The European Union in 2014: a review

by Sarah Ciaglia

I. Introduction

The year 2014 put new emphasis on the EU's commitment to being 'united in diversity'. Whereas the EU's economic strength slowly regained ground, along with the ECB's unconventional monetary policies, the differences between member states still vary considerably. The European Parliament elections revealed notable discontent with the EU as a whole, giving rise to euro-sceptic parties and mirroring several regions' attempts for more independence.

International crises called for enhanced co-ordinated EU security policies. In the year of the 100th anniversary of the outbreak of the First World War, Europe witnessed severe military efforts to shift borders in Ukraine. 25 years after the fall of the Berlin Wall, which led to peace and fostered European unification, this military conflict reminds of a supposedly out-dated political conflict.

As the year came to a close, it seems as if many forces pull on the EU's unity, while member states showed strong commitment to deeper integration. The Banking Union as well as financial market and tax regulations were put forward; the Euro area grew by two new member states and negotiations on the appointment of the new Commission proved the will to counter British debates on an EU exit. This report summarises the broad developments in the EU in 2014 on the basis of the Commission's General Report on the Activities of the European Union. First, special attention will be paid to the European elections, the conflict in Ukraine, economic growth and fiscal sustainability. Following that, the main developments in other policy areas will be presented. The conclusion focuses on the EU's responses to 2014's challenges and resulting European integration.

II. European Elections and the new Commission

For the first time, elections to the European Parliament were held under the new rules of the Lisbon Treaty. As the new Parliament would elect the President of the Commission, the main party groups nominated candidates for this post in the run-up to the elections. These *Spitzenkandidaten* (leading candidates) were *Jean-Claude Juncker* (Luxembourg) for the European People's Party (EPP), *Martin Schulz* (Germany) for the Group of the Progressive Alliance of Socialists and Democrats (S&D), *Guy Verhofstadt* (Belgium) for the Alliance of Liberals and Democrats for Europe (ALDE), *Franziska Keller* (Germany) and *José Bové* (France) for The Greens/European Free Alliance (Greens/EFA), and *Alexis Tsipras* (Greece) for the European United Left/Nordic Green Left (GUE/NGL). The candidates campaigned across Europe and, also for the first time, EU-wide TV debates among the candidates were conducted.

The European elections took place between 22 and 25 May. Despite the leading candidates process and EU-wide campaigning, the turnout of 42.61% was the lowest ever for European Parliament elections and confirmed the continuous downward trend starting from 61.99% in 1979. However, turnout varied significantly across countries, depending on compulsory voting rules or parallel local elections. Nonetheless, turnout rose in ten countries only compared to 2009.

The EPP (29.43%) became again the leading party, closely followed by S&D (25.43%). The European Conservatives and Reformists (ECR) gathered 9.32%, ALDE 8.92%, GUE/NGL 6.92%, Greens/EFA 6.66%, Europe of Freedom and Direct Democracy (EFDD) 6.39% and non-attached members 6.92% of the votes. Following the elections, the party group Europe of Freedom and Democracy was renamed to EFDD and experienced a number of membership changes.

Mirroring developments in the member states, the elections gave rise to eurosceptic and nationalist parties on the one hand and far-left parties on the other. Together, ECR and EFDD accumulated 15.71% of the votes. In the UK, the United Kingdom Independence Party (UKIP) gained the most votes and accumulated significant 26.77%; similarly, in France, the Front National turned out to be the leading party with 24.86%, and in Denmark the Dansk Folkeparti with 26.06%. The Freiheitliche Partei Österreichs (FPÖ) gained 19.72% in Austria and the Alternative für Deutschland (AfD) 7.10% in Germany. Far-left parties rose in Greece (Syriza, 26.57%) and in Spain (IP 10.03%, Podemos 7.98%).

Although the EPP gained most of the votes, debates about the nomination of *Juncker* for the post of the Commission's President arose in the European Council, where many large member states were governed by parties of the S&D group. Moreover, the UK's Prime Minister *Cameron* (Tories) declared the vote in the European Council to be decisive for a British exit from the EU. The Exit debate gained momentum in the run-up to the elections and – with a view to the upcoming elections in the UK in the first half of 2015 – *Cameron* took up this issue. On 27 June, the European Council nominated *Juncker* by qualified majority. A grant coalition of EPP, S&D and ALDE elected *Martin Schulz* as President of the Parliament on 1 July and *Juncker* as President of the Commission on 15 July. After the hearings by the Parliament and respective adjustments to the College by *Juncker*, the Parliament approved the College of Commissioners on 22 October and the European Council appointed the new Commission on 23 October. On 1 November the Commission took office.

Juncker presented a new structure of the Commission. Seven Vice-Presidents serve as a steering committee. Each of them is assigned a specific project according to the main policy objectives of the working programme and gather several of the 18 Commissioners to coordinate their portfolios horizontally. *Juncker* announced to specifically consider the opinions of the first Vice-President, *Frans Timmermans,* and of Vice-President *Kristalina Georgieva*, charged with improving regulation so as to reduce bureaucracy, and Budget and Human Resources, respectively. Moreover, each Commissioner's spokesperson offices are gathered in a single Spokesperson's Service, affiliated to the President.

The Commission's working programme is based on the agenda 'A new start for Europe: my agenda for jobs, growth, fairness and democratic change', which *Juncker* presented to the Parliament before his election, and the European Council's 'Strategic agenda for the EU in times of change', endorsed in June. It outlines the priorities for 2015: Launching a 315 bn. € worth investment plan, creating a 'capital markets union', an 'energy union' and a 'digital single market', reducing tax evasion and improving collecting taxes, resolving migration challenges, increasing economic stability and building a more integrated Euro area.

III. Ukraine

The year 2014 was especially marked by the serious crisis in Ukraine, an armed conflict on the European continent, after a long period of peace. For the Ukrainian people, the conflict proved especially harmful in humanitarian terms and resulted in the factual secession of parts of the country. Following the decision by the Ukrainian government not to sign the Association Agreement with the EU in late 2013, demonstrations rose on the Maidan square in Kiev.

As public and international pressure increased, President *Yanukovych* fled to Russia at the end of February and an interim government under Prime Minister *Yatsenyuk* was formed. Whereas these events seemed promising at first as they put an end to the violence against the civilian Maidan protests, pro-russian protests rose at the same time, especially in the eastern part of Ukraine. In contrast to the EU, the US and the UN, Russia did not recognise the new government. The Crimean peninsula saw a sharp increase in pro-russian armed forces and, in a referendum in mid-March, the Crimean people decided to leave Ukraine and to request joining the Russian Federation. Ukraine, the Crimean Tatars, the UN, the EU and the US did not recognise the referendum and considered this step as a crucial breach of the Helsinki process and as a violent annexation by Russia.

