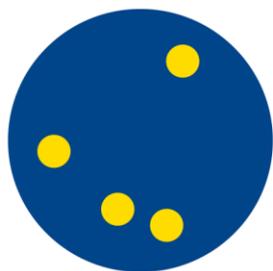


COUNTRY REPORT

Hungary

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Visegrad
in the EU

HOW MUCH DO WE MATTER?

Executive Summary¹

Hungary completed its accession to the European Union on 1 May 2004 supported by a widespread social consensus and a commitment to the EU membership. The Hungarian citizens also supported EU accession, as reflected in the result of the referendum held in 2003.² Hungary has been a committed supporter of the European integration process since its accession, although with slight differences in the approaches of left- and right-wing governments. However, each government – irrespective of its political ideology – committed itself to supporting the most significant measures aimed at the deepening and widening of integration.

Besides EU accession, the Presidency in 2011 was also a milestone for Hungary's position in the integration process. Thus, several Hungarian priorities were related to the EU Presidency, such as the adoption of the Six Pack, the Schengen accession of Romania and Bulgaria as well as the commencement of the operation of the European Asylum Support Office.

Concerning the field of *External relations, Freedom, security and justice, Institutions and Single Market*, the following Hungarian priorities can be outlined from the last ten years:

- Developing a more institutionalized form of cooperation within the framework of the Eastern Partnership
- Supporting the integration process of the Western Balkans
- Granting community rights to ethnic Hungarian minorities outside the borders of Hungary
- Joining the Schengen Area and supporting other Member States in the same efforts
- Visa liberalization with neighboring countries
- Starting to operate the European Asylum Support Office and the establishment of the Common European Asylum System
- Adoption of the euro
- Exit from the excessive deficit procedure
- Adoption of the Lisbon Treaty
- Removing trade barriers through the implementation of the Services Directive
- Increasing supply stability and competitiveness and creation of a common energy policy
- Liberalization of road freight transport, planning, and developing TEN-T corridors

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Prof László J. Kiss (*IFAT – Corvinus University*); Csaba László (*former Minister of Finance (2002–2004)*); Zoltán Lékó (*Deputy Head of Department, MFAT*); Tamás Molnár (*Head of the Department of Migration, Ministry of Interior*); Prof Zoltán Pogátsa (*Faculty of Economics, University of Western Hungary*); Dr. András Rácz (*Finnish Institute of International Affairs*).

² The supporting votes overwhelmed those of refusing Hungarian EU accession (83.76 and 16.24% respectively), though the turnout could be considered as low-medium (45.62% of total population eligible to vote). Legal result of the referendum on 12 April 2003 http://valasztas.hu/nepszav03/outroot/en/10_0.html

Retrospection on the top priorities of Hungary in the past ten years

1. External Relations

The first ten years in the EU was a period of accommodation to and “internalization” of membership, including the realization of the three foreign policy priorities set following the regime change, namely, integration in the Euro-Atlantic institutions and organizations, good relations to the neighbours, and the ethnic Hungarian minorities outside the borders of Hungary, both within the EU framework and bilaterally. The ten years’ achievements were symbolized by and reflected in the Hungarian EU Presidency, which took place already in a changed international environment: the global economic/financial crisis and the Arab Spring. The new Hungarian foreign policy formulated in the 2010–2014 governmental cycle reflected these changes and tried to formulate answers to these global challenges by initiating the “global/eastern opening”. The new foreign policy strategy on the one hand aimed at expanding the sphere of Hungarian foreign policy activities, on the other hand, it increased the focus on economic relations while maintaining other elements of external relations. The “eastern opening” policy will remain at the core of the Hungarian foreign policy activities in the present governmental period (2014–2018), and maybe even beyond, therefore, the main task of Hungarian foreign (and trade) policy will be to “embed” the “eastern opening” interests into EU external relations.

The first ten years of EU membership posed two challenges to Hungary’s foreign policy: on the one hand, Hungary had to adapt to being an EU member, i.e. the primary foreign policy goal – EU membership – had to be internalized and converted to “domestic” policy. On the other hand, relations had to be carried out both in a bilateral and a multilateral (EU) format. Hungary’s top priorities in the first ten years of EU membership in the field of external

relations partly originated from the membership itself and partly from the top long-term priorities of Hungarian foreign policy after the regime change in 1990/1991. These priorities were integration into Euro-Atlantic institutions and organizations, good relations with its neighbours and the ethnic Hungarian minorities outside the borders of Hungary. Thus, they include Hungary’s **EU Presidency** in the first half of 2011 (accidentally also including activities related to the Arab Spring and thus the southern dimension of the European Neighbourhood Policy), the **Eastern Partnership** (the ENP’s eastern dimension), and Hungary’s direct southern neighbourhood, **the Western Balkans**.

