

Stratos

Consulting

**European Security and Relations with the U.S. in the Context of the War
in Ukraine**

September 27, 2025

Summary

Europe has entered a new strategic era, defined by a **protracted conflict in the East and structural uncertainty in transatlantic relations**. The war in Ukraine, which has transformed into a long-term war of attrition, is no longer seen as a crisis but as a **permanent condition shaping the continent's security architecture**. In response, Europe has attempted to remilitarize, yet this process is slow, fragmented, and fraught with internal disputes over vision and cost-sharing. Concurrently, the strategic shift of the United States' focus toward rivalry with China makes the transatlantic alliance increasingly transactional, with American security guarantees becoming conditional.

For the business environment, this signifies a fundamental paradigm shift—we are moving from a world of cost optimization under globalization to a **world of risk management amidst fragmentation**. Building supply chain resilience, adapting to structurally higher energy and defense costs, and navigating an increasingly politicized regulatory landscape (sanctions, export controls) are becoming key. At the same time, this new reality creates **significant opportunities in sectors deemed strategic**: the defense industry, cybersecurity, energy infrastructure, and dual-use technologies. It is necessary to integrate geopolitical analysis into the company's core decision-making process.

The War in Ukraine – The New "Normality" of Conflict

The nature of the war in Ukraine has evolved from dynamic operations to a static war of attrition, which has long-term consequences for the entire continent.

- **War Economy Model:** Russia has successfully transitioned its economy to a war footing, financing its military effort with revenues from raw material exports (redirected to Asian markets) and centralizing control over its industry. It demonstrates the capacity to sustain losses and conduct operations for years, at the expense of long-term technological development and demographics. Ukraine, in contrast, operates within a model of an **economy dependent on external aid**, where macroeconomic stability and defense capabilities are directly linked to the political will and financial capacity of the West.
- **Secondary Theaters of Conflict:** The war is not limited to the physical front. Its key component is **hybrid warfare**, which directly affects European businesses and societies. This includes:
 - **Cyberattacks:** targeting critical infrastructure (energy, finance, logistics).
 - **Disinformation:** campaigns aimed at social polarization, undermining trust in institutions, and eroding support for Ukraine.
 - **Sabotage:** physical attacks on infrastructure (e.g., undersea cables, pipelines) and industrial facilities crucial to the defense effort.
- **Strategic Outlook:** The baseline scenario for the next 3-5 years is the **persistence of a "hot" frozen conflict**. This implies no formal peace treaty, a permanent military presence along the front line, and a constant risk of escalation. For business, this means the eastern flank of the EU and NATO will be a zone of permanently elevated risk, which must be factored into the calculation of insurance costs, logistics, and personnel security.

Europe – A Slow Strategic Awakening

The European response to the threat is real but burdened by historical weaknesses: a lack of strategic unity and underinvestment in defense capabilities.

- **Defense Industry:** This sector is experiencing a renaissance but faces fundamental problems. Decades of low investment have led to **limited production capacity**, especially for ammunition and basic equipment. The rebuilding process is slow and encounters **bottlenecks in supply chains** (raw materials, components). We are observing a trend toward standardization and joint procurement (e.g., within the EU), but national interests often still prevail.
- **Energy Security as a Military Imperative:** Europe has stopped treating energy solely as a commodity. **Energy infrastructure** (LNG terminals, pipelines, power grids, nuclear power plants) is now viewed as a **critical infrastructure element of military significance**. This results in increased state interventionism, stricter regulations on ownership and security, and the prioritization of investments in grid resilience against physical and cyberattacks.
- **In Search of Autonomy:** The concept of a "European pillar of NATO" is gaining popularity as a response to uncertainty about the U.S. role. In practice, however, it remains a distant goal. There is a lack of consensus on:
 - **Command Structures:** Who would command European forces?
 - **Financing:** Where would the funds for expensive strategic capabilities (reconnaissance, air transport, air defense) come from?
 - **Strategic Culture:** Deep differences in threat perception between, for example, Poland and Spain still hinder the development of a common vision.

Relations with the U.S. – Uncertainty as a Constant

U.S. policy toward Europe is now a function of two overriding factors: the rivalry with China and internal political polarization.

- **Technological and Trade Blocs:** The U.S.-China rivalry has led to the **fragmentation of the global economy**, especially in the technology sector. Through restrictions (e.g., on semiconductors) and regulations (e.g., on investments), the U.S. aims to slow China's technological development. Europe is in a difficult position: as a U.S. ally, it is under pressure to join these restrictions, but as a trading power, it has huge economic interests in China. European companies must navigate between these two centers, which is becoming increasingly difficult.
- **Political Volatility as a Strategic Factor:** Regardless of the outcome of U.S. presidential elections, **the unpredictability of American foreign policy has become its permanent feature**. The isolationist and "America First" trend has deep roots in American society. This means that companies must plan for and hedge against various U.S. policy scenarios—from maintaining the current level of engagement, to reducing it, to potential trade wars with Europe.

Implications and Strategic Recommendations

The geopolitical trends mentioned above translate into specific challenges and opportunities that require proactive management.

1. **Strategic Risk Management:**
 - **Recommendation:** Geopolitical risk should no longer be treated as a random event. It is advisable to implement a continuous process of **geopolitical monitoring and analysis** within the company, including **scenario planning** and conducting **stress tests** of key business strategies based on various international development scenarios.
2. **Supply Chain Reconfiguration:**
 - **Recommendation:** A **full value chain mapping** is necessary to identify hidden geopolitical dependencies (e.g., a component subcontractor in an unstable region). The goal should be **regionalization and diversification** of supply sources, balancing the efficiency of the "just-in-time" model with the security of the "just-in-case" model.
3. **Market and Sector Analysis:**
 - **Growth Sectors:** Actively seek opportunities in sectors of growing strategic importance: the **defense industry** (not just equipment, but also logistics, IT, unmanned systems), **cybersecurity, energy**

infrastructure (LNG, energy storage, grid modernization), **critical raw materials** (mining, recycling), and **dual-use technologies** (AI, satellite communication).

- **Vulnerable Sectors:** Special attention is required for energy-intensive sectors (chemicals, metallurgy), whose competitiveness in Europe is threatened by high energy prices, and technology companies that may become entangled in regulatory disputes between the U.S., EU, and China.

4. **Regulatory Landscape and Compliance:**

- **Recommendation:** Sanctions, export controls, and investment screening mechanisms are becoming tools of foreign policy. Legal and compliance departments must be prepared for a **dynamic and politicized regulatory environment** that requires constant attention and the ability to adapt quickly.

Strategic Posture for a New Era

In summary, companies must make a fundamental shift in their strategic thinking:

- From **globalization to fragmentation and regionalization**.
- From **optimization and efficiency to resilience and redundancy**.
- From treating **geopolitics as an external factor** to **embedding it as a core competence within the organization**.

Adapting to this new reality will be the decisive factor for success in the coming decade.