



BACKGROUND GUIDE

ECOFIN



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Letter from the Secretariat

Dear Delegates,

It is with great pleasure that I welcome you to the 2026 edition of the Masaryk University Model United Nations Conference. As Secretary General, it is an immense privilege to witness the incredible passion and dedication each of you will bring to this conference.

As our motto suggests, our aim for this year is to help delegates lead, think, and be inspired. In accordance with this goal, we have curated a diverse selection of committees and topics that ensure heated debate and the need for compromise. We hope that each delegate can take advantage of the unique space that MUNs bring, one where ideas are tested, diplomacy is practiced, and perspectives are broadened.

On behalf of the entire MUNIMUN team, I wish you the best of luck in your preparations and sincerely hope you have fun at the end of the day.

Do not forget that we are here to help ensure that your experience at MUNIMUN is the best that it can be. Should you have any questions, comments, concerns, or any other statements, please do not hesitate to contact me, your chairs, or the general MUNIMUN email.

I look forward to seeing the energy you bring to this conference and the lasting memories you will create.

Best wishes,

Kerem Efe Özen

Secretary General



Letter from the Chair

Dear Delegate,

It is a pleasure to welcome you to the ECOFIN Committee! My name is Yasmin Felippe, and I will serve as your Main Chair for this edition of the MUNIMUN Conference. I am originally from São Paulo, Brazil, and I am currently in my final semester of the bachelor's program in International Relations and European Politics, in which I am also serving as the program Ambassador. Alongside being an IR passionate, I am also interested in international political economy and international trade, which makes ECOFIN a particularly exciting committee for me.

I have a long-term relationship with the Model UNs that began when I was fifteen. I started being part of the Model UN club at my school, in which we would meet weekly to debate. That later led me to coordinate an internal Model UN project for the middle schoolers, from 7th to 9th grade, acting as a Chair and project coordinator. Around the same time, I participated as a delegate in other MUNs, bigger but still local, that contributed immensely to my skills in problem-solving, teamwork, negotiation, academic writing, and public speaking.

As for MUNIMUN, I was a delegate in the 2024 edition and loved every second of my experience, from writing the Position Paper to debating resolutions with my colleagues. Then, for the 2025 edition, I was the Main Chair for the United Nations Economic and Social Council (ECOSOC), which marked my first big role as a Chair. It was challenging but rewarding, and we were able to discuss both topics and had passed resolutions for both (which is the goal for ECOFIN as well, of course). Overall, during my whole bachelor's, the time I wait for the most is our MUNIMUN Conference, and it is an honour to be here for the third time.

As your chair, my goal is to create an engaging, safe, and exciting environment where all delegates feel confident and encouraged to contribute. In this sense, ECOFIN deals with complex and highly relevant issues that shape the economic future of the European Union, so I suggest you come well-prepared, think critically and logically, and collaborate and negotiate with one another. Best of luck with your preparation, and I look forward to meeting you all soon!

Kind regards,

Yasmin

Main Chair, ECOFIN



Committee overview

The Economic and Financial Affairs Council (ECOFIN) is one of the key decision-making bodies within the European Union and plays a central role in coordinating the economic and financial policies of EU member states. It was established in 1958 following the creation of the European Economic Community, at a time when economic cooperation was seen as essential for deeper European integration. The original purpose of ECOFIN was to support the functioning of the common market by coordinating national economic policies and addressing shared financial challenges.

Within the EU institutional framework, ECOFIN operates as a configuration of the Council of the European Union, bringing together the finance and economy ministers of all member states. Its role is both legislative and coordinative, as it adopts EU-level legislation and facilitates cooperation between national governments on economic and fiscal matters. ECOFIN works closely with other EU institutions, such as the European Commission, the European Central Bank, and the European Council, ensuring that economic decisions are aligned with broader EU objectives.

The mandate of ECOFIN covers a wide range of economic issues, including economic policy coordination, public finances, taxation, financial regulation, and the stability of the euro area. Through policy discussions and legislative action, the council aims to promote economic stability, sustainable growth, and financial resilience across the Union. It also plays an important role in responding to economic crises and managing long-term structural challenges.

Over time, ECOFIN's responsibilities have expanded significantly. The creation of the Economic and Monetary Union and the introduction of the euro marked a major shift in its role, increasing the need for closer coordination among member states. Following the 2008 global financial crisis, ECOFIN became more involved in economic surveillance and financial regulation, reflecting lessons learned from financial instability.

Today, ECOFIN meets regularly in Brussels or Luxembourg, and decisions are usually taken by qualified majority voting, although consensus is often preferred on sensitive issues. In recent years, the council has remained highly relevant by addressing economic recovery, financial stability, digital finance, and the European Union's efforts to reduce strategic economic dependencies in a changing global environment.

Key Terms and Definitions

Topic A

Digital Currency – A form of money that exists solely in electronic form and relies on digital infrastructure for issuance, storage, and transfer.

Cryptocurrency – A decentralized digital asset secured by cryptography and operating on blockchain technology without central bank issuance.

Blockchain (Distributed Ledger Technology – DLT) – A decentralized digital ledger that records transactions securely and transparently across a network.

Stablecoin – A crypto-asset designed to maintain price stability by being pegged to a currency, commodity, or basket of assets. Under EU law, this includes asset-referenced tokens and e-money tokens.

Central Bank Digital Currency (CBDC) – A digital form of sovereign fiat currency issued directly by a central bank.

Digital Euro – A proposed euro-area CBDC issued by the European Central Bank.

Decentralized Finance (DeFi) – Blockchain-based financial services operating through smart contracts without traditional intermediaries.

Smart Contract – Self-executing code on a blockchain that automatically enforces contractual terms.

Crypto-Asset Service Provider (CASP) – An entity providing services such as exchange, custody, or trading of crypto-assets.

Virtual Asset Service Provider (VASP) – FATF terminology for entities conducting virtual asset-related financial activities.

Custodial / Non-Custodial Wallet – A custodial wallet is managed by a third party holding private keys; a non-custodial wallet allows users direct control over their assets.

Illicit Financial Flows (IFFs) – Cross-border movements of funds that are illegally earned, transferred, or used.

Money Laundering – The process of concealing the illegal origin of funds to integrate them into the legal economy.

Terrorist Financing – The collection or provision of funds to support terrorist activities.

Regulatory Arbitrage – The exploitation of differences between regulatory systems to avoid stricter oversight.

Financial Action Task Force (FATF) – An international standard-setting body combating money laundering and terrorist financing.

Travel Rule – A FATF requirement obliging service providers to collect and transmit identifying information about parties to digital asset transfers.

Markets in Crypto-Assets Regulation (MiCA) – EU Regulation 2023/1114 establishing a harmonized framework for crypto-assets within the EU.

Anti-Money Laundering Authority (AMLA) – The EU authority responsible for supervising high-risk financial institutions and coordinating AML enforcement.



