Criticality Score: Big Tech (Software, Cloud and AI) scores 1.0 on Criticality to Sovereignty (a component of the x-axis), the highest possible score, shared with Energy and Semiconductors. This is because Cloud infrastructure, AI models, and data services have become foundational to state functioning, defence operations, and economic competitiveness. As will be discussed in the Case Study, tech dependence constitutes a major geopolitical vulnerability.

¹ See the **Appendix** for the construction of **Chart 1**. The chart maps sectors (Software, Cloud & AI, Semiconductors & IT Hardware, Energy, Defence & Dual-Use Tech, Pharma & Healthcare, Financial & Insurance Services, Raw Materials & Chemicals, Industrials & Transportation, Consumer & Retail) along two composite indices: the X-axis reports a normalized *Strategic Importance for EU Geopolitical Autonomy Index*, built from trade vulnerability (30%), criticality to sovereignty and chokepoint exposure (30%), and declining-market exposure (40%); the Y-axis reports a normalized *EU Scaling Need Index*, capturing potential sectoral development through VC intensity (40%) and the EU startup strategic gap compared to the U.S. and the RoW (60%). Bubble size represents *EU market dependency* from extra-EU trade exposure, while bubble color groups sectors into *core strategic autonomy*, *strategic enablers*, or *commercial/societal* categories. The matrix is fully reproducible from publicly available sources (Eurostat, KPMG, CB Insights, McKinsey Global Institute, S&P Global Market Intelligence, Eurostat).



5. Case study: Big Tech and the digital sector

The structural dimensions of European geopolitical vulnerability identified in Section 3 do not operate at the same intensity across all sectors. The Sector Prioritisation Matrix developed in Section 4 establishes that the digital sector is the domain where all three mechanisms simultaneously converge and where the 28th Regime's potential impact is greatest. It is one of the sectors in which fragmentation has produced the deepest external dependence, where that dependence has been actively weaponised, and where the legal remedy the 28th Regime provides is most directly targeted to reduce that vulnerability.

The idea of the case study is to answer four main questions:

- How have 27 fragmented legal regimes specifically prevented European digital firms from achieving the scale necessary to compete, and how that scaling failure locked Europe into external dependence?
- How has that dependence already been weaponised by external actors and through which legal and political mechanisms?
- What does Chinese positioning in European digital markets reveal about the substitution risk, and why does replacing one dependency with another not constitute strategic autonomy?
- What does the 28th Regime concretely change about this constellation of power, and what does it leave unresolved?

5.1 How fragmentation builds the dependence on U.S. tech

The United States holds “network centrality” (Farrell and Newman, 2019) over Europe’s digital infrastructure. The top 10 US technology firms hold a combined market capitalisation of approximately \$25 trillion. The top 10 European technology firms hold approximately \$1.67 trillion (CompaniesMarketCap, 2026). European firms that have scaled to global relevance (ASML, SAP, Spotify, Nokia) remain exceptions that highlight the structural imbalance. The imbalance extends to artificial intelligence: approximately 70% of foundational AI models created since 2017 have been developed in the United States (EC, 2024).

KEY DATA. US Cloud Market Dominance in Europe

US-headquartered hyperscalers (Nvidia, Alphabet, Apple, Microsoft, Amazon, Broadcom, Meta, Tesla, Micron, Oracle) control approximately 85% of the European cloud infrastructure market. European providers hold less than 15% of EU cloud market share, a figure that has fallen from 29% in 2017. (Synergy Research Group, 2026; CNBC, February 2026).

5.1.1 The EU fragmentation trap: structural ceiling and external dependence

As already emerges from previous analysis, what Europe is missing is the capacity to scale up. Prior to the global expansion of Silicon Valley-based technology firms, European tech companies were leading the market with Siemens, Nokia, and Ericsson. However, regional players could not compete when Nvidia, Apple, Microsoft, Meta, Amazon, and Alphabet led the digital revolution of consumer tech and cloud systems, leaving the main local players with only a limited share of global market capitalisation (Draghi 2024).

This suggests that the root cause is not a deficit in innovation, but that Europe continues to operate with a deeply fragmented regulatory space. Unlike US incumbents that can rapidly scale up across a unified domestic market, Europeans face high coordination costs (analysed in the previous Section) simply to cross borders within the Single Market (Letta, 2024). The fragmentation creates a structural asymmetry: US tech “hyperscalers”, operating from a single legal and financial base, can mobilise capital at continental scale and invest nearly €10 billion per quarter in European infrastructure alone (The Register, 2025). A European firm attempting the same trajectory must first absorb the cost of 27 different legal systems before it can even begin to compete. In a framework of new techno-nationalism, in which scale in dual-use sectors determines geopolitical leverage, this becomes a strategic capacity gap.

The structural ceiling produces a direct geopolitical consequence: since European firms cannot currently scale within the Single Market, they become structurally dependent on external infrastructures controlled by actors who can weaponise this interdependence.

