



# RESEARCH PROGRAMME 2025-2026

and delivery on the 2024-25 Research Programme

**27 October 2025**

## Introduction

Europe's current economic policy challenges fall into two broad categories. First, the European Union must raise productivity growth, narrow chronic growth and innovation gaps compared to the United States and China, and overcome headwinds caused by higher energy prices and the costs of the green transition. Second, the US administration has turned sharply towards economic nationalism and against the international rules-based order. The US is harming Europe and other allies through aggressive tariffs, by equivocating in its support for Ukraine, by abandoning climate action both domestically and internationally and by withdrawing from global health cooperation.

Bruegel's proposed priority topics for 2025-26 (Table 1) aim to address important aspects of these challenges. They can be classified into three groups.

1. Topics 1 (*Tax policy for efficiency, competitiveness and climate*), 3 (*Sustainable finance, disclosure and the future of investment*), 4 (*Transformational national reform*), 6 (*Europe's digital challenge*) and 8 (*Green industrialisation for competitiveness and security*) deal with policies underpinning European productivity growth, focusing on aspects that are underappreciated in the policy debate or where we differ from the approach taken by the European Commission and/or member states. Topics 1 and 4 discuss member state-level policies and their intersection with the EU level. Several topics focus on the question of how to design policies that minimise the friction between objectives that could be conflicting. These include the trade-off between competitiveness and climate objectives (Topics 1, 3 and 8) and the potential trade-off between efficiency and security (Topics 6 and 8).
2. Topics 2 (*The next MFF: from blueprint to budget*) and 5 (*Regulatory reform for a more dynamic single market*) contribute to policy debates related to the EU legislative calendar and the European Commission's work plan. In the case of Topic 2, this is the beginning of negotiations on the 2028-2034 Multiannual Financial Framework following the publication of the European Commission's proposal in mid-July 2025. Topic 5 would focus on the design of the '28<sup>th</sup> regulatory regime' (or zeroth regime, as we prefer to call it) recommended in the Letta report, the Draghi report, and our own September 2024 report, *Memos to the EU Leadership*. The Commission's own proposal in this area is expected in the first quarter of 2026.
3. Finally, Topics 7 (*The industrial, institutional and macroeconomic implications of European rearmament*), 9 (*Creating functioning global carbon markets*), 10 (*Reshaping EU economic relations with EMDEs*) and 11 (*The future of the international economic order*) deal with international challenges exacerbated by the policies of the Trump administration.

Topics 2 and 5 are specific to the EU, Topics 7 and 9 are pan-European, and Topic 11 is global. The remainder represent a mix: although the focus is on the EU, the policy problems and proposed solutions have relevance for Europe beyond the EU, and in some cases for advanced countries more broadly.

**Table 1: 2025-26 priority topics in relation to previous topics**

2025-26 topics	2024-25 topics	2023-24 topics
1. Tax policy for efficiency, competitiveness and climate	The implementation of the new EU fiscal framework	The design of the EU economic governance framework
2. The next MFF: from blueprint to budget	Reform of the EU budget	EU public goods and how to finance them
3. Sustainable finance, disclosure and the future of investment	Closing Europe's investment gap	Making a reality of Capital Markets Union
4. Transformational national reform	The EU's economic model in an age of demographic shift	The consequences of Ukraine's accession to the EU
5. Regulatory reform for a more dynamic single market	Reinvigorating single market reform	The economic impact of AI
6. Europe's digital challenge: combining productivity with autonomy	EU digital regulation	EU digital regulation: what has been achieved, what is missing?
7. The industrial, institutional and macroeconomic implications of European rearmament	A single market for the defence industry	Europe's economic security
		Electricity market design: beyond short-term patches
8. Green industrialisation for competitiveness and security	An industrial and social deal to safeguard the EU green transition	EU climate and energy governance
9. Creating functioning global carbon markets	Expanding Europe's green global reach	How to decarbonise the global south
10. Reshaping EU economic relations with EMDEs	Europe in a multipolar World	The Chinese economy and its influence on Europe
11. The future of the international economic order		

Note: Colours seek to identify related topics across research cycles. White denotes new or standalone topics.

While several of the proposed 2025-26 topics are new for Bruegel – Topic 1 on tax policy and Topic 4 on national reform – most have evolved from predecessor topics:

- Topic 2 (*The next MFF: from blueprint to budget*) will build on an extensive Bruegel Blueprint on EU budget reform published in early July 2025, a cornerstone of the 2024-25 programme.
- Topic 3 (*Sustainable finance, disclosure and the future of investment*) builds on Bruegel's work to improve European financial services, including last year's focus on capital markets union and Nicolas Véron's essay *Breaking the deadlock: a single supervisor to unshackle Europe's capital markets union*.