Transfer of Funds Regulation (TRF) – EU regulation extending transaction traceability requirements to crypto-assets.

Directive on Administrative Cooperation (DAC8) – EU directive expanding tax reporting obligations to crypto-asset service providers.

Monetary Sovereignty – A state’s authority to control its national currency and monetary policy.

Ransomware – Malicious software that demands payment, often in cryptocurrency, for data recovery.

Topic B

Economic Dependency – A structural reliance on another state or region for trade, investment, finance, technology, energy, or defense industries.

Strategic Autonomy – The European Union’s capacity to make independent political and economic decisions while remaining engaged in international cooperation.

Transatlantic Relationship – The economic, political, and security partnership between the European Union and the United States.

Economic Coercion – The use of economic tools (e.g., tariffs, sanctions, trade restrictions) to exert political pressure.

Tariff – A tax imposed on imported goods.

Supply Chain – The network involved in the production and distribution of goods and services.

Liquefied Natural Gas (LNG) – Natural gas cooled to liquid form for transportation and storage.

Banking Union – EU initiative to centralize banking supervision and strengthen financial stability in the euro area.

Capital Markets Union – EU initiative aimed at integrating capital markets to improve cross-border investment and financing.

Industrial Policy – Government measures designed to support strategic industries or sectors.

State Aid – Government financial support granted to specific companies or industries.

Anti-Coercion Instrument – An EU policy mechanism designed to respond to external economic pressure.

De-Risking – Reducing economic vulnerabilities without fully severing international ties.

Decoupling – The deliberate reduction of economic interdependence between economies.

Single Market – The EU’s internal market ensuring free movement of goods, services, capital, and people.

BACKGROUND GUIDE

ECOFIN

TOPIC A:

**REGULATING DIGITAL
CURRENCIES AND PREVENTING
ILLICIT FINANCIAL FLOWS**



Regulating Digital Currencies and Preventing Illicit Financial Flows

Background

Defining the issue

Digital currencies are a new part of the global financial system that is quickly expanding and reshaping how financial transactions are conducted, regulated, and monitored. By 2017, nearly 1,000 digital currencies were already in circulation with a combined market value exceeding \$100 billion (Heller & Truman, 2017). Broadly, they refer to monetary assets that exist only in electronic form and rely entirely on digital infrastructure for their issuance, storage, and transfer (Tasca, 2015). Among them are cryptocurrencies, such as Bitcoin and Ethereum, as well as stablecoins pegged to traditional currencies or assets, and emerging central bank digital currencies (CBDCs). While cryptocurrencies enable cross-border transfers without traditional intermediaries (Heller & Truman, 2017), CBDCs represent state-backed digital fiat money that may significantly alter the roles of central and commercial banks (Mishchenko & Naumenkova, 2021). As a result, they are increasingly relevant due to their integration into cross-border financial markets, fintech innovation, and digital financial structure (Tasca, 2015; Mishchenko & Naumenkova, 2021).

As they are a broad category, distinctions are necessary for better clarity. Cryptocurrencies, such as Bitcoin, operate on decentralized blockchain networks and are not issued by a central authority. They are defined as private, non-regulated currencies that are not linked to a government or central bank and rely on distributed ledger technology (Alsalmi et al., 2023). Stablecoins, by contrast, aim to maintain a stable value by being linked to currencies, commodities, or baskets of assets. Under EU regulatory terminology, these may include asset-referenced tokens and e-money tokens. In this sense, asset-referenced tokens behave like stablecoins, while e-money tokens are pegged to a single official currency (Zetzsche & Sinnig, 2025). In parallel, central bank digital currencies (CBDCs) are issued directly by a central bank and therefore differ from privately issued crypto-assets. These financial instruments have several benefits, such as lower transaction costs, increased accessibility, faster settlement times, and more efficiency in cross-border payments (Alsalmi et al., 2023).

Beyond classification by type, digital currency systems also differ structurally. A fundamental difference exists between custodial and non-custodial arrangements, as well as between centralized and decentralized systems. Custodial intermediaries, such as crypto exchanges and certain wallet providers, hold private keys on behalf of users and therefore exercise control over client assets. These actors can generally be licensed, supervised, and subjected to anti-money laundering obligations. By contrast, non-custodial arrangements allow users to retain direct control over their private keys, meaning no intermediary holds or manages their assets. In decentralized finance (DeFi) systems, transactions are often executed automatically through smart contracts without a clearly identifiable operator. While custodial and

centralized actors fall more easily within regulatory frameworks, decentralized protocols and peer-to-peer transfers present structural enforcement challenges due to the absence of a responsible legal entity (Alsalmi et al., 2023; Zetzsche & Sinnig, 2025).

Despite the advantages, digital currencies come with regulatory challenges, especially when it comes to illicit financial flows, which refer to the cross-border movement of funds that are illegally earned, transferred, or used. These include practices such as money laundering, tax evasion, terrorist financing, corruption, cybercrime, and sanctions evasion (Rysin & Rysin, 2021). Thanks to their pseudonymity, speed, decentralization, and cross-border accessibility, digital currencies facilitate illicit financial flows and are vulnerable to them due to their capacity to operate across jurisdictions and outside of traditional financial intermediaries (Padalkar, 2023). Within this, crypto-asset service providers are under elevated risks of exploitation for money laundering and terrorist financing, as they have anonymity-enhancing features and rapid cross-border transfers, and regulatory authorities have already identified weaknesses in customer identity verification procedures among them, which complicates efforts to trace the illicit transactions (Padalkar, 2023).

Given this context and the scale of growth in digital currency markets, there is an urgent need for regulatory intervention. By December 2024, crypto asset transaction volumes in Europe reached a peak of \$234 billion, showing the impact these currencies have on financial markets (Chainanalysis, 2025). In parallel, illicit financial activity involving crypto-assets reached an estimated of \$82 billion in laundered funds in 2025 alone (Howcroft, 2026). Such numbers and developments show how dual the nature of digital currencies is, both as innovative tools and facilitators of illicit activity.

Inside the European Union, regulating digital currencies and preventing illicit financial flows is particularly important due to the EU's single market, which allows for free movement of capital, goods, services, and people. While essential for economic growth, such enormous economic integration increases the complexity of monitoring cross-border financial flows. Effective regulation of these currencies is therefore essential to ensure financial stability, prevent illicit flows, and maintain the integrity of the European financial system (Zetzsche & Sinnig, 2025).

Historical background

The development of digital currencies is intertwined with broader technological and financial transformations that began in the late 20th century. Early digital innovations, such as electronic banking systems and online payment platforms, remained dependent on centralized intermediaries, so these systems operated within established regulatory frameworks and under state monetary authority while increasing efficiency. However, the launch of Bitcoin in 2009 marked a turning point as it introduced blockchain technology and decentralized verification mechanisms. For the first time, value could be transferred peer-to-peer without reliance on banks or payment institutions, marking not only a technological innovation but a shift in monetary structure by separating transaction validation from a centralized institutional authority (Didenko & Buckley, 2019).

