Economic security has become a central concern of European statecraft as trade interdependence increasingly intersects with geopolitical rivalry, technological competition and the vulnerability of cross-border infrastructure. The United Kingdom and the European Union confront many of the same risks, yet Brexit has left them with separate policy instruments and distinct decision-making systems. This article examines the case for a structured framework of economic security cooperation without presuming renewed British membership of the single market. Drawing on official trade statistics, regulatory developments and industrial strategies, it argues that the principal opportunity lies in managing shared exposure to disruption while preserving legitimate policy autonomy. It proposes an institutional model built around evidence-based risk assessment, reciprocal safeguards, coordinated investment and democratic accountability. The central claim is that resilience will depend less on achieving identical rules than on making independently governed systems capable of responding coherently to common shocks.

Introduction

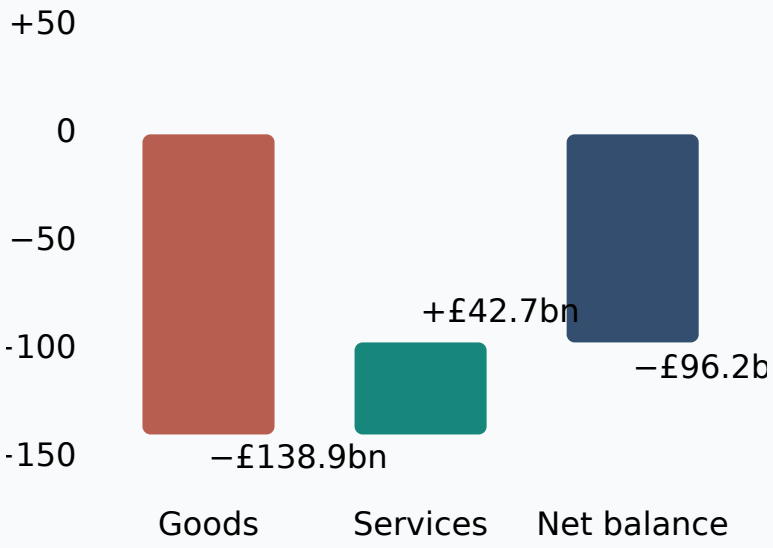
International economic integration was long assessed primarily through its capacity to improve efficiency, allocate capital and lower prices. Those benefits remain substantial, but the underlying assumptions have changed. Governments now confront the possibility that supply concentration, ownership of sensitive infrastructure, control over digital systems and market access can become instruments of geopolitical pressure. Commercial connections create prosperity; under certain conditions, the same connections can transmit coercion or disruption.

The United Kingdom and the European Union provide a particularly revealing case. They are politically separate but economically intertwined. British government statistics put UK exports to the EU at £385.0 billion and imports from the EU at £483.2 billion in the four quarters ending June 2026. Their combined value was approximately £868 billion, representing about 45 per cent of total UK trade in that period (Department for Business and Trade, 2026). Geography, production networks and financial relationships make this interdependence resistant to political separation.

DATA INSIGHT 01 · TRADE BALANCE

Britain's services strength only partly offsets its EU goods deficit

UK bilateral trade balance with the EU, calendar year 2025. Values are in £ billion; positive values favour UK exports.



What this shows: The £42.7bn services surplus offset about 31% of the £138.9bn goods deficit. Economic exposure is therefore substantial, but differs sharply between goods-producing and service-exporting sectors.

View underlying figures and calculation

2025 trade flow	£bn
UK goods exports to EU	181.9
UK goods imports from EU	320.8
Goods balance	−138.9
UK services exports to EU	189.6
UK services imports from EU	146.9

2025 trade flow	£bn
Services balance	+42.7
Combined trade balance	**−96.2**

Source: UK Department for Business and Trade, Trade and Investment Core Statistics Book, ONS underlying data. Current-price, balance-of-payments estimates for 2025; totals calculated from published rounded figures.

The question is therefore institutional: how can two jurisdictions that insist on regulatory independence provide collective economic protection? A feasible answer requires moving beyond binary debates about alignment and divergence. Cooperation should be judged by whether it lowers exposure to strategically significant risks, increases recovery capacity and avoids imposing disproportionate costs on legitimate commerce.

From Efficiency to Strategic Interdependence

Economic security is often treated as synonymous with self-sufficiency. That interpretation is analytically weak. Modern industrial systems rely on specialised inputs, research networks and global markets that cannot economically be reproduced within every national boundary. Attempting comprehensive domestic substitution would raise prices, reduce innovation and in some cases create new domestic single points of failure. The relevant objective is the ability to maintain essential functions when particular links fail.