- Topic 5 (*Regulatory reform for a more dynamic single market*) builds on an extensive stocktake of single market reforms elaborated under the ongoing research programme, publication of which is planned in late August, before the start of the new research cycle.
- Topic 6 (*Europe's digital challenge: combining productivity with autonomy*) builds on this and last year's work on digital regulation – with greater emphasis on European autonomy.
- Topic 7 (*The industrial, institutional and macroeconomic implications of European rearmament*) continues this year's work on the economics of rearmament but emphasises macroeconomic and institutional aspects to a much greater extent.
- Topic 8 (*Green industrialisation for competitiveness and security*) builds on research on green industrial policy that Bruegel has engaged in for years.
- Topic 9 (*Creating functioning global carbon markets*) builds on this year's Bruegel-CEPR *Paris Report* on international climate and nature action based on coalitions of the willing, published in July 2025. It aims to make proposals on international emissions trading that were not covered in the *Paris Report*.
- Finally, Topics 10 (*Reshaping EU economic relations with EMDEs*) and 11 (*The future of the international economic order*) take forward aspects of this year's work on Europe in a multipolar world that have become more urgent and relevant since the change in the US administration.

See the Annex for the delivery of the 2024-2025 programme.

We will continue to collaborate with CEPR, Europe's world-class academic research network in economics. In the upcoming research cycle, we plan to write a joint *Paris Report* to underpin Topic 11. This will revisit the causes and consequences of global external imbalances and seek to connect their macroeconomic analysis with today's debates on trade and industrial policies. We plan to launch the report in Paris in March or April 2026, ahead of the June G7 leaders' summit in Évian, France.

Like last year, the priority topics are designed to leave sufficient space for additional work that can adjust flexibly to ongoing debates. Some of the additional projects currently planned by Bruegel researchers appear in the second part of the research programme.

The remainder of this research programme explains and justifies the 11 proposed priority topics, outlining in Section I the key questions that they aim to address. Section II briefly describes additional topics, organised by research area. The Annex summarises and lists the main outputs of the now completed 2024-2025 research cycle.

## I. Priority topics

### 1. Tax policy for efficiency, competitiveness and climate

Coordinators: Roel Dom and Pascal Saint-Amans.

**Background.** Tax policy serves multiple objectives, including raising revenue, redistributing income and mitigating adverse externalities, while minimising disincentives to work and invest. Sluggish growth, pressures to raise revenue for defence and digital infrastructure, tax competition and disregard for climate objectives in the United States are making these objectives increasingly hard to reconcile. Our research will explore how to design tax frameworks that navigate these trade-offs.

**Key questions.** How can Europe raise its tax efficiency – defined as supporting inclusive growth and investment while safeguarding revenue – in the face of prevailing institutional constraints including national tax sovereignty, the EU legal framework and intra-EU tax fragmentation and competition? How severe are the constraints imposed by prevailing EU legal framework, and could anything be done to relax them? How can EU tax policy frameworks (eg, carbon pricing, energy taxation, CBAM and investment incentives) be optimised to balance environmental goals with industrial competitiveness and social acceptability? How can the EU ensure coherence between national tax policies and broader EU climate strategies? Is there a role for a consumption-based carbon tax, and what would that look like? How should carbon taxation be structured to balance emission reductions with equity concerns? Should the EU back efforts to tax international shipping and aviation, and if so, how should these taxes be designed? Should the EU seek to agree on a harmonised wealth tax?

**Outputs.** At least one Working Paper and two Policy Briefs and/or Analyses. Work on international taxation will build on continued work in the Global Solidarities Levies Task Force.

### 2. The design of the 2028-2034 Multiannual Financial Framework

Coordinator: Zsolt Darvas.

**Background.** The European Commission unveiled its proposal for the 2028–2034 Multiannual Financial Framework (MFF) in July 2025. The proposal foresees major changes to the EU budget, including: (1) a new fund combining agricultural, cohesion, social and migration policies, to be accessed through the implementation of national plans featuring key reforms and investments; (2) a European Competitiveness Fund; and (3) a new single external action fund. If adopted, this would represent the most significant restructuring of the EU budget since its inception. A Bruegel Blueprint *Bigger, better funded and focused on public goods: how to revamp the European Union budget*, published ahead of the Commission’s proposal, offered recommendations for designing the next EU budget, including suggestions aligned with the three proposed pillars. Our follow-up research under the priority topic 2 aims to evaluate the Commission’s July 2025 proposal and contribute constructively to the subsequent policy debate.

*Key questions.* Does the expected restructuring of the EU budget entail genuine changes, such as simplification and harmonisation of rules across spending policies, or does it primarily rebrand existing policies under new labels? Has the Commission proposed a meaningful reallocation of EU spending towards European public goods? Does the proposal adequately address the EU's investment gaps, as highlighted in the 2024 Draghi report on European competitiveness? Has the design of the first pillar incorporated lessons from the pitfalls of the Recovery and Resilience Facility, including the administrative burden for beneficiaries and EU member states, and does it adequately support innovation and competitiveness? Does the design of the Competitiveness Fund adequately integrate the Draghi report's recommendations?

