Europe’s running out of road

You'd be forgiven for thinking that European leaders love a crisis and relish finding a way out at the last minute. But something's changed. The continent is, again, facing extreme difficulties. But this time, it feels different and more profound. The can it's been kicking for years is rapidly running out of road

European Commission President Ursula von der Leyen is running out of road

Over the last 15 years, Europe has seen too many make-it-or-break-it moments. Think of the sleep-depriving, nerve-wracking weekend meetings of European leaders during the euro crisis. But Brexit, the pandemic, and the Russian invasion of Ukraine also saw several make-it-or-break-it moments for Europe.

The good thing is that Europe is still there. Whether it’s still there stronger than ever is an entirely different story. For the first time since the end of the pandemic, Europe is not starting the year with optimism and hope for at least a cyclical recovery. Instead, 2025 has started on a weak footing and an eery feeling that growth could disappoint once again.

The list of potential downside risks is long. The new US administration's looming tariffs and industrial policies are a short and long-term risk to the eurozone economy. Tax cuts, deregulation, and lower energy prices in the US could cannibalise European growth structurally.

But that's not all. With two relatively lame ducks leading German and French governments, political and policy uncertainty in the two largest European economies is likely to weigh on sentiment and growth, at least in the first few months of the year.

Donald Trump's second term in office comes at a time when the European economy is in a much weaker shape than eight years ago. Then, Europe didn't have a war in its backyard, a competitiveness and energy issue, and China was still a flourishing export destination and not a system rival.

Europeans, not least this one, can be prone to drama. And while I don't want to sound particularly histrionic, because yes, there are still chances for a positive growth surprise, Europe's structural issues and challenges are not going to simply disappear.

A complacent shrug or a knee-jerk response to any soundbite coming out of the White House or Mar-a-Lago won't be enough. Europe needs to take back control of its own destiny. And it already has a blueprint for that in last year's Mario Draghi report. Step up investments in infrastructure, digitalisation, education and defence. Reduce bureaucracy and intensify cross-border cooperation and integration on key issues such as energy, telecommunications, and so much more.

It can't happen in a few weeks or months. But if Europe doesn't show clear and tangible signs that it's moving in the right direction, the risk of being stuck in stagnation is high.

So 2025 really is a make-it-or-break-it moment for Europe. And not like in the old days of last-minute crisis summits. The kicked can has finally run out of road. Europe needs to change. And change fast.

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