



Crisis Management Continues in Von der Leyen's Second Commission

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Tensions in relations with the United States dominated the beginning of Ursula von der Leyen's second term as president of the European Commission (EC). They motivated the Commission and Member States to accelerate the implementation of plans to strengthen the EU's military and economic potential and to reduce dependence on third countries, which is used as an instrument of pressure. To make progress on these issues, the Commission will have to build compromises in domestic policy and in relations with key EU partners.

The political programme of the [second Commission of Ursula von der Leyen](#), which began its term on 1 December 2024, has been built around two main objectives. The first is to strengthen EU security, including the creation of the European Defence Union and the development of the European defence industry (based on the recommendations of [a report published in October last year by former Finnish President Sauli Niinistö](#)), as well as the protection of external borders, including against hybrid threats, and combating irregular migration. The second is to consolidate prosperity by stimulating the competitiveness of the economy while maintaining climate ambitions, taking into account the recommendations contained [in reports on the economic condition of the EU by Mario Draghi and Enrico Letta](#).

Increase in Military Spending and Border Protection.

Changes in the international environment, including the escalation of conflicts in Europe's neighbourhood (especially Russia's advances on the Ukrainian front) and the transactional approach to transatlantic relations of the second Trump administration, have prompted the Commission to accelerate the implementation of its security objectives. In response to the suspension by the U.S. of military aid to Ukraine and signals of a possible reduction of engagement in Europe earlier this year, the Commission proposed the ReArm Europe/Readiness 2030 plan, and subsequently presented the White Paper for European Defence. The ReArm Europe/Readiness plan made EU fiscal

frameworks more flexible, allowing Member States to increase defence investments. If countries utilise the full available fiscal margin, it could reach as much as €650 billion. The plan also contributed to the creation in May this year of the €150 billion [SAFE \(Security Assistance Framework for Europe\) Instrument](#), which allows Member States to take out EU budget-secured and low-interest loans for joint defence projects. In the white paper, the Commission defined Russia as a key threat to the EU and announced further EU support for Ukraine. It also highlighted seven key areas for building EU defence capabilities: air and missile defence, artillery systems, missiles and ammunition, drones and counter-drone systems, military mobility, artificial intelligence and cybersecurity, and protection of critical infrastructure.

[In her State of the EU address](#) delivered on 10 September, President von der Leyen announced further initiatives aimed at securing the Eastern flank of the EU, including investments in satellite surveillance and infrastructure for detecting and combating drones, as well as strengthening cooperation with Ukraine in the defence industry. In view of limited budgetary resources for further support to Ukraine, she envisaged providing the country with a loan secured by future Russian reparations, and in their absence, by frozen assets.

[In the area of migration](#), the Commission focused its efforts on increasing the scale of returns of irregular migrants to

their countries of origin and creating a legal framework enabling the Member States to establish detention centres outside EU territory. In March this year, it proposed a new common European system for returns, and in May a new definition of a safe third country.

Improving Competitiveness. In February 2025, the EC published the [Competitiveness Compass](#), in which it presented plans for upgrading the EU's economic condition, largely in line with Draghi's recommendations. Due to limited funding available for new projects, the EC's actions focused on simplifying existing regulations, which should lead to a reduction in the administrative burden on businesses. Proposals on this matter, referred to as "omnibuses", were announced in six areas, including defence, agriculture, investment, and sustainable development. Although the EC's intentions have met with general support from the major political forces, the centre-left warns that facilitating economic activity should not entail renouncing ambitions in the field of climate policy. Yet, the EC's willingness to modify its plans in that area (e.g., regarding the transformation of the automotive sector) has encouraged some Member States to make further demands. France, Poland, and Italy are currently seeking to moderate the emissions reduction target for 2035.

A significant increase in EU funding for competitiveness-related initiatives will only be possible at the end of the EC's term of office. In its [draft multiannual budget](#) for 2028-2034, the EC has proposed allocating €397 billion (22% of expenditure) to the Competitiveness Fund, which would support the strategic industrial sectors. Currently, the funds earmarked for similar purposes account for about 11% of the budget.

Trade Agreements. As the U.S. president embarked upon transforming trade relations with the EU and threatened to increase tariffs on European goods, negotiations on this issue were a key challenge for the European Commission in the spring and summer. In July, [a political agreement was reached](#) between the parties. The Commission accepted U.S. tariffs of 15% on most EU products and committed to reducing tariffs on U.S. products. It also announced that EU entities would increase their purchases of energy and investments in the U.S.. The terms of the settlement were criticised by some Member States and the Social Democratic group in the European Parliament (EP). The Commission argued that the agreement would ensure the stability of transatlantic economic relations, a key objective of businesses circles. However, further demands by the U.S. president to modify digital sector regulations and increase

tariffs on goods from China and India could jeopardise the implementation of the agreement.

In parallel with the talks with the U.S., the Commission has intensified its efforts to deepen trade relations with other countries in the hope of gaining new suppliers of critical raw materials and export markets. Agreements have been signed with Mercosur (Argentina, Brazil, Paraguay, Uruguay) after a quarter century of negotiations, and with Indonesia. The pact with Mexico has been expanded, while talks with India are ongoing. This aspect of trade policy is also highly controversial. The agreement with Mercosur is opposed primarily by countries that fear an influx of agricultural products that would be detrimental to their agri-food sectors (e.g., France and Poland). The EU Council is likely to approve the agreement, but the outcome of the vote in the European Parliament is not a foregone conclusion.

Conclusions and Outlook. Complications in relations with the United States have provided an impetus to accelerate EU reforms aimed at strengthening its position relative to global competition. However, in the long term, the lack of at least a temporary settlement of trade relations will be challenging for EU companies and could exacerbate internal divisions. Further U.S. demands will mobilise the proponents of a more confrontational stance towards it, especially among centre-left forces.

Budgetary constraints (the inability to support new EC initiatives with genuine new funds) mean that the EC must focus on softer mechanisms such as the liberalisation of fiscal rules, additional loans to countries and legislative changes concerning the business environment. The EC has found success, such as new avenues for increased defence spending, but in the least controversial areas. The EC's willingness to revise some climate commitments and tighten migration policy reflects a change of course in line with the demands of the centre-right, which strengthened in last year's EP elections. However, further progress in its aims will require the Commission to present compromise proposals on issues that have long polarised Member States and are a source of tension within the informal coalition supporting the EC in the European Parliament (which is important in view of the successive motions of no-confidence against von der Leyen tabled in the chamber). These include reconciling a pro-business approach with climate ambitions and combining market protection and reduction of dependencies with the development of trade relations with selected partners. Overcoming Member States' resistance to further integration of capital and energy markets will also be crucial.