Is the proposed external action fund equipped to support the geopolitical goals of the EU, including the reduction of EU strategic dependencies on critical raw materials? Has the methodology for budgetary mainstreaming, which aims to integrate horizontal priorities across the budget, been improved? How do the revenue-side proposals align with economic principles and fiscal policy criteria such as simplicity, transparency, fair burden sharing and non-regressiveness? Do they provide an advantage compared to the current revenue mix? Does the proposal envisage common spending beyond the MFF, particularly in areas like defence, and is it likely to strengthen European defence preparedness, especially in terms of strategic enablers and developing a unified defence market? Is there any scope for common EU borrowing?

*Outputs.* At least one Policy Brief and/or several Bruegel Analyses, each focusing on specific aspects of the Commission's MFF proposal.

### **3. Sustainable finance and the future of investment**

Coordinator: Rebecca Christie.

*Background.* The European Union has been a pioneer when it comes to defining and setting expectations for sustainable finance. Yet efforts so far have come with a substantial compliance burden and, in some cases, have put the EU at odds with emerging global standards. As a result, the EU is now overhauling and simplifying rules that have not been fully put in place. The EU is also undergoing a sea change in its approach to financial markets, in a bid to unlock the public and private funding necessary to meet the continent's many needs. Europe's challenge will be to live up to its climate commitments while also harnessing and developing its capital markets.

*Key questions.* How can the EU ensure its sustainable finance and capital markets agendas are working together? How have the existing regulations supported sustainable investments so far? How should the EU reform its existing regulations and complement them with new ones? Is the simplification effort likely to facilitate investment in sustainable initiatives? How will it affect the cost of capital, and what are the trade-offs when it comes to SMEs? What types of disclosures provide the best information for the least economic cost? Where does sustainable finance fit into the emerging Savings and Investment Union architecture? What is the role of securitisation: does the secondary market for securitised loans deserve to be promoted? Could such products help attract additional institutional investors to green projects?

How can the EU ensure that climate-friendly investing remains a priority for the world even if policy in the US or elsewhere discourages these kinds of strategies, and how will the markets for sovereign and corporate green bonds adjust? How can better markets and sustainable finance initiatives create conditions for growth and increased productivity, and what are the steps needed to get there? How will the supervisory framework evolve? What role does insurance play, and how will climate change affect insurance decision-making?

*Outputs.* At least two Policy Briefs or Working Papers or one Policy Brief and several Analyses. Some work will be undertaken with support from private foundations. This work will include collaboration with the Jacques Delors Centre and other external researchers.

#### **4. Transformational national reform**

Coordinators: Jacob Kirkegaard and Jeromin Zettelmeyer.

*Background.* The policy agenda for higher productivity growth in the EU usually emphasises better EU-level governance, greater coordination of member-state policies, more delegation to the EU level and higher spending on EU public goods. But, in many cases, improving and pushing the boundaries of the single market requires *national* structural reform. Furthermore, productivity growth differences across EU member states suggests that reforms in some member states – particularly the large ones – could be game-changers for EU productivity growth overall, even if these reforms are not coordinated across all (or even most) member states. This priority topic examines two to three reform templates that could be transformative both nationally and for the single market: partially moving towards fully funded pension systems, lowering firm restructuring costs through more efficient employment protection and reforming insolvency law.

*Key questions.* To what extent are pension systems, employment protection and insolvency law capable of explaining differences in firm entry and exit, firm growth, innovation and productivity growth across European countries? How strong is the link between private prefunded pension systems and capital market development? To what extent do they contribute to the EU-US productivity growth differential? Are there ‘best practices’ in these areas that could be replicable in other countries? Why have some European countries succeeded in undertaking these reforms while others have not?

*Outputs.* The project would deliver at least one longer paper<sup>1</sup> on each of the reform areas listed above.

#### **5. Regulatory reform for a more dynamic single market**

Coordinators: Fiona Scott Morton and Reinhilde Veugelers.

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<sup>1</sup> “Longer” publications include Policy Briefs (typically 5000-8000 words), Working Papers (typically 6000-12000 words), Blueprints and Reports, which can be longer and may comprise several chapters.

**Background.** The Letta report, the Draghi report and Bruegel’s *Memos to the EU leadership*, all published in 2024, make the point that innovation and productivity growth in Europe could be boosted by making it easier for firms to expand across the EU, rather than just in their domestic markets, and by promoting entry and competition in domestic markets dominated by a few incumbents, including through cross-border consolidation. These arguments are particularly relevant in technology-intensive industries which require significant scale for success, and where firms with innovative new offerings need to be able to scale fast to be able to compete with incumbents.

One potentially important tool to achieve this cross-border expansion is the creation of a 28<sup>th</sup> – or better, ‘zeroth’ – regulatory regime that firms in all member states can opt into. The European Commission has committed to proposing such a regime by the first quarter of 2026.