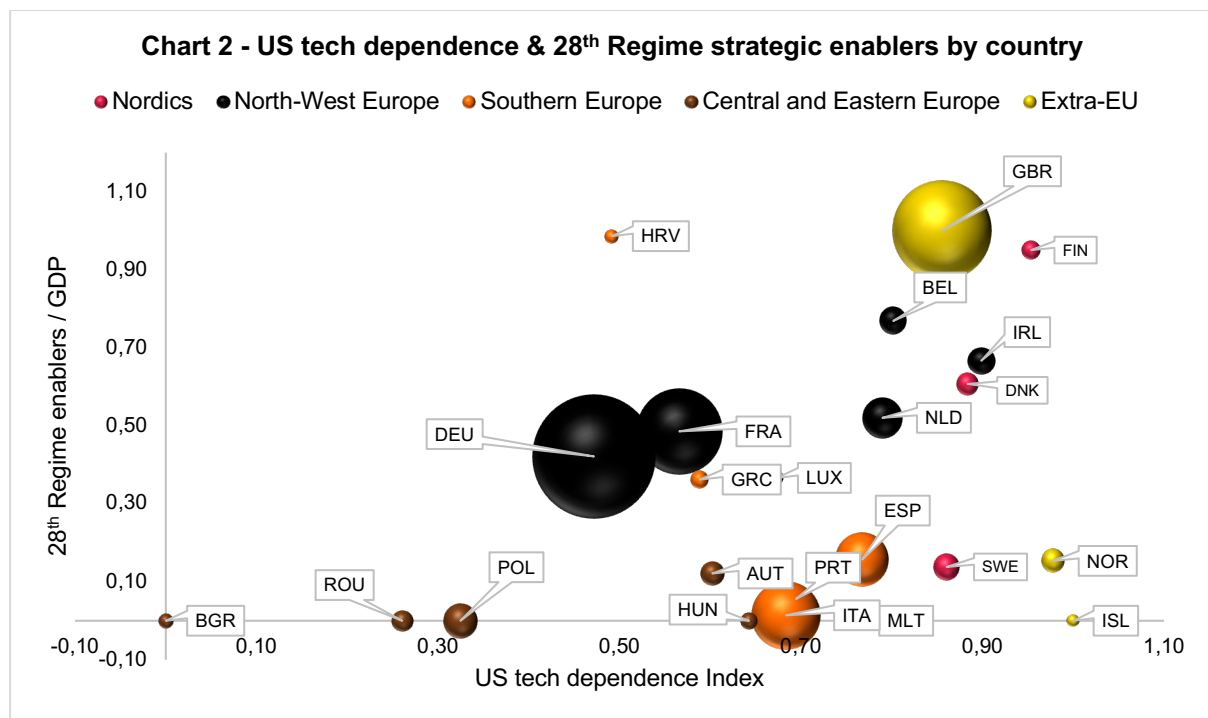
According to Daniel Ahremark, CFO at Dutch hospitality software Mews: “The broader challenge is that Europe, despite its economic size, still operates as a collection of individual countries rather than as a unified market in the way the U.S. does. [...] This makes it harder to build companies at scale”.

The sovereign dimension of this gap is measurable:

KEY DATA. EU tech unicorn gap.

While the EU records 40 unicorns in the tech sector (“Software, Cloud, Data, AI”), against 296 in the US, the divergence becomes far sharper in valuation terms: EU unicorn value amounts to only \$115 billion, compared with \$1,731 billion in the US. This suggests that Europe’s core weakness is not only firm creation, but above all scaling capacity in the most strategically important digital sector (CB Insights, 2026).

Chart 2² shows that the EU countries best positioned to benefit from the 28th Regime are those that combine high exposure to US technology with a relatively strong base of unicorns, particularly Finland, Ireland, the Netherlands, Belgium, and Luxembourg, while France and Germany remain the systemically most consequential cases because of their economic scale. Remarkably, the United Kingdom (extra-EU) has both a great tech startup base and a high nominal GDP, but also a huge dependency on US tech imports.



² **Chart 2** is fully reproducible from publicly available cited sources and maps sectors along two composite indices. X-axis: *US tech dependence Index* in every EU country for every sector (50%) and US tech dependence in every EU country for “core strategic autonomy” sectors only (50%), the result is normalized (0-1 index) (Proton, 2025). Y-axis: reports a normalized *28th Regime enablers / GDP Index*, calculated as the sum of the value (\$B) of unicorn value by EU country by sectoral group (“core strategic autonomy”, “strategic enablers”, “commercial/societal”), divided by the local GDP and normalized into a 0-1 index to gain a pure density of industrial/technological enablers for the Regime with respect to the local economy dimension. (CB Insights, 2024; IMF, 2025). Bubble size represents the normalized nominal GDP for each EU country (IMF, 2025), and bubble colour groups countries into four regions: *Nordics, North-West Europe, Southern Europe, and Central and Eastern Europe*.

5.1.2 *Cumulative dependence: lock-in and fragmentation*

This technological dependence is self-reinforcing. Once governments and firms adopt foreign cloud and AI platforms, they become locked into proprietary ecosystems with high switching costs. Data, APIs and workflows accumulate in these digital chokepoints, making alternatives difficult to deploy. This dynamic reflects again what Farrell and Newman (2019) describe as the weaponisation of interdependence: actors controlling key nodes transform this interdependence into a source of coercive power. In the digital domain, particularly, this power does not require active disruption, since the mere possibility of exclusion is sufficient to shape the behaviour of dependent actors, realising the panopticon effect described by the authors.

This technological lock-in compounds into jurisdictional lock-in. Firms that build on American infrastructure are naturally drawn toward American legal structures, investors, and ecosystem, making relocation not just a financial decision but a consequence of dependence.

The phenomenon is measurable in corporate behaviour: between 2008 and 2021, some 147 European unicorn startups emerged, but roughly 40 later relocated their headquarters abroad (mostly to the United States) (European Commission, 2024). Thus, infrastructure dependence drives ecosystem lock-in, which in turn drives capital and innovation out of Europe, deepening the strategic gap. While relocation decisions are multi-causal, the pattern is consistent with the lock-in logic described above, infrastructure dependence does not mechanically produce relocation, but it systematically shifts the path of least resistance toward it.

The dependency mapped in section 3.1 is an operational reality already in place to be exploited. The main aim of this section is to show the mechanisms through which European digital dependence is weaponised, examining the specific episodes in which that architecture has already been developed.

5.1.3 *The legal architecture of coercion: jurisdiction as structural power*

The legal infrastructure governing American technology firms translates the structural conditions identified in 3.1 into an automatic mechanism of coercion. The *Cloud Act* obliges American technology companies to produce data upon government request regardless of where it is physically stored, and s 702 of the *Foreign Services Intelligence Act* authorises the collection of communications involving non-US individuals using American platforms (Burwell and Propp, 2026). Since most of the European institutional and commercial digital activity already runs on American infrastructure, the panopticon effect becomes an operating condition for Europe as a whole. This is because the US possesses both effective legal jurisdiction over the predominant infrastructure, and domestic institutions are capable of translating that structural position into operational coercion.