During the early 2010s, cryptocurrency was still limited to niche technological communities and under development, but between 2013 and 2017, multiple short-lived speculative episodes and bubble-like behavior in Bitcoin and other major currencies reflected rapid price appreciation and growing investor attention. The Initial Coin Offering boom of 2017 was the first large-scale integration of crypto-assets into speculative capital markets, drawing significant regulatory investigation due to concerns over regulatory evasion and illegal fundraising. At the same time, they began to feature in illicit markets, with Bitcoin functioning as a substitute currency, especially in the drugs and firearms markets, and frequently associated with illicit purposes such as money laundering and illegal trade. Illegal platforms showed how decentralized digital currencies can facilitate cross-border criminal transactions, while sanctions-related cases illustrate how their pseudonymous and borderless structure complicates enforcement and enables transactions beyond traditional financial controls (Zeng et al., 2026).

In this scenario, one of the earliest and most representative examples was the Silk Road marketplace that operated between 2011 and 2013, an underground online darknet platform that facilitated the sale of narcotics and illegal services, including weapons and forged documents, using Bitcoin as its exclusive payment method. Authorities later estimated that from its launch until its shutdown, the platform generated over \$1.2 billion in revenue. It demonstrated how decentralized digital currencies could avoid traditional anti-money laundering systems and operate beyond established financial surveillance mechanisms, while additional anonymizing techniques, such as “tumbler” software, made transactions extremely difficult for law enforcement to trace (Lane, 2014).

Furthermore, cryptocurrencies also started being integrated into ransomware operations and transnational cybercrime. The 2017 WannaCry ransomware attack, which affected public institutions and businesses in more than 150 countries, including several members of the EU, demanded ransom payments of \$300 in Bitcoin. This case contributes to the broader characterization of ransomware as a billion-dollar industry, with global damages reaching \$11.5 billion by 2019. The pseudonymous and borderless nature of cryptocurrency transactions complicated tracing efforts and showcased the deficiencies in global regulatory coordination (Zimba & Chishimba, 2019).

Initially, inside the EU, the regulatory conversation was reactive rather than proactive. After the 2008 financial crisis, the financial reforms focused on strengthening banking supervision and capital adequacy, and naturally, digital currencies were not yet a primary focus. Nevertheless, starting from 2015, EU policymakers started to recognize that crypto-assets posed both opportunities and risks. The growing use of cryptocurrencies, their integration into investment markets, and their role in cybercrime fueled discussions about extending AML obligations to digital asset intermediaries. In more recent times, from 2019 to 2022, the regulatory momentum intensified. The news of global stablecoin initiatives raised concerns regarding monetary sovereignty and financial stability within the EU, and it became evident that regulatory adjustments were insufficient. The historical trajectory of digital currencies, from experimental innovation to mainstream financial integration, showed the tremendous complexity of governing decentralized and borderless financial systems. With this, the EU then shifted

towards a more comprehensive, harmonized regulatory intervention, laying the groundwork for a unified framework (Zetzsche & Sinnig, 2025).

International framework

1. Global Regulatory Framework:

Since digital currencies operate transnationally, their effective regulation depends heavily on international coordination, not just European, even with the regulatory framework remaining fragmented.

a. Financial Action Task Force (FATF)

The Financial Action Task Force is one of the most influential international standard-setting bodies in combating money laundering and terrorist financing. In 2019, it updated its Recommendations to explicitly include “Virtual Asset Service Providers” (VASPs). The most significant addition was the “Travel Rule” that required the VASPs to collect and transmit identifying information about the originator and beneficiary of digital assets transfers (Schwarz et al., 2021).

Still, FATF standards are not legally binding, despite influencing peer review mechanisms and grey-listing procedures. This way, jurisdictions that fail to comply may face reputational damage and restricted access to global financial markets, but there is no legal enforcement. Moreover, FATF implementation remains uneven around the globe. While some jurisdictions have fully adopted the Travel Rule into domestic law, others have delayed or selectively enforced it. Such inconsistency creates enforcement asymmetries, which can enable illicit actors to exploit the weaker jurisdictions (Schwarz et al., 2021).

b. International Monetary Fund (IMF)

The IMF, on the other hand, has focused on the macroeconomic implications of crypto assets. It warned that the widespread adoption of unregulated digital currencies may undermine capital control, reduce monetary policy effectiveness, and increase financial volatility, especially in emerging markets. In this context, the organization advocates for coordinated global standards to prevent regulatory arbitrage. Still, as it does not have direct enforcement authority, its recommendations remain advisory (International Monetary Fund, 2021).

c. Bank for International Settlements (BIS)

The Bank for International Settlements (BIS), through the Basel Committee on Banking Supervision, addressed what could be a wise treatment of crypto-assets. In 2022, it introduced into its framework capital requirements for banks holding crypto-assets, imposing strict requirements for unbacked cryptocurrencies, which are assigned a 1,250% risk weight to account for their volatility and liquidity risks. Although such standards help strengthen banking resilience, they mostly apply to regulated financial institutions, not decentralized or non-bank crypto actors. Consequently, a significant part of the digital asset ecosystem remains outside the Basel framework (Bank for International Settlements, 2022).

2. European Union Framework

The EU regulatory system is structured around four primary pillars: market regulation, anti-money laundering enforcement, transaction traceability, and tax transparency.

a. Markets in Crypto-Assets Regulation (MiCA) - Regulation EU 2023/1114

MiCA establishes the first harmonized regulatory framework for crypto-assets across all 27 member states. It introduces:

- Licensing requirements for Crypto-Asset Service Providers (CASPs)
- Prudential and governance safeguards
- Consumer disclosure obligations
- Specific regulatory categories for stablecoins (asset-referenced tokens and e-money tokens)
- Market abuse prevention mechanisms

This way, MiCA reduces internal fragmentation by replacing national regimes with a single passporting system, limiting “forum shopping” within the EU, and increasing legal certainty. Still, it does not fully regulate decentralized finance (DeFi) protocols that lack identifiable intermediaries. Moreover, it does not comprehensively address non-custodial wallets, peer-to-peer transactions outside licensed platforms, or decentralized autonomous organizations, which represent a structural vulnerability within the framework (Patti, 2024).

b. Anti-Money Laundering Framework

As digital currencies have a big impact on facilitating money laundering, the EU's Anti-Money Laundering structure has evolved through a series of legislative packages. Criminals take advantage of the "speed and sometimes anonymity" offered by electronic transfers, DeFi, and crypto-assets to hide the origin of funds.