Together with international partners, the European Council imposed political sanctions on Russia through a visa ban and the freezing of financial assets. The EU-Russia Summit was called off, a number of negotiation and co-operation fora were cancelled and Russia was excluded from the G8. On their March Summit, the European Council and Ukraine signed the political provisions of the Association Agreement, and the European Council decided to temporarily ease custom duties for Ukrainian exports and to swiftly support the country with a macro-financial assistance programme of 1 bn. €. Upon request of the Ukrainian government, a mission by the Organisation for Security and Co-operation in Europe (OSCE) was deployed to Ukraine.

The military conflict spread to more parts of eastern Ukraine, notably Donetsk and Luhansk, and the Ukrainian army started operations in mid April. At the end of May, *Poroshenko* was elected President by the Ukrainian people and presented a peace plan in mid-June. However, a cease-fire was not reached and weapons continued to flow over the Russian-Ukrainian border to the pro-russian activists in eastern Ukraine. As several rounds of negotiations between Russia and the Ukraine, with support from the OSCE and the EU, proved little successful to restore peace in Ukraine, Russia was considered to keep intervening in the military conflict and the European Council decided to successively expand political and economic sanctions. These efforts have been conducted in co-operation with the G7 and European partners, Australia and other states.

The formed Contact Group, consisting of representatives from Ukraine, Russia, the OSCE and Donetsk as well as Luhansk, signed the Minsk Protocol aimed at restoring peace in early September. The cease-fire broke soon after, though, and the following Minsk Memorandum could also not end it. The Ukrainian parliamentary elections resulted in a majority of pro-european parties and *Yatsenyuk* was re-elected as Prime Minister. The elections could not take place in Donetsk and Luhansk, however, as the local forces obstructed them. Those two regions held separate elections resulting in the confirmation of the pro-secession forces. The elections were highly contested by the OSCE and the UN as not meeting standard requirements for free elections. During November, heavy combat continued and at the end of the year, peace was still not restored.

Over the course of the year, the economic sanctions, together with a sharp drop in oil prices, caused serious monetary, financial and economic problems in Russia. Nonetheless, the military conflict kept going, the pro-russian forces being better equipped than the Ukrainian troops. EU member states refrained from considering a military intervention at the direct border to Russia, and were committed to resolve the conflict with diplomacy. The Association Agreement entered into force in November, but the trade part will only apply in 2016 as no settlement could yet be reached regarding the application of the free trade agreement between Ukraine and Russia and the Commonwealth of Independent States. However, an agreement on the provision of gas from Russia to and through Ukraine to the EU for the winter period could be reached. In parallel to the IMF and the US, the EU supported Ukraine with a macro-financial assistance programme of 1 bn. € and announced 11 bn. € for economic and political support. In addition, the EU provided technical assistance and humanitarian support to Ukraine, i.a. within the EU Advisory Mission for Civilian Security Sector Reform Ukraine (EUAM Ukraine).

IV. Economic Growth, Public Finances and the Banking Union

1. Economic Growth

According to the 'European Economic Forecast Winter 2015', the Euro area's economy left the recession in 2014 and grew by 0.8% (-0.5% in 2013). The EU's GDP rose by 1.3% in 2014 (0.0% in 2013). However, growth for 2015 is expected to rise less quickly (Euro area: 1.3%; EU: 1.7%) and growth rates vary across member states. Whereas many of the eastern countries grew notably and most of the (former) programme countries came out of the recession in 2014, Cyprus (-2.8%), Italy (-0.5%) and Croatia (-0.5%) still face economic problems.

Inflation rates dropped to 0.6% (EU) and 0.4% (Euro area), partly due to the sharp fall in oil prices, and are estimated to further decrease to 0.2% (EU) and even -0.1% (Euro area) in 2015. The Euro depreciated against main currencies. Unemployment is estimated to have been fallen to 10.2% (EU) and 11.6% (Euro area) in 2014 and to drop further in 2015. Despite decreasing rates for Greece (26.6%) and Spain (24.3%), the level of unemployment still remains very high.

Deficit levels decreased from 3.2% (EU) and 2.9% (Euro area) in 2013 to 3.0% (EU) and 2.6% (Euro area) in 2014. However, the differences among member states remain large. Whereas, for example, Germany reached a surplus, France further increased its deficit from 4.1% in 2013 to 4.3% in 2014. The debt levels, in contrast, rose from 87.1% (EU) and 93.1% (Euro area) in 2013 to 88.4% (EU) and 94.3% (Euro area) in 2014.

Against this background, the ECB took a number of measures to increase money supply. These operations are expected to foster banks' lending to the economy and to prevent inflation from dropping further and possibly triggering deflation expectations, which are supposed to retain investments. In June and September, the interest rate was lowered to 0.15 and 0.05, respectively, and this led, for the first time, to negative rates for the deposit facility (-0.10 and -0.20, respectively). In June, the ECB decided to purchase asset-backed securities (ABS) and to offer Targeted Longer-Term Refinancing Operations (TLTROs). While the increase in the banks' lending to the economy and the impact on the financial markets' stability has yet to be evaluated, savers already 'loose' money as current account interest rates and returns on triple-A financial products dropped significantly.

Aiming at leveraging private investment with public financial support, the new Commission launched a 315 bn. € worth investment programme, partly combining existing measures. The plan includes special funding facilities for small and medium-sized enterprises (SMEs) and a new European Fund for Strategic Investments (EFSI). The Commission set up a scoreboard to evaluate labour market and social policies, and respective funding was provided under the new Programme for Employment and Social Innovation (EaSI) and the Fund for European Aid to the Most Deprived (FEAD). The Parliament and the Council adopted a decision to enhance co-operation between the member states' public employment services and three directives to improve cross-border mobility.

2. Surveillance Mechanisms and the Euro Area

Within the framework of the Stability and Growth Pact (SGP), the Council decided to abrogate Excessive Deficit Procedures for the Czech Republic, Denmark, the Netherlands, Austria, Belgium, and Slovakia. Despite remaining high deficit levels, the Council did not take further action against France and Slovenia which are expected to reduce their deficits to 3% or below until 2017 and 2015, respectively. Especially France and Italy have argued in favour of reforming the SGP so as to exclude government expenditures for investments from the calculation of the deficit. In autumn, the Commission assessed the Euro area member states' draft budgetary plans for 2015 and identified risks of non-compliance with the SGP in Austria, Belgium, France, Italy, Malta, Portugal, and Spain. Despite high deficit and debt levels in France and Italy, respectively, the Commission did not reject their draft budget plans as – according to the Commission – both countries' governments showed sufficient commitment to reduce them.

Within the Macroeconomic Imbalances Procedure, the Commission identified excessive imbalances in Croatia, Italy and Slovenia, imbalances in 13 other member states and issued respective recommendations.