The Hungarian EU presidency in the first half of 2011 was considered by the Hungarian political elite as a symbol and a symbolic completion of Hungary’s membership, and at the same time it also implied a national consensus, since it was the Socialist Party-led government which prepared the Presidency, but it was the incoming FIDESZ-led government who actually had to handle it. The Presidency proved to be a foreign policy challenge in two important aspects: namely that it was the EU presidency after the Lisbon Treaty when the European External Action Service started to operate.³ This meant that external relations became the competence of the EEAS and the Presidency had a supportive role only. This included the substitution/representation of Lady Ashton – upon her request – in some twenty cases, and the representation of the European Union by the Hungarian embassies in several countries, among them Belarus, Cuba, Iran and Libya.⁴ On the other hand, this was the period when – beside the global economic-financial crisis and the nuclear catastrophe in Fukushima – the events of the “Arab Spring” unfolded in the southern neighbourhood of the EU posing unexpected political, economic, security, and social problems to both the EU at large and Hungary. The Hungarian Presidency was very clear in giving all support to the EEAS, and kept handling those questions of external

³ In fact the EEAS started to work on December 1, 2010, just one month before Hungary took over the Presidency.

⁴ Marján Attila (ed.): Magyarország első évtizede az Európai Unióban 2004–2014 [Hungary’s first decade in the European Union

2004–2014], Nemzeti Közszerzői Egyetem – Magyar Külügyi Intézet, Budapest, 2014, pp. 88-90.

implications which, while complementing the EEAS activities, did not belong to the scope of activities of the Presidency.

The other **top priority** for Hungary **was** related to the other dimension of the European Neighbourhood policy, namely **the Eastern Partnership**, where Hungary's neighbourhood overlapped with that of the European Union. This characteristic, originating from the geographical position of the country has been shared by three out of the four Visegrad countries, providing an opportunity to jointly represent shared concerns and interests within the EU. The close cooperation among the Visegrad four had a profound impact on the development of the Eastern Partnership (EaP), developing it from a set of bilateral relations between the EU and the partner states to a more institutionalized form of cooperation with a multilateral dimension as well.⁵ The EU partnership gave Hungary the chance of moving from a policy-taker into a policy shaker on neighbourhood issues. Hungarian interests have focused on only Ukraine and on Moldova, out of the six partner countries. Ukraine and Moldova received considerable political support from the Hungarian government, manifested in the form of high-level visits and initiatives. Out of the two, however, Ukraine has received much more and also more diverse attention. Ukraine has a key strategic role in Hungarian geopolitical thinking since it is the transit route through which Russian oil and gas reaches Hungary. Other considerations include the prevention of smuggling and organized crime, cooperation on natural disasters (the flood of the river

Tisza), and – high on the agenda of the present government – the fate and well-being of the some 150,000 ethnic Hungarian in the Transcarpathian region of Ukraine bordering Hungary. This has an impact on the Hungarian official development assistance (ODA) activities as well, since in Ukraine it is clearly focused on the Hungarian-populated territory.⁶

The **third priority** for Hungary was geographically located in Hungary's direct southern neighbourhood, **the Western Balkans**.⁷ While originally it should have been one of the target neighbourhoods of the European Union as well, the states of the Western Balkans were perceived as potential EU members, thus the region was left out of the scope of the European Neighbourhood Policy.⁸ Hungarian perception of EU enlargement was based on the understanding that further enlargement, especially in its direct neighbourhood, would serve Hungary's political, social, security, and economic interests well.⁹ With Slovenia and Slovakia joining the EU together with Hungary, and later Romania in January 2007, apart from the relatively short border with Ukraine, the accession of Croatia, and later Serbia, would end Hungary's peripheral geographic position within the EU. Besides general considerations, such as transport corridors, pipelines, migration, and the stability of the Balkan states, the presence of a still relatively meaningful Hungarian minority in Serbia, and to a smaller extent also in Croatia, made the successive Hungarian governments champion Croatian and Serbian integration.¹⁰ It is considered partly the success of Hungarian foreign

⁵ Alexander Duleba – András Rácz – Very Riháčíková – Rafal Sadowski: Visegrad 4 the Eastern Partnership: Towards the Vilnius Summit, Research Center of the SPPA, Bratislava, 2013 http://eap-csf.eu/assets/files/Articles/paper_V4%20EaP_FINAL.pdf

⁶ Ibid.; András Rácz: Divided Stands the Visegrad? The V4 have been united towards the Ukraine crisis but remain split concerning Russia, 24.6.2014, http://www.fiaa.fi/en/publication/428/divided_stands_the_visegrad

⁷ Szentiványi Gábor: A Balkán térség és a magyar külpolitika – Transcript of the lecture by the Political Director of the MFA entitled The Balkans region and Hungarian foreign policy on November 20, 2008 at a conference under the same title organized by the National Strategic Studies Program Committee of the Hungarian Academy of Sciences and the Europe Institute Budapest.