In 2024, the EU adopted an AML/CFT legislative package, which includes a revised AML Directive, a directly applicable AML regulation, and the creation of the Anti-Money Laundering Authority (AMLA), based in Frankfurt. This represents a structural modernization and a decisive move toward a centralized supervisory model. AMLA will directly supervise selected high-risk financial institutions and coordinate with national competent authorities, strengthening oversight while ensuring consistency across the EU.

Still, significant disparities remain among member states in investigative capacity, technical expertise, and enforcement resources. Effective supervision depends not only on legal authority but also on technical capability, cross-border cooperation, and substantial investment in digital infrastructures (Iglesias Escudero, 2025).

c. Transfer of Funds Regulation (TRF)

The revised Transfer of Funds Regulation extends the FATF Travel Rule to crypto-asset transfers within the EU. Crypto service providers must collect and share identifying information about senders and recipients of digital transactions (Office Journal of the European Union, 2023).

Such a measure enhances traceability and strengthens law enforcement capabilities. At the same time, it raises tensions with data protection principles under the General Data Protection Regulation (GDPR). It is a sensitive balance between financial surveillance and fundamental privacy rights.

d. Directive on Administrative Cooperation (DAC8)

DAC8 expands tax reporting requirements to include crypto-asset service providers. The directive aims to prevent tax evasion by requiring the exchange of transaction data between national tax authorities. Still, it faces enforcement challenges, especially for cross-border platforms operating outside EU jurisdiction (Taxation and Customs Union, 2023).

Current state of the issue

The regulation of digital currencies and the prevention of illicit financial flows remain active and evolving topics for the European Union. Although the adoption of the Markets in Crypto-Assets (MiCA) Regulation and the revised Anti-Money Laundering (AML) package mark a significant cornerstone towards better oversight, the full implementation and enforcement are still a work in progress. As of 2025-2026, the EU is under a transitional phase, in which the regulatory architecture needs to be refined and find operational effectiveness.

In the first place, crypto-assets are growing in relevance and attracting interest across the EU. According to a Central European Bank survey done in 2024, 9.7% of households in euro area countries reported ownership, though the amount is pretty small for most, with 54% reported holding under €1,000, and 91% said they invested less than €20,000. Overall, the ECB extrapolated this to total holdings of €75 billion or about 3% of the total market capitalization for cryptocurrencies (European Central Bank, 2025). Moreover, stablecoins and tokenized financial products are increasingly integrated into cross-border payments and decentralized finance applications, and in such a scenario, the European Central Bank continues exploring the possibility of the digital euro, in response to concerns that private digital currencies could affect monetary sovereignty and payment system stability (Cotugno et al., 2024).

In the second place, despite the enhanced regulatory oversight, crypto-assets are still playing a significant role in illicit financial activity. Research from 2025 emphasizes that while Bitcoin remains the primary medium for these activities, privacy coins like Monero have become robust solutions for money laundering due to their superior anonymity compared to traditional financial intermediaries. Ransomware extortion remains a critical threat, with attacks successfully extorting millions in both Bitcoin and Monero from global institutions. The evolution of darknet markets continues to facilitate the anonymous sale of drugs, weapons, and counterfeit goods, with successors to early platforms like Silk Road maintaining operational stability until law enforcement intervention (Arnone et al., 2025).

Furthermore, fraudulent schemes have reached massive scales, notably seen in the OneCoin and BitConnect Ponzi schemes, which resulted in combined losses exceeding \$6 billion. Sanction evasion has also taken new forms, such as Venezuela's launch of the Petro cryptocurrency to circumvent international economic restrictions. While blockchain transparency allows for post-hoc tracing, the use of privacy-enhancing technologies, including sophisticated mixing, swapping, and tumbling techniques, and cross-chain bridges, complicates enforcement efforts. There is also an increase in terrorist organizations, such as Hamas and ISIS, leveraging assets like Bitcoin and Ethereum for operational funding. Consequently, in the face of such a scenario, there is an urgent call for specialized crypto-compliance units and a global harmonization of mandatory standards to mitigate these persistent regulatory challenges (Arnone et al., 2025).

Lastly, the EU's new Anti-Money Laundering Authority (AMLA) is still in the process of becoming fully operational, but supervisory integration between the 27 member states has administrative and logistical challenges. There are differences in investigative resources, digital forensic capabilities, and national enforcement cultures. At the same time, MiCA implementation has required national regulators to adapt supervisory structures, issue secondary legislation, and license crypto-asset service providers, which makes supervision a lot dependent on national authorities. Overall, the current state of the issue is between partial regulatory consolidation and persistent structural uncertainty. The EU has moved beyond regulatory absence, but it still needs to achieve regulatory maturity (Tsvytkov, 2024).

Key points of tension

The regulation of digital currencies and the prevention of illicit financial flows involve multiple structural tensions that complicate policymaking within the EU. For starters, balancing innovation with financial stability is a persistent challenge, since the EU aims to strengthen its global competitiveness in digital finance, but overly restrictive frameworks may create artificial barriers to entry and lead to the displacement of innovative projects to more favorable regulatory environments (Tsvytkov, 2024).

Secondly, financial oversight remains complex and multilayered, as different national and supranational institutions adopt varying regulatory approaches. This regulatory fragmentation contributes to opacity and coordination challenges within the EU and beyond (Wronka, 2024). In this context, improving transaction traceability through measures such as the Travel Rule and the Transfer of Funds Regulation enhances transparency and supports law enforcement efforts against illicit financial flows (Tsvytkov; Wronka, 2024). However, it also reflects the broader tension between effective supervision and maintaining a flexible environment for innovation.

In addition, even with comprehensive EU regulation, illicit financial flows may shift toward jurisdictions with weaker oversight. There is a risk of regulatory arbitrage, whereby companies and investors relocate to countries with less stringent requirements (Tsvytkov; Wronka, 2024). Because blockchain transactions operate across borders, unilateral or regional regulation cannot fully eliminate systemic risks, making global coordination essential for effective governance (Wronka, 2024).

As a final point, there is also a need to address the impact of private digital currencies on monetary sovereignty. Large-scale adoption could weaken the role of central banks and challenge government control over fiat money, as cryptocurrencies are sometimes viewed as a potential alternative to traditional monetary systems. Thus, the question of how to balance market freedom with macroeconomic stability remains a central point of tension, requiring regulators to protect the integrity and stability of the financial system while allowing the sector to mature (Wronka, 2024).

Link to the committee

The Economic and Financial Affairs Council (ECOFIN) holds direct competence over financial regulation, economic policy coordination, fiscal transparency, and internal market financial stability. Thus, the issue of regulating digital currencies and preventing illicit financial flows certainly falls within its mandate for a couple of reasons.

First, ECOFIN participates in the adoption and amendment of EU financial legislation, which includes the Markets in Crypto-Assets Regulation (MiCA), the Anti-Money Laundering legislative packages, the Transfer of Funds Regulation, and the Directive on Administrative Cooperation, which makes future amendments to expand the regulatory scope fall directly under ECOFIN's legislative influence.