Portugal successfully completed the economic adjustment programme in June, even before the last instalment. The total disbursement from the EFSM, the EFSF and the IMF was 76.9 bn. €. The Commission and the ECB continue to monitor Portugal under the post-programme surveillance (PPS). Spain concluded its financial sector programme successfully and also stays under PPS. Spain received 41.3 bn. € in total from the EFSF (taken over by the ESM). Ireland exited in December 2013 and remains under PPS. The Country received a last disbursement in March 2014 and a total amount of 67.5 bn. € from the EFSM, the EFSF, the IMF and bilateral loans from the United Kingdom, Sweden and Denmark. With own resources, the programme volume was about 85 bn. €.

Programmes are on-going in Cyprus (until 2016), Greece (until early 2015) and Romania (until 2015). Romania, receives a precautionary balance-of-payments programme together with the IMF of up to about 4 bn. € from 2013 to 2015 and additional economic assistance from the World Bank. The programme for Cyprus is worth 10 bn. € from the ESM and the IMF from 2013 to 2016, of which 5.8 bn. € have been disbursed until the end of 2014. Greece receives financial support from the EU and the IMF since 2010. The first programme ran from 2010 to 2011 and amounted to 73 bn. € from the Euro area member states, the EU and the IMF. The second programme followed in 2012 with a total volume of 173.3 bn. € from the EFSF and the IMF until 2014. Due to several delays, 153.8 bn. € were disbursed until the end of 2014 and Greece was granted two months of extension. At the end of December, the Greek Parliament failed to elect a new President because of a broad disagreement with the government and the required reforms. A new Parliament will be elected in early 2015.

Latvia joined the Euro area as 18th member state on 1 January 2014 and Lithuania will follow on 1 January 2015. In December, the European Council asked the Commission to further explore institutional changes for deeper economic policy co-ordination in the Euro area. Together with the Presidents of the ECB, the Euro Summit and the Eurogroup, the Commission will present proposals in June 2015. The Expert Group on a Debt Redemption Fund and Eurobills issued its final report and recommended to first evaluate the current changes of the economic co-ordination framework before engaging in debt mutualisation.

3. Banking Union, Financial Market and Tax Policy

The Banking Union was put forward for the Euro area member states – other EU member states are welcome to join. The Single Supervisory Mechanism (SSM) entered into force in November. The ECB acquired additional competencies and supervises now all major banks (123 banks). Prior to November, together with national authorities and the European Banking Authority (EBA), the ECB conducted a stress test and an asset quality review. Identified capital shortfalls amounted to 24.6 bn. €, of which banks from Italy (9.7 bn. €), Greece (8.7 bn. €), Cyprus (2.4 bn. €) and Portugal (1.1 bn. €) occupy the large majority. The banks already acquired additional capital, remaining 10 bn. € will follow in early 2015.

The Single Resolution Mechanism (SRM), adopted in July, is targeted to ensure a smooth management of the consequences of supervisory decisions under the SSM. It will fully come into force in 2016, while the Single Resolution Board (SRB) already starts working in 2015. The SRB consists of an executive board and representatives from all member states and decides, based on a decision by the ECB, upon the resolution of a bank. In December, following a Commission's proposal and the approval of the Parliament, the Council appointed *Elke König* (Germany) as Chairwoman and the five permanent board members.

In line with the provisions laid down in the Bank Recovery and Resolution Directive (BRRD), the SRM prescribes a hierarchy of loss absorption from a bank resolution or restructuring. First of all, shareholders and creditors will subsequently contribute to a private bail-in of at least 8% of the bank's total liabilities. Only after that, the Single Resolution Fund (SRF), and national funds during the phase-in period, can be called for support. The fund will be financed by bank contributions over the course of eight years and up to an amount of to at least 1% of covered deposits (about 55 bn. €). The BRRD and a Commission delegated act define details for the bank's contributions. The fund successively incorporates national resolution funds in the phase-in period between 2016 and 2023.

The BRRD was adopted by the Council in summer and will come into force in all EU member states in 2015. Further to the hierarchy of loss absorption, the

BRRD prescribes common rules for the resolution and restructuring of banks and the set-up of national resolution funds. Banks and supervisory agencies have to formulate and update recovery plans as a preparation for a case of emergency.

In order to protect savings from resolutions or restructurings, the revised Deposit Guarantee Schemes Directive (DGSD) came into force in 2014. It prescribes to guarantee 100,000 € per depositor and bank and to set-up deposit guarantee schemes under common standards. The schemes will be funded by banks' contributions up to an amount of 0.8% of covered deposits during the next ten years.

In the area of financial market policy, Parliament and Council adopted new rules on market abuse, strengthening regulations and penalties for infringements, and revised the regulations on markets in financial instruments with special regard to high-frequency trading, derivatives and commodity markets. The Parliament and the Council adopted a number of legislations on consumer protection in financial services: a key information document for investment products, the mortgage credit directive, which introduces the obligation for creditworthiness tests, and a regulation on payment accounts that establishes the right for every citizen to a basic payment account and is targeted on facilitating cross-border access to banking services and switching payment accounts.

Work on a Financial Transaction Tax (FTT) between eleven member states continued. Following a request by the UK, the Court of Justice of the EU decided that the FTT can be established under the framework of enhanced co-operation. Regarding the efforts on combating tax evasion and tax fraud put forward within the G20 and the OECD, the EU institutions adopted legislation to establish a mechanism for an automatic exchange of tax information. Member states have to implement them until 2017. The EU legislation widened the scope to savings income and accordingly, the Commission started negotiations on amending existing savings agreements with Andorra, Liechtenstein, Monaco, San Marino and Switzerland. In addition, the Parliament and the Council amended legislation so as to prevent companies from using hybrid loan arrangements to evade taxation.

V. Developments in Other Policy Areas

1. The EU's Own Resources 2014-2020

Whereas the Multiannual Financial Framework (MFF) for the period from 2014 to 2020 was adopted in late 2013, the Council decided on the EU's own resources only in 2014. Ratification by the member states is expected to be completed in 2016. Until then, the old framework stays in place and the new one will apply retroactively for 2014. Rebates will continue to be granted to Austria, Denmark, Germany, the Netherlands, Sweden, and the UK.

Due to the revision of the European System of Accounts (ESA), member states' data on gross national income (GNI) had to be recalculated. As a result, the regularly conducted adjustments to the member states' contributions led to some significant reimbursements or additional payments. Whereas France, Germany, Poland and Denmark, for example, benefited from high reimbursements, the UK, Italy and the Netherlands had to effect large supplement payments. Due to the resulting debates among member states, the Regulation was amended so as to grant member states more time for conducting additional payments. In 2014, a High-Level Group started to review the EU's own resources' system and to explore alternatives. An inter-parliamentary conference will discuss results in 2016.

2. Internal Market, Infrastructure, Transport and Energy

A pilot project on facilitating cross-border insolvency proceedings has been set-up with seven member states to exchange information from insolvency registers. The Council adopted the European account preservation order regulation (the UK and Denmark opted out), a directive on e-invoicing for public procurement, and eight directives to harmonise product rules, i.a. charging devices for mobile phones. The Commission published a roadmap on strengthening the defence industry and research. In the framework of the Regulatory Fitness and Performance Programme (REFIT), the Commission continued the screening of EU legislation, recommended about 200 measures and withdrew 53 pending legislative initiatives. The High-Level Group on Administrative Burdens, set up in 2007, issued its final report and has suggested several hundreds of measures.