**Key questions.** How should the zeroth regime be designed to attract high-growth, high-potential startups and deliver a useful regulatory regime without undermining existing member state regulations? What regulatory areas should it encompass? Is there a trade-off between the simplified regulation of the regime and the values that underpin current regulations? What tactics can Europe use to incentivise member states to harmonise existing regulations? Can EU funds be used as leverage? How can a zeroth regime be designed to attract especially young firms with the highest growth potential? What other complementary measures could improve competition and encourage cross-border expansion? Are there other reforms needed to remove potential barriers to consolidation in markets that are dominated by national incumbents? What is the role of EU competition policy – including antitrust enforcement – in supporting industrial dynamism and productivity? How can competitive pressure be enhanced in markets where dominant players limit scale-up opportunities for new entrants and cross-border challengers?

**Outputs.** At least one longer paper on the design of the zeroth regime by Q4 of 2025, with potential additional papers on specific sectors, such as digital or bio-pharma.

## **6. Europe’s digital challenge: combining productivity with autonomy**

Coordinators: Mario Mariniello and Bertin Martens.

**Background.** The Draghi report concluded that weak investment and uptake of digital technologies are the main reasons for the EU’s slow productivity growth. The EU is now launching several investment and regulatory policy initiatives to rekindle productivity. At the same time, increasing geopolitical tensions and US President Donald Trump’s tariff war woke Europe up to the risk of technological and economic dependency. European companies depend on the US for infrastructure, hardware, software and services. This creates a double challenge of accelerating digital productivity growth while reducing its vulnerability to potential economic coercion. This topic explores how EU policies can aim to achieve both.

**Key questions.** What does it take to encourage higher private investment in digital technologies in Europe while reducing external dependency? Can the Commission’s announced initiatives,

such as the AI hardware spending plans or data and AI regulation, help rekindle EU tech productivity? How can Europe increase its leverage vis-à-vis the US without resorting to protectionist uses of its regulatory tools? Can new bilateral and multilateral technology agreements mitigate reliance on the US? In the longer term, how can the EU restructure its digital economy to diversify its foreign dependency risk, while attending to its overarching goals, such as addressing climate change and increasing its energy efficiency? Can the EU create the conditions for new, alternative technology business models more supportive of its social paradigms and its energy and climate change policy targets? Can the EU take a global leadership role as a catalyst for new, human-centric visions of technological development and uses?

*Outputs.* We expect the publication of at least one Bruegel Policy Brief and two First Glances by Q1 2026.

## **7. The industrial, institutional and macroeconomic implications of European rearmament**

Coordinator: Guntram Wolff.

*Background.* Europe's security situation remains difficult, given the expansion of Russian military capability and its continued pressure on Ukraine, the re-alignment of US priorities and the need to rearm at a moment of rapid technological change. While there is broad consensus that Europe needs to be able to defend itself against external aggression on its own, much of military planning still assumes a strong US role.

The question of armament continues to be central for European strategic autonomy. Beyond decades of underinvestment, the lack of an internal market for defence is a key factor behind the underdevelopment of the EU's defence industry. As European defence spending rises, an increasing focus should be on ensuring that scarce resources are spent effectively. This requires more efficient purchasing arrangements, integrated defence markets and modernising European defence technology. But even with the most efficient arrangements, the new NATO target of 3.5 percent of GDP for core defence and five percent for broader security spending will put immense pressures on European budgets. Financing arrangements for European defence remain a critical question.

*Key questions.* How is the European defence industrial base growing in response to new demand? To what extent does increased demand drive defence product inflation, and how can that be mitigated? Are ownership and control mechanisms consistent with European strategic autonomy? How can Europe accelerate technological innovation in defence, including in digital and AI-based tech? Will higher spending on defence reduce or increase European competitiveness, and how can its innovation spillovers be maximised?

Which modern military capabilities, beyond providing necessary assistance to Ukraine, can Europe as a whole or groups of member states credibly scale up immediately? How can the EU support cooperation among member states to ensure investments in defence infrastructure on its external flanks? To what extent does improving the financing and governance of European

rearmament require new institutions? To what extent can it be achieved by enhancing, adapting and complementing existing EU agencies such as the European Defence Agency, mechanisms such as PESCO, and financing mechanisms such as the NGEU or the European Investment Bank? What is the best strategy for reconciling the speed of rearmament with a reduction in the dependency on foreign production of key military equipment?

How can Ukraine's military industrial production capacity be best integrated with that of the EU and other European democracies, and how can it contribute to the development of common European defence assets? What are the implications of the new NATO defence targets for European medium-term fiscal policy and public debt paths?

*Outputs.* The research topic will emphasise data-driven and quantitative work, leading to at least three longer and several shorter publications. It will involve collaboration with external researchers from the Kiel Institute, Université Libre de Bruxelles and defence and security think tanks including Globsec and the Kyiv School of Economics.

