



The European Union – stabilised internally, confronted externally

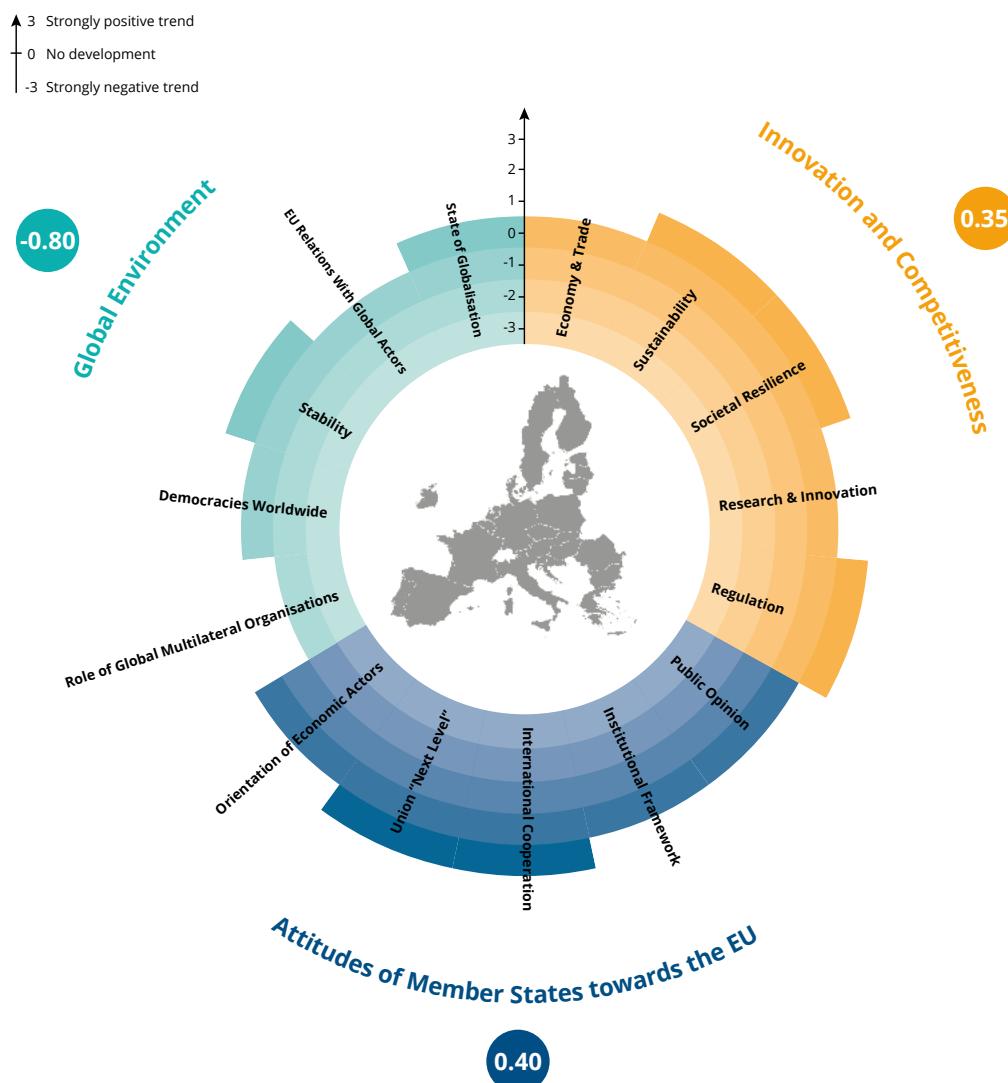
Results of the Panorama Analysis 2025

Philipp Burkhardt, Tim Peter

- The results of this year's Panorama Analysis, which monitors developments in 2024 compared to 2023, show that the European Union is facing major challenges despite relative internal stability – particularly with regard to its global environment.
- On the one hand, the European economy and innovation landscape are developing less dynamically. On the other hand, institutional stability continues to prevail despite increasing EU scepticism in some countries.
- The EU's global environment is increasingly deteriorating, with no indicator showing a positive development compared to the previous year.
- The EU needs institutional reforms, regulatory dismantling and investments in security and defence that simultaneously trigger innovation boosts. Like Aesop in the fable about the pentathlete, one would like to call out to the actors: "Hic Rhodus, hic salta! (lat.) (Here is Rhodes, here jump!)" – The EU must prove here and now that it can do it.