In order to further strengthening the protection of intellectual property rights, especially with regard to commercial-scale infringements and international business, the Commission issued an action plan and a strategy. The EU and China signed an action plan on reducing intellectual property right infringements in May. The Parliament and the Council adopted a directive on the collective management of copyrights, especially in the creative business and arts.

In the field of antitrust monitoring, the Commission imposed fines on the power exchange company S.C. OPCOM S.A. in Romania, several pharmaceutical companies, Slovak Telekom and Deutsche Telekom. The Commission adopted two legally binding commitments on Visa and Samsung, adopted a decision on Motorola, and issued a statement of objections for Bulgarian Energy Holding.

The Commission fined ten cartels, under which the two biggest fines were imposed for cartels in car and truck bearings (953 m. €) and high voltage power cables (301.6 m. €). Smaller fines have been imposed on cartels in financial markets (Swiss Franc LIBOR and derivatives on Swiss Franc interest rates) with a total amount of 93.9 m. €. In most of the cases, the companies agreed to cooperate with the Commission and, therefore, benefited from fee reductions. Further to that, the Commission issued a number of statements of objections, including Barclays, Deutsche Bank, the Royal Bank of Scotland and Société Générale (derivatives on Euro interest rates). The total amount of fines from antitrust and cartel decisions amounted to about 2.2 bn. €.

The Commission received notifications of 145 mergers and intervened in 15 cases, which resulted in divestments, divestitures, a fine or measures to restore competition. The Commission published the White Paper 'Towards more effective EU merger control', and the Parliament and the Council approved the Antitrust Damages Actions Directive. In order to urge the Commission to foster efforts, the Parliament endorsed a resolution on Internet search engine companies encouraging divestitures in case of market power abuse.

In the field of state aid, the Commission published a number of guidelines for specific policy areas and thereby terminated the state aid rules reform that began in 2012 and aimed at reducing bureaucracy and accelerating state support. The Commission launched investigations on infringements in four taxing related cases (Apple/Ireland, Starbucks/the Netherlands, Fiat Finance & Trade/Luxembourg, Amazon/Luxembourg).

Together with partners from the data industry, the Commission signed a memorandum of understanding on establishing private-public partnership projects to foster big data industry in the EU. The High-Level Expert Group on Taxation of the Digital Economy issued its report in May, exploring opportunities for different indirect and direct taxing schemes appropriate for the digital business. The regulation on electronic ID and trust services (eIDAS) entered into force in 2014, will fully apply in 2018, and introduces the EU-wide secure use of electronic identification means and trust services.

Within the Single European Sky Air Traffic Management Research (SESAR) framework, the Commission endorsed measures to modernise air traffic management and provides 3 bn. €. The Commission worked, furthermore, on regulating the use of civil drones, focussing on safety and data protection. The Parliament and the Council adopted a directive on marine equipment and the funding of the Shift2Rail public-private partnership of about 920 m. € within the financial framework of Horizon 2020.

The Parliament and the Council adopted the Deployment of Alternative Fuels Infrastructure Directive, thereby enhancing the establishment of a wide-spread infrastructure of alternative fuels and related common technical standards. The Commission issued a strategy on CO2 reduction targets for buses, coaches and trucks. The Parliament and the Council adopted the roadworthiness package setting common standards for vehicle tests and a regulation on vehicle noise reduction, and decided to introduce the mandatory eCall system for all new cars from 2018 onwards. The Commission published the first EU transport scoreboard, comparing the member states' conditions regarding market performance, infrastructure, environmental challenges and safety matters in road, rail, maritime and air transport.

In the field of energy policy, the European Council adopted a strategy to enhance the Energy Union within the next five years, with a focus on reducing external energy dependencies, and set targets to increase electricity interconnection to 10% in 2020 and 15% in 2030. The Commission published an action plan to support SMEs in the green economy sector, new safety standards for civilian nuclear activities, an action plan on fostering the ocean energy sector, set minimum standards regarding shale gas exploitation ('fracking') and established a scoreboard on the member states' implementation.

The Consumer Rights Directive entered into force, setting common standards for consumer protection for distance and off-premises contracts, reducing cost traps and surcharges for payments with credit cards, prohibiting pre-ticket boxes for contracts on the Internet and fees for information services calls. The Commission published a recommendation on consumer protection in online gambling services, worked on the reduction of chemicals in toys for children and further cut roaming fees for mobile data from 45ct to 20ct per megabyte (before VAT).

3. Agriculture and Fisheries, Environment, and Climate Protection

In 2014, the reformed Common Agricultural Policy (CAP) was in a transition period before fully entering into force in 2015. Besides a number of specifications, the Commission also published new criteria for state aid rules for rural areas, the agricultural and forestry sector according to which member states are now allowed to grant state aid to small enterprises or on short-term notice without prior authorisation by the Commission. The overall agricultural production in the EU decreased significantly in 2014. Following Russia's import restrictions on agricultural products from the EU, the Commission set up measures to decrease the resulting losses by EU farmers. Also, the EU proceeded against Russia against the prohibition of imports of pork at the World Trade Organisation.

In June, the Council reached an agreement on the Directive on genetically modified organisms (GMOs), allowing each member state to restrict the cultivation of GMOs with little or no justification. Equipped with 6.4 bn. €, the European Maritime and Fisheries Fund was adopted to support the Common Fisheries Policy and the Integrated Maritime Policy. Furthermore, the EU worked on increasing the purchase of agricultural products produced in the EU, food quality, labelling, maritime spatial planning and reducing bureaucracy.

The Commission issued proposals on a recycling oriented economy, which integrates the re-use and transformation of resources, financially supported projects on environment protection and launched the 'Generation Awake' campaign on fostering awareness for the environmental impact of consumption purchases. The first Natura 2000 Award, targeted to highlight successful site management, was granted to a project for the protection of the imperial eagle in Sakar (Bulgaria).

In October, the European Council decided to reduce greenhouse gas emissions to 40% compared to the level in 1990, to increase the share of renewable energy consumption up to 27%, and energy efficiency, measured by the decrease of final energy consumption to 27%, compared to the level in 2005 until 2030. The European Investment Bank set up special programmes to that end. Regarding the current targets for 2020, the EU seems to be on a good track; data for 2012 indicate: greenhouse gas emissions decreased to 82.1% (target: 80.0%), renewable energy consumption increased to 14.1% (target: 20.0%), and energy efficiency stagnated since 2011 at around 92.9% (target: 91.0%).