## **8. Green industrialisation for European competitiveness and security**

Coordinator: Simone Tagliapietra.

*Background.* To succeed, Europe's decarbonisation agenda must be reconciled with green industrial growth. As outlined in the Draghi report, this requires a better business environment, smarter regulation and a better functioning single market. It also requires an effective industrial policy in both clean tech and hard-to-abate, energy intensive sectors. The European Commission's Clean Industrial Deal proposes some key elements in this agenda, but also leaves important questions unaddressed, including on how to reconcile industrial support with needed structural change and how to substantially increase private investments in the area.

*Key questions.* How is green industrialisation advancing across Europe? Which industries are strategically crucial for the EU? What does the map of EU clean tech comparative advantages look like? How are investments into European clean tech manufacturing developing, also in light of rising global trade tensions, and how can EU policy support private investments in this area? How can the EU avoid that divergent national approaches in state aid, tax incentives or regulatory standards generate competitive distortions and single market fragmentation? How can the EU turn its Clean Industrial Deal into an engine of green growth while avoiding protectionism? How can the EU strategically use public procurement to foster the development of clean technologies? How can the EU accelerate the integration of its single energy market to structurally increase energy competitiveness and security?

In what areas does Green Deal regulation require reform and simplification, and where should it be defended against attempts to slow the speed of emission reductions? How can Europe both foster the emergence internally and externally of a new industrial geography based on comparative advantage determined by clean energy sources without risking de-industrialisation? Which new challenges does green industrialisation create for the labour market, and how can it

make this transition smooth with, for instance, effective re-skilling and up-skilling of the existing labour force?

*Outputs.* Work on this topic will be structured on two pillars: data and policy research. On data, the Bruegel European Clean Tech Tracker will be substantially scaled-up and developed into a stand-alone website – also serving as the basis of a deeper collaboration with the Rhodium Group to track global clean investment trends. On policy research, at least two Policy Briefs will be produced, along with several Analyses, First Glances and external publications.

## **9. Accelerating the development of international carbon markets**

Coordinator: Georg Zachmann.

*Background.* After nearly a decade, the negotiations on the Paris Agreement’s Article 6, which codifies international carbon trading, concluded in 2024 at COP29 in Baku. Countries can now agree to transfer surplus emission reductions to other countries – typically in exchange for some financial contribution. Depending on how it is designed and implemented, this mitigation ‘trading’ could either destroy or complete the global climate architecture. The EU thus faces a complex balancing exercise to determine how it will use this new tool. An overly restrictive system would largely deter trading, while an overly flexible system runs the risk of undermining the integrity of the EU’s own decarbonisation tools and, eventually, the global climate architecture.

*Key questions.* What aims should the EU pursue with international emission trading – lowering domestic mitigation cost, more effective foreign mitigation, reducing climate finance obligations, stabilising the Paris agreement or protecting the status quo? What trade-offs should the EU consider in co-designing and implementing an international emission trade system? What standard should the EU, on its own or with like-minded partners, set for foreign mitigation practices and outcomes that it will support through the purchase of allowances? Could international emissions trading be used to increase the efficiency of emission reductions within coalitions of countries that have agreed on differentiated carbon pricing and a common carbon border adjustment mechanism? How would it interact with CBAM?

*Outputs.* At least two longer publications, including at least one in collaboration with external experts.

## **10. Reshaping EU economic relations with emerging and developing economies**

Coordinators: Alicia Garcia-Herrero and Heather Grabbe.

*Background.* With the international context for Europe’s open economies threatened by trade conflicts and investment-detering uncertainties, the EU needs to strengthen its partnerships with countries that want to continue reducing trade barriers, encourage investment in sustainable development and develop more secure and diverse supply chains – including those like-minded countries with which the EU already has trade agreements. New forms of agreement,

such as the Clean Trade and Investment Partnerships, could create opportunities for promoting core European interests including economic security and the promotion of carbon pricing while recognising the development goals of EU partners.

Specific priorities include much closer trade and investment relations with India and Africa, the former of which is finalising a free trade agreement with the EU, while the latter – given its proximity and fast population growth – will have consequences for both migration flows and opportunities for green industrialisation. China’s importance as an industrial and innovation hub requires EU engagement, but its growing overcapacity and the related downward pressure on export prices constitutes an important threat to European competitiveness and, in some cases, economic security. The EU also needs to decide where exactly to draw the line between cooperation and competition with China and how to broaden the coalition of countries willing to sanction and deter aggressors such as Russia.

*Key questions.* How can the EU develop international partnerships that increase its economic security while also lifting developing country trading partners up the value chain? Does the Global Gateway require reform, and if so, how? How can the EU best advance global decarbonisation and sustainable development in the absence of US support? How can the EU and like-minded advanced countries involve China in that cooperation, while also addressing level playing field concerns? What kind of supplementary supply chains for clean technology could develop to diversify production locations and reduce concentration and bottlenecks? How might these partnerships fit into a longer-term competitiveness strategy for resource productivity in a changing geography of global energy production and climate impacts? What role could Clean Trade and Investment Partnerships play, also in promoting sustainable development?