Table of Contents

Stagnation in calm waters	3
Forearmed but not forearmed	3
Disintegration of the global environment	4
Recommendations for Germany and the EU	5
Method	5



The *Panorama Analysis* of the Konrad-Adenauer-Stiftung is a multi-thematic year-on-year assessment of the development of the European Union (EU) and its global environment. It comprises three dimensions: (i) Innovation and Competitiveness, (ii) Attitudes of Member States towards the EU, (iii) the Global Environment. These are each based on five indicators, which in turn are based on several criteria per indicator. The main results of the *Panorama Analysis* 2025 are presented below.

Stagnation in calm waters

In a year-on-year comparison, a mixed picture can be drawn for the Innovation and Competitiveness dimension, mirroring the last *Panorama Analysis*. On the one hand, the Economy & Trade indicator for 2024 shows the calm before the storm, which is gathering with the global upheavals of the current Trump presidency. On the other hand, the EU has not yet managed to increase its own economic attractiveness in response. For example, the volume of foreign direct investment has tended to decline.

The area of Research & Innovation also continues to stagnate, with strong regional differences. While the Nordic countries and the Netherlands have made progress, overall, the EU's race to catch up with innovation pioneers such as South Korea, Canada, the USA and Australia has slowed. This is accompanied by continued comparatively difficult access to venture capital. Of all things, the growing geopolitical uncertainty could become an investment driver to make Europe more independent, particularly in key technologies such as artificial intelligence, cloud and space.

On the other hand, as in the last *Panorama Analysis*, there is a positive trend in the indicator of Sustainability. The share of renewable energies in gross final energy consumption continues to rise, as does the volume of securities sold that fall into the sustainable category. However, the implementation of the United Nations Sustainable Development Goals (SDGs) slowed down in the EU compared to the previous year, with setbacks in the area of health and well-being (SDG 3).

Europe's ace card remains its pronounced societal resilience with a solid labour market and relatively equal income distribution compared to other economic areas. For the first time in the *Panorama Analysis*, the Regulation indicator shows a positive trend. For example, the volume of state aid in the EU single market has fallen significantly compared to the interventions during the energy price shock and the Covid-19 pandemic. At the same time, statehood has continued to consolidate, particularly in the member states of Eastern Europe, although measures to increase government efficiency have not yet been able to take effect across the EU as a whole.

Europe's ace card
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resilience.

Forearmed but not forearmed

The dimension Attitudes of Member States towards the EU has changed only marginally, compared to the previous year. Contrary to some intuitive expectations, however, a weakly positive trend is emerging.

In the area of Public Opinion, the general satisfaction with the EU, which has risen to an all-time high according to Eurobarometer surveys, is contrasted by a strengthening of EU-sceptical forces. In Italy, France, Austria, the Netherlands and Hungary, in particular, the trend toward EU scepticism continues. Based on the assumption of the importance of the Franco-German engine for the EU's ability to act at the member state level, the quasi-blockade by extreme right-wing and extreme left-wing forces in France is particularly worrying. The opportunities for citizens' engagement at the EU level remain limited.

The EU's institutional framework remains stable overall. While the challenges in voting behaviour in the European Council and Council of the European Union remain, a decline in infringement proceedings can be observed. However, the EU institutions reveal structural deficits in critical areas such as foreign and security policy.

A slightly positive trend is also emerging on the international stage. The EU's global presence has increased in view of the conflicts in its immediate neighbourhood. However, despite conflicting intentions and declarations, the EU lacks the impact to act as a major geopolitical player.

Decision-makers at EU level are aware that institutional reforms are needed in order to meet the current challenges facing the Union. However, there is a lack of proposed solutions that are supported by all member states.

Institutional reforms are needed.

The indicator Orientation of Economic Actors is slightly positive. For example, we observe a positive trend in the integration of the internal market and intra-European mobility compared to the previous year. The positive developments in these areas continue to stand in contrast to the lack of fiscal solidity. An effective reduction of debt levels and deficits, as stipulated in the Maastricht criteria, must be pursued more consistently.