⁸ In spite of the fact that at the beginning of the planning of the European Neighbourhood Policy four potential neighbourhoods were foreseen - the Balkans, Turkey, the southern-eastern

Mediterranean and Eastern Europe – the "Wider Europe – Neighbourhood: A New Framework for Relations with our Eastern and Southern Neighbours", (11.3.2013, COM/203/104) http://eeas.europa.eu/enp/pdf/pdf/com03_104_en.pdf and the "European Neighbourhood Policy - Strategy Paper" (12.5.2004, COM/2004/373) already excluded the Western Balkans. <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52004DC0373&from=EN>

⁹ Hungary's Foreign Policy after the Hungarian Presidency of the Council of the European Union, MFA of Hungary, December 2011, p. 9., Marján Attila (ed.): Magyarország első évtizede az Európai Unióban 2004-2014 [Hungary's first decade in the European Union 2004-2014], Nemzeti Közszerológiai Egyetem – Magyar Külügyi Intézet, Budapest, 2014, p. 176.

¹⁰ Hungary's Foreign Policy after the Hungarian Presidency of the Council of the European Union, MFA of Hungary, December 2011, p. 22.

policy activities that Croatia joined the EU in 2013, and that Serbia could begin its accession negotiations with the EU in January 2014.

The first ten years of Hungary's EU membership were also characterized by an active Hungarian role in the implementation of the Common Security and Defense Policy. In 2014, some 7,000 Hungarian troops participated in 12 civilian and 4 military missions. Other priorities were reflected in the program of the Hungarian Presidency which included, beside the completion of the above mentioned Croatian membership: support of Romanian and Bulgarian accession to the Schengen system, the Roma strategy introduced in the EU agenda by the Hungarian Presidency, and the Danube Strategy.¹¹

Where Hungary failed to achieve a breakthrough was the minority issue. For Hungary, with ethnic Hungarian communities living outside the borders of Hungary, the minority issue has been of paramount importance through all the government periods since the regime change in Central Europe. While the fact that all Central European states were aiming at transatlantic integration, was probably their most important security guarantee, this in itself was not enough to grant the minorities their community rights. Upon joining the European Union Hungary had hoped that the issue could be raised to the EU agenda and solutions could be found in that format.

2. Freedom, Security and Justice

Hungary's geographic position and its special relations with the neighbouring countries have determined the Hungarian position and approach to European initiatives

and cooperation in the field of security, freedom, and justice. Because of border changes in the 20th century, a significant number of ethnic Hungarians live in the neighbouring countries.¹² Accordingly, Hungarian governments handled the protection of Hungarian minorities' rights as a priority of Hungarian foreign policy. Thus, after EU accession the Hungarian governments' well-considered interest was to **join the Schengen area and to support neighbouring EU member states in the same efforts**. Consequently, visa liberalization for non-EU member neighbouring countries is also a crucial element of the Hungarian position. Moreover, as Hungary is one of the Eastern border countries of the Schengen area, migration and asylum policy and the further development of cooperation in security related issues will be politically sensitive, but important priorities for Hungary. During the preparation period of the EU accession, Hungary was the first among the EU-candidates in closing down the Justice and Home Affairs (JHA) chapter in November 2001.¹³ The 'Hungarian Action Plan for the Schengen Accession'¹⁴ was used by the Commission in its positions, and served as a model for other candidates.¹⁵ In December 2004 the Hungarian Ministry of Home Affairs notified the Council that Hungary would be ready for examination by the beginning of 2006. When the first round of candidates' evaluation ended in December 2006, the preparedness of Hungary was found to be outstanding, thus it was the only candidate, which did not have to face 'follow up' visits.¹⁶ Yet, the development of SIS II suffered insurmountable delay. Though the heads of state of the Visegrad Countries concluded that their states had been prepared for the accession, and that they would consider the postponement of the Schengen enlargement as discriminatory. Finally, the JHA Council meeting in December decided to install the SISone4all, as it was proposed by the Portuguese

¹¹ Hungary's Foreign Policy after the Hungarian Presidency of the Council of the European Union, MFA of Hungary, December 2011

¹² In Romania more than 1.3 million, in Slovakia more than 450 thousands, in Ukraine more than 100 thousands and in Serbia ca. 250 thousands but there are Hungarian communities in Austria (more than 50 thousands), in Croatia (ca. 14000) and in Slovenia (around 6000) too.