Three distinctions are useful. Exposure describes dependence on a supplier, jurisdiction or technological system. Vulnerability measures the consequences if that relationship is interrupted. Resilience concerns the speed and cost of adjustment, whether through alternative suppliers, substitution, inventories or repair. A highly concentrated import market may be manageable when substitutes are readily available. A seemingly small component can present a systemic risk when it is indispensable and cannot be replaced quickly.

This framework also clarifies why economic security is a collective-action problem.

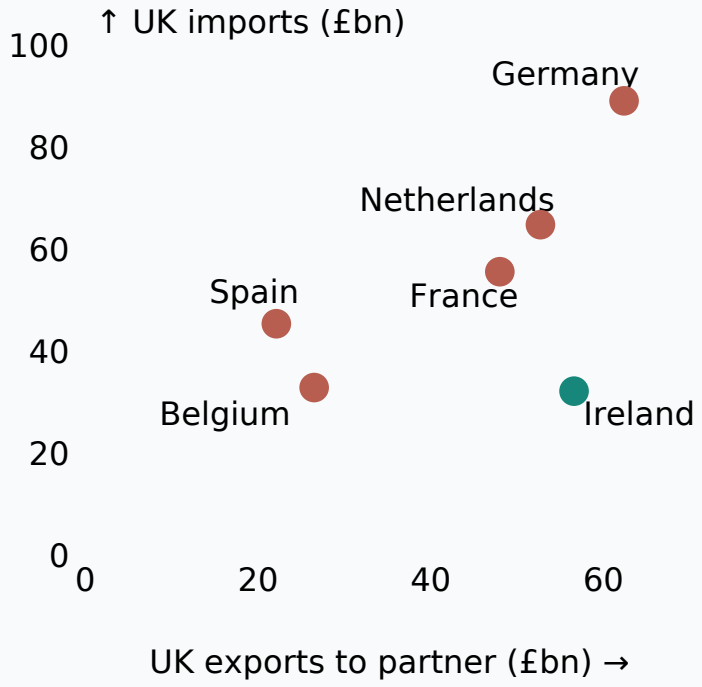
British and European firms may rely on the same refining facilities, shipping routes, software vendors or energy interconnectors. Each government can invest in preparedness, but the returns often cross borders. Conversely, poorly coordinated export restrictions or subsidy races may shift scarcity between allies without increasing aggregate security. Cooperation can therefore produce public benefits even when the participants retain different industrial preferences.

DATA INSIGHT 02 · TRADE CONCENTRATION

Trade with individual EU economies is far from symmetrical

UK exports to each partner versus imports from that partner, goods and services combined, 2025 (£ billion). Six EU economies appearing in both official top-ten rankings are shown.

UK imports exceed exportsUK exports exceed importsDashed line: equal flows



Tap or focus a country dot to inspect its exports, imports and bilateral balance.

What this shows: Among these six major partners, Ireland is the only one where the UK recorded a surplus. Different trade relationships create different forms of exposure; an EU-wide total cannot capture them all.

View six-country dataset

Partner	UK exports £bn	UK imports £bn
Germany	62.4	89.9
Ireland	56.6	33.0
Netherlands	52.7	65.6
France	48.0	56.4
Belgium	26.5	33.7
Spain	22.1	46.2

Source: UK Department for Business and Trade, Trade and Investment Core Statistics Book, Tables 3a and 13a (ONS estimates, 2025). Country selection is limited to EU partners appearing in both published top-ten tables; this is not the entire EU.

The European Commission's December 2025 economic security communication identifies risks involving strategic dependencies, investment, critical technologies, sensitive information and infrastructure. Britain's National Security Strategy similarly connects prosperity to the protection of strategic capabilities (European Commission, 2025; UK Government, 2025). The overlap is substantial. It does not, however, eliminate disputes about who bears the costs or who controls the policy response.

The Changing Architecture of Investment Security

Foreign investment screening illustrates both the opportunity and the limits of cooperation. The UK's National Security and Investment Act enables the government to review acquisitions in sensitive areas. Its 2025–26 annual report records 1,220 notifications reviewed, of which 95.6 per cent proceeded without further action. Nine final orders were issued, with eight permitting transactions under conditions and one prohibiting an acquisition (Cabinet Office, 2026). These figures matter because they demonstrate that meaningful screening can coexist

with a presumption in favour of ordinary investment.

The EU has also strengthened its framework. Regulation (EU) 2026/1386 entered into force in June 2026, although its revised screening requirements will apply fully from January 2028. National authorities retain central roles, while an EU-wide cooperation mechanism seeks to address cross-border implications (European Commission, 2026a). This difference in institutional design creates a practical difficulty: an acquisition cleared in one country may still expose shared research, intellectual property or infrastructure located elsewhere.