*Outputs.* This research cluster will emphasise collaboration among Bruegel researchers and external researchers and aim to produce at least three longer and several shorter publications.

## **11. The future of the international economic order**

Coordinators: André Sapir, Ignacio Garcia Bercero and Jeromin Zettelmeyer

*Background.* The post-war economic order is undergoing the greatest upheaval since its inception. Economic nationalism has spread to advanced countries, particularly the United States under President Trump’s administration. Trump’s willingness to coerce trading partners through tariffs and potentially taxes is also raising questions about the role of the US dollar as the world’s reserve currency. China’s macroeconomic imbalances are leading to excess capacity which is putting pressure on the manufacturing sectors of its trading partners, and China continues to engage in economic coercion against a wide group of countries, including the EU. Finally, technology is spurring new forms of decentralised finance which could have a significant impact on the international monetary system.

*Key questions.* What are the causes and consequences of global imbalances and how do they relate to today's debates on trade and industrial policies? Can the multilateral trading system be substantially reformed – accepting that such reform will need to start without the active engagement of the US – and, if so, what steps does this require? Can the EU and like-minded countries assemble an effective “coalition of the willing” for WTO reform? Since such reform will take time, can rules-based trade continue in the meantime among a smaller set of countries? Can the EU establish a framework for cooperation amongst its free trade partners? How will policies in the US as well as decentralised finance, including stablecoins, affect the international role of the dollar? Can there be an orderly transition to a less unipolar monetary system? What international role for the euro would be desirable, and what steps does the EU and the ECB need to take to get there? What is the role of the digital euro in this context, both in the EU and internationally?

*Outputs.* Bruegel and CEPR will collaborate on a new *Paris Report* on the topic of global imbalances. In addition, there will be at least one longer publication on the future of the multilateral trading system and at least one on the international monetary system.

## II. Additional projects

This section lists project ideas by Bruegel fellows for the 2025-26 research cycle that fall outside the priority topics outlined in the previous section. They are summarised under the five subject headings that Bruegel uses to classify its research: Macroeconomic policy and governance, global economy and trade, banking and capital markets, microeconomic policy (including digital policy and competition policy) and energy and climate policy. In general, one project corresponds to one planned publication. Projects described below represent research intentions, as of end-August 2025, rather than research commitments – they might be updated, modified, or replaced by new ideas as the research cycle unfolds.

### 1. Macroeconomic policy and governance

#### *Fiscal policy and debt sustainability*

Scholars: Zsolt Darvas, Lucio Pench, Stavros Zenios and Jeromin Zettelmeyer.

**Accommodating higher investment and defence spending within the EU fiscal framework.** The EU faces large investment gaps – mostly private investments, but public investment should also play an important role, while additional defence spending is entirely public. However, even though the new framework aims to incentivise reforms and public investments, the initial application of the 2024 EU fiscal framework has not resulted in a significant increase in planned public investment. Medium-term fiscal plans submitted at the end of 2024 leave the aggregate public investment ratio in the EU roughly unchanged. At the same time, Germany’s plans for a historically large, debt-financed increase in public investment require an extremely large fiscal consolidation in the non-investment budget to be compatible with EU rules. The activation of the national escape clause allows temporarily higher defence spending over the next four years. However, not all EU countries have made use of this option, and many of those that have requested it did not seek the full amount available.

This project will analyse the quantitative implications of the three ideas that have been proposed to give EU members more fiscal space: (1) an increase in the debt benchmark of the EU treaty from 60 to 90 percent of GDP; (2) allowing temporary debt increases in countries with debts between 60 and 90, and (3) exempting debt-financed investment and defence spending from debt and deficit limits under the EU fiscal framework for EU approved investment and defence programmes, provided that member states undertake offsetting fiscal adjustments to ensure debt sustainability.

#### *EU enlargement*

Scholars: Marek Dabrowski, Zsolt Darvas, Heather Grabbe, Reinhilde Veugelers, Nina Vujanović and Georg Zachmann.

**Shaping the green and digital transitions in EU candidate countries during their EU accession processes.** An overarching goal of this project is to understand the challenges and opportunities

in the Western Balkans concerning various transitions the region is undertaking, such as the green and digital transitions, along their EU integration path. Using micro-data, the project will address weaknesses in these three domains and draw a concrete policy agenda and potential implications on the existing EU budget lines that could be mobilised for EU candidate countries. An additional topic will tackle labour market trends in occupations relevant to the Western Balkans' green and digital transitions. As the region has been on the EU integration path for a long time, with individual countries making very different progress, the results may serve as a lesson for other EU candidate countries currently at the nascent stage of the EU accession process. Thus, each topic will highlight policy implications relevant to the Western Balkans as well as Ukraine, Moldova and Georgia.