¹³ <http://bruxinfo.hu/cikk/00000000-bruxinfo-tema-schengen4.html.html> (Bruxinfo: Justice and Home Affairs also checked off)

¹⁴ The Hungarian government prepared and submitted to the Commission the first Schengen Action Plan in 2001.

¹⁵ <http://bruxinfo.hu/cikk/00000000-bruxinfo-virtszerk-schengen4.html.html> (Bruxinfo: Justice and Home Affairs also checked off)

¹⁶ <http://www.euroskop.cz/gallery/8/2564-d87d7ab1ecc377abdc5ddfa2eecec92a.pdf> (Council Conclusions on Schengen Evaluation on New Member States (JHA Council meeting, Brussels, 18.09.2007)

Presidency,¹⁷ and scheduled the abolition of checks at internal land and sea borders by the end of 2007, and in the case of air borders by the 29th of March 2008. Besides its own accession to the Schengen area, Hungary has handled the Schengen membership of its neighbouring countries as a priority: Hungary, Slovenia, and Slovakia joined at the same time, while Romania, Bulgaria, and Croatia joined later leaving Hungary with only two external borders with Ukraine and Serbia. For the Hungarian Presidency in 2011, the Schengen accession of Romania and Bulgaria has been one of the most important priorities,¹⁸ which could not yet be realized due to the lack of political support from other Member States. Hungary usually acted as a policy taker in this policy area, but in some significant cases (for example pushing on Schengen enlargements); it rather played a policy driver role.

Parallel with the Schengen preparation, the Hungarian government also paid serious attention to the *shaping of the European visa policy*. In addition, Hungary has had a special interest in local border traffic regulation. Hungary acted in this case as a policy shaper and succeeded in the enforcement of its national interests.¹⁹ On the other hand, Hungary acted as a policy killer on some particular issues. For instance, in 2004 the proposal for EU level regulation of the reference amount of financial resources needed for a third country citizen to enter the EU²⁰ was unacceptable for Hungary and the Hungarian veto prevented the adoption of it in the same year. Raising the Schengen visa fees was another question where Hungary played a partly policy killer, partly policy shaper role. In 2006, the JHA Council discussed an increase of Schengen visa fees. Hungary, together with other 14 Member States, formed a blocking minority to hinder the proposal. The Austrian Presidency revised the proposal taking into consideration the suggestions of the opposing Member States. Hungary –

besides Greece – played an outstanding role in shaping the regulation and achieved discounts for citizens of Western Balkan States. Hungary was also very active in urging the EU to conclude visa facilitation agreements with non-EU Member States of the region. Hungary is in favour of granting visa-free status to the Balkan states, especially to Serbia.

The theme of asylum policies has symbolic and historic relevance for Hungary. EU integration brought to Hungary a notable change in *the field of migration and refugee policies*, as the national competence in the regulation of migration had significantly decreased and the framework assigned by the EU became decisive. By the Schengen accession Hungary became one of the Eastern border countries of the Schengen area,²¹ consequently it is a recipient of flows of migrants and refugees. A crucial element of the legislative package was the establishment of the European Asylum Support Office, which started its operation during the Hungarian Presidency. The establishment of the 'Common European Asylum System' by the end of 2012 was also an important priority for the Hungarian Presidency. In European migration and asylum policy Hungary mainly acted as a policy taker, nonetheless in some aspects as a policy shaper. For instance, it is a vital interest of Hungary to urge the creation of a geographically more balanced migration policy at EU level. In addition, the reinforcement of solidarity between the Member States is also a high priority for Hungary.

Hungary also had other targets related to freedom, security and justice, such as the placement of 'European Police College' (CEPOL) into Budapest. Within the scope of European visa policy Hungary played a policy shaper role, and as a result, Hungarian citizens are allowed to travel without visas to Canada from the 1st of May, and to the USA

¹⁷ Portugal Presidency proposed to enlarge the Schengen area using an updated version of SIS I, this allowed the retention of the target date.

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http://www.eu2011.hu/files/bveu/documents/HU_PRES_STRONG_EUROPE_EN_3.pdf (Strong Europe, The programme of the Hungarian Presidency of the Council of the European Union, p13, p25)

¹⁹ The first local traffic agreement entered into force in 2008, and nearly 90 percent of Hungarians living in Ukraine became to be entitled for the local border traffic license.

²⁰ The recommended amount was between 40 and 60 euros per day, which would have been the multiple of the Hungarian imposition (1000 forints per entry).