5.1.4 *Weaponisation in action: the deterioration of the U.S.- EU relationship*

This coercive architecture has already been deployed through a pattern of escalating pressure that runs directly through the digital infrastructure on which European governments depend:

- **Executive Order 14203, signed by President Trump** (February 2025): by designating ICC officials under OFAC sanctions, European institutions relying on American infrastructure for ICC-related work faced the prospect of losing access to their own operational systems as a direct consequence of an American executive decision (Winston and Strawn, 2025; Xinhua, 2025).
- **The White House Presidential Memorandum** (February 2025): it instructed trade negotiators to treat foreign digital regulations as trade barriers subject to retaliatory tariffs (The White House, 2025).
- **Tariffs for deregulation** (November 2025): Commerce Secretary Howard Lutnick used a November 2025 visit to Brussels to explicitly link the removal of EU digital regulation to a possible transatlantic deal on steel and aluminum tariffs (Smith, 2025).
- **Internal lobbying dynamics**: tech industry lobbying expenditure reached a record of €151 million annually, a 33% increase on 2023 figures, with 890 full-time lobbyists in Brussels now outnumbering MEPs (CEO, 2025).

Europe cannot, at present, credibly threaten to disengage from American digital infrastructure. This negotiating asymmetry is what makes technological dependence a geopolitical risk, and it is what the 28th Regime, by enabling the emergence of credible sovereign alternatives, is designed to address at its root.

European enterprises are “realising that they can’t afford to entirely depend on foreign provider” (Arthur Mensch, AI entrepreneur, The Economist, 2026)

5.2 The China variable: substitution risk and the limits of the Regime

The analysis so far has focused on the supply side of European dependence. What the 28th Regime does not touch is the demand side, since it says nothing about who European governments and critical infrastructure operators are allowed to buy from. This is where the China variable enters.

5.2.1 The substitution trap: a dependency is not reduced by being transferred

The most important concept emerging here is that replacing one dominant infrastructure provider with another does not reduce vulnerability, but it only transfers it.

Synergy Research put Alibaba Cloud at roughly 4% and Huawei Cloud at 2% of the global cloud infrastructure market in mid-2025, with Huawei operating a European availability zone in Ireland (Goovaerts, 2025). Huawei has stated the goal of onboarding 1,000 European start-ups within five years, and Chinese providers compete primarily on price and on how densely they deploy infrastructure (Chervek, 2023).

The 28th Regime, by unifying the European market, could paradoxically make that market a more attractive single target for Chinese entrants than 27 fragmented ones are.

KEY DATA. The 5G precedent: what fragmented enforcement produces

Only ten member states implemented meaningful restrictions under the 2020 Toolbox, and Huawei equipment still sat in roughly 57% of German 4G radio access sites by late 2024 (Morris, 2026). Fragmented enforcement produced an uneven European response that external actors exploited, a direct precedent for what the 28th Regime risks repeating in cloud and AI.

The Regime's supplier-neutrality becomes a strategic liability the moment one adversary's firms are cheaper than European firms that will scale thanks to the Regime. The Commission's January 2026 Cybersecurity Package moves in the right direction by listing cloud services among eighteen critical sectors where high-risk third-country suppliers must be phased out, yet its enforcement sits with member states and reproduces exactly the fragmentation the 28th Regime is built to overcome (Reuters, 2026).

5.3 What the 28th Regime changes, and what it does not

This section goes deeper into analysing potential strategic autonomy that the 28th Regime can change in the tech industry, a sector where dependence has been already weaponised.

5.3.1 The Regime as a geopolitical instrument: what it changes

The most direct geopolitical contribution of the 28th Regime is the removal of the structural incentive for the Delaware flip. It guarantees legal access to the Single Market of over 450 million citizens within 48 hours of registration and imposes a non-discrimination obligation on member states that prevents them from treating EU Inc. companies disadvantageously in public procurement processes (European Commission, 2026b). The 28th Regime makes European incorporation geopolitically rational and increases the likelihood of European tech companies remaining under European legal control, including retaining intellectual property, talents and governance structure. A company incorporated under the 28th Regime is not national, but European, and any foreign state attempt to target it through sanctions, export controls, or any other restriction is dealing with the EU as a unified trade bloc.

As Anton Osika, CEO of the European tech firm Lovable, noted following the release of the EU Inc. Regulation: "fragmented rules can hold back European talent" from building global companies natively within Europe.

The Regime also reduces the financial incentive for relocation by lowering due diligence costs that currently make European firms less attractive to international investors compared to Delaware incorporated equivalents, creating conditions for them to access growth capital without transferring jurisdictional control in the process (European Commission, 2026).

5.3.2 The structural limits of 28th Regime intervention

The contribution of the 28th Regime is real but bounded; some vulnerabilities remain that cannot be addressed by the Regime alone. First, its design as an opt-in instrument. Firms can therefore bypass it, potentially failing to generate the market-wide unity on which European geopolitical leverage depends. Then, the legal-technical sovereignty gap is not fully solved: firms incorporated under the EU Inc. but operating on American cloud systems remain technically dependent on them. In the language of Strange (1988), structural power derives

from control over knowledge and production networks, not from legal form. Finally, the standard-setting gap remains: if European firms scale on US technological architectures, the standards that shape future markets will still be American. In geopolitical terms, Europe may gain legal integration without recovering control over the deeper layers of digital power.

5.3.3 *The transition window and the current steps towards tech sovereignty*

European alternatives will not replace US “hyperscalers” from the day it enters in force. The moment Europe publicly commits to digital sovereignty is also the moment at which it becomes more exposed, declaring its intention without yet having operational capacity to back up.

