The European Union in 2012: a Review

I. Introduction

In line with most predictions, 2012 proved to be another turbulent year for the European Union (EU). Throughout the year, several core components of the Union's policy remit came under intense scrutiny: the common currency, the Schengen agreement, and the Common Agricultural Policy (CAP), not to mention the European institutions themselves, largely as part of the on-going negotiations between Member States in view of the financial future of the EU in times of budgetary crisis. The public debate, not least in the context of this journal, was focused on two general themes: how to address the imminent critical developments, and how to reform the Union in the medium- to long-run. Within the European institutions, however, the former question by far outweighed any considerations on the latter issue.

Accordingly, the better part of the agenda was driven by critical and mostly endogenous developments and specific policy challenges. Particular uncertainty abounded concerning the future of the Euro and the issue of fiscal stability, not only regarding the crisis in Greece, but also in view of dire outlooks concerning Italy, Spain, and Cyprus. In addition, the Union faced numerous and protracted rounds of negotiation on the financial framework for the years 2014 to 2020. These negotiations touched upon all areas of EU policy and brought questions of scope, emphasis, and necessity to the forefront of what evolved into a vocal and, in parts, public debate among and between Member States and EU institutions.

The following review of the political developments at the EU level throughout the year 2012 will thus adhere to the aforementioned general structure, first focusing on the effects of the sovereign debt crisis and then looking at other policy areas, with a more general view at the budget negotiations for the upcoming planning period.

II. The Sovereign Debt Crisis in 2012: Developments and Effects

The sovereign debt crisis within the Euro area took a turn for the worse in 2012. In addition to on-going reform efforts in Greece, Ireland, and Portugal – the countries that had already received support funds through a number of policy

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instruments by the end of 2011 –, major Eurozone members, such as Italy and Spain, showed first signs of potential weaknesses that could pose further threats. While Italy has maintained its position on the capital markets despite intermittently high costs of refinancing, the government in Madrid, in June 2012, asked for Eurozone support for its ailing financial sector (albeit not for the public exchequer) to the extent of 100 bn. EUR. In addition, the comparatively small Member State Cyprus came under duress as a result of its exposure to the Greek economy and its dependence on the financial services sector, making it the fifth Eurozone member to apply for bail-out funds. Spain has thus far drawn c. 40 bn. EUR in funds to re-capitalise its banks; the remainder of nearly 60 bn. EUR is expected to remain untouched but is formally open for withdrawal until December 2012. The Cypriot case remains unresolved as of early 2013.

Greece was the cause of further upheaval throughout the year as the implementation of the structural reforms that came attached to the first and second bail-out packages provided by the IMF, the Eurozone countries, and the European Commission did not go as far as initially planned and did not achieve the set targets. While the transitional government formed in late 2011 pushed through a number of further reforms demanded by the country's creditors, including a partial default (or "hair cut") on existing obligations, the subsequent general election returned an unusually high number of representatives of parties from the fringes of the political spectrum, indicating widespread popular discontent. Relative political stability was achieved through the formation of a cross-bench alliance of moderate conservatives and social democrats under the leadership of Prime Minister *Samaras.* However, the on-going monitoring of progress concerning the country's reform efforts, conditional for the disbursement of each tranche of funds, returned mixed results as the country struggles with further economic contraction, high levels of unemployment (particularly among younger citizens), and the heavy burden of past reform programmes.

At the European level, the crisis led to three new developments: the signing of a new Treaty on Stability, Coordination and Governance in the Economic and Monetary Union (TSCG, usually referred to as the Fiscal Compact), the acceleration of the European Stability Mechanism (ESM), and the project of a European Banking Union.

The Fiscal Compact was pushed for by the German government and negotiated as an agreement under international law, *prima facie* outside the framework of European Law. However, the Compact relies extensively on the use of EU institutions, which has led to substantial criticism. The agreement, which came into

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effect on 1 January 2013, demands that all signatories keep their public finances in order, borrowing only in a sustainable fashion and subjecting them to a number of regulations should debt levels exceed 60 per cent of GDP. As the Compact covers a number of rules that were also part of the Six-Pack reforms of 2011, a certain double effort can be made out. All EU Member States but the United Kingdom and the Czech Republic acceded to the Treaty, which was ratified by the requisite number of twelve Eurozone members by autumn 2012.

