



The European Union: A Global Player on Shaky Foundations

Results of the Panorama Analysis 2023

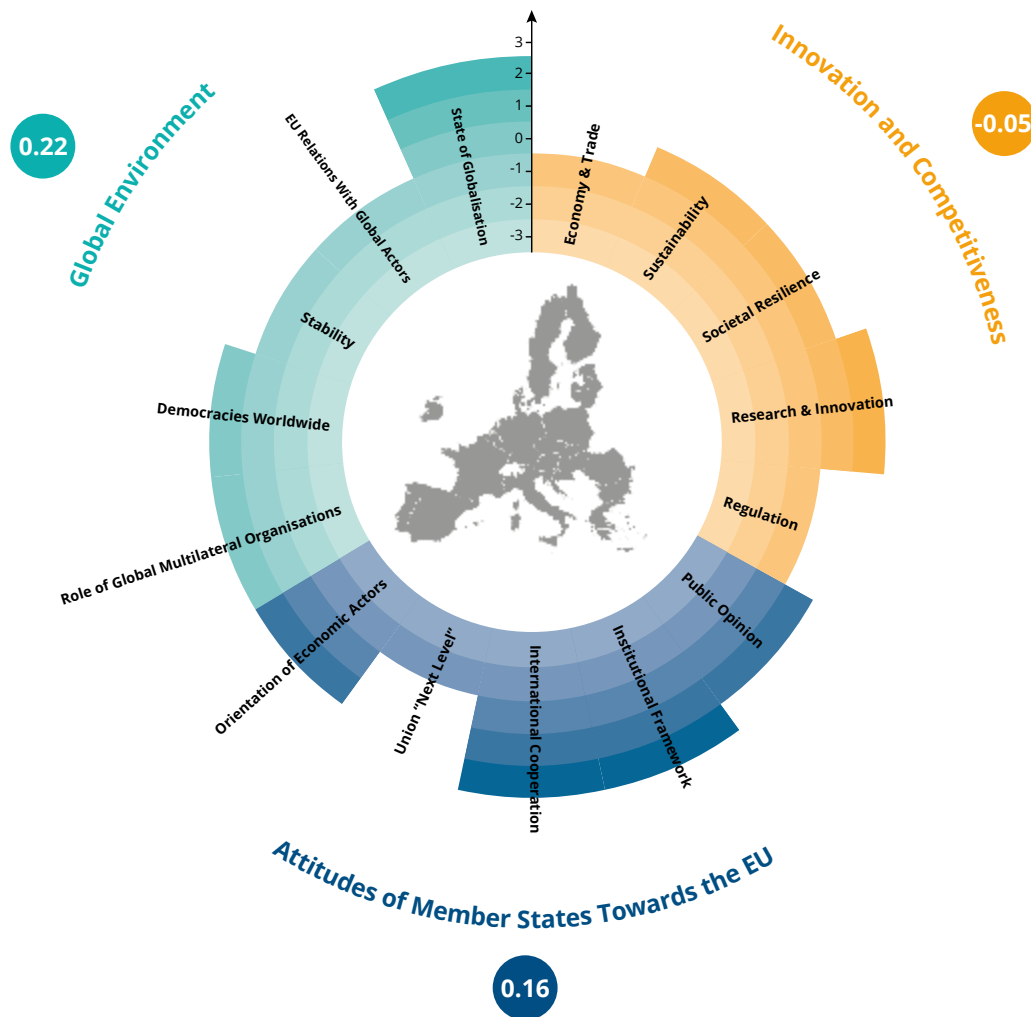
Tim Peter, Toni Michel

- › The results of this year's Panorama Analysis, which monitors developments in 2022 compared with 2021, show that the European Union (EU) has gained political capacity to act, but its economic foundations are showing signs of erosion.
- › When it comes to sustainability, the EU is currently stagnating. In contrast, a positive trend emerges in the area of research and innovation in a year-on-year comparison.
- › The global security environment has deteriorated overall, partly due to Russia's war of aggression on Ukraine.
- › At the same time, global personal, technological and financial interdependence is on the rise again. This offers the EU a window of opportunity that it should seize.

Table of Contents

The EU's Economic Foundation is Crumbling	3
Member States Place Their Bets on Europe	3
Global Environment: Crises, Coalitions – and Communication	4
Recommendations for Germany and the EU	4
Imprint	5

↑ 3 Strongly positive trend
0 No development
↓ -3 Strongly negative trend



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 the 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 2023 are presented below.

The EU's Economic Foundation is Crumbling

Based on the data collected, two opposing trends emerge in the year-on-year comparison of the dimension *Innovation and Competitiveness*:

On the one hand, progress in the areas of sustainability and societal resilience is stagnating, while there is progress in research and innovation. For example, the implementation of the United Nations Sustainable Development Goals (SDGs) has improved only slightly in the EU, whereas there has been a significant increase in the number of patent applications and venture capital investments.

On the other hand, there are signs of erosion in the economic foundations of the EU, which is key towards achieving the overarching sustainability goals and safeguarding the EU's economic and social system. Both the economy and trade as well as regulation have developed negatively. For example, the economic recovery after the Covid-19 pandemic has begun, but high inflation with sharply increased energy prices is weighing on the economy and leading, for example, to a significant decline in the current account balance.