²¹ Hungary's external Schengen border is 1103.5 kilometres long, while its internal border is 1139 km.

from the 17th of November of 2008. Hungary also plays an active role as a policy shaper in the area of the law applicable to divorce and legal separation (Rome III Regulation).

3. Institutions and the Economic and Monetary Union

Regarding the institutions and EMU, the top priorities of Hungary were the introduction of the euro, the exit from the excessive deficit procedure (EDP), and the successful management of economic decision-making during the Hungarian EU Presidency in 2011. We also present the general interests of Hungary in the institutional integration process, related primarily to the Lisbon Treaty.

Having not introduced the euro can be considered a failure for Hungary. In spite of the fact that the introduction of the common currency in Hungary was a goal that the economists, the political elite, and the public all supported, and that the disadvantages did not play a role in the considerations, the dominant pre-financial crisis “the sooner the better” approach has been replaced after the onset of the crisis by a much more cautious stance.²² Nevertheless, Hungary has failed to meet the criteria from the very beginning, though it committed itself to the early adoption even before 2004, but it did not present a convincing performance: it faced an excessively high budget deficit, a high annual inflation, and long-term interest rates.²³ The political elite and the public shared the considerations and enthusiasm of the economists regarding the importance of introducing

euro, which was considered a long-term strategic interest of Hungary, envisioned for 2006–2007 as the soonest possible target date.²⁴ After 2002, the social-liberal government also committed itself to the rapid convergence and the fulfilment of the Maastricht criteria, and forecasted 2008 as an introduction date.²⁵ But while the following left-wing governments continuously emphasized the importance of adopting the euro as soon as possible, the real chances and policy commitment was reduced to a minimum, and after 2006 no target dates were mentioned.²⁶ The global economic crisis resulted in a much more cautious attitude, both on the side of the candidate countries and the Eurozone. The commitment of the right-wing Orbán government seemed to be weaker than that of the preceding left-wing governments, especially in the light of the prolonged crisis of the Eurozone.

Hungary failed to meet the criteria of the balanced and sustainable government financial position, thus it was under the EDP from the date of its EU accession. For Hungary it was a key interest to close the procedure to ensure its full access to the Cohesion Fund. In February 2012, the European Commission proposed the partial suspension of the Cohesion Fund for Hungary’s failure to address its excessive deficit.²⁷ However, following the announcement of new measures by the Hungarian government, the Council decided to lift the suspension, though leaving the EDP against Hungary open.²⁸ The Orbán government elected in 2010 quickly committed itself to reduction of the deficit and announced the fight against the large government debt, reaching more than 80% of the Hungarian GDP, the highest ratio

²² The Czech Republic, Hungary and Poland do not have an official target date. Economic and financial affairs, European Commission (http://ec.europa.eu/economy_finance/euro/adoption/who_can_join/index_en.htm)

²³ As a result of “fiscal alcoholism” before the global economic crisis – aiming to boost economic growth – the government debt also rose rapidly, and in an environment described by high HUF interest rates and the profusion of ample global liquidity, the result of which was a significant indebtedness in foreign currency.

²⁴ Járai: euró 2006-07-ben. Portfolio (2001) http://www.portfolio.hu/gazdasag/jarai_euro_2006-07-ben.16830.html

²⁵ For the evolution of target dates, see: Origo (2009) Az euróval együtt távolodik a céldátuma is <http://www.origo.hu/archivum/20090304-euro-bevezetes-celdatum-ermii-gyurcsany-ferenc-veres-janos-ekb-laszlo.html>

²⁶ For the reports see the page of the Hungarian Parliament: <http://www.parlament.hu/hu/iromanyok1>

²⁷ The suspension affected EUR 495 billion, which represented 29% of the total funds of 2013. European Commission, Press Release. http://europa.eu/rapid/press-release_IP-12-161_en.htm

²⁸ Hungary: Council lifts cohesion fund suspension. http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ecofin/131129.pdf

in the region. As a result of the government's efforts,²⁹ the European Commission proposed the suspension of EDP against Hungary in May 2013 and following the European Council's approval, the procedure against Hungary was closed in June.³⁰ The most important result of the exit from EDP against Hungary was probably the improvement of market perception on the situation and prospects of the Hungarian economy.

The elaboration and acceptance of the Six Pack under the Hungarian Presidency in the first half of 2011 can be deemed a great success and evidence of Hungary's commitment to strengthening the EU. As the highly open economy of Hungary is closely connected to the EU markets, it was strongly hit by the Eurozone debt crisis through the narrowing export channels and the negative change in market sentiments (increase in risk aversion). Thus Hungary was very interested in accepting measures aimed at the successful crisis management of the EU and strengthening the effectiveness of these mechanisms. The acceptance of the Six Pack was seen as a long-term interest of Hungary and the Presidency offered a great opportunity to present its commitment to the future of European integration. Beside this success, the Hungarian Presidency closed 103 legislative and non-legislative dossiers inherited from its predecessor.³¹

Hungary has been a committed supporter of the deepening and widening of the integration process, thus it supported the Constitutional Treaty,³² and after the failure thereof, the Lisbon Treaty. **The outcome of the Lisbon Treaty is rather positive from the Hungarian point of**

view, e.g. the preservation of the idea of 'one country, one commissioner', or the EU Charter of Fundamental Rights. And though the attitudes of left- and right-wing governments have differed, the Lisbon Treaty was endorsed by the widespread consensus of the Hungarian political elite. Yet, Hungary had rather limited power to influence the overall development of EU institutions. Though the evaluation of the institutions introduced in the Lisbon Treaty from the Hungarian point of view is not easy, some cautious statements can be made as follows: (1) The new double majority system applied in the Council of the European Union reduces the relative power of Hungary, which pushes the country to seek allies; this loss of power may worsen in the long-term due to Hungary's demographic trend³³ and EU enlargement. (2) The role of the European Parliament (EP) may present a good opportunity for the Hungarian MPs to join in the policy decision-making process with real content and stakes; this process also requires seeking allies, either formally or informally. (3) The unchanged number of commissioners is advantageous for the smaller and medium-sized EU members, including Hungary.

4. Single Market

As far as the service sector (in the EU) is concerned, it provides approximately 70%³⁴ of the EU's GDP (whilst in case of Hungary it is around 60%).³⁵ For Hungary open markets to its competitive sectors (such as construction) was crucial, thus the government supported the **removal**

²⁹ The government implemented measures aiming to change the tax structure, which resulted in the growing emphasis on the taxation of consumption, simultaneously reducing the tax burden on incomes. The system of special taxes levied on certain sectors of the economy was also introduced, which helped to reduce the deficit. Another major measure was the nationalization of the assets of private pension funds in 2011, which resulted in a budget surplus never experienced before and in the reduction of government debt.

³⁰ Council closes excessive deficit procedures for Italy, Latvia, Lithuania, Hungary and Romania. Press release: http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ecofin/137561.pdf

³¹ Enikő Győri: After the Presidency and in Times of Crisis – A Glance into Europe's Future from Budapest. Foreign Policy Review (2011)

http://eu.kormany.hu/admin/download/4/9b/30000/Foreign_Policy_Review_2011_01_After_the_Presidency_and_.pdf

³² Hungary was the first country (beside Lithuania) which transposed the Constitutional Treaty into its legislation. The Future Constitutional Treaty (2005)

http://ec.europa.eu/public_opinion/archives/ebs/ebs_214_en.pdf

³³ Bálint Ódor: The impacts of the introduction of the double majority in the Council of the European Union. Theses of Ph.D. dissertation (2013)

http://phd.lib.uni-corvinus.hu/712/2/Odor_Balint_ten.pdf

³⁴ Data source in all cases otherwise it is indicated: Eurostat database

³⁵ http://ec.europa.eu/commission_2010-2014/president/news/archives/2014/03/pdf/services_en.pdf

of barriers initiated by the 'Services Directive'. Simplified administration (both for consumers and service providers) has enabled businesses to access foreign markets more easily and the provision of cross-border services has become possible.³⁶ Hungary along with its regional peers and with some liberal old member states such as the Netherlands, Great Britain, and Spain firmly supported the initial endeavours of the Services Directive whereas Germany, France, and Belgium opposed them.³⁷ The former envisaged that their cheaper and more competitive sectors would benefit from the market opening.³⁸ The latter, consequently, worried about dumping triggered by the lower-income eastern European countries. From Hungary's point of view the final legislation text was a compromise and result of an enduring debate. Mostly in accordance with Hungarian interests certain types of services such as healthcare services, gambling activities, etc. were excluded from the scope of the Directive.³⁹ Hungary's biggest success was its readiness to implement the Directive and to apply the legislation by the required deadline (by 2009). As a result, whereas the exports of services made up only 9.8% of the national GDP in 2004, they had been gradually increased to 16.8% by 2013.

Energy policy is one of the most crucial policies of Hungary as a result of its shortage in energy sources, and of its high dependence on Russia's supply and transport through Ukraine. Thus, supply security (both physical and commercial) might be considered as a priority for all

governments in order to ensure both households and businesses with an adequate quantity of energy at affordable prices. Consequently, Hungarian governments actively and persistently express their position on the **common energy policy** and support related EU priorities first set in the Action Plan in 2007. Supply security proposed by the Hungarian government has been a key priority of the Plan as well as that of sustainability and competitiveness.⁴⁰ The new member states, including Hungary, were strongly committed to interconnecting their energy markets, especially to construct a north-south gas corridor from the Baltic to the Balkan region.⁴¹ Moreover, in order to improve energy security in the Central European region, the V4 agreed to strengthen their cooperation in the area of energy network integration and in the diversification of energy supply routes and sources.⁴²

As far as transport policy is concerned, by the time Hungary joined the European Union, transport services had been liberalized and legislation on the opening of the international freight and passenger transport market as well as the conditions of road transport had been adopted. Therefore, mainly the modernization and implementation of these were on the agenda. From the perspective of Hungary the most heated debate was over the regulation of freight cabotage⁴³ (domestic liberalisation of transport operations carried out by foreign carriers), but finally a compromise which allowed for three cabotage operations within seven

³⁶

http://ec.europa.eu/internal_market/publications/docs/20years/achievements-web_en.pdf

³⁷ Magyarország is a szolgáltatási irányelv felvételétől tart [Hungary also opposes a softened service directive]:

<http://www.bruxinfo.eu/cikk/20060213-magyarorszag-is-a-szolgáltatasi-iranyelv-felvizesetol-tart.html>

³⁸ A szolgáltatási irányelv az utolsó elem az egységes piac építményében [The service directive is the last element in the construction of the Single Market]:

<http://www.bruxinfo.eu/cikk/20050801-a-szolgáltatasi-iranyelv-az-utolso-elem-az-egyseges-piac-epitmenyeben.html>

³⁹

http://europa.eu/legislation_summaries/employment_and_social_policy/job_creation_measures/l33237_en.htm

⁴⁰ J/185. számú jelentés a Magyar Köztársaság európai unió tagásával összefüggő kérdésekről és az európai integráció helyzetéről [Report on the questions related to the EU membership

of the Republic of Hungary and that on the situation of the European Integration] p 49:

<http://www.parlament.hu/irom38/00185/00185.pdf>

⁴¹ T. Stelbaczkzy: Energiapolitika in A.Marján (ed.): Magyarország első évtizede az Európai Unióban [Hungary's first decade in the European Union] (2004-2014) p 459:

<https://olibox.uni-nke.hu/cgi-olibox/w207.bat?session=561373163&infile=&sobj=9032&cgimime=application%2Fpdf>

⁴² J/2425. számú jelentés a Magyar Köztársaság európai unió tagásával összefüggő kérdésekről és az európai integráció helyzetéről [Report on the questions related to the EU membership of the Republic of Hungary and that on the situation of the European Integration] p 8:

<http://www.parlament.hu/irom39/02425/02425.pdf>

⁴³ Marján Attila 2014. Magyarország első évtizede az Európai Unióban [Hungary's first decade in the European Union] 2004-2014. NKE, 2014, p 479

days following an international journey was reached.⁴⁴ Today, Hungarian policy decision-makers are satisfied with this compromise and the effects of the **liberalization of road freight transport**. The TEN-T (Trans-European Transport Networks) corridor plans were reviewed and amended in 2004, taking into account the enlargement, but the Hungarian decision makers were not fully satisfied with the plan. According to their assessment Hungary was not involved in enough prospective corridors.

⁴⁴ Regulation (EC) No 1072/2009 of the European Parliament and of the Council of 21 October 2009 on common rules for access to the international road haulage market

Prospective priorities and potential processes in next ten years

1. External Relations

Out of the three top priorities of Hungarian foreign policy in the past ten years, two – **the Eastern Partnership** (especially Ukraine, Moldova, Azerbaijan, Georgia) **and the Balkans – will remain top priorities.** It is in the context of the first (EU Presidency) where the change is most relevant. As mentioned above, while the Presidency was symbolically understood as the “arrival” of Hungary in the European Union, it also signaled a new phase in Hungarian foreign policy thinking. The Orbán government coming into office in 2010 started the elaboration of a new, broader foreign policy termed **“eastern opening”**.⁴⁵ In spite of the term “eastern”, it has been firmly stated by the Prime Minister that this policy would complement, (and not divert from) Hungary’s being part of the western world.⁴⁶ This policy was a reaction to the changing global context and Hungary’s place in it. The EU membership offered a historical chance that Hungary could capitalize on the global role played by the EU. The “eastern opening” policy was meant to adapt to and improve this situation by bolstering Hungarian foreign policy with a much stronger economic focus and by expanding and/or strengthening Hungarian external activities in regions where Hungarian relations were significantly downscaled after the regime change.⁴⁷ Since its geographical scope to a great extent overlaps with those of the European Neighbourhood Policy (ENP), the realization of Hungarian foreign policy goals will support the ENP, while

the ENP may offer possibilities for Hungary as well. However, there might be cases where Hungary may take a strong position over states which cause splits among EU members. While Hungary will usually play the policy taker over issues that belong to some selected “eastern opening” targets, Hungary may/will undertake a policy shaper role. Therefore, it can be expected that Hungary will pursue a more ambitious foreign policy over selected questions of the “eastern opening” policy.⁴⁸ In some cases, where a certain rift is visible within the European Union, Hungary may – and even wishes to – try to bridge these, especially when these could complement other Hungarian foreign policy considerations. Such *ad hoc* coalitions are to be expected in the next ten years on a regular basis. Outside the European Neighbourhood Policy geographical area, the Hungarian “eastern opening” will focus on issues belonging to the EU external relations with countries such as Turkey, Kazakhstan, Iran, and China.

Due to the fact that most of Hungary’s neighbours in its direct neighbourhood (where its most imminent interests are) have become EU members themselves, besides the bilateral relations, a new dimension has evolved for Hungary. EU membership and the EU neighbourhood programs make it possible for Hungary to try and shape the policies of this neighbourhood, especially within the scope of the Eastern Partnership. On the other hand, EU membership also provides an **opportunity for a coordinated policy of states with similar interests and concerns.** The possibility of the convergence in interests prevails in a functional system, therefore, it is to

⁴⁵ Prime Minister Orbán first spoke about “eastern winds blowing in global economy” in November 2010, (Tárgyalagos és reális nemzetpolitikára van szükség. Orbán Viktor beszéde a Magyar Állandó Értekezlet IX. ülésén az Országház Vadásztermében. 2010. november 5., http://www.miniszterelnok.hu/beszed/targyalagos_es_realista_nemzetpolitikara_van_szukseg), but the term “eastern opening” first appeared in his speech May 2011 in Paris. András Rácz: An Unintended Consequence: Is the Hungarian Commitment to the EU’s Enlargement and Neighbourhood Policy Weakening? Hungarian Engagement in Eastern Europe, conference paper presented at the 42nd UACES conference, Passau, 3-5 September, 2012, <http://www.uaces.org/documents/papers/1201/racz.pdf>

⁴⁶ „Nyugati zászló alatt hajózunk, de keleti szél fúj a világgazdaságban” [We are sailing under a western flag, but in the world economy eastern winds are blowing] in ‘Orbán: Keleti szél fúj’ [Orbán: eastern winds are blowing], http://index.hu/belfold/2010/11/05/orban_keleti_szel_fuj/

⁴⁷ „Magyarország a keleti nyitás politikájával kíván alkalmazkodni a globális világgazdaság változásához.” [Hungary wishes to adapt to the changes in global economy with the policy of eastern opening.] (Viktor Orbán, May 4, 2012. - ‘Magyarország gondolkodásmódot váltott’ [Hungary has changed way of thinking] <http://www.kormany.hu/hu/miniszterelnokseg/hirek/magyarorszag-gondolkodasmodot-valtott>

⁴⁸ Interview with Levente Benkő, Head of the Department of the EU CFSP, Ministry of Foreign Affairs and Trade, November 6th, 2014

be expected that Hungary will look for allies when representing its own specific interests in the EU context.

2. Freedom, Security and Justice

Regarding the freedom, security and justice policies of the next decade, high priority action areas for Hungarian government would be, inter alia, asylum policy and fight against illegal migration, data protection, and the judicial cooperation. Moreover, **the enlargement of the European Union and of the Schengen area toward the Western Balkan countries** also remains an unchanged Hungarian interest for the next decade. Hungary, as an external border country of the Schengen area, bears a significant exposure to related risks. Consequently, the Hungarian government is strongly committed to active participation in the shaping and realization of cooperation within the mentioned policy fields. Hungary will continue to support the Schengen enlargement in general, but the guarantees of the efficient protection of the Schengen area are also vital for the country. On the one hand, the Schengen accession of Romania, Bulgaria, and Croatia would alleviate Hungary with respect to external border protection. On the other hand, these Schengen candidate countries have to demonstrate convincingly that they are prepared to control the external Schengen borders, even under changing circumstances.

The Hungarian government's position on the future of refugee policy is that in the upcoming years the European Union should relocate its focus from producing further legislation to the adequate implementation of the existing acquis. European migration policy traditionally focuses on the immigrants arriving to the EU from the South and Eastern migration flows receive less attention. It is crucial for Hungary to **put on the agenda the Eastern aspect of migration**. In this endeavour, Hungary can take action in alliance with other Member