The ESM, initially set to start operating in mid-2013, was launched one year earlier in view of growing fears concerning the sustainability of Italian and Spanish sovereign debt. This enabled the Mechanism to operate side-by-side with its temporary predecessors, the European Financial Stability Facility (EFSF) and the European Financial Stability Mechanism (EFSM), set to expire in 2013. In addition, ideas were floated to use financial leverage instruments to expand the resource base of the Mechanism in order to increase the safeguarding effect to avoid future complications, especially in view of Italy and Spain.

The project of a European Banking Union, with the aim of a centralised system of supervision under the auspices of the ECB, even though the precise scope of this remains undefined, and the expansion of ESM lending to directly support ailing financial institutions, was the third major item on the EU's crisis management agenda. Member States hedged largely different bets, with fiscally sound countries that are facing instability among their financial institutions – such as Spain – at the forefront, while Germany, in particular, was averse to a timely and comprehensive implementation. Thus, most concrete measures relating to the project of a Single Supervisory Mechanism (SSM) remain under consideration or in the early stages of implementation as of February 2013.

These new approaches by the Member States were complemented by an announcement of the European Central Bank (ECB) to provide yield-lowering relief through open-market operations to countries under pressure from the financial markets. In essence, the ECB made a policy decision to intervene on the secondary markets for government debt in favour of any Member State that faces extraordinary difficulties in re-financing its sovereign debt. However, such support was declared conditional on an application for support from the ESM, thus supposedly leading to a linkage to the reform principle of the joint bail-out fund. The prospect of such a monetary intervention could, however, outweigh the fiscal limitations of the ESM and its predecessors. Thus, this announcement helped to soothe market sentiment in view of Spain and, in particular, Italy. The former has, in order to pre-emptively qualify for ECB intervention, filed an ap-

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plication for a second ESM credit line, which it claims it has no intention of drawing on.

III. Developments in Other Policy Areas

Despite its all-absorbing nature, especially regarding public and media attention, and even though it poses a very grave challenge to the Union as a whole, the crisis was only part of a great host of political developments at the EU level. As indicated before, these were overshadowed by the negotiations on the upcoming financial planning period. The following sections will outline most major developments, beginning with an overview of the budget negotiations (1.), followed by the policy areas of the Internal Market, Infrastructure, Transport, and Energy (2.); Agriculture and Fisheries, Environment, and Climate Protection (3.), Justice and Home Affairs, Migration (4.), Research and Education (5.), and External Affairs (6.).

1. The Multi-Annual Financial Framework 2014-2020

The annual EU budgets are based on the prescriptions of multi-annual frameworks, introduced to spare the Union an annual all-encompassing budget debate among Member States. As the current planning period expires in 2013, negotiations for the subsequent period from 2014 to 2020 were formally launched in June 2011 through a Commission proposal. This subsequently entered a "clarification phase" that lasted until March 2012, when formal negotiations were set to commence. Throughout the year, the European Council and the General Affairs Council met twelve times to consider and negotiate the proposed financial framework.

While the Commission proposal amounted to commitment appropriations of c. 1,033 bn. EUR, the Council scaled this down to a level of 960 bn. EUR. Positions differed markedly between Member States, with Germany and the United Kingdom in favour of fiscal conservatism, while the major recipient countries argued for stable or expanded budget levels. The Council proposal still requires the assent of the European Parliament, which remains uncertain as of early 2013. It would entail the first cut in the EU's budget since its foundation, amounting to reductions of 3.3 per cent. While spending on issues such as climate change prevention and adaptation was increased, agriculture and cohesion policy expenditures remain at the centre – and did not suffer as much as other policy areas

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that could be argued to promise more potential for future development, not least in the area of research policy and forward-looking infrastructural investments.