Secondly, digital currencies intersect with capital market stability, cross-border financial flows, tax enforcement, banking exposure to crypto-assets, and monetary sovereignty concerns. In this context, as ECOFIN coordinates economic policy among member states and works closely with the European Commission, European Central Bank, and European supervisory authorities, the committee is therefore institutionally positioned to address these macroeconomic and fiscal dimensions of digital currency regulation.

To conclude, combating illicit financial flows directly relates to ECOFIN's responsibility for financial integrity and fiscal transparency. In this sense, strengthening AML enforcement, ensuring effective AMLA supervision, and improving coordination among national finance ministries are under the Council's scope.

Bloc Analysis

Bloc 1 - Strong Regulation and Financial Security

This bloc consists of EU member states that place primary emphasis on financial security, regulatory control, and the protection of the integrity of the existing financial system. These countries view digital currencies as a significant source of systemic risk when left insufficiently regulated, particularly due to their role in money laundering, terrorist financing, tax evasion, ransomware payments, and sanctions evasion.

From their perspective, the pseudonymous and borderless nature of crypto-assets undermines traditional anti-money laundering (AML) frameworks and weakens the effectiveness

of financial surveillance mechanisms. As a result, these states strongly support centralized EU-level regulation, strict licensing regimes for crypto-asset service providers (CASPs), and full implementation of FATF standards, including the Travel Rule (Schwarz et al., 2021). They argue that reducing anonymity in digital finance is a necessary trade-off to preserve financial stability and prevent the misuse of innovative technologies for criminal purposes.

This position is largely shaped by structural and historical factors. Many of these countries host large banking sectors and globally interconnected financial hubs, meaning that exposure to illicit financial flows could cause severe reputational damage and undermine investor confidence. Previous money laundering scandals and cross-border financial crime cases have further increased political sensitivity to regulatory gaps (Zetzsche & Sinnig, 2025). States such as Germany and France typically fall within this bloc, as they advocate for harmonized EU-wide rules and support the strengthening of centralized supervision through instruments such as the Anti-Money Laundering Authority (AMLA).

In committee debates, this bloc is likely to push for tighter regulatory obligations, enhanced transaction traceability, and stronger enforcement mechanisms. They may oppose exemptions for decentralized finance (DeFi) or non-custodial wallets, arguing that regulatory loopholes directly enable criminal exploitation and weaken the credibility of the EU's financial governance framework (Tsvetkov, 2024).

Bloc 2 - Innovation-Focused and Flexible Regulation Supporters

The second bloc includes member states that acknowledge the risks associated with digital currencies but prioritize innovation, competitiveness, and the growth of the digital finance sector. These countries argue that digital assets and blockchain-based financial services represent a strategic opportunity for the EU to remain competitive in global fintech markets, particularly in relation to the United States and emerging Asian hubs (Patti, 2024).

Rather than opposing regulation, this bloc supports a proportional, risk-based approach. Their preference is to regulate centralized intermediaries, such as exchanges and custodial wallet providers, while avoiding overly restrictive rules on decentralized technologies themselves. They often advocate for regulatory sandboxes, phased implementation of compliance obligations, and continuous dialogue with the private sector to ensure that regulation does not stifle innovation or drive firms outside the EU (Alsalmi et al., 2023). Data protection and privacy considerations play a significant role in shaping this bloc's position. While they do not reject AML measures outright, they raise concerns about the compatibility of enhanced transaction monitoring with the General Data Protection Regulation (GDPR), especially when it comes to extensive data collection under the Travel Rule and the Transfer of Funds Regulation (Wronka, 2024). From their perspective, excessive surveillance risks undermining public trust and fundamental rights.

Economically, this approach is influenced by strong fintech ecosystems and open, market-oriented economic models. Countries such as Ireland and the Netherlands are often associated with this bloc, as they benefit from hosting international digital finance firms and attracting foreign investment. These states frequently warn that overly rigid regulation could lead

to regulatory arbitrage, with crypto businesses relocating to jurisdictions with more flexible frameworks (Tsvytkov, 2024).

In negotiations, this bloc is likely to resist blanket restrictions and instead support targeted measures focused on high-risk activities, arguing that innovation and security should be pursued simultaneously rather than treated as mutually exclusive objectives.

Bloc 3 - Capacity and Implementation-Oriented States

The third bloc consists of countries that broadly support regulating digital currencies and preventing illicit financial flows but face practical challenges in implementation and enforcement. These states emphasize that complex regulatory frameworks such as MiCA, the revised AML package, and DAC8 require significant administrative capacity, technical expertise, and digital infrastructure that may not be evenly distributed across the EU (Iglesias Escudero, 2025).

For these countries, the central concern is not the legitimacy of regulation, but its feasibility. Monitoring crypto transactions, supervising CASPs, and enforcing compliance with advanced AML standards demand specialized personnel, forensic capabilities, and cross-border coordination mechanisms that are often limited at the national level. As a result, they strongly support enhanced EU-level coordination, shared supervisory tools, and centralized guidance through bodies such as AMLA, while simultaneously requesting transitional periods and technical assistance (Zetsche & Sinnig, 2025). Economic and institutional disparities play a decisive role in shaping this position. States such as Greece or Romania are often cited as part of this bloc, as they must balance regulatory obligations with broader economic constraints and ongoing efforts to modernize public administration systems. These countries tend to favor EU funding mechanisms, training programs, and shared digital infrastructure to ensure that regulation does not disproportionately burden less-resourced member states (Iglesias Escudero, 2025).

During committee discussions, this bloc is likely to act as a bridge between stricter regulators and innovation-focused states. They typically support compromise solutions that combine clear legal obligations with strong EU support structures, ensuring effective enforcement while preserving internal cohesion and preventing regulatory inequality within the Union.

BACKGROUND GUIDE

ECOFIN

TOPIC B:
EU ECONOMIC DEPENDENCY ON
THE UNITED STATES AND
STRATEGIC AUTONOMY

EU Economic Dependency on the United States and Strategic Autonomy

Background

Defining the issue

This topic examines the economic relationship between the European Union and the United States, with particular attention to the extent of the EU's dependency on the U.S. in key sectors such as trade, investment, finance, technology, energy, and security-related industries. Over the past decades, this transatlantic economic relationship has been a cornerstone of global economic stability and growth, delivering significant benefits through market access, capital flows, technological cooperation, and shared regulatory frameworks (Garicano, 2025; OECD, 2023).

However, this close economic integration has also generated structural dependencies that increasingly raise concerns within the EU. Dependency becomes problematic when it limits the Union's capacity to act independently in the face of economic shocks, geopolitical pressure, or unilateral policy decisions by external partners. In this context, dependency is no longer viewed solely as interdependence, but as a potential source of strategic vulnerability, especially when economic tools such as tariffs, sanctions, or export controls are used for political leverage (Kotzur, 2025).