Some early steps are already visible:

- **Sovereign cloud migration:** multiple EU governments are shifting toward European software and cloud solutions such as France committing to move all government departments off Microsoft by 2027, with similar trends across Germany, Austria, Finland, Italy, the Netherlands, and Sweden (Schaefer, 2026).
- **Public procurement reorientation:** the EU Commission has already awarded a €180 million sovereign-cloud tender to European firms, an attempt to redirect part of the €265 billion Europe spends annually on US services toward domestic providers (Schaefer, 2026).
- **Talent reversal:** Trump-era layoffs and immigration restrictions are beginning to reverse the traditional brain drain, strengthening Europe’s local tech talent base (The Economist, 2026).

Managing the transition window implies accelerating public-sector migration to European alternatives in the sectors most exposed to coercion, building resilience mechanisms that reduce the cost of political shocks during the transition. Without such bridging measures, the 28th Regime risks arriving geopolitically too late.

In remarks at the 2026 Munich Security Conference, President von der Leyen said (Von der Leyen, 2026):

Europe must become more independent – there is no other choice. Independent in every dimension that affects our security and prosperity. Defence and energy. Economy and trade. Raw materials and digital tech. [...] Our digital sovereignty is our digital sovereignty (European Commission, 2026).

President Macron, when launching the Choose Europe for Science initiative in 2025 said:

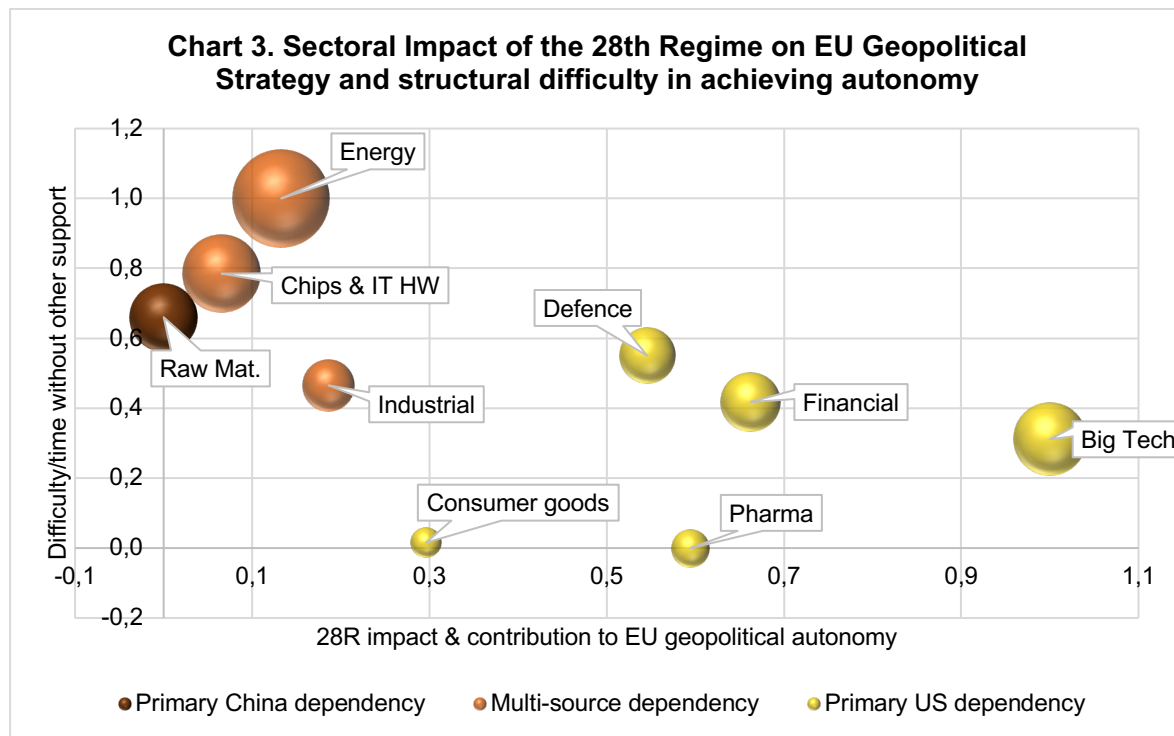
We cannot depend on a few American companies to manage our data infrastructure, it’s a matter of European public interest... there is no such thing as happy vassalage (Macron, 2025).

6. Scenarios and Strategic Recommendations

The following section translates the case study findings into a generalised view by sector, to analyse the geopolitical impact of the 28th Regime. The section also provides three geopolitical scenarios that map the range of possible outcomes depending on the degree of implementation and the complementary instruments that accompany the Regime. In the end, strategic recommendations follow that would make the difference between a legal reform and a genuine shift in European structural power.

6.1 The 28th Regime and EU autonomy against foreign powers, by sector

Chart 3³ generalises even more the conclusions of the case study across all nine sectors analysed, mapping where the 28th Regime is geopolitically decisive and where it is insufficient alone. The horizontal axis measures how much the Regime shifts each sector toward strategic autonomy, while the vertical axis captures the structural difficulty of achieving independence through the Regime alone.



³ **Chart 3** shows the Sectoral impact of the 28th Regime on EU Geopolitical strategy and structural difficulty in achieving autonomy. The X-axis reports a normalized composite score (0-1) of the expected contribution of the 28th Regime to strategic autonomy in each sector. The Y-axis reports a normalized (0-1) composite score of the structural difficulty of achieving greater independence through the 28th Regime alone. Bubble size reflects a normalized (0-1) index of EU strategic geopolitical importance, combining trade vulnerability with the speed of geopolitical shock transmission. Bubble colour reflects the dependency on foreign country exports by main trade partner. The chart is fully reproducible from publicly available cited sources and maps sectors along two composite indices, as shown in **Appendix**.

High X, Low Y: 28R as a decisive instrument (Big Tech, Pharma, Finance)

The 28th Regime strongest impact appears in sectors such as Big Tech, pharma and biotech, and financial services, where fragmentation of the internal market is itself a major obstacle. In these sectors, a common European legal regime can materially improve scaling conditions and reduce dependency on US supply, thus reducing the effects of potential geopolitical shocks.

High X, High Y: 28R is necessary, but insufficient alone (Defence)

Defence is a case in which the 28th Regime is important but insufficient on its own. It can improve coordination and market integration, but meaningful autonomy still requires broader strategic support.