2. Internal Market, Infrastructure, Transport, and Energy

Complementing the Single Market Act of 2011, the Commission launched a second series of measures intended to strengthen the functioning of the Internal Market. The Single Market Act II, proposed in October, encompasses a number of legislative proposals in the areas of infrastructure development, transport, mobility of individuals and businesses, digital economic transactions, social entrepreneurship, and product safety.

As part of its anti-cartel actions, the Commission imposed fines amounting to 1.47 bn. EUR on seven international conglomerates for price fixing, market and customer allocation, output coordination, and information exchanges in the market for cathode-ray tubes. According to the Commission, this constituted one of the "most organised cartels … ever investigated". All other cartel proceedings of 2012 resulted in fines of 1.8 bn. EUR. In addition, new enquiries were launched against trans-atlantic passenger airlines and patent holders in the mobile phone sector, complementing further proceedings in the transport, communications, pharmaceuticals, and energy sectors.

Over the course of the year, the Commission gave its assent to 253 business mergers while refusing only one such move. Prominent cases included:

- the acquisition of Motorola Mobility by Google,
- the acquisition of ED & F Man (UK) by Südzucker,
- the provisional clearance of the acquisition of Inoxium (the stainless steel arm of ThyssenKrupp) by the Finnish company Outokumpu, and
- the refusal of the merger of NYSE Euronext and Deutsche Börse due to their foreseeable market dominance of exchange-traded European financial derivatives.

In the area of tax policy, the Parliament voted in favour of a 2011 Commission proposal on a Consolidated Corporate Tax Base, aimed at simplifying the payment of corporate tax across the EU and saving businesses large amounts of resources by lifting administrative burdens. Furthermore, the Council decided on positive conclusions regarding a 2010 consultation that called for a reformed VAT system, thus asking for a detailed Commission proposal. Following a Commission suggestion from 2011, Member States considered the imposition of an EU-wide financial transaction tax, but could not reach a consensus. However,

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in June 2012, eleven Member States requested the Commission to launch an Enhanced Cooperation project to establish such a levy in their jurisdictions. The Commission proposal was granted parliamentary assent in December 2012; negotiations on the matter are on-going.

In the area of infrastructure investment, another round of applications was invited to distribute 1.3 bn. EUR from the transport infrastructure programme (TEN-T), which will be the last instalment for the outgoing planning period. The transition to the new TEN-T guidelines for the 2014-2020 period has also been set in motion, in addition to a new funding facility for Connecting Europe (CEF), which will provide c. 50 bn. EUR over the next Multi-Annual Framework to support critical infrastructure projects.

While no concrete new measures were passed in 2012, the Commission published a number of proposals in the area of air transport. Beginning with a wider-ranging communication on potential future challenges in September, a specific proposal concerning the area of flight incident reporting was tabled in December. In addition, the so-called "Better Airports Package" was discussed among EU institutions over the year 2012 and is set to result in legislation in 2013. However, in April 2012, Parliament agreed to a new Passenger Name Record (PNR) agreement with the United States, in force since 1 July 2012. Passenger data of travellers to the U.S. are to be stored and analysed in the name of crime prevention and counter-terrorism.

Concerning road and rail transport, the Commission proposed a bundle of legislative acts to harmonise relevant standards across the Union in order to to promote road safety. The existing policy of enabling lorry operators to pay road tolls in all EU countries based on a single subscription (European Electronic Toll Service, EETS) could not be completed by the set deadline (October 2012) with the Commission citing delays in Member States' implementation as the cause. Furthermore, legislation was passed to reform the rules on access to the rail transport market, aiming to increase transparency, to stimulate both public and private investments, and to strengthen the authority of regulating agencies at the Member State level.

The field of energy policy was to some extent overshadowed by the Japanese reactor crisis of 2011, with "stress tests" of nuclear plants across the EU underway for most of 2012, complemented by a number of debates on how to implement an on-going (peer-)review process in the field. Moreover, the Commission sought to promote a debate on the future of EU policy on renewable energy

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sources, calling for more co-ordination among Member States and a stronger emphasis on long-term solutions. This was complemented by a communication on energy security, constituting the first unified strategic proposal for EU policy in the area, with particular focus on the external and neighbourhood dimension concerning energy imports and its linkages to other aspects of EU external affairs. In terms of legislation, an Energy Efficiency Directive was passed in December 2012, aiming to establish harmonised energy efficiency regimes in all Member States and to strengthen consumer rights concerning access to information on individual energy consumption levels.