Strategic autonomy refers to the European Union's ability to make independent economic and political decisions while remaining engaged in international cooperation and open markets. Importantly, it does not imply isolationism or full economic self-sufficiency. Rather, it aims to reduce excessive and asymmetric dependencies in strategically sensitive sectors, thereby strengthening the EU's resilience, bargaining power, and capacity to respond effectively to external crises.

The issue has strong international relevance because the EU–U.S. economic relationship occupies a central position in the global economy. Together, the EU and the United States account for a substantial share of global trade, investment flows, and financial market activity. Consequently, any shift in the EU's approach toward strategic autonomy has implications beyond Europe, affecting global supply chains, financial stability, regulatory standards, and international economic governance. Decisions taken by the EU therefore influence not only transatlantic relations but also broader global economic dynamics (Garicano, 2025).

Historical background

The origins of the European Union's economic dependency on the United States can be traced back to the period following World War II, when transatlantic cooperation became a fundamental pillar of European reconstruction and economic recovery. U.S. financial assistance, investment, and access to American markets played a decisive role in rebuilding European economies and embedding them within a liberal, rules-based international economic order (Kotzur, 2025). During this phase, economic reliance on the United States was widely perceived as both necessary and beneficial, contributing to long-term stability and growth.

Throughout the Cold War and into the post-Cold War period, economic integration between the EU and the U.S. deepened further. Trade volumes expanded, financial markets became increasingly interconnected, and cooperation in technology and innovation intensified. The globalization of supply chains reinforced this interdependence, particularly in sectors such as digital technologies, finance, and defense-related industries, where U.S. firms and financial instruments gained dominant positions (Draghi, 2024). For much of this period, dependency was interpreted as mutual and symmetrical, rather than as a strategic liability.

However, several developments in the 21st century began to reframe this perception. Global financial crises exposed the EU's vulnerability to external financial shocks originating in the U.S.-dominated financial system. More recently, trade disputes, unilateral tariff measures, the extensive use of economic sanctions, and disruptions to global supply chains highlighted how economic dependency could translate into political and strategic constraints (Garicano, 2025; Kotzur, 2025).

These developments pushed the concept of strategic autonomy to the forefront of EU policy debates. What was previously understood primarily as economic cooperation increasingly became a question of resilience, risk management, and long-term stability. As a result, the EU began reassessing the balance between openness and autonomy, seeking to preserve the benefits of transatlantic economic ties while reducing vulnerabilities that could undermine its capacity for independent decision-making in a changing geopolitical environment (Beaucillon & Poli, 2023; Draghi, 2024).

International framework

1. Global and Transatlantic Framework

Unlike digital currencies, EU economic dependency on the United States and the pursuit of strategic autonomy are not governed by a single, comprehensive international treaty. Instead, this issue is shaped by a combination of global trade rules, transatlantic economic agreements, financial arrangements, and political commitments that structure EU–U.S. economic relations (Garicano, 2025). As a result, governance in this area is fragmented and highly dependent on coordination across multiple international and bilateral frameworks.

a) World Trade Organization (WTO)

At the global level, the multilateral trading system under the World Trade Organization provides the foundational legal framework regulating trade between the EU and the United States. WTO rules establish principles such as non-discrimination, market access, and dispute settlement, which constrain the use of tariffs, subsidies, and trade restrictions (Garicano, 2025). However, while the WTO framework promotes openness and predictability, it does not address structural economic dependency or power asymmetries between major economic actors.

In recent years, the effectiveness of the WTO has been increasingly challenged by trade disputes, unilateral tariff measures, and the weakening of its dispute settlement mechanism. These developments have reduced the system's capacity to mitigate transatlantic economic tensions, thereby exposing the EU to greater vulnerability when faced with unilateral U.S. trade actions (Kotzur, 2025). As a result, reliance on WTO mechanisms alone has proven insufficient to protect the EU from coercive economic practices.

b) Bilateral and Transatlantic Economic Arrangements

Beyond the WTO, EU–U.S. economic relations are shaped by a dense network of bilateral and sector-specific arrangements covering trade, investment, financial markets, and regulatory cooperation. These frameworks have historically facilitated deep economic integration and mutual market access, reinforcing transatlantic interdependence (OECD, 2023).

However, such arrangements are often politically contingent and lack binding enforcement mechanisms in times of conflict. Recent trade disputes, tariff threats, and the use of economic pressure as a negotiation tool have demonstrated how deeply embedded economic ties can become sources of strategic leverage (Kotzur, 2025). Consequently, bilateral cooperation, while beneficial, has also contributed to asymmetric dependencies that the EU increasingly seeks to manage rather than deepen.

2. European Union Framework

In response to growing concerns about economic vulnerability, the European Union has addressed the issue of dependency primarily through internal policy initiatives rather than through external treaty renegotiation. The EU framework on strategic autonomy is therefore indirect, focusing on resilience, diversification, and internal capacity-building rather than formal disengagement from the United States.

a. Strategic Autonomy and Economic Security Policies

The concept of strategic autonomy has gradually emerged within EU policy discourse as a response to external economic shocks, geopolitical uncertainty, and the use of economic instruments for political coercion. Rather than aiming for economic self-sufficiency, EU policy documents frame strategic autonomy as the ability to act independently when necessary, while remaining committed to open markets and international cooperation (Beaucillon & Poli, 2023).

Recent EU initiatives emphasize strengthening internal competitiveness, securing critical supply chains, and reducing excessive reliance on external actors in strategically sensitive sectors such as

energy, technology, finance, and defense-related industries (Draghi, 2024). These policies reflect a shift from efficiency-driven globalization toward resilience-oriented economic governance.

b. Trade Diversification and Industrial Policy

Another pillar of the EU framework involves diversifying trade partnerships and supporting domestic industrial capacity. By expanding economic ties with other global partners and investing in strategic industries, the EU seeks to reduce exposure to unilateral policy changes by the United States without undermining the benefits of transatlantic cooperation (Garicano, 2025).

These efforts are complemented by selective industrial policy tools, state aid flexibility, and investment screening mechanisms designed to protect critical sectors while preserving the integrity of the Single Market. However, these measures also raise concerns about internal fragmentation and potential tensions with traditional EU competition rules (Draghi, 2024).

c. Limits of the EU Framework

Despite these initiatives, the EU framework remains constrained by internal diversity among member states and the continued importance of the United States as an economic and security partner. Strategic autonomy policies rely heavily on coordination and consensus, which can slow implementation and limit ambition. Moreover, the absence of a unified external framework means that responsibility for managing dependency is shared and sometimes contested between the EU and the U.S. (Kotzur, 2025).