The European Council decided that the amount of allowances issued under the Emissions Trading System (ETS) will be further reduced from 2021 onwards by a yearly rate of 2.2%. However, a specific amount of allowances will continue to be given out for free and another one allocated to the least wealthy member states. The Commission worked on reducing the amount of F-gases (fluorinated greenhouse gases) used in the EU, on coping with the impact of climate change on cities and fostered climate protection issues in international dialogues.

4. Justice and Home Affairs, Migration

After a five-year transition period, the former 'third pillar' on police and judicial co-operation in criminal matters was fully integrated into the EU structures under the Lisbon Treaty. The Commission enjoys by now enforcement powers in these policy areas and cases can be brought to the Court of Justice (the UK opted out).

The Commission set-up the ‘Rule of Law Framework’, which is targeted at resolving rule of law infringements in the member states. It is supposed to complement infringement procedures and sets up a mechanism to effectively implement Art. 7 TEU, allowing for the temporary suspension of voting rights as ultimate sanction. The EU justice scoreboard showed no substantial changes in the member states, with the exception of reductions in Portugal, Latvia, Malta, and Luxembourg and an increase in Greece in the length of time to resolve cases.

After long national debates about the implementation of the Data Retention Directive, the Court of Justice decided in April that it is invalid as it does not adequately protect personal data. The Court also strengthened the ‘right to be forgotten’ in the Internet. Upon request, search engines must delete findings in listings. The General Data Protection Regulation as well as the EU–US umbrella agreement are not yet concluded. The European Group on Ethics in Science and New Technologies (EGE), an advisory board to the Commission, issued the opinion ‘Ethics of Security and Surveillance Technologies’, highlighting the importance of balancing out data protection and security interests.

In light of the increased threat of terrorism, details for implementing Art. 222 TFEU (‘solidarity clause’) were adopted and the EU simulated a terrorist attack including chemical weapons in Belgium (ARETE 2014). The Commission endorsed the Communication on the Detection and Mitigation of CBRN-E Risks (chemical, biological, radiological, nuclear, explosives). Parliament and Council adopted the Directive on the Freezing and Confiscation of Proceeds of Crime and the Directive on the Protection of the Euro and Other Currencies Against Counterfeiting by Criminal Law (the UK and Denmark opted out), and the Commission published the first Anti-Corruption Report showing that corruption still varies across member states despite a number of measures taken in the last years.

The EU adopted the Clinical Trials Regulation, the revised Tobacco Products Directive, a financial framework for emergency action in food and feed safety, the 2007 Hague Convention on the International Recovery of Child Support and Other Forms of Family Maintenance and banned four psychoactive drugs. The Commission worked on disease prevention, a joint procurement agreement for common measures against pandemics, and on certifying online pharmacies. The

Court of Justice clarified that a member state can exempt citizens from other member states from social security schemes benefits if their time of residence is less then five years and if they are economically inactive.

Following up to the three successful European Citizens' Initiatives in 2013, the Commission did not issue legislative proposals, yet. The European citizens' dialogues came to a close in 2014 after 51 national dialogues with Commissioners. Accordingly, the 'New Narrative for Europe' terminated with a report highlighting democratic legitimacy in the EU. In 2014, Riga (Latvia) and Umeå (Sweden) were European Capitals of Culture. As a transparency initiative, the new Commission President decided that dates, topics and partners of bilateral meetings of Commissioners will be published on their websites.

Due to a sharp increase in the number of refugees, notably via the Mediterranean Sea, the EU put special emphasis on asylum and migration policies, aiming at reducing illegal immigration. Southern border member states were granted special support, notably through the maritime operation Triton (within Frontex) and the European Border Surveillance System (Eurosur). However, these measures rather focus on border security and did not succeed in reducing the number of deaths caused by boat accidents in the Mediterranean Sea. Moreover, the humanitarian situation in many reception camps deteriorated dramatically. Putting a special focus on the rescue of migrants, a regulation on the surveillance of sea borders, namely through Frontex' activities, was approved and the European Council issued strategic guidelines on the management and prevention of illegal migration, while aiming at enhancing legal migration by high skilled workers. The EU fostered negotiations on readmission and migration with third countries. The Court of Justice of the EU significantly strengthened the rights of asylum seekers in autumn: sexuality tests conducted by EU member states to prove whether refugees fled because of prosecution of their sexual orientation are forbidden, and a member state cannot transfer an asylum seeker back to another member state unless the respect of human and civil rights are guaranteed.

The Commission proposed legislation on the EU's visa code and on a 1-year touring visa, issued communications on return policies and family reunification, and started negotiations on visa waiver agreements with island countries in the Caribbean and Pacific and the United Arab Emirates. The EU enhanced co-operation with countries where many migrants depart from. Mobility partnerships were agreed with Jordan, Morocco and Tunisia and co-operation within the EU–Horn of Africa Migration Route Initiative was intensified.

5. Research and Education

Expenditures in research and development in the EU increased marginally to 2.2% of the GDP in 2013 (Europe 2020 target: 3.0%) and the Innovation Union Scoreboard shows significant differences between member states. The research programme Horizon 2020 started and the Commission supported investments in innovation, electronics and robotics and the development of 5G mobile Internet connection, together with South Korea. The programme Erasmus+ started, combining several funding facilitates for mobility in the education sector. Regarding the Europe 2020 targets, the share of tertiary education rose up to 37.6% (target: 40%) and the share of early school leavers decreased to 11.3% (target: 10%). However, differences between member states remain high as well as the level of unemployment for young people (Spain 53.2%, Greece 52.3%, Croatia 45.0%, Italy 42.7%, Cyprus 35.5%, Portugal 34.8%, Slovakia 30.4%).

On 12 November, for the first time, the European Space Agency (ESA) succeeded in making the probe Philae land on a comet. Philae is expected to deliver data to shed light on the origin of comets and the Solar System. In the framework of the Copernicus satellite programme, the first satellite, Sentinel 1A, was launched. This programme aims at collecting earth and mapping data in order to help coping with natural catastrophes, maritime security incidents, emergencies, and to monitor climate changes. Related data are provided by the ESA for free.

6. External Affairs: Enlargement, Neighbourhood, Trade, Development, CSDP

Albania achieved the status of a candidate country in June. The readmission agreement with Turkey entered into force in October and negotiations on visa liberalisations are on-going, though, in light of recent events that question the rule of law and human rights in Turkey. Negotiations to reunite Cyprus have been resumed in February, but got called off again in autumn following a dispute over gas reserves and Turkish military presence near the Cypriot coast.

In May, negotiations on a horizontal institutional framework to further integrate Switzerland into the EU internal market began and similar negotiations will start with Andorra, Monaco and San Marino. In Central Asia, the EU concluded negotiations with Kazakhstan on an enhanced Partnership and Cooperation Agreement (PCA), which is the first in that region. Georgia, Moldova and Ukraine signed association agreements with the EU, which also include provisions for a free trade area. The provisional application for Georgia and Moldova started in

September. The visa-free regime with Moldova entered into force in April, and the framework co-operation agreement with Georgia in the field of the Common Security and Defence Policy (CSDP) entered into force in March, followed by the country' active participation in a training mission in Mali and in an advisory mission in Ukraine. Visa-facilitation and readmission agreements with Armenia and a visa-facilitation agreement with Azerbaijan entered into force and negotiations on similar agreements started with Belarus.