3. Agriculture and Fisheries, Environment, and Climate Protection

Hardly any progress was made in reforming the Common Agricultural Policy (CAP) and the Common Fisheries Policy (CFP), even as the CAP celebrated its 50th year of existence in 2012. No substantial re-orientations can be made out in the new Multi-Annual Financial Framework, although agreement was reached in principle to direct more funds towards environmental protection. However, the fundamental problems of the CAP, the EU's most protectionist instrument, remain in place: high administrative costs, barriers to competition with non-European markets, and a general contradiction with the Union's otherwise free-trade-friendly stance in terms of both the Internal Market and foreign trade. The CFP is also in urgent need of reform, as the Commission estimates that 80 per cent of all Mediterranean and nearly 50 per cent of all Atlantic fish stocks are currently overfished. Its 2011 proposal for reform was debated between the EU institutions and interest groups throughout 2012, but no concrete result was achieved by the end of the year.

In the area of environment policy, a new (7th) Environmental Action Programme (EAP) was launched to cover the Multi-Annual Framework period until 2020. However, the Programme had little direct effect on policy and legislation, largely summarising broad goals and wide agendas. This was complemented by a smaller study on the effectiveness of environmental policy implementation that covered a number of recommendations to improve and accelerate processes in this area. Furthermore, a proposal was made to reform the twenty-year old Environmental Impact Directive, effectively reducing the number of projects that need to undergo an impact assessment to those that cause what is referred to as "significant" environmental effects.

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More action was visible in the field of climate policy, where the airline industry came under the purview of the Union's Emissions Trading Scheme (ETS) in January 2012. This affects all flights to and from airports in the EU and Norway, Liechtenstein, and Iceland, but a "goodwill period" until 2013 was granted for flights to and from third countries, providing exemptions in the hope of accelerating negotiations for a global regime on aircraft emissions. The ETS was also in parts reformed to prepare for the third trading period starting in 2013, and a landmark project was launched with first steps towards a linkage of the EU and Australian trading schemes as of 2015, which could constitute one step in the direction of a more comprehensive cap-and-trade scheme. Furthermore, progress was made in establishing more ambitious CO_2 emission standards for new cars and in the area of harmonising the measurement of emissions from agriculture and forestry. This was complemented by a legislative proposal to regulate the output of industrial fluorinated gases, the majority of which are seen as potent greenhouse emissions.

4. Justice and Home Affairs, Migration

In the area of judicial policy, provisions concerning cross-border cases of inheritance went on the statute books in July 2012. The new rules reduce the administrative burden on citizens coming into an inheritance from a family member in another Member State, amounting to an estimated 450,000 cases every year. The law stipulates that the applicable legal framework is uniformly determined by the deceased's ordinary place of residence. This is to be supplemented by the introduction of a European Certificate of Succession, providing a harmonised standard of documentation and legal proof throughout the Union.

Furthermore, complementing previous legislation on the European Arrest Warrant, a harmonised "letter of rights" was agreed upon that summarises a detainee's rights in criminal proceedings, to be implemented by Member States over the next two years. Another legal novelty is constituted by a new directive on victims' rights that was passed in November. It provides for an EU-wide minimum standard for public authorities' dealings with crime victims.

In the field of drug policy, the Commission launched two initiatives on the control of precursor substances of heroin and methamphetamines. These substances are used in many different legitimate settings, but it is argued that tighter controls are necessary to avoid their being channelled into illicit purposes. In other areas of criminal law, the Commission proposed a measure to harmonise and render

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more effective the confiscation of illegally acquired property and funds, as part of a wider approach that is also set to include anti-fraud and anti-corruption strategies. Furthermore, a Cybercrime Centre was established as part of Europol, taking up operations in January 2013.