Low X, High Y: Structural dependence, high stakes (Energy, Chips, Raw materials)

By contrast, in sectors such as semiconductors, IT hardware, energy, and raw materials, the 28th Regime has limited direct impact, while structural difficulty and geopolitical exposure to foreign nations (Russia, China, Middle East) remain very high. This suggests that legal integration alone is not enough, and that autonomy in these areas depends primarily on complementary tools such as industrial policy, public investment, procurement, and sector-specific programmes.

The geopolitical implication is that the 28th Regime is not a universal sovereignty instrument, and its sector-specific limitations must be addressed through a wider policy suite.

6.2 Scenarios

The three scenarios below map the range of possible geopolitical outcomes of the 28th Regime, assessed across six dimensions: US relations, Chinese positioning, UK dynamics, Russian leverage, internal EU cohesion, and tech governance. The key insight is that the level internal EU political cohesion is a decisive variable, since it influences the relationship with all the other dimensions. A second cross-cutting finding is that the China substitution risk remains a crucial underestimated threat.

SCENARIO A. Robust Implementation of the 28th Regime

This scenario assumes full and uniform implementation of the Regime with no opt-outs or exceptions for member states. It assumes the design of complementary support measures to prioritise crucial sectors, raise investments and procurement, and partnerships with trusted suppliers.

Consequences for the EU: a first consequence for Scenario A would be that the 28th Regime will generate its own network effect for emerging startups, leading to the slowing of the Delaware flip. By halting this jurisdictional transfer, the EU acquires a new layer of structural power over the market's knowledge structure (Strange, 1988), controlling the legal architecture that governs how intellectual property is retained and commercialised. Crucially, as capital flows unencumbered across internal borders, wealth and talent are distributed to Europe's periphery rather than just established hubs. For sectors where the primary barriers to autonomy are legal and financial, notably big tech, pharma, and finance, this integration fosters the emergence of European champions. For hardware-dependent sectors like energy

and semiconductors, the Regime's impact is secured by unified, complementary support measures that ensure supply chain diversification.

Actor-based impacts: by scaling European alternatives within public administrations, the EU materially reduces US leverage. However, this creates a complex dynamic for Washington: while US subsidiaries might exploit the EU Inc. Framework as a mini-Delaware, the current US administration may simultaneously impose retaliatory tariffs if US big tech loses public procurement processes.

Meanwhile, unified European procurement conditionality prevents China from exploiting fragmented national markets through bilateral agreements, and Russian political networks would lose the EU-fragmentation argument entirely. Furthermore, the Brussels Effect is reinforced, as globally competitive EU-incorporated firms become standard setters. Finally, rather than losing its competitive advantage as a tech hub entirely, the UK is forced to negotiate Mutual Recognition Agreements to secure limited participation for its start-ups, ensuring close partnership while preventing British cherry-picking in the Single Market.

Final take: ultimately, this optimal outcome is contingent on the EU's ability to safely manage the transition window through common procurement measures, and on whether the US chooses to escalate through tariffs before European alternatives reach sufficient scale to make disengagement credible.

SCENARIO B. Partial Implementation of the 28th Regime

This scenario assumes a partial or uneven implementation of the Regime due to the resistance from member states for the previously analysed reasons, whether for national sovereignty arguments or to exploit privileged positions in certain sectors, legal or tax regimes. Complementary procurement and sectoral prioritisation rules are part of the plan, but not all member states accept their application.

Consequences for the EU: in Scenario B, the uneven application of the Regime – either through weak Council compromises or implementation via an enhanced cooperation mechanism – creates a two-speed internal market, exacerbating the North-South and East-West divides within the EU. While national champions may scale globally, capital does not flow seamlessly across the bloc. Consequently, the sovereignty gap does not disappear; it merely migrates to the infrastructure layer. A firm might incorporate under the 28th Regime, but if the bloc remains financially fragmented, scaling difficulties persist. Complementary proposals, such as shared procurement rules and the Savings and Investments Union, are similarly diluted, leaving EU regulatory power structurally compromised and dependent on a fragmented market.

Actor-based impacts: because the bloc lacks a unified strategy, the flight to Delaware (and secondarily to London for specific biotech and fintech ecosystems) continues. Within the technology sector, European startups become legally European but remain operationally American, leaving the US "panopticon effect" (Farrell & Newman, 2019) fully intact over commercial data. Meanwhile, Chinese providers exploit the East-West divide, repeating the 5G precedent in countries where non-shared procurement rules apply, effectively substituting one dependency for another and strengthening BRI infrastructure ties. Finally, Russia retains leverage through its energy infrastructure and political networks in member states that refuse to align with the broader integration effort.

SCENARIO C. Blocked implementation of the 28th Regime

This scenario depicts the worst-case scenario for the EU. The 28th Regime does not pass Council, owing to pressure from sovereigntist member states and lobbying from US technology companies. Other competitiveness measures have similarly failed, and it is the view of the Council and the Commission that pursuing reforms in the space is a political dead end.

Consequences for the EU: in Scenario C, the 28th Regime remains blocked, ensuring the single market remains fragmented into 27 smaller jurisdictions. The flight to Delaware accelerates, forcing start-ups to relocate and taking their skills and human capital away from Europe earlier. Crucially, the geopolitical cost of this failure is compounding: because digital chokepoints are self-reinforcing, every additional year of fragmentation deepens Europe's infrastructure lock-in, making future attempts at digital sovereignty structurally harder to execute. Ultimately, the Brussels Effect collapses in the digital realm; EU regulators set rules but cannot enforce them without triggering retaliation from the very providers on which European governments still depend.

Actor-based impacts: these internal failures highlight a fatal structural convergence: domestic sovereigntist fragmentation functionally aligns with the geoeconomic interests of external powers, converging on the same outcome without ever coordinating. The US maintains full infrastructural dominance, forcing European companies to fully integrate into the American technology ecosystem with all the ramifications for corporate security and resilience. Without European alternatives and unified procurement rules, China fills the infrastructure vacuum entirely, not through confrontation but through the logic of substitution. Simultaneously, Russia actively benefits from a divided EU, weaponising sovereigntist discourse to block integration and maintain its remaining geopolitical leverage.