Negotiations on a strategic partnership agreement and the Comprehensive Economic and Trade Agreement (CETA) with Canada have been concluded and will now be discussed in the Parliament and the Council. The negotiations on the EU-US Transatlantic Trade and Investment Partnership (TTIP) have caused intensive public debates. As they are conducted confidentially, critics focussed on transparency, the impact of courts of arbitration and consumer protection. TTIP is supposed to significantly reduce trade barriers through the elimination of tariffs and the harmonisation of technical and product standards.

Trade with China has been facilitated with the set-up of clearinghouses in Frankfurt, London, and Luxembourg. The EU and China signed an agreement on the mutual recognition of trusted traders and an action plan to prevent intellectual property right infringements. The EU welcomed attempts for democratisation in Hong Kong in early summer 2014, which were reduced later, giving rise to broad civil protests, repressed by the Hong Kong authorities.

The EU deepened its economic relations with Singapore (free trade agreement), New Zealand, regional co-operations in east, south and west Africa (economic partnership agreements), Central American countries (EU–Central America Association Agreement, Political Dialogue and Cooperation Agreement), Ecuador (trade agreement), and Cuba. The Asia–Europe Meeting (ASEM) welcomed Croatia and Kazakhstan, now counting 53 members. The EU worked on the sourcing of minerals and, as the mining of diamonds grew in Greenland, it was included in the Kimberley Process. The EU hosted the G7 Summit in June.

The sharp increase of Ebola infections in West Africa over the summer became one of the EU's major concerns in the field of development policy. Together with international partners, the EU provided direct aid, humanitarian, technical and medical support, staff, and transport bridges and investigated in medical research. The EU's support amounted to about 1 bn. € and continues in 2015. Within the EU, measures were taken to manage potential risks arising from those countries. Entry points, notably at airports, and special areas in hospitals have been prepared for Ebola patients, co-ordinated by the EU Health Security Committee. In October, the European Council appointed Commissioner *Stylianides* as the EU's Ebola Coordinator. By the end of 2014, significant progress was made and the number of new infections dropped. As a consequence of the long lasting epidemic, the most affected countries suffer serious economic problems.

Due to increased tensions between the Palestinian Authority and Israel, notably in the Gaza stripe, negotiations on resorting peace have seen a major setback. Together with international partners, the EU encouraged peace-building efforts and offered economic and political support to both sides, including humanitarian action in the Gaza stripe. In conjunction with regional partners, the EU further engages in negotiations and continues to promote the 'two-states' solution.

Within the fourth EU-Africa Summit in April a roadmap on economic and peace-building co-operation for the joint Africa-EU strategy (JAES) as well as a declaration on migration and mobility has been adopted. Financial and technical support to Tunisia has been increased and the EU provided assistance to Egypt, Lebanon, and Libya, but had to withdraw staff from Libya due to the re-inflammation of the conflict. The EU supported security and peace efforts in the Sahel region, Somalia, South Sudan, Sudan, and state- and economy-building in Nepal, Myanmar/Burma, Afghanistan, Pakistan and the Central African Republic. The EU worked on food security in Asia, Central Asia, and in the Middle East and provided technical assistance for elections worldwide.

The rise of the Islamic State of Iraq and the Levant (ISIL, ISIS, IS or Daesh) became a major issue for the EU in the course of 2014. ISIL occupies parts of the territory of Syria and Iraq and fights against the governments and the Syrian opposition. Together with the US and international partners, the EU and its member states supported regional efforts to counter ISIL terrorism with training and technical assistance and, based on a UN Security Council Resolution, weapons to Kurdish and local forces in northern Iraq and northern Syria to help them in their self-defence. On a US-initiative, major bombing campaigns were run in Iraq and Syria. Turkey was more reluctant to intervene at first, but after ISIL's reaching out for Kobanî, at the Turkish border, it increased co-operations with international partners. Following an initiative by several countries during the NATO Summit in September, the Global Coalition to Counter ISIL was formed in late autumn and gathers around 60 partners.

Since an increasing number of EU citizens aligned with ISIL, EU member states are concerned about their return to the EU to commit terrorist attacks. Based on a UN

Security Council Resolution, the Council of the EU adopted a strategy on counterterrorism and foreign fighters. The EU increased funding for stability and peace programmes and encouraged preventing ISIL to sell oil in the black market. The EU provided enhanced humanitarian aid to Syria, while continuing to support the moderate Syrian opposition and maintaining sanctions against Assad's regime. As a severe consequence, an estimated number of about 3.8 bn. people fled from Syria into neighbouring countries and about 2 m. people were displaced in Iraq, hosting already around 250.000 Syrian refugees. Turkey and Lebanon admitted around 1.6 m. and 1.2 m. refugees, respectively. The EU increased humanitarian aid and technical assistance for Iraq, Syria, Turkey, Lebanon and the region, whereas EU member states welcomed a small but growing number of Syrian refugees into the EU.

Following the agreement on Iran's nuclear programme in Geneva, Iran and the group of permanent members in the UN (US, Russia, China, France, UK) plus Germany started implementing the action plan in 2014. A provisional stop of parts of Iran's nuclear programme and a respective ease of economic sanctions enabled further negotiations on the conduct of an Iranian civilian nuclear programme. In November, the negotiation period was extended to June 2015. Still, the EU continued to raise concerns about the human rights situation in Iran.

Within the Common Security and Defence Policy (CSDP), the EU started a civilian mission in Mali (EUCAP Sahel Mali) to complement the existing EUTM Mali military training mission and a military mission in the Central African Republic (EUFOR RCA). Overall, the EU conducted eleven civilian and five military missions in 2014, in Africa, the Middle East, Central Asia, and in Kosovo. The EU and India started a dialogue on non-proliferation and disarmament, the Council adopted a maritime security strategy and the Arms Trade Treaty (ATT) entered into force. Moreover, the EU worked on cyber security.