New laws were also adopted in early 2012 to combat the illegal trafficking of arms across the EU's external borders, listing licencing requirements in export, import, and transit scenarios. This will enable the Union to accede to the United Nations Firearms Protocol. In late 2012, the EU passed new legislation on the marketing and use of precursor materials for explosives, facing the problem of the misuse of chemicals for illicit bomb manufacture. It prevents the general public from buying, owning, or using certain substances above defined levels of concentration.

Based on a decision of the European Council to establish a Common European Asylum System (CEAS) by 2012, a number of measures were adopted to achieve this goal, including a Joint Resettlement Programme and an agreement on minimum material standards for reception facilities. Despite a general agreement on the distribution of responsibility for initial asylum claims, no final settlement could be reached on the general issue of some countries, especially on the southern periphery, facing above-average numbers of claims.

Over the summer, the Commission published a strategy document on the problem of human trafficking for the years until 2016, summarising a number of specific measures to avoid the illicit and forced transport of human beings, mostly for criminal purposes (such as sexual exploitation or forced labour). However, the strategy contains mostly soft measures and dialogue instruments, leaving its success dependent on the co-operation of national authorities and the effectiveness of the directive on trafficking from 2011 that is set to be transposed into Member States' law by early 2013. A more general EU-wide approach on migration, launched under the headline of a Global Approach to Migration and Mobility (GAMM) in May, has not come to fruition in 2012 but is to be defined more clearly in the near future, complemented by initiatives such as the Cooperation Programme with Third Countries in the Area of Migration and Asylum Policies.

In the first half of the year, proceedings were also launched against a number of Member States that failed to implement Union rules on the punishment of businesses who exploit illegal immigrants. Furthermore, the Commission signed a readmission agreement with Turkey that will facilitate the exchange of persons who illegally entered Turkey from EU territory and vice versa.

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In the area of visa policy, new discussions with Kosovo (from January 2012 onwards), Armenia, and Azerbaijan (both from October) complemented existing dialogues with Moldova, Ukraine, Georgia, and Russia. Negotiations with Cape Verde resulted in a liberalised regime, while another Commission proposal seeks to enable citizens of 16 Pacific and Caribbean island countries to travel to the Schengen area without a visa.

While a short-lived (and politically motivated) Danish proposal to review the foundations of the Schengen Agreement floundered due to a conservative electoral defeat, the on-going negotiations with Bulgaria and Romania on their accession to the Schengen area led to few concrete results in 2012, even though the official chapters have been closed since 2011. This is largely due to objections raised by some Member States concerning economic migration and the external border regime.

5. Research and Education

The area of research and innovation policy was overshadowed by two general developments: the negotiations on the new research Framework Programme called “Horizon 2020” and the project of a European Innovation Union.

Horizon is the result of a decision to combine three existing lines of research funding: the Research Framework Programmes, the relevant aspects of the Competitiveness and Innovation Framework Programme, and the European Institute of Innovation and Technology. Horizon was originally set to disburse roughly 80 bn. EUR until 2020, but the on-going Multi-Annual Framework negotiations are likely to affect this number. In 2012, the final round of proposals for the outgoing 7th Framework Programme was launched, leading to disbursements of c. 8 bn. EUR.

The Innovation Union project is part of the wider Europe 2020 strategy, seeking to provide a more stimulating environment for innovative enterprise. This is to be achieved through four concrete measures: the introduction of a unified patent as agreed by the Council and Parliament in December 2012, the modernisation of standard-setting procedures, the unification of the European markets for venture capital, and the streamlining of public procurement procedures towards innovation-friendly outcomes.

The Horizon framework programme is linked to the Innovation Union idea through the concept of a European Research Area (ERA) that aims at the harmonisation of research policies and the lifting of existing barriers to research ex-

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changes and co-operation, even across the private-public boundary. A Commission communication published in 2012 called for more efforts to be rallied to this end, proposing the year 2014 as a deadline for the completion of the ERA.

On the occasion of the 25th anniversary of the ERASMUS exchange programme, the Council debated a Commission proposal to expand the measure to groups of young people other than university students under the name "ERASMUS for All", calling for additional funds in the upcoming planning period. The Council generally expressed favourable opinions on the programme and its continuation, even in the face of general budget cuts.