A UK–EU mechanism could allow authorised authorities to exchange restricted assessments concerning beneficial ownership, state influence, sensitive technologies and mitigation conditions. It should not require identical decisions. Rather, the receiving authority would be expected to consider the cross-border consequences of a transaction and explain material divergence when security interests overlap. Information should move through defined legal channels, with classification rules, retention limits and access logs.

Such arrangements must also guard against discriminatory screening. Nationality alone is an inadequate proxy for threat. Scrutiny should examine the nature of control, the sensitivity of the asset, the investor's capacity to exploit it and the availability of proportionate remedies. Transparent procedural standards would reduce uncertainty for investors while making adverse decisions more defensible. Confidentiality and judicial review are therefore operational necessities, not peripheral considerations.

Critical Minerals and the Economics of Diversification

Critical minerals expose the limitations of purely national strategies. Battery chemicals, permanent magnets, advanced electronics and defence applications depend on value chains spanning mining, processing, component production and recycling. A country may diversify its mines while remaining reliant on a single processing hub. Security analysis must consequently examine the complete chain

and distinguish physical supply from legal or commercial control.

The EU's Critical Raw Materials Act establishes non-binding 2030 benchmarks of at least 10 per cent of annual strategic-material consumption from EU extraction, 40 per cent from EU processing and 25 per cent from recycling. The UK's Vision 2035 strategy separately seeks at least 10 per cent of aggregate demand through domestic production, 20 per cent through recycling, and no more than 60 per cent of aggregate demand from any one supplying country (Council of the European Union, 2024; Department for Business and Trade, 2025). The targets have different definitions and deadlines, so they cannot be compared mechanically. They nevertheless reveal compatible interests in diversified sourcing and circular production.

Joint purchasing would sometimes improve bargaining power, but it could also crowd out smaller buyers or concentrate procurement in politically preferred suppliers. A more productive programme would begin with shared materials intelligence and coordinated financing of specific processing or recycling bottlenecks. Public guarantees could support projects whose strategic value exceeds their near-term commercial return, while competitive tendering would discipline costs.

Partnerships with resource-rich economies must be designed as more than alternative extraction contracts. Processing investment, technology transfer, environmental safeguards and local value creation can make supply relationships durable. Otherwise, diversification risks reproducing dependence under a different flag. The test of success should be the availability of credible alternatives during disruption, rather than the nationality of every supplier.

Energy Systems and the Costs of Fragmentation

Energy makes the shared character of economic security especially tangible. Electricity cables and gas pipelines connect the British system with continental Europe and Ireland. The European Commission notes that EU supplies have represented significant shares of British electricity and gas consumption in recent years, although those shares fluctuate (European Commission, 2026b). When

interconnectors are used efficiently, differences in weather, demand and generation can help stabilise supply on both sides.

Institutional separation can weaken those gains. The UK's departure from the EU internal electricity market made cross-border trading more complicated. Improved market arrangements could reduce inefficiency, but they require compatible operational rules and reliable dispute settlement. Physical connectivity without workable market coordination is an incomplete form of resilience.

Carbon regulation presents a related problem. The EU's Carbon Border Adjustment Mechanism entered its definitive phase in January 2026, adding compliance requirements for specified carbon-intensive imports. The UK and EU began negotiations to link their emissions trading systems following commitments made in 2025; the negotiations had not concluded as of October 2026 (European Commission, 2026c; UK Government, 2026). Linking could reduce administrative friction and carbon-price divergence, but it would also raise questions about future rule changes and oversight.

The policy objective should be predictable cooperation rather than indefinite exemptions. Common technical standards for emissions measurement, electricity trading and emergency response would reduce uncertainty for firms. Scenario exercises involving interconnector outages, sudden fuel shortages or cyberattacks could test whether regulators and system operators can act together under stress.

Industrial Policy and the Risk of Subsidy Competition

Economic security is closely connected to industrial capacity, but the relationship is not straightforward. Subsidies may help overcome coordination failures in capital-intensive sectors. They may also support firms that would have invested anyway, divert production from partners or provoke retaliation. An investment justified by national security should be assessed against an identifiable vulnerability, not merely the political appeal of domestic manufacturing.

The European Commission proposed an Industrial Accelerator Act in March 2026, including origin-related and low-carbon conditions in selected procurement and public-support schemes. It remains important to distinguish legislative proposals from binding rules (European Commission, 2026d). For UK businesses embedded in European manufacturing networks, eligibility rules can determine whether existing supply chains remain commercially viable.