KEY DATA. The China substitution risk as the key threat.

In all three scenarios, the China substitution risk is the most underestimated threat. The 28th Regime was designed to reduce US dependency, but without complementary procurement rules, Scenario B and C both risk producing a chokepoint transfer rather than strategic autonomy. The geopolitical variable most correlated with scenario outcome is internal EU political cohesion, not the quality of the 28R legal design itself.

6.3 Strategic Recommendations

The following recommendations identify the interventions that must accompany the Regime if its legal ambition is to translate into actual geopolitical outcomes.

- **Manage the transition window as a sovereign task:** As previously discussed, the period between the Regime's adoption and its meaningful impact is the moment of greatest geopolitical exposure. Public sector migration to European cloud and AI alternatives must be accelerated and prioritised in sectors most exposed to coercion. Each additional year of reliance on US platforms is a year during which Brussels cannot enforce its own rules without risking disproportionate countermeasures (Schaefer, 2026).

- **Close the procurement gap before China fills in.** The Regime says nothing about who European governments are allowed to buy from, and Chinese providers are already positioning to enter. Therefore, supply chain security requirements must be introduced at EU level (Reuters, 2026; Morris, 2026).
- **Treat capital market reform as a geopolitical priority:** As long as European capital markets remain underdeveloped relative to US alternatives, EU Inc. registered firms will still migrate towards American financing. The Savings and Investment Union and the Scale-up Europe Fund must be treated as components of the same sovereignty strategy as the Regime itself, not as separate initiatives to be addressed later (Angeloni et al., 2026; KPMG, 2026).
- **Frame the Regime as a sovereignty instrument to isolate blocking coalitions:** The dilution of the 28th Regime by Council may neutralise the Regime's geopolitical impact entirely. Sovereignist-leaning governments that resist legal integration can be confronted with the geopolitical argument the Regime itself embodies. This framing shows sovereignists that fragmentation serves Washington and Beijing, not national interests (Bruszt and Vukov, 2024)
- **Extend the Regime's reach to strategic partners:** The 28th Regime should be opened to participation by the UK, Norway, and Ukraine in exchange for alignment on procurement rules, standards, and capital market integration. This expands the legal base on which European firms can scale while building a broader coalition committed to reducing dependency on non-European digital infrastructure (The Economist, 2026b).

7. Conclusion

The question this report has been built on is to answer whether legal integration can function as a form of geopolitical statecraft: that is, whether a voluntary, optional framework for companies' incorporation can interrupt a structural transfer of power that has been accumulating for decades, and whether Europe can use regulatory cohesion to recover strategic autonomy in an era defined by the weaponisation of economic interdependence. In a world where the US deploys its legal jurisdiction as a coercive instrument, where China exploits regulatory fragmentation to establish infrastructural footholds, and where the grammar of commerce has replaced military force as the dominant language, the answer to that question determines whether Europe can be a subject or an object of the emerging multipolar order.

The analysis developed by this report shows that European legal fragmentation is a structural condition transferring capital to foreign jurisdictions through the silent tax, transferring sovereignty through the Delaware flip, and provides leverage to external actors through the chokepoint and panopticon dynamics that define weaponised interdependence. The 28th Regime matters because it intervenes at the root.

The Big Tech case study makes this mechanism concrete. US dominance over European digital infrastructure is not caused by legal fragmentation alone, but fragmentation contributes to it by preventing firms from scaling at home, pushing them to incorporate abroad, and transferring jurisdiction over their assets, data, and governance to foreign legal systems. What appears to be a regulatory inconvenience therefore becomes a sovereignty deficit, which can then be converted into a coercive architecture when external actors control the infrastructures on which European firms and institutions depend.

Yet, the report is clear about what the 28th Regime cannot do alone. In the language of Strange (1988), legal form does not substitute for control over knowledge and production structures that constitute structural power. Further, another geopolitical risk comes from the China substitution phenomenon as uniform European regulations also makes Europe vulnerable to Chinese infrastructure providers. To this, the political obstacles compound even more: sovereigntist forces inside EU and geoeconomic actors outside it produce the same outcome. Ultimately, every additional year of fragmentation deepens the lock-in of Europe and makes reversal harder.

Therefore, the central finding of this report stands: the 28th Regime is a necessary but not sufficient condition for full European strategic autonomy. Its success lies in what it makes possible, provided that it is accompanied by complementary reforms: capital markets integration, procurement conditionality, supply-chain security, and a managed transition toward European technological capacity. Without these, it remains a legal instrument in search of a geopolitical strategy.

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9. Appendix

9.1 Methodology: Chart 1 architecture

The study analysed the nine sectors across four independent strategic dimensions.

9.1.1 X-axis: Strategic Importance for the EU geopolitical autonomy Index (SI).

This dimension measures the geopolitical cost of the EU dependency and likelihood of disruption for each sector, especially when highly exposed to countries with a high geopolitical risk. Its formula is the weighted average of three sub-indices, normalized to the [0,1] interval, with Energy scoring the maximum (1.000), since it has the highest trade vulnerability, chokepoint exposure, and share of output in declining markets. See **Table 1** and **Chart 4** for reference.

Table 1: X-axis: Strategic Importance for the EU Geopolitical autonomy Index construction.

Sub-index	Weight	Definition	Data Source
Trade Vulnerability	30%	Derived from Eurostat extra-EU trade flows. Measures net import reliance and trade exposure per sector. Higher values indicate greater non-EU supply dependence.	Eurostat (2024a, b, c, d)
Criticality to Sovereignty	30%	Qualitative 0-1 score built on two sub-dimensions: criticality index (state-function essentiality) and chokepoint exposure (supply bottleneck potential). Averaged to a single index.	Authors' assessment; Draghi (2024); Letta (2024)
Declining-Market Exposure	40%	Share of sector gross output produced in markets flagged as 'declining in attractiveness' globally. Higher values indicate greater output at geopolitical risk.	McKinsey Global Institute (2024)

9.1.2 Y-axis: EU Scaling Need Index.

It measures the potential sector's development through VC investments and the strategic unicorn gap between the EU, the U.S., and the Rest of the World. Thus, it constitutes a prediction on which sectors would EU Inc. target with highest chance of success. See **Table 2** and **Chart 5** for reference.