As part of the European Semester budgeting exercise in 2012, the Commission issued, furthermore, a number of Member-State-specific "recommendations" in the area of education policy, arguing from the perspective of the Europe 2020 strategy. Aside from providing insights on how this new instrument can be used to allow the Commission to comment on Member State competences, the points proposed generally aimed at the following problem areas:

- basic targets regarding school leaving ages, tertiary education levels, and higher education quality,
- reform of vocational education and professional training systems, not least in the field of traditional apprenticeships, and
- the treatment of disadvantaged groups.

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

In the area of external trade policy, the on-going build-up of momentum towards a new transatlantic free trade initiative throughout the year proved noteworthy, culminating in a high-level initiative in early 2013, announced in President *Obama's* State of the Union speech. This will lead to trade negotiations in the near future, complementing similar plans vis-à-vis Japan, Thailand, and the Southern Mediterranean countries. While these initiatives are yet to be launched, negotiations with Vietnam were opened in 2012.

Further on-going processes are currently in place with Canada, India, Malaysia, the Eastern Neighbourhood countries, the Gulf Cooperation Council, MERCOSUR, and the ACP countries. The 2011 EU-South Korea agreement is now fully implemented, while the negotiations with Singapore were concluded in 2012. Furthermore, a Partnership and Co-operation Agreement with Iraq was signed in May. The extant deals with Colombia, Central America, and Ukraine

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are still waiting to enter into force, subject to several political and procedural conditions.

2012 was an important year in the area of development policy, as a number of reforms were either launched or discussed. This is most notable in the adjusted priorities of EU programming, which henceforth focus on the most impoverished countries and regions, concentrating on poverty reduction. This is to be complemented by initiatives on good governance, inclusive and sustainable growth, and human rights. The latter aims were central in view of an overhaul of the direct budget support measures to third countries, while the former are to be at the core of the Union's own programmes, which are claimed to encompass a stronger focus on co-operation with NGOs and private businesses. In addition, and based on a number of trial projects, an EU Aid Volunteers Corps is to be formed by 2014, enabling about 10,000 humanitarian volunteers to be sent to regions in need, complementing the work of the Humanitarian Department, which celebrated its 20th anniversary in 2012.

In the area of CSDP, a total of 15 missions were on-going in 2012, including three military missions (EUFOR Althea in Bosnia and Herzegovina, EUNAVFOR Atalanta in seas around the Horn of Africa, and EUTM Somalia, a training mission for Somali security forces). Three new missions were launched: EUCAP Nestor on the Horn of Africa, EUCAP Sahel in Niger, and EUAVSEC in South Sudan – the former two constituting capacity building operations, the latter aviation security support).

In addition, EULEX Kosovo underwent a major reform while the EUPOL mission in Bosnia and Herzegovina, the longest-running CSDP operation, was concluded. The EU Operations Centre was first activated in March 2012 by the European Council and tasked with the co-ordination of the three military missions. These actions were complemented by funds from the EU Instrument for Stability, which led to the disbursement of nearly 200 m. EUR across 41 initiatives throughout 2012, including election support, intervention in crisis-ridden regions such as Syria or Libya, or the support of local capacity building and peace processes.

The European Neighbourhood Policy was faced with challenges from the ongoing transformation in the Arab Mediterranean region, leading to the establishment of the SPRING programme ("Support for Partnership, Reform, and Inclusive Growth"), complementing the "Eastern Partnership Integration and Cooperation" programme (EaPIC) in the period 2011-13 and covering 670 m. EUR. In

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addition to other measures, such as the agricultural support programme ENPARD and the attraction of resources outside the Community budget, such as EIB lending schemes, this amounted to a sizeable financial framework to support reform beyond the EU's periphery.

In terms of enlargement, the preparations for the accession of Croatia in 2013 continued without major problems throughout 2012, while the negotiations with Iceland were expanded to include further chapters. On the other hand, negotiations with Turkey received no positive impetus all year, even though the Commission made an attempt at fair weather politics through the publication of an agenda for further co-operation projects at the fringes of the accession process. New negotiations were opened with Montenegro in June, while Serbia – a candidate country – is yet to complete the political demands of the EU before negotiations can commence. Further processes, aiming at the opening of accession negotiations, are in place with Macedonia, Albania, Bosnia and Herzegovina, and Kosovo.