VI. Institutions, Personnel, Finances

The turnout of the European Parliament elections gave rise to a large number of changes in the EU institutions' personnel. The new Parliament has 751 seats, of which EPP (221 seats) and S&D (191 seats) occupy the largest share, followed by ECR (70 seats), ALDE (67 seats), GUE/NGL (52 seats), Greens/EFA (50 seats), EFDD (48 seats), and 52 members of the Parliament, which are not attached to a party group. The Parliament re-elected *Martin Schultz* (S&D, Germany) as its President with a large majority of 409 out of 612 votes and as the fourteen Vice-Presidents *Antonio Tajani* (EPP, Italy), *Mairead McGuinness*

(EPP, Ireland), *Rainer Wieland* (EPP, Germany), *Ramón Luis Valcárcel Siso* (EPP, Spain), *Ildikó Gáll-Pelcz* (EPP, Hungary), *Adina Ioana Valean* (EPP, Romania), *Sylvie Guillaume* (S&D, France), *Corina Creţu* (S&D, Romania), *David Sassoli* (S&D, Italy), *Olli Rehn* (ALDE, Finland), *Alexander Graf Lambsdorff* (ALDE, Germany), *Ulrike Lunacek* (Greens/EFA, Austria), *Dimitris Papadimoulis* (GUE/NGL, Greece) and *Ryszard Czarnecki* (ECR, Poland).

The Parliament elected *Jean-Claude Juncker* as the new President of the European Commission and the College of Commissioners as presented in table 1. *Federica Mogherini* was appointed High Representative of the Union for Foreign Affairs and Security Policy and the Commissioner *Christos Stylianides* the EU's Ebola Coordinator by the European Council. Chief Spokesperson of the new Spokesperson's Service is *Margaritis Schinas*. The Commissioners *Viviane Reding*, *Antonio Tajani*, *Olli Rehn*, and *Janusz Lewandowski* were elected in the European Parliament and therefore resigned from their posts. For the remainder of the term of the *Barroso* Commission, *Martine Reicherts* (Justice, Fundamental Rights and Citizenship), *Jyrki Katainen* (Economic and Monetary Affairs and the Euro) *Ferdinando Nelli Feroci* (Industry and Entrepreneurship), and *Jacek Dominik* (Financial Programming and Budget) took up their posts.

The European Council appointed *Donald Tusk* as the President of the European Council, he took office on 1 December. Greece took over the Presidency of the Council in the first half of 2014 and Italy in the second half.

The Council appointed *Elke König* (Germany) as Chairwoman and *Timo Löyttyniemi* (Finland) as Vice-Chairman of the SRB as well as *Mauro Grande* (Italy) as the Strategy and Coordination Director, and *Antonio Carrascosa* (Spain), *Joanne Kellermann* (the Netherlands) and *Dominique Laboureix* (France) as Resolution Planning Directors.

Michel Lebrun (Belgium) was elected President of the Committee of the Regions and *Catiuscia Marini* (Italy) Vice-President. *Jiří Buriánekin* was appointed Secretary-General.

The Commission received 504 opinions by national parliaments, thereof 20 reasoned opinions, and 194 enquiries by the European Ombudsman, *Emily O'Reilly*. During 2014, about 1,000 infringement procedures against Member States were opened by the European Commission. Members of the European Parliament submitted about 10,500 written questions and the Parliament endorsed new rules on number and time of parliamentary questions to the Commission.

Table 1: European Commission, Legislative Period 2014 – 2019.

Portfolio	Name
President of the Commission	Jean-Claude Juncker (Luxembourg)
Vice-Presidents	
First Vice-President, Better Regulation, Inter-Institutional Relations, the Rule of Law, the Charter of Fundamental Rights Special advisor for the EU-US Transatlantic Trade and Investment Partnership (TTIP)	Frans Timmermans (the Netherlands)
Vice-President, High Representative of the Union for Foreign Affairs and Security Policy	Federica Mogherini (Italy)
Vice-President, Budget and Human Resources	Kristalina Georgieva (Bulgaria)
Vice-President, Digital Single Market	Andrus Ansip (Estonia)
Vice-President, Energy Union	Maroš Šefčovič (Slovakia)
Vice-President, Euro and Social Dialogue	Valdis Dombrovskis (Latvia)
Vice-President, Jobs, Growth, Investment and Competitiveness	Jyrki Katainen (Finland)
Commissioners	
Digital Economy & Society	Günther Oettinger (Germany)
European Neighbourhood Policy & Enlargement Negotiations	Johannes Hahn (Austria)
Trade	Cecilia Malmström (Sweden)
International Cooperation & Development	Neven Mimica (Croatia)
Climate Action & Energy	Miguel Arias Cañete (Spain)
Environment, Maritime Affairs and Fisheries	Karmenu Vella (Malta)
Health & Food Safety	Vytenis Andriukaitis (Lithuania)
Migration, Home Affairs and Citizenship	Dimitris Avramopoulos (Greece)
Employment, Social Affairs, Skills and Labour Mobility	Marianne Thyssen (Belgium)
Economic and Financial Affairs, Taxation and Customs	Pierre Moscovici (France)
Humanitarian Aid & Crisis Management, EU Ebola Coordinator	Christos Stylianides (Cyprus)
Agriculture & Rural Development	Phil Hogan (Ireland)
Financial Stability, Financial Services and Capital Markets Union	Jonathan Hill (United Kingdom)
Transport	Violeta Bulc (Slovenia)
Internal Market, Industry, Entrepreneurship and SMEs	Elżbieta Bieńkowska (Poland)
Justice, Consumers and Gender Equality	Věra Jourová (Czech Republic)
Education, Culture, Youth and Sport	Tibor Navracsics (Hungary)
Regional Policy	Corina Creţu (Romania)
Competition	Margrethe Vestager (Denmark)
Research, Science and Innovation	Carlos Moedas (Portugal)
Total Number of Members of the Commission	**28**

Source: European Commission 2014 – 2019, Allocation of portfolios and supporting services, 2014.

As prescribed in the Lisbon Treaty, changes to the qualified majority voting rules entered into force in November 2014. For normal legislation procedures, a majority of member states (55%, at least 15 member states) and of the total EU population (65%) is required. However, a law will be passed unless four member states vote against it. Until March 2017, the former Nice Treaty rules may be applied upon request of a member state.

With the accession of Lithuania to the Euro area in 2015, the voting system in the ECB's Governing Council will change to rotating voting rights. All member states are still allowed to attend the meetings. Further to that, as from 2015 on, meeting summaries will be published and meetings on non-monetary policy issues will only be held once in six weeks.

The Parliament issued the Resolution on the Implementation of the Treaty of Lisbon with Respect to the European Parliament, which highlights the new challenges due to the enhanced role of the Parliament as a legislator while calling for further efforts to foster democratic legitimacy in the EU. In the same vein, the Italian Presidency launched a debate on measures to improve the well functioning of the EU's institutions and set up a working group, the Friends of the Presidency, to that end. Its report was discussed by the General Affairs Council.

The EU budget for 2014 was amended in late 2014. This 'frontloading', using the contingency margin measure of the MFF, resulted in a respective reduction of the yearly budget in the last three years of the MFF period.

