Europe at a Strategic Crossroads

Key reflections from the address by Professor José Manuel Durão Barroso

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Former European Commission President Jose Manuel Durao Barroso delivered a wide-ranging address in Lisbon that framed today's business climate through the lens of geopolitical volatility, structural economic change, and a growing contest over the future of open societies and open markets. Speaking to an international SIOR audience, Barroso argued that the world is not facing a single disruption, but a convergence of crises unfolding at speed and at scale, from war and political polarization to technology, demography, and supply-chain fragility.

Barroso opened on a note of welcome, placing Portugal in its historic Atlantic context and highlighting the country's longstanding relationship with the United States. Yet the tone quickly shifted from hospitality to realism as he described the present era as uncertain, fragmented, and dangerous, marked by what he called a “poly-crisis” in which multiple disruptions reinforce one another across politics, economics, technology, and security.

At the center of his analysis was the return of geopolitics as a defining force in economic life. He pointed to Russia’s invasion of Ukraine as a watershed event that has redrawn Europe’s security posture, accelerated NATO’s expansion, and forced European governments to rethink defense, debt, and fiscal priorities. In his assessment, the likely near-term outcome is not a durable peace, but a prolonged stalemate or uneasy ceasefire, with major implications for Europe’s strategic autonomy and public finances.

Barroso also argued that instability in the Middle East remains deeply entrenched and unlikely to be resolved through short-term diplomatic gestures alone. He described the conflict surrounding Israel, Iran, and Tehran’s regional proxies as rooted in fundamental strategic antagonisms rather than temporary misunderstandings, warning that ceasefires may prove possible while a consolidated peace remains remote.

Turning to the United States, Barroso characterized President Donald Trump as a political disruptor whose impact extends beyond policy into the very grammar of democratic politics. Whether admired or criticized, Trump has altered the norms of political communication, diplomacy, and alliance management, Barroso said, creating a more volatile environment for European allies even as the United States remains the world’s leading military, financial, technological, and soft-power center.

A second major theme of the address was the deep structural reordering of economic decision-making. Barroso said the pandemic marked a profound shift from an efficiency-driven model toward one centered on resilience, as governments and corporations reassessed supply chains, health preparedness, and exposure to external shocks. In Europe, he noted, the experience of shortages in basic medical goods revealed the risks of overdependence and accelerated a broader reconsideration of industrial capacity, strategic reserves, and economic security.

He placed artificial intelligence within that same category of epochal change, arguing that the world is only at the beginning of what may become the largest scientific and technological transformation in history. In Barroso’s telling, AI is not simply another productivity tool; it represents a philosophical break, because humanity can no longer assume it is the most intelligent problem-solving force on the planet. For business leaders, that shift implies not only opportunity but a profound rethinking of competitiveness, governance, and the pace of adaptation.

Europe, however, was the speech's most sustained concern. Barroso described the European Union as uniquely capable, historically successful, and politically complex, but too often slow to convert diagnosis into execution. He argued that Europe understands the need for greater scale in capital markets, defense, technology, and energy, yet remains constrained by fragmentation, national reflexes, and a reluctance to act decisively until crisis leaves no alternative.

That pattern, he suggested, is both Europe's weakness and its method. From the sovereign debt crisis to the pandemic, the EU has tended to move only under pressure, but when it does move, it can take decisions once thought impossible, including debt mutualization, joint vaccine procurement, and institutional reforms to stabilize the euro area. The challenge now is whether Europe can act with similar resolve before the next emergency rather than after it.

Barroso was equally candid about Europe's economic model. He praised the continent's social protections, quality of life, and public health outcomes, but warned that welfare systems, environmental ambitions, and political freedoms all depend on growth, competitiveness, and productivity. Without reform, he suggested, Europe risks trying to preserve outcomes that its current economic structure may no longer be able to fund.

In that context, he returned repeatedly to the importance of scale. Europe has talent, research capability, and innovative firms, he said, but too often loses them to deeper capital markets and more entrepreneurial ecosystems abroad. The absence of a fully integrated market in finance, technology, energy, and data infrastructure continues to limit Europe's ability to create and retain globally dominant companies, particularly in sectors such as artificial intelligence and advanced digital infrastructure.

The speech also addressed the political roots of fragmentation inside Western democracies. Barroso linked rising polarization to inequality, housing pressures, frustrated expectations, and a growing sense among many citizens that the system no longer works in their favor. In both Europe and the

United States, he said, mainstream parties have often failed to respond adequately to the concerns of lower-middle-class and working voters, leaving room for populist movements on both the right and the left.

For the commercial real estate community, the address offered a clear message: macro risk can no longer be treated as background noise. Defense spending, energy systems, public debt, technology infrastructure, demographic change, and social instability are increasingly intertwined with investment conditions, occupier behavior, and long-term market confidence. The policy environment shaping capital allocation is now being written as much by geopolitics as by monetary policy or local real estate fundamentals.

Even so, Barroso's outlook was not entirely bleak. He maintained that Europe retains considerable strengths, including institutional depth, social cohesion in many areas, global influence in trade and regulation, and the latent ability to act decisively when circumstances demand it. But the window for relying on inertia is closing, and the central question is whether Europe can translate awareness into execution quickly enough to remain competitive, secure, and relevant in a harder world.

For SIOR members operating across borders, that may be the speech's most practical takeaway. In an era defined by strategic competition and overlapping crises, location, infrastructure, supply resilience, political alignment, and access to capital are no longer separate considerations; they are part of a single operating landscape. As Barroso made clear in Lisbon, the future will favor markets and institutions able to combine openness with resilience, and ambition with the capacity to deliver.

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