At the international level, differences in economic strategies, regulatory approaches, and geopolitical priorities complicate cooperation. While the EU seeks to reduce vulnerability and enhance autonomy, the United States pursues its own national interests, often through unilateral economic measures. This makes ongoing dialogue and negotiation essential, but also highlights the structural imbalance inherent in the current transatlantic economic framework (Garicano, 2025).

Current state of the issue

The current European Union's economic relationship with the United States is at a critical point, exposing structural dependencies that analysts and policymakers now see as strategic vulnerabilities, in which the EU finds itself between competing superpowers, and in which its inescapable dependencies on the US can no longer be ignored (Kotzur, 2025). For decades, the transatlantic economy has been central to global trade and investment, with the EU and US maintaining deep commercial ties. However, the recent policy shifts under the Trump administration have shown the implicit fragility of this interdependence and intensified debates within Europe about the need to reduce reliance on the United States and to achieve strategic autonomy (Kotzur, 2025).

Recently, US actions have made dependency seem less benign and more coercive, as the Trump administration is perceived to utilize bullying and coercion as natural negotiation techniques (Kotzur, 2025). In this sense, it has threatened and implemented tariffs on European

exports, introducing new surtaxes of up to 10-15% on a range of EU goods, part of an aggressive trade and tariff policy, which was imposed after a US Supreme Court ruling disrupted prior, worse tariff arrangements (Blenkinsop, 2026). Such a scenario puts trade relations into a state of uncertainty where spoken words can hardly be relied upon. European leaders have warned that such unpredictable barriers threaten stability in the EU-US trade and may override the agreed tariff ceilings, fueling discussions about retaliation or suspension of trade deal approval (Kotzur, 2025).

Still, perhaps the most dramatic and radical symbol of these tensions is the so-called Greenland Crisis. President Trump's public comments tying tariff threats against Denmark and other European allies to his push for greater U.S. influence over Greenland sparked widespread alarm in Europe (Beak, 2026). EU leaders, including Ursula von der Leyen and Emmanuel Macron, condemned these threats as unacceptable coercion and insisted that Greenland's sovereignty, and Denmark's, remains non-negotiable (The Guardian, 2026). European governments issued coordinated statements defending territorial integrity and warned that using economic pressure against NATO partners would undermine transatlantic relations (Beak, 2026).

Beyond trade, dependency also manifests in energy and defense. Europe has increased its reliance on US liquefied natural gas as it has distanced itself from Russian suppliers since the war in Ukraine, which in turn creates yet another potential level of US influence. By 2025, around 57% of LNG imports to the EU came from the US, around four times the 2021 levels (Braun, 2026). In defense, European NATO members have historically relied on US military hardware, logistics, and financial guarantees, even as Europe's own military industry grows. The risk now comes that, as with trade, the Trump administration has made clear that its approach to defence is transactional, and such shock demands European strategic autonomy, including in defence. The question this raises is how to organise this effort most effectively (Garicano, 2025; Wolff et al., 2025).

This dependency also manifests in technology and finance. The US holds dominance over digital platforms, semiconductor supply chains, and the global dollar-based financial system, which continues to shape European markets, regulatory frameworks, and fiscal space (Draghi, 2024). These dependencies mean that, whenever US policy shifts, it reverberates across European markets, regulatory regimes, and public finances. As policy makers increasingly describe recent US actions as economic coercion, this structural dependency is no longer seen as merely transactional, but as a strategic constraint that Europe needs to address through deeper integration, diversified supply chains, and autonomous economic instruments (Garicano, 2025).

Key points of tension

Europe's economic dependency on the United States is problematic not only due to structural imbalances but also due to current geopolitical dynamics that intensify contradictory pressures, making strategic autonomy both urgent and complicated. A central point of tension comes from the paradox of interdependence versus coercion, because, while trade and investment ties have fuelled European economic growth, the recent US policy actions, especially

the tariff threat and bargaining over Greenland, show how dependency can turn into a weapon to get geopolitical leverage (Kotzur, 2025).

A second point of tension refers to the relation between economic openness and protective resilience. Historically, the EU has always pursued liberal trade policies and regulatory alignment with the United States (Garicano, 2025). However, reducing dependency now may require industrial policy, supply chain diversification, and coordinated European investment, all measures that fundamentally challenge EU norms of market openness and non-discrimination (Draghi 2024; Letta 2024). Initiatives such as the European Anti-Coercion Instrument illustrate an attempt to shield from external economic pressure, as US actions are coercive, but these measures may risk escalation in trade disputes and accusations of protectionism (Garicano, 2025).

A third tension comes from the internal heterogeneity within the European Union. Member states have different levels of exposure to US trade and investment, different fiscal capacity for strategic projects, and a different will about confronting the US (Garicano, 2025). While wealthier states may have more resources to build autonomous industries, others may prioritize maintaining access to US markets. Overall, this asymmetry complicates collective decision-making and slows down the process of unified responses to external pressure, showing divergent national threat perceptions and the challenges of reaching consensus in EU defense and economic policy (Garicano 2025; Wolff et al. 2025).

Lastly, security and economic imperatives clash. The United States still has a dominant role in NATO and in European defense procurement, creating a reliance that connects with economic dependency (Garicano 2025; Wolff et al. 2025). Therefore, efforts to decouple or de-risk economic ties must address the risk of weakening defense cooperation, even amid European leaders increasingly advocating for technology and defense autonomy (Draghi 2024; Wolff et al. 2025). Altogether, these interconnected tensions illustrate why strategic autonomy is both critical and politically controversial in the current scenario.

Link to the committee

As the Economic and Financial Affairs Council (ECOFIN) is responsible for coordinating macroeconomic and fiscal policy, supervising financial market frameworks, and shaping economic governance across the Union, the economic dimensions of EU dependency on the US fall within its mandate. Although foreign policy and military strategy lie within other EU institutions, ECOFIN's tools influence the structural conditions that support economic (in)dependency, including trade policy, fiscal rules, investment frameworks, and financial resilience.

One crucial area of relevance regards trade policy and tariff response, as the recent actions by the new Trump administration have a direct impact on the EU's economic stability. ECOFIN, together with the European Commission, influences the bloc's ability to deploy economic retaliation, coordinate Anti-Coercion measures, and adjust the internal market protections in the face of external pressure. The committee helps define the fiscal tools that are

available to protect industries that are vulnerable to US trade policy shifts, and ensures that the EU's macroeconomic frameworks can handle shocks without prejudicing growth or cohesion.

Moreover, there is also a link with financial sovereignty and currency policy. ECOFIN debates influence the pace of Banking Union and Capital Markets Union, which matter when reducing dependency on dollar-dominated financing and enhancing the euro's international standing. After all, it is by strengthening European financial markets that it is possible to reduce the exposure and vulnerability to US sanctions and reduce the systemic impact of US monetary decisions.