Table 2: Distribution of the final adopted EU Budget in 2014

Policy Area	Payment Appropriations (in bn. EUR)	Budget Share (in %)
1. Smart and Inclusive Growth	**65.3**	**46.9**
1a. Competitiveness for growth and jobs	11.9	8.5
1b. Economic, social and territorial cohesion	53.4	38.4
2. Sustainable Growth: Natural Resources	**56.4**	**40.6**
2a. Market related expenditure & direct aids	43.8	31.5
2b. Rural development, environment & fisheries	12.6	9.1
3. Security and Citizenship	**1.7**	**1.2**
4. Global Europe	**6.8**	**4.9**
5. Administration	**8.4**	**6.0**
6. Compensations	**0.03**	**0.02**
7. Other Special Instruments	**0.4**	**0.25**
Total	**139.0**	**100**

Source: European Commission, EUR Lex Budget On-Line, 2015.

VII. European Integration

When Philae landed on the tiny comet, about 500 m. km away from the earth, precisely remote-controlled, after a ten-years journey through space, inarguably good news came from the EU level. A great achievement had been accomplished by working together on a common vision, at a level where individual member states could not have done it alone. As Aristotle postulated: 'The whole is more than the sum of its parts' (Metaphysics XVII 1041b). However, turning the view to Brussels, many EU citizens would probably question that saying. The overall majority, 57.39%, did not go to vote in the European Parliament elections. Many of those, who went, voted for euro-sceptic parties, parties that do not only question the purpose of individual policies but often the European project as a whole.

The perceived benefit of a higher political level seems to have decreased in the daily news and day-to-day life. Public debates in the UK and Greece on an exit from the EU and the Euro area, respectively, as well as referenda on independence in Scotland and Catalonia documented an aspiration to 'do it ourselves'.

So, what makes the notion of 'united' in the EU's motto 'united in diversity' so unattractive? Or to put it the other way around, what is there to be united for? Besides the long history and the achievements for peace, freedom and wealth, seemingly fading in the daily perception, and besides the obvious need for a vibrant vision to cope with the challenges ahead, identification with the 'whole' can be achieved either by distinction from the 'other' or by 'inner' strength.

There are, clearly, a number of 'pull' dynamics from outside the EU. The armed conflict in Ukraine, Ebola, ISIL and the large number of people fleeing to the borders of Europe made obvious that the 'colossus' EU only slowly responds with strength. Besides causing dramatic humanitarian crises calling for aid in those regions, these developments also threaten the EU and, hence, deserve swifter common reactions. Although desirable, shifting competencies to the EU level might not always be a politically feasible answer. In the case of international conflicts, for instance, diverging member states' preferences for approaching them might have become even more obvious if an EU Army existed. Rather, these external 'pull' dynamics open up opportunities to strongly promote and develop the EU's existing strengths and values while individual member states can choose, for example, to engage in military support.

Theses strengths and values also allow for a sound basis to formulate responses to the perceived challenges of global economic growth to the EU's competitiveness. As some member states show clearly, competitiveness could as well be increased by emphasising a product's quality – not only its price. In that sense, within on-going negotiations on comprehensive trade agreements, the EU could undoubtedly promote its high product standards, personal rights, data and consumer protection and, thereby, draw on quality. In a society where citizens care more and more about a product's social and ecological sustainability record, defending these strengths would surely be appreciated by European voters and would be a signal for standards across the world.

Accordingly, external strength can only be sustainable with sufficient 'inner' strength. A number of EU-internal 'pull' dynamics offer a range of opportunities to prove and boost this strength. The scratching at fundamental rights, low values of perceived judicial independence and significant levels of corruption in some member states as well as monopoly-like structures in the digital sector impeding competition in the Internal Market challenge many EU policies, but also offer an opportunity to foster the success of the EU's conviction to the rule of law.

Also, the ECB's expansive money supply is risking to feed the same bubbles that burst a couple of years ago and still, economic investments remain a major concern at the EU level. So far, more money did not translate into significant reductions of divergent economic conditions and strengthened public finances. Surely, EU institutions were set up and regulatory frameworks tightened, but their effectiveness has yet to be evaluated. The ECB might eventually face a conflict of interest between monetary policy and banking supervision, the SRF might trigger incentives for moral hazard due to the mutualisation of funds, and the Commission is still awaited to fill the SGP with bite. The member states' persistent diverging financial and economic conditions and differing inclination to conduct reforms put a threat to fiscal and monetary one-size-fits-all policies. Macroprudential policies, strong independent banking supervision as well as varying countercyclical capital buffers in the member states could help to stimulate the success of the transmission mechanisms of the ECB's single monetary policy. As an alternative to perceived 'dictates' from Brussels, the European Semester and a number of new scoreboards are promising approaches to increase benchmarking processes, enable 'learning' and, hence, the member states to grow 'jointly'.

So far, properly conducted reforms seemed to be most effective in encouraging economic investments, often enough at the expense of individuals' income and growing inequality, though. This triggered calls for enhanced solidarity within the EU. In this regard, further efforts to deepen EU and Euro area integration have to understand responsibility as a prerequisite for mutual support, while strongly preventing incentives for moral hazard. The levels of integration achieved as a response to the crisis years are risking to turn into, further provoke or even manifest dependencies between member states and vis-à-vis Euro area institutions instead of reducing them. Monitoring the member states' economic and fiscal performances, the European Commission might want to put special emphasis on these dependencies while acknowledging that the crisis years' 'mode of operation' of short-term policy-making might be out-dated. Instead, it could be time again to focus on fostering member states' individual qualities, thanks to benchmarking procedures and targeted development funds. As the EU's motto stipulates 'united in' instead of 'united despite diversity', 'solidarity' is requested to be re-conceived so as to effectively enable 'diversity', allowing each member states' different capacities and qualities to prosper.

While all these 'pull' dynamics challenge the notion of 'united', they clearly provide an opportunity to reveal the full potential of the EU's 'inner' strengths – vis-à-vis both EU-internal and international challenges. In the foreword to the General Report on the Activities of the European Union 2014, President *Juncker* announced: "We will do many different things and do them differently: 'big on the big things, small on the small things'" (p. 4). A call for subsidiarity, though, is not a call for 'one-size-fits-all'. Competencies at the EU level are supposed to internalise externalities, from a rational perspective, but the European Parliament elections' low turnout also called for obvious reasons for identifying with the EU, a 'whole' that forms indeed more than its parts. As outlined above, instead of bending to external pressures, the EU can confidently stand up for and develop its 'old' strengths and values; also recollecting its fundamental principle of subsidiarity, and listening to the 'bottom' to build the 'top'. Thanks to the Commission's new structure, building on enhanced portfolio responsibility and project teams, the President is in a good position to – as he suggested – think 'big'.

VIII. Summary

Despite the fact that legislative activities were on hold due to the European Parliament elections, important projects progressed: the Banking Union, further financial market and tax regulations, enhanced capacities to respond to rule of law infringements and increased ambitions for reducing energy consumption and dependence. The Euro area grew by two member states and the Court strengthened data protection and human rights. Although slowly, the EU seems to find one strong voice in international politics. However, 2015 will still be requesting solutions to the mentioned external crises as well as to the EU's major internal project of EU-wide sustainable economic growth.