A clear negative trend in self-inflicted problems stands out in particular: regulation has deteriorated due to low efficiency of bureaucratic administration as well as by massive interference in the European single market. It remains to be seen whether this trend will reverse in the future and whether the principle of competition will become more important again in the EU.

A clear negative
trend in self-inflicted
problems

Member States Place Their Bets on Europe

The attitudes of Member States towards the EU exhibit similar dynamics: here, two strong trends run counter to each other as well. In the macroeconomic context elaborated above, compliance with the fiscal policy commitments made by the Member States at the European level suffers, in particular compared with the previous year.

In stark contrast, there is progress when it comes to political indicators around the European Union's internal and external capacity to act: blockades in the Council are significantly less frequent, while citizens' overall satisfaction with the EU is rising noticeably.

The EU has gained
capacity to act

The Russian war of aggression on Ukraine has also led to a stronger emphasis and underpinning of the role of the EU as a global foreign policy actor by the Member States.

This is reflected, for example, in a noticeable increase in the number of foreign policy initiatives under EU leadership, while in trade policy in particular there has been a marked increase in momentum.

Global Environment: Crises, Coalitions – and Communication

The global environment, encountered by a more active EU foreign policy, remains constant overall, but with the potential for high volatility in terms of the overall geopolitical situation. Consistently positive trends are evident in the area of global connectivity after the collapse in the context of the Covid-19 pandemic. This relates in particular to personal mobility, the spread of technology and the volume of global direct investment. Even though there is much talk of deglobalisation in public discourse, the trend in services and technology is toward greater global connectivity.

At the same time, the overall security environment remains tense. The number of victims and incidents of political violence is rising worldwide – not only because of the Russian war of aggression. On the one hand, the Transatlantic Alliance and other coalitions of like-minded actors are gaining strength, while relations with China and especially Russia deteriorated.

Worldwide, the number of democracies remained stable. Also worth noting are slightly improved values in the agency and capacity of international organisations, although this has not yet translated into increased momentum when it comes to the implementation of key climate and sustainability agreements. For the EU, all this means that there is not only considerable potential for an active global foreign policy, but also a political imperative. Much is in motion, much is being readjusted. This is where the EU can and must play a role. The increasing European coordination of military and civilian support for Ukraine or the new EU mission in Armenia are first steps in the right direction that should be built upon.

Recommendations for Germany and the EU

In order to safeguard Europe's standing as an attractive business hub, the much-discussed competition check for upcoming and existing EU laws and regulations must be implemented.

In addition, state intervention in the single market has to be scaled back and the principle of competition must once again gain greater importance. Fiscal rules must again be applied to ensure the EU's financial soundness.

The two presidencies of the EU Council in 2023 (Sweden and Spain) should use the strong momentum in the EU's internal and external agency to proactively address controversial issues such as migration and to institutionalise foreign and defence policy coordination before the room for manoeuvre will narrow again in the context of the looming campaign on the way to the 2024 European elections.

The EU should also use the existing momentum in international forums and forge thematic coalitions. A one-sided focus on "democracies versus autocracies" should be avoided, as the dividing lines often run elsewhere when it comes to, for instance, climate and sustainability issues.

Globalisation:
no end in sight

The EU should use
the momentum

Imprint

The Authors

Tim Peter is Policy Advisor for the Competitiveness of Europe at the Konrad-Adenauer-Stiftung. He earned his Master's Degree in International Relations at Bremen University and Jacobs University. Toni Michel is Desk Officer for Western and Southern Europe at the Konrad-Adenauer-Stiftung. Previously, he worked in the foundation's representation in Kyiv as a trainee.

Konrad-Adenauer-Stiftung e. V.

Tim Peter

Competitiveness of Europe
Analysis and Consulting
T +49 30 / 26 996-3826
tim.peter@kas.de

Toni Michel

Western and Southern Europe
European and International Cooperation
T +49 30 / 26 996-3841
toni.michel@kas.de

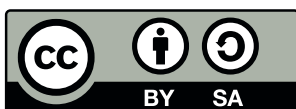
Postal address: Konrad-Adenauer-Stiftung, 10907 Berlin

This publication of the Konrad-Adenauer-Stiftung e. V. is solely intended for information purposes. It may not be used by political parties or by election campaigners or supporters for the purpose of election advertising. This applies to federal, state and local elections as well as elections to the European Parliament.

Publisher: Konrad-Adenauer-Stiftung e. V., 2023, Berlin
Design: yellow too, Pasiak Horntrich GbR
Typesetting: Janine Höhle, Konrad-Adenauer-Stiftung e. V.

Produced with financial support from the German Federal Government.

ISBN 978-3-98574-156-4



The text of this publication is published under a Creative Commons license: "Creative Commons Attribution-Share Alike 4.0 international" (CC BY-SA 4.0), <https://creativecommons.org/licenses/by-sa/4.0/legalcode>.

Copyright Cover
© NicoElNino, stock.adobe.com