IV. Institutions, Personnel, Finances

In terms of institutional developments, the European Parliament reached the halfway point of its electoral period in 2012, leading to a number of personnel changes in its leadership, most notably in the election of *Martin Schulz* (S&D/SPD) to the Presidency. Furthermore, twelve Croatian MEPs with observer status were welcomed in April 2012 as part of the country's accession as detailed above.

The Parliament also passed a resolution that calls for European parties to nominate candidates for the Commission presidency as part of the upcoming elections in 2014, thus seeking to create a stronger parliamentary linkage for the EU's executive body and shifting some weight from the Council to the electorate. Furthermore, some minor steps were taken in the direction of inter-institutional streamlining.

For 2012, the financial resource base of the EU amounted to 129.1 bn. EUR in payment appropriations, distributed across policy areas as detailed in table 1. The authorised staff levels for 2012 provided for 46'347 posts (including 7'697 temporary positions), of which 40'746 were scheduled for the EU institutions in the narrower sense and 25'065 for the European Commission. As the negotiations on the Multi-Annual Financial Framework also touched upon the issue of EU Civil

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Servants, a number of critical responses could be noted throughout 2012, including several strikes by European officials.

Table 1: Distribution of the EU Budget in 2012

Policy Area	Payment Appropriations (bn. EUR)	Budget share (in per cent)
1. Sustainable Growth	**55.3**	**45.9**
1a. Competitiveness for growth and employment	11.5	10.0
1b. Cohesion for growth and employment	43.8	35.8
2. Preservation and management of natural resources	**57.0**	**40.8**
2a. Direct aids & market related expenditure	43.9	29.9
2b. Rural development, environment & fisheries	13.1	10.8
3. Citizenship, freedom, security and justice	**1.5**	**1.4**
3a. Freedom, security & justice	0.8	0.9
3b. Citizenship	0.6	0.5
4. EU as a global player	**6.9**	**6.4**
5. Administration	**8.3**	**5.6**
of which for the Commission	3.3	2.3
Total	**129.1**	**100**

Source: European Commission, EUR Lex Budget On-Line, 2013.

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V. Summary

As the year drew to a close, the Union and its Member States could claim to have overcome the most pressing challenges in the short-run: the prospect of unlimited ECB intervention in combination with the establishment of the permanent Stability Mechanism calmed the financial markets while the inner workings of the Economic and Monetary Union were overhauled by a number of legislative acts and parallel initiatives outside the framework of the EU process itself, such as the Fiscal Compact.

However, scepticism is appropriate for two reasons: on the one hand, it is far from certain that these measures are sufficient to address the causes of the current crisis and to help fledgling Member States back on their feet. Many, including a number of authors of this journal, have expressed a sizeable degree of doubt on this matter.

On the other hand, even if the current policy approach proves successful in overcoming the crisis, substantial criticism has been voiced concerning the path dependencies created in its wake: beyond all immediate necessity, the prospects of a fiscal union and a Banking Union are all but unanimously popular. This demonstrates that the near-automatic reaction of calling for “more Europe” in the face of critical developments may not be entirely prudent, since the crisis does, in fact, call for a “better Europe”. After all, it was caused by a dysfunctional system, created in the heat of a historical turn in the early 1990s. One lesson may therefore be that a stabilisation of the status quo might be preferable to a reaction that risks repeating past mistakes: to create long-term obligations as a reaction to short-term problems.

In this light, the crisis is far from over. Assuming that the immediate dangers can be overcome, the European Union will still need to face a number of more fundamental issues relating to the question of *finalité* (in terms of both territorial expansion and policy remit), the relationship to its Member States, and, most importantly, its citizenry. In many ways, however, the most regrettable victim of the crisis is the larger public debate on these more fundamental questions concerning the future of Europe – a world without alternatives has no need for open-ended discussions.

Compiled by the ZSE’s Editorial Staff

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