Table 2: Y-axis: EU Scaling Need Index construction.

Sub-index	Weight	Definition	Data Source
VC Intensity	40%	Weighted average of global (60%) and US (40%) VC investment by sector (\$B, 2025). Proxies for how much a sector depends on fast, equity-driven scaling.	KPMG (2026), Statista (2025), S&P Global (2026)
EU Startup Strategic Gap	60%	Composite of four weighted gaps: number of unicorns (EU/Global & EU/US) and total unicorn valuation	CB Insights (2025)

	(EU/Global & EU/US), measuring how far behind the EU is relative to global startup capacity.	
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9.1.3 Bubble size and colour: EU market dependency and Sector type.

The bubble size captures the structural exposure of each sector to non-EU imports (EU Market Dependency), calculated as **EU Market Dependency** = Extra EU Imports / (Extra EU Imports + Extra EU Exports), normalised above 0.2 floor to [0.2, 1.0], using Eurostat extra-EU trade for Products and Services data (2024), derived from extra-EU trade flows. Larger bubbles indicate greater exposure of each sector to non-EU supply chains and therefore its vulnerability to coercive interruption.

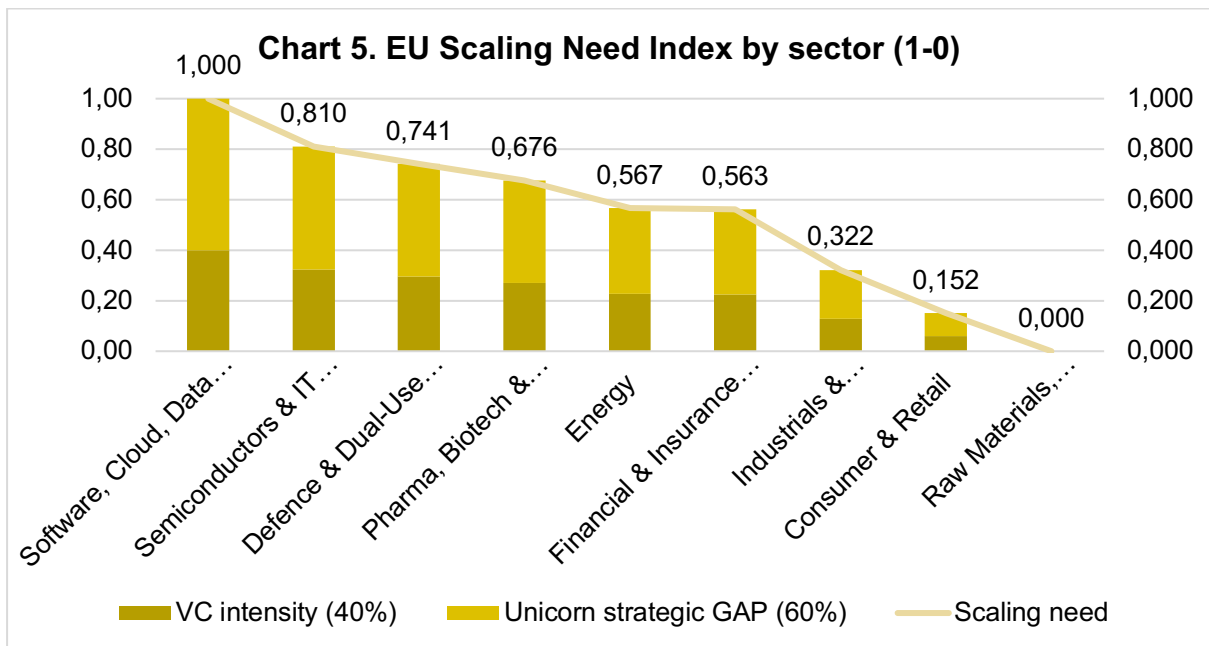
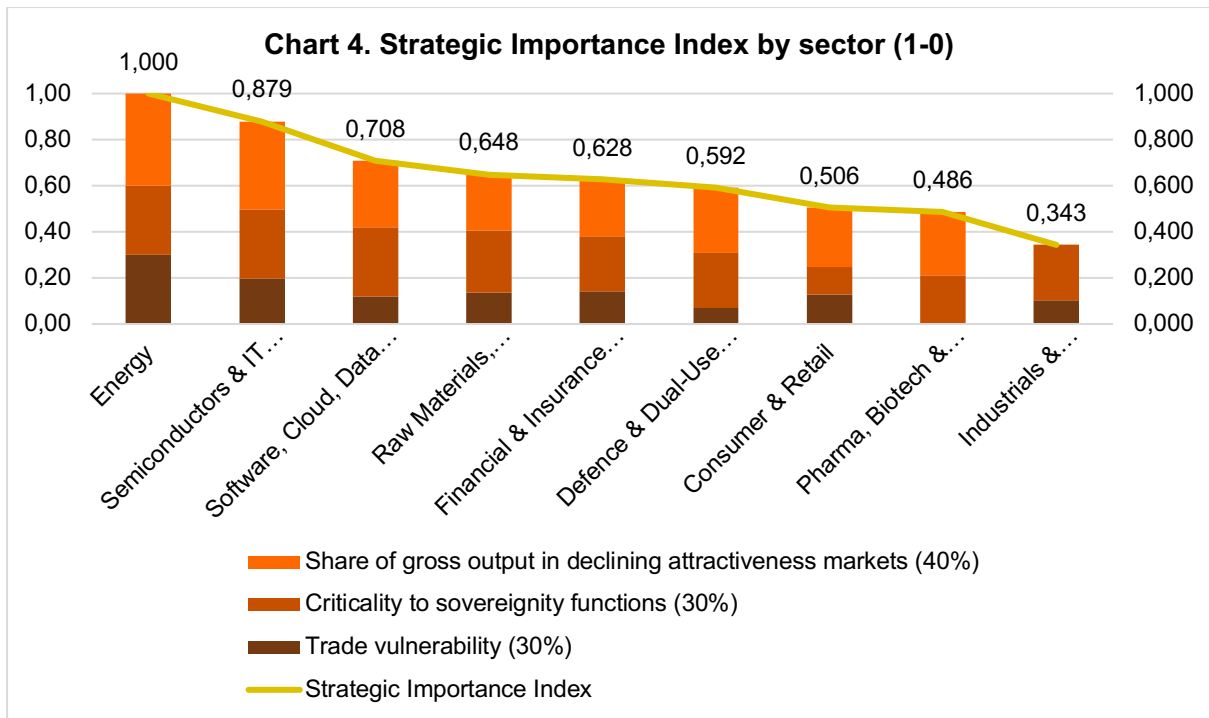
The bubble colour encodes the sector classification into three typologies based on their geopolitical weight:

1. *Core strategic autonomy.* (Software, Cloud & AI; Semiconductors & IT Hardware; Energy; Defence & Dual-Use Tech)
2. *Strategic enablers.* (Pharma & Healthcare; Financial & Insurance Services; Raw Materials & Chemicals; Industrials & Transportation)
3. *Commercial / societal.* (Consumer & Retail)

9.1.4 Results: Sector Prioritisation Matrix

Table 3: Sector Prioritisation Matrix Table. ★ Software, Cloud & AI: 28RIS = 1.000 (normalised maximum across all sectors). Selected as primary case study. Sources: see cited sources & authors' assessment.

Rank	Sector	Strategic Importance (X)	EU Scaling Need Index (Y)	EU Dependency (Bubble)	Typology
1	Software, Cloud & AI	0.555 (3rd)	1.000 (1st) ★	0.518 (6th)	Core Strategic
2	Semiconductors & IT HW	0.816 (2nd)	0.774 (2nd)	0.725 (2nd)	Core Strategic
3	Energy	1.000 (1st)	0.537 (5th)	1.000 (1st)	Core Strategic
4	Defence & Dual-Use	0.378 (6th)	0.708 (3rd)	0.384 (8th)	Core Strategic
5	Pharma & Healthcare	0.218 (8th)	0.657 (4th)	0.200 (9th)	Strategic Enabler
6	Financial Services	0.433 (5th)	0.543 (6th)	0.575 (3rd)	Strategic Enabler
7	Raw Materials & Chem.	0.464 (4th)	0.000 (9th)	0.565 (4th)	Strategic Enabler
8	Industrials & Transport	0.000 (9th)	0.322 (8th)	0.476 (7th)	Strategic Enabler
9	Consumer & Retail	0.248 (7th)	0.148 (9th)	0.540 (5th)	Commercial



9.2 Methodology: Chart 3 architecture

The study analysed the nine sectors across four independent strategic dimensions.

9.2.1 X-axis: 28R impact on achieving strategic autonomy

The X-axis measures how much the 28th Regime (EU Inc.) is expected to shift the needle toward strategic autonomy in each sector. Higher values indicate sectors in which a harmonized EU-wide corporate and operating framework could materially improve scaling, market integration, and the emergence of European firms. See **Table 3** for reference.

Table 3: X-axis: 28R impact on achieving strategic autonomy

Sub-index	Weight	Definition	Data Source
EU Startup potential (US share)	40%	It captures whether there is already a base of entrepreneurial activity that the 28R could help scale more effectively across the Single Market.	CB Insights (2025)
EU Startup share (scale relevance)	20%	Quantitative proxy for how strongly cross-border scale matters in the sector.	CB Insights (2025)
28R impact by sector	20%	Qualitative assessment of the extent to which the 28R can directly improve operating conditions in the sector by reducing legal fragmentation and simplifying cross-border growth.	Authors' assessment; Draghi (2024); Letta (2024)

9.2.2 Y-axis: Difficulty/time without other support.

The Y-axis measures the structural difficulty of achieving greater independence through the 28R alone. Higher values indicate sectors in which the 28R is not sufficient on its own and where additional instruments, industrial policy, procurement rules, or infrastructure investment, remain necessary. See **Table 4** for reference.

Table 4: Y-axis: Difficulty/time without other support.

Sub-index	Weight	Definition	Data Source
Extra-EU dependency	50%	Quantitative proxy for the extent to which the sector depends on non-EU suppliers. High values indicate that even a well-functioning 28R would not remove core external dependencies.	Eurostat (2024a, b, c, d)
Policy complements needed	50%	Qualitative assessment of how far complementary instruments are still required for the sector to achieve meaningful resilience or autonomy.	Authors' assessment; Draghi (2024); Letta (2024)

9.2.3 Bubble size and colour: Geopolitical importance and risk.

Bubble size captures the geopolitical importance and risk of each sector. In the chart, this is approximated through a composite index combining trade vulnerability with the risk and speed of geopolitical shock transmission.

Procurement rules, or infrastructure investment, remain necessary. See **Table 4** for reference.

Table 4: Bubble size: Geopolitical importance & risk.

Sub-index	Weight	Definition	Data Source
Trade Vulnerability	60%	Derived from Eurostat extra-EU trade flows. Measures net import reliance and trade exposure per sector. Higher values indicate greater non-EU supply dependence.	Eurostat (2024a, b, c, d)

Shock speed	40%	Qualitative proxy for how quickly a geopolitical disruption would hit the sector and spill over into the wider economy. Sectors with immediate operational disruption, cascading effects, or rapid transmission across value chains receive higher values.	Authors' assessment; Draghi (2024); Letta (2024)
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The bubble colour encodes the sector classification into three typologies based on their primary trade partner (where most imports come from).

- Primary US dependency.
 - 1 Multi-source dependency.
 - 2 Primary China dependency.