Disintegration of the global environment

The EU's Global Environment is increasingly deteriorating. No indicator analysed under this dimension shows a positive development compared to the previous year. Overall, this also reinforces the internal challenges facing the EU.

The multilateral organizations, in particular, are facing major challenges. The United Nations Security Council has passed the fewest number of resolutions since 1991 – despite intensifying international crises and conflicts. The ability of the World Trade Organization (WTO) to act had already deteriorated significantly before the Trump administration's tariff policy. In the meantime, even the WTO's most-favoured-nation principle has been effectively suspended. The withdrawal of the USA from the World Health Organization (WHO) has severely restricted its ability to act. With regard to the implementation of the Sustainable Development Goals (SDGs), significant deviations from the targets can be observed and the implementation status of the Paris Agreement can also be categorised as inadequate.

International organizations are under pressure.

As far as the indicator Democracies Worldwide is concerned, negative developments can also be observed. Although the number of politically free countries remained almost the same year-on-year, democracy as a form of government is coming under increasing pressure. This is due, among other things, to growing authoritarianism, disinformation, and the influence of authoritarian states in multilateral organisations.

The Stability indicator primarily measures security policy criteria. Overall, the global number of violent conflicts – both by state and non-state actors – increased and the threat of terrorism also rose, particularly in Europe. However, there was no significant overall increase in political violence compared to the previous year. The number of fragile states also remained roughly the same.

The EU's relationship with global players has deteriorated, primarily due to the change in the US administration. The interaction between Washington and its European allies has become harsher – the debates of recent months are a continuation of these negative developments.

The geopolitical uncertainty is also reflected in the investment climate with a significant decline in global net inflows of foreign direct investment. The constant mobility of goods and people cannot compensate for the disadvantages caused by declining international investment overall.

Recommendations for Germany and the EU

In order to strengthen its competitiveness, the EU must return to its roots of reducing barriers to single market integration. This requires more than a slight reduction in regulation – it requires dismantlement. The omnibus packages and the internal market strategy are first steps in this direction. In addition, expenditure in the areas of defence and resilience should be designed in such a way that not only conventional technology is scaled up, but research and innovation programmes in Europe are also promoted. This can generate spillover effects for other sectors of the economy. In the area of trade, too, the EU now has the opportunity to present itself as a rules-based, reliable player – especially in comparison to the latest developments under the Trump presidency – and to drive forward an ambitious global trade agenda.

The EU's global environment is deteriorating faster than the structures within the EU allow for effective solutions. It is true that structural deficits are known to the players. However, the critical area of foreign and security policy, in particular, repeatedly prompts member states to resort to ad hoc and alternative formats to circumvent foreseeable blockades. Institutional reforms are therefore urgently needed, particularly regarding decision-making within the Council. Only then can the EU act as a geopolitical player. The fear of small states of being bypassed in important decisions must be politically supported and taken seriously. However, the security policy costs of blockades, which can lead to the inability to act, are greater than the political costs of qualified majority decisions.

Satisfaction with living in an EU member state is at an all-time high. At the same time, anti-EU and EU-sceptical parties are gaining more and more political space. One key to resolving this contradiction could be to provide more participatory elements at the EU level. These instruments do not resolve the phenomenon of EU scepticism, but they do reduce the perceived distance between Brussels and people's own social conditions, which right-wing populist parties in particular repeatedly refer to.

Method

With the *Panorama Analysis*, the Konrad-Adenauer-Stiftung aims to provide an annual multi-thematic assessment of the EU and its environment. To this end, external and internal experts from various sectors identified three areas (dimensions) that are of particular importance to the EU: (i) Innovation and Competitiveness, (ii) Attitudes of Member States towards the EU, (iii) the Global Environment. These dimensions were analysed using qualitative and quantitative indicators based on international rankings and indices, assessments by experts from the Konrad-Adenauer-Stiftung, and reports and data from international organizations and think tanks. The year-on-year change in the respective indicator or dimension is measured on a scale of -3 to +3.

The EU's rules-based approach opens up opportunities.

Imprint

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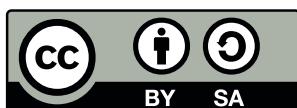
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