Finally, ECOFIN helps shape industrial and regulatory frameworks through state aid rules and competition policy, which can be adjusted to support the EU's competitive ground without too much impact on the Single Market. Altogether, achieving strategic autonomy will require balancing competitiveness, internal cohesion, and innovation policy, all areas in which ECOFIN is empowered to guide.

Bloc Analysis

Bloc 1 - Strategic Autonomy Advocates

The first bloc is led primarily by France and Germany, and prioritizes the development of European strategic autonomy as a response to structural economic and security dependency on the United States. For them, such dependency on finance, technology, energy, and defense ultimately constrains the European Union's ability to act independently in a shifting geopolitical environment (Garicano, 2025; Draghi, 2024). This way, strategic autonomy has been defined as a “double political objective”, both to ensure that the EU can act alone when necessary and also to preserve its capacity to uphold its own political and economic choices (Beaucillon & Poli, 2023). Their objective, altogether, is to enhance Europe's sovereign capacity in all areas, economically, industrially, and militarily, so that the changes in US trade or security policy do not undermine Europe's stability or decision-making power (Draghi, 2024).

In this context, France has consistently promoted European sovereignty, which is rooted in their Gaullist tradition that emphasizes strategic independence in defense and industrial policy (Howorth, 2027). The concept can be traced back to French strategic doctrine, which stresses national autonomy in defense capabilities. Under President Emmanuel Macron, this position has been demonstrated through calls for European strategic autonomy in defense, digital policy, and industrial strategy, for instance, during his 2017 Sorbonne speech advocating for a renewed Franco-German partnership to lead Europe's sovereign agenda (Briançon, 2017). Germany, on the other hand, historically more cautious, has shifted after Russia invaded Ukraine. In his February 2022 *Zeitenwende* speech, Chancellor Olaf Scholz announced a €100 billion special defense fund and committed Germany to exceed the 2% GDP NATO defense spending benchmark (Scholz, 2022). Moreover, it has increasingly supported coordinated European investment in semiconductors, renewable energy, and green industrial transformation, alongside deeper capital market integration to scale up European firms (Draghi, 2024; Letta, 2024).

When it comes to policies, this bloc favours proactive state involvement and EU-level coordination, including industrial policy instruments, joint borrowing where necessary, and

defense procurement cooperation (Draghi, 2024; Wolff, Steinbach, and Zettelmeyer, 2025). The underlying thinking is that economic fragmentation and technological dependence expose the continent to external leverage, particularly in a context where the US administration may adopt transactional trade policies (Garicano, 2025). With a larger fiscal capacity and diversified industrial bases, France and Germany are able to bear the costs of such strategic investments, as they together accounted for the majority of EU state aid expenditure in 2022 (€74 billion and €45 billion, respectively), which reinforces their position as leaders of this bloc (European Commission, 2023).

Bloc 2 - Transatlantic Market Liberals

In contrast comes a second bloc, represented by the Netherlands and Ireland, which adopts a market-oriented and strong transatlantic approach. They prioritize economic openness, regulatory stability, and maintaining a close alignment with the United States. Although they acknowledge certain vulnerabilities, they tend to interpret the US-EU interdependence as mutually beneficial rather than structurally coercive. Their perspective, in general, aligns with the EU's broader economic security framework, which emphasizes managing risks while preserving highly valuable economic links rather than disengaging from global markets (European Commission, 2023).

For instance, the Netherlands' export-driven economy and its role as a European trade hub make it highly dependent on open global trade flows. The OECD, for instance, places the Netherlands as a small and very open economy, with exports of goods and services accounting for approximately 92.6% of its GDP, and emphasizes its position as home to Europe's main seaport (OECD, 2023). As well, Ireland's economic model is deeply intertwined with US foreign direct investment, especially in the technology and pharmaceutical sectors. Irish public finance reports show that corporate tax receipts reached €22.6 billion in 2022, and the top ten, mainly foreign-owned, firms accounted for 57% of total corporate tax revenue (Department of Finance Ireland, 2023). Such a high concentration makes Irish public finances particularly sensitive to the strategic decisions of US multinationals. Consequently, both are cautious about industrial policies or protectionist measures that have the potential to provoke retaliation or undermine investor confidence.

As a result, this bloc favours “de-risking” rather than “decoupling”, a distinction explicitly adopted at the EU level to signal risk management without prejudicing economic ties. In this sense, the European Economic Security Strategy stresses that any protective measures should be narrow, but critical and proportionate, avoiding broad protectionism that would undermine the EU's commitment to open, rules-based trade (European Commission, 2023). Moreover, from a security perspective, NATO is still the cornerstone of European defense, and the US guarantees are seen as credible and indispensable. This can be seen in the NATO 2022 Strategic Concept that explicitly puts the transatlantic bond as indispensable to security and identifies US strategic forces as the supreme guarantee of the Alliance's security (NATO, 2022). This way, these countries are very cautious when it comes to autonomy initiatives that could weaken alliance cohesion. Naturally, their positions reflect structural characteristics: small, with open economies benefiting from global integration, and a strong normative commitment to liberal trade regimes.

Research and Preparation questions

Topic A: Regulating Digital Currencies and Preventing Illicit Financial Flows

1. Given that decentralized finance (DeFi), peer-to-peer transfers, and non-custodial wallets fall partially outside current regulatory frameworks, what concrete mechanisms could be introduced to address these gaps without requiring the elimination of decentralization itself?
2. How can the EU strengthen enforcement against money laundering and terrorist financing involving crypto-assets, considering differences in national technical capacity and supervisory culture? Should supervision become more centralized at EU level, and if so, how?
3. What regulatory model could reconcile expanded transaction traceability (e.g., Travel Rule implementation) with EU data protection standards and privacy concerns? Where should the balance be drawn, and who should oversee it?
4. If stricter regulation risks driving innovation away from the EU, what complementary policies (e.g., regulatory sandboxes, phased compliance, proportional supervision) could maintain competitiveness while ensuring oversight?
5. Should the EU accelerate the development of a digital euro as a strategic response to private digital currencies? What safeguards would be necessary to prevent disruption of commercial banking systems?

Topic B: EU Economic Dependency on the United States and Strategic Autonomy

1. Strengthening industrial capacity, defense production, or technological sovereignty requires significant funding. Should this be financed through national budgets, joint EU borrowing, private capital mobilization, or a combination? What are the political and fiscal trade-offs?
2. How can the EU support strategic sectors without undermining Single Market competition rules or triggering retaliatory trade measures? What safeguards could prevent internal fragmentation?
3. Which sectors should be prioritized for strategic autonomy, and what objective criteria (economic security, defense relevance, systemic risk) should determine this prioritization?
4. Given the EU's reliance on US security guarantees through NATO, how can economic autonomy be strengthened without weakening transatlantic defense cooperation?
5. Member states have differing levels of exposure and fiscal capacity. What institutional mechanisms could ensure that strategic autonomy policies do not disproportionately benefit larger economies or widen internal EU inequalities?

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