## **2. Global economy and trade**

Scholars: Ignacio Garcia Bercero, Jesper Berg, Rebecca Christie, Zsolt Darvas, Roel Dom, Hans Geeroms, Francesco Papadia, Elina Ribakova and André Sapir.

**Deepening EU-UK relations in financial services.** This paper would follow up and expand on the April 2025 Bruegel analysis, *Make finance part of the EU-UK post-Brexit reset*. A statistical overview will be given on the importance of the EU's and the UK's financial sector and how they are interwoven. We will make a comparative analysis of existing agreements: EU-Swiss, EU-Japan, EU-Canada and UK-Swiss on financial services (the Berne financial services agreement) and draw lessons from these models to deepen EU-UK relations for financial services.

**How to put the new Strategic Partnership between the EU and the UK into practice.** On 19 May 2025, the EU-UK agreement on a 'New Strategic Partnership' exceeded expectations: old 'red lines' have shifted and can be expected to shift further under pressure from the geopolitical environment and economic necessity. However, this agreement is only the beginning of a long and complex implementation process. Disagreements can reappear, reflecting different interests and diverging priorities within the EU member states. This paper will propose solutions for a number of outstanding issues regarding the New Strategic Partnership and new fields of cooperation.

**Trade fragmentation and macroeconomic spillovers.** The economic policies of the Trump administration are expected to generate significant global spillovers. Tariff measures and trade agreements will reshape international trade and capital flows, while expansionary fiscal policies may raise the risk premium on US Treasury securities. In addition, heightened policy uncertainty could weaken the US dollar's role as the dominant reserve currency. The project will analyse potential trade diversion among major economic blocs, shifts in investor behaviour and macroeconomic spillovers of US policy actions using a suite of empirical models and financial market data.

### 3. Banking and capital markets

Scholars: Rebecca Christie, Jesper Berg, Hans Geeroms, Silvia Merler, Irene Monasterolo, Francesco Papadia and Nicolas Véron.

**The role of inducements in the (under) performance of UCITS investment funds.** Improving the performance of Undertakings for Collective Investment in Transferable Securities (UCITS) investment funds could give the EU's proposed Savings and Investment Union (SIU) an important impetus. This project would analyse the differences in performance and intermediation margins between EU member states and third countries and empirically test the hypothesis that inducements and scale are the main determinants of the big differences between the performance of investment funds in many EU member states.

**Capital market deepening and the development of the capital markets/savings and investment union.** The Commission has made a number of proposals as part of the Customs and Monetary Union (CMU)/SIU. The proposals are supposed to increase integration of capital markets, but the real issue is deepening capital markets. Improving the financial system's capacity to finance the investments that will lift economic growth – not least venture capital investments – will require a shift in the financial system more in the direction of a capital markets dominated system. The purpose of the paper would be to assess proposals on how to achieve this.

**Nature loss and financial stability.** Large insurance firms and banks are beginning to assess the implications of nature loss on economic value chains to which they are exposed and their portfolios. At the same time, the ECB could explore nature loss scenarios for the EU, as well as a biodiversity stress test. This project would discuss techniques and initial results in both areas.

### 4. Microeconomic policy

Scholars: Bertin Martens, Fiona Scott Morton, Mario Mariniello and Reinhilde Veugelers.

**Information, personalisation and online discrimination.** Personal data is at the core of digital services' business models. Personal data is used for multiple purposes, including personalisation of customer experience and pricing. The project will explore the scope for streamlining the collection of personal information through a more stringent regulation of its use through, for example, a relaxation of GDPR constraints or the banning of certain personalisation or discriminatory practices.

**Technological adoption: tackling uncertainty and improving skills and workplace dynamics.** Technology adoption is key to fostering the competitiveness of European companies. Given the current low levels of tech adoption, the marginal impact of effective policies incentivising companies to digitise is likely to be significant. However, such policies need to go beyond reform of regulation. This project will focus on the removal of uncertainty, the increase of skill access and the improvement of workplace dynamics as primary levers to stimulate tech adoption.

## 5. Energy, climate and nature

Scholars: Heather Grabbe, Ben McWilliams, Irene Monasterolo, Simone Tagliapietra, Georg Zachmann and Stavros Zenios.

**EU energy security.** This project will monitor developments in a) the remaining relationship with Russia, b) the growing politicisation of US energy trade, c) the evolving nature of energy security in a green world and d) electrification of energy demand.

**EU electricity market.** The ongoing and increasingly political conversation around grids and electricity market reform is another priority. Building on existing work exploring coordination of investments and dispatch to optimise the European grid, this project will focus on the affordability of energy and the unavoidable distributional trade-offs.

**EU energy governance.** Fresh policy debates are emerging on the necessary EU governance set-up to ensure an efficient development of the European energy system in the years ahead. Existing processes (NECPs, ERAA, TYNDP, etc) fail to provide a platform for developing a shared view of how different energy systems effectively work together across borders. The project will undertake a critical assessment of the current National Energy and Climate Plans (NECPs) approach and analyse possible policy options to move towards a real Energy Union.

**Data: European Clean Tech Tracker.** Monitoring manufacturing, investment and deployment trends of clean technologies across Europe, with a granular methodology. Release of a newly dedicated website by Summer 2025. Comparing European trends with the United States, via the established collaboration with Rhodium Group; the European pillar of a Global Clean Tech Investment Monitor is being driven by Rhodium Group and other partners. There is an ambition to develop an annual Bruegel European Green Industrialisation Atlas.

**Data: European Natural Gas Import Tracker & European Gas Demand Tracker.** Continuation of these established tools, which have become a top product of Bruegel, will continue to be developed by building new pages for insights into energy supply security, with ad hoc publications.

**Resource productivity and circular economy.** As the EU designs its Circular Economy Act due in 2026, Bruegel will further its research on how a circular single market can increase resource productivity as a key component and indicator of European competitiveness. This research will consider the economic security implications of future resource scarcity resulting from climate change and other factors, looking not only at critical raw materials but also other inputs. The aim is to develop policy recommendations on how the EU can foster greater resource productivity throughout the economy, including through national-level measures such as taxation, to address the demand side of resource security.

**Climate and nature risks and resilience.** Scientific research by international bodies (Copernicus, World Meteorological Organization) indicates that climate impacts are happening faster than previously forecast, and that Europe is warming at double the global average. These changes

raise major challenges for the capacity of natural and human-made infrastructure to adapt, enhancing risks to economic and financial stability. Bruegel plans to examine the implications of climate and nature risks to global value chains, looking at how and where these impacts are likely to cause disruptions and what would be appropriate policy responses and risk management approaches, including the implications for the role of insurance. Part of this work will also be about the interactions between climate adaptation and other resilience and security policies.

**Financing adaptation and resilience in the EU.** The insurance protection gap with respect to natural disasters is 70 percent on average in the EU, making it challenging for firms and households to deal with post-disaster recovery. At the same time, natural disasters are increasing in frequency and severity, and several EU member states have introduced or are in the process of introducing compulsory insurance against natural disasters. Yet insurance firms do not offer products due to the lack of public guarantees and public investments in building resilience. The project will discuss options on lowering the insurance gap and financing adaptation through a division of labour between the public and private sectors and analyse the fiscal implications.

## Annex: Execution of the 2024-2025 Research Programme

	Datasets	Publications					Podcasts	Events	
		Analyses	FGs	PBs	WPs	Other			Total
<b>Priority topics</b>									
1. The implementation of the new EU fiscal framework	-	3	-	1	1	1	6	1	-
2. Reform of the EU budget	-	4	2	1	1	2	10	1	2
3. Closing Europe's investment gap	-	1	2	1	-	1	5	1	5
4. The EU economic model in an age of demographic shift	-	-	-	3	1	-	4	2	-
5. Reinvigorating single market reform	-	-	-	-	1	-	1	1	1
6. A single market for the defence industry	-	4	8	4	-	1	17	3	4
7. EU digital regulation	-	1	3	5	1	-	10	2	3
8. An Industrial and Social Deal to safeguard the green transition	2	5	4	6	-	-	15	1	4
9. Expanding Europe's Green Global Reach	-	-	2	3	-	2	7	2	5
10. Europe in a multipolar world	2	5	17	4	2	-	28	15	15
<b>Total priority topics</b>	<b>4</b>	<b>23</b>	<b>38</b>	<b>28</b>	<b>7</b>	<b>7</b>	<b>103</b>	<b>29</b>	<b>39</b>
<b>Additional topics</b>									
Macroeconomic policy and governance	2	8	6	1	4	1	20	12	14
Banking and Capital Markets	-	2	4	3	3	2	14	2	-
Global economy and trade policy	-	3	9	2	2	-	16	-	7
Microeconomic policies	1	6	4	2	1	1	14	1	2
Energy and climate policy	1	5	5	5	-	-	15	5	15
Multi-topic and other	-	-	-	-	-	-	-	-	-
<b>Total additional topics</b>	<b>4</b>	<b>24</b>	<b>28</b>	<b>13</b>	<b>10</b>	<b>4</b>	<b>79</b>	<b>20</b>	<b>38</b>
<b>Grand total</b>	<b>8</b>	<b>47</b>	<b>66</b>	<b>41</b>	<b>17</b>	<b>11</b>	<b>182</b>	<b>49</b>	<b>77</b>

Note: Table covers the period 1.9.2024 - 31.8.2025. Datasets include both new and existing datasets that were updated during the reporting period. FGs refers to First Glances (short blogs), PBs to Policy Briefs, WP to Working Papers, and Other to books, essays, reports, and papers commissioned by the European Parliament. Table excludes Bruegel's 2024 flagship *Memos to the EU Leadership* and events in the context of the Bruegel Annual Meeting.