A negotiating framework should therefore distinguish sectors where security demands geographically proximate capacity from those where open international sourcing is preferable. Reciprocity need not mean identical subsidy regimes. It could instead involve mutual recognition of defined security and environmental outcomes, subject to verifiable procurement access, transparent ownership structures and safeguards against subsidy circumvention.

Competition policy should remain part of this discussion. A protected industry with no pressure to innovate can become a future vulnerability. Public support should be conditional, time-limited where feasible and evaluated against measurable outcomes such as additional capacity, reduced supplier concentration or improved recovery time. Otherwise, economic security becomes an elastic justification for inefficient protectionism.

Coercion, Trade Defence and Policy Autonomy

Economic coercion creates a sharper problem because a response may carry immediate commercial costs. The EU's Anti-Coercion Instrument, effective since December 2023, provides a legal process for addressing attempts by third countries to influence sovereign decisions through trade or investment pressure. The UK lies outside this legal instrument (European Commission, 2023). Formal joint retaliation cannot therefore be presumed.

Coordination is still possible through political consultation, shared evidence and independent but compatible measures. Authorities could assess whether a disruption reflects market conditions, ordinary trade defence issues or deliberate coercion. This distinction is essential: premature attribution may escalate a dispute, while excessive hesitation can invite further pressure. Any response should satisfy

proportionality, legal competence and an assessment of effects on domestic consumers and allied firms.

The geographical scope of cooperation should also be open. Australia, Canada, Japan and other partners may provide alternative production capacity or complementary expertise. An exclusive bilateral bloc could limit diversification and undermine the rules-based trading system it seeks to defend. The purpose of cooperation should be to enlarge the range of secure commercial options, not to make economic exchange contingent on membership of a political camp.

An Institutional Model for Practical Cooperation

An effective architecture would connect existing institutions instead of creating an entirely new treaty system. The Trade and Cooperation Agreement already contains a Partnership Council and specialised committees, while the 2025 UK–EU Security and Defence Partnership established a basis for strategic dialogue (Council of the European Union, 2025). These structures provide political legitimacy but need dedicated technical capacity to deal with complex economic threats.

The proposed framework could operate through a joint strategic risk board supported by sector-specific working arrangements. The board would not direct national decisions. It would define shared methodologies for identifying concentrated dependencies, commissioning stress tests and coordinating emergency communications. Each jurisdiction would retain legal authority over screening, procurement, sanctions and public spending. When risks span jurisdictions, officials would prepare common assessments for separate decisions by accountable ministers.

Three design principles would make the system credible. First, information exchange must be reciprocal and protected. Commercially sensitive data and intelligence should be shared only where necessary, using secure protocols and explicit restrictions on onward disclosure. Second, preparedness should be measurable. Possible indicators include the time required to restore a disrupted component, the availability of qualified alternative suppliers, and the proportion of critical facilities covered by tested contingency plans. Third, interventions should be

reviewable. Parliamentary scrutiny, independent audit and periodic publication of aggregate results would help establish whether security benefits justify their economic cost.

To avoid an unmanageable mandate, initial cooperation could focus on selected cross-border systems such as energy interconnectors, semiconductor-related inputs and critical industrial materials. Simulated disruptions would reveal gaps in inventories, licensing or communications before a genuine crisis. Progress could then be judged by reduced exposure and faster recovery, rather than by the number of meetings convened.

There is also a distributional question. The costs of maintaining spare capacity or alternative suppliers may fall on specific industries and regions even when the benefits are broadly shared. Transparent cost allocation, competitive project selection and targeted support for smaller businesses would reduce the risk that security policy primarily benefits incumbent firms. A credible framework needs a political economy of implementation as well as a technical model.

Conclusion

The UK and EU cannot remove geopolitical risk from an interconnected economy. Nor should they attempt to eliminate every dependence through costly duplication. Their more realistic task is to distinguish manageable exposure from vulnerabilities capable of interrupting essential activity, and then ensure that separate legal systems can respond to the latter coherently.

The strongest basis for cooperation lies in shared evidence, interoperable procedures and carefully selected investments. Investment screening, mineral supply, energy markets and industrial policy illustrate where coordinated action could reduce risk without dissolving political autonomy. That cooperation will remain fragile unless it is accompanied by clear limits on confidentiality, discrimination, subsidies and emergency powers.

An enduring economic security relationship should ultimately be assessed by practical outcomes: whether essential goods remain available during shocks,

whether strategic assets are protected without deterring legitimate investment, and whether businesses can plan under stable rules. Economic resilience is not achieved by severing interdependence. It is achieved by governing it responsibly.