



Delhi Policy Group

Advancing India's Rise as a Leading Power



POLICY BRIEF

Europe in 2025: Strategic Realism Takes Hold

Author

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Since 2016, in keeping with India's increasing global profile, DPG has expanded its focus areas to include India's regional and global role and its policies in the Indo-Pacific. In a realist environment, DPG remains mindful of the need to align India's ambitions with matching strategies and capabilities, from diplomatic initiatives to security policy and military modernisation.

At a time of disruptive change in the global order, DPG aims to deliver research based, relevant, reliable and realist policy perspectives to an actively engaged public, both at home and abroad. DPG is deeply committed to the growth of India's national power and purpose, the security and prosperity of the people of India and India's contributions to the global public good. We remain firmly anchored within these foundational principles which have defined DPG since its inception.

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Cover Images:

European leaders convened to discuss Russia's violation of their airspace on October 3, 2025. Source: [X@EU_Commission](#)
the President of the European Commission, Ursula von der Leyen, the President of the European Council, António Costa, NATO Secretary General Mark Rutte, and Ukrainian President Volodymyr Zelenskyy met to discuss financing proposals to support Ukraine in its war against Russia on December 9, 2025. Source: [X@vonderleyen](#)

Indian Prime Minister Shri Narendra Modi met with the President of the European Commission, Ms. Ursula von der Leyen, and discussed India-EU relations on the sidelines of the G7 Summit in Kananaskis, Canada on June 18, 2025. Source: [X@narendramodi](#)

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Overview

In 2025, the European Union navigated growing complexity in its internal dynamics and external challenges, with modest economic recovery, political fragmentation, and major policy shifts on both economic and security fronts. It was a year marked less by ambition than by realism.

Politics and Security

Europe remained politically fragmented as the war in Ukraine continued into its fourth winter. Divisions persisted over military aid to Kyiv, the use of frozen Russian assets, and the long-term shape of European security.

A clear policy pivot emerged on defence. Many EU member states committed to sharply higher defence spending, with several racing toward a target of 5 percent of GDP. This marked a decisive break from decades of underinvestment.

The EU moved from emergency wartime assistance to a more structured security and defence relationship with Ukraine. European companies began repair, maintenance and limited production activities in western Ukraine, signalling a shift from ad hoc aid to sustained, industrialised support.

Following the installation of a more isolationist U.S. administration in January 2025, Europe doubled down on strategic autonomy. This led to the first-ever EU Defence Industrial Strategy (EDIS) being fully funded, with a focus on reducing dependence on U.S. military hardware.

The European Defence Fund (EDF) also took on a stronger role in centralising procurement, partly to bypass national vetoes that had long slowed collective action.

EDIS, the EDF and Readiness 2030 together form the arc of Europe's 2025 defence pivot: from industrial strategy to investment and full defence readiness by 2030.

Indo-Pacific and Global Posture

Europe's Indo-Pacific strategy moved from rhetoric towards action. French, German, and Italian naval vessels maintained a sustained operational presence in the Indian

Ocean throughout 2025. Coordination with partners increased, reflecting Europe's growing interest in maritime security and supply-chain resilience.

Internal Political Landscape

France faced sustained parliamentary instability. President Macron enters 2026 weakened, with no clear majority in the National Assembly and the far right gaining momentum ahead of the 2027 presidential elections.

Germany saw a change in leadership. Friedrich Merz replaced Olaf Scholz, ending the traffic-light coalition. The new government adopted a more hawkish security posture and a pro-business stance. However, it has yet to display the decisive leadership traditionally associated with Germany in Europe.

Germany undertook a major defence pivot. The debt brake was loosened, and a one-off defence fund created. Civilian manufacturers increasingly shifted into defence production. While this stabilised jobs, questions remain about productivity and long-term economic viability.

The United Kingdom focused on rebuilding relations with both the EU and India. Without rejoining the Single Market, Prime Minister Keir Starmer signed new security and veterinary agreements with Brussels to reduce trade friction. His visit to India, including participation in the Global Fintech Festival, highlighted the growing importance of the UK-India relationship following the conclusion of a bilateral FTA.

Migration

Europe shifted rightward on border control. Stricter measures led to stabilised inflows. Irregular crossings and asylum claims declined in 2025, even as global displacement rose.

In her State of the Union address on 17 September 2025, EC President Ursula von der Leyen announced a tripling of border funding, tougher sanctions on smugglers, and faster returns. However, only about 20 percent of rejected asylum seekers currently leave the EU.

Economic Performance

Europe's economy proved modestly resilient, despite headwinds.

Growth reached just over 1 percent, up from 0.9 percent in the previous year. Inflation remained slightly above 2 percent. Unemployment hovered around 5 percent.

Lower energy prices compared to the 2022–23 crisis allowed energy-intensive industries to stabilise. Spain and Portugal emerged as new green energy hubs, benefiting from renewables and grid investments.

Exports performed strongly early in the year but softened in the fourth quarter due to renewed U.S. tariffs on steel and electric vehicles.

A mid-year trade arrangement with Washington capped tariffs on most EU exports at 15 percent, avoiding a full trade war but reinforcing Europe's need to diversify partners.

Tech and Climate

Europe's 2025 agenda remained dominated by the green and digital transition.

Greenhouse gas emissions fell by 2.5 percent in 2024, keeping the EU on track for a 55 percent reduction by 2030. Renewables reached 47 percent of electricity generation, with 77 GW added in a single year. Annual investment needs remain high: around €237 billion through 2030.

The Carbon Border Adjustment Mechanism (CBAM) became fully operational, reinforcing Europe's climate standards while creating trade friction.

The EU launched its first pan-European quantum computing network, aimed at securing financial and military communications against future AI-driven threats.

The EU AI Act entered into force in 2025. By year's end, Europe was widely seen as a safe tech hub, attracting firms prioritising data sovereignty, trust, and regulatory certainty.

The Commission also funded large-scale AI gigafactories, giving European startups access to high-end computing power. New rules simplified scaling across all 27 member states under a single regulatory regime.

Outlook for India

Relations with India advanced significantly.

In February 2025, the College of Commissioners, led by Ursula von der Leyen, visited India—the first such visit outside Europe since the new Commission's mandate began. It signalled India's rising strategic importance for Europe.

Trade took centre stage. The EU-India Free Trade Agreement entered its final phase, with 13 negotiation rounds completed. Key chapters were closed, though challenges remained in steel, automobiles, carbon adjustment, and green standards. Both sides prioritised balance over deadlines.

Bilateral trade grew 36 percent to \$136 billion in 2024–25. India became the EU's ninth-largest trading partner. Indian exports reached \$93 billion. With an FTA, trade could exceed \$200 billion by 2030, driven by EVs, pharmaceuticals, IT, and textiles.

The second meeting of the Trade and Technology Council held in February 2025 in New Delhi reaffirmed a shared commitment to digital governance, strategic technologies, connectivity, supply chain resilience and cooperation in areas such as AI, semiconductors and 6G.

In September 2025, the Political and Security Committee of the EU marked its first Asia visit with a dialogue on security and defence cooperation under the Strategic Partnership. A Security and Defense Partnership and a Security of Information Agreement are in the pipeline.

The first India-EU Strategic Dialogue held in June 2025 in Brussels between External Affairs Minister S. Jaishankar and EU High Representative Kaja Kallas further deepened political coordination.

The New Strategic EU-India Agenda, unveiled in September 2025 and endorsed by the EU Council on October 20, 2025, classified India as a top-tier security and defence partner. It replaced the earlier Roadmap to 2025 and marked a major upgrade in Europe's view of India.

India and the EU also agreed to link the Indian Carbon Market (ICM) with CBAM, preventing double taxation for Indian exporters.

Taken together, India-EU ties have evolved into a full-spectrum partnership spanning economic, strategic, technological, and global governance domains.

High-Level Engagement and Defence Cooperation

Momentum in high-level visits continued.

Prime Minister Modi paid four visits to Europe in 2025, to France, Cyprus, Croatia and the United Kingdom, underscoring the renewed momentum in India-Europe relations.

India and Europe significantly deepened defence-industrial cooperation in 2025, with several major procurements and co-production arrangements concluded, and others at advanced stages of negotiation.

The upcoming visit of Ursula von der Leyen and António Costa as joint chief guests for Republic Day 2026 is expected to be a milestone, culminating in an India-EU Summit and advancing the much awaited FTA.

Conclusion

2025 marked a decisive shift for Europe, from reactive crisis management to strategic realism. The continent became better regulated, more defense oriented, and more pragmatic.

For decades, Europe has relied on American security and Russian energy. In 2025, those foundations were decisively replaced.

The stage is set for continued momentum in India's relationship with the EU. Trade, technology, defence, mobility, and climate cooperation all registered concrete gains in 2025. Shared values and sustained political engagement give the partnership depth and durability.

This is a vital relationship between like-minded strategic partners, well suited to an era increasingly defined by strategic autonomy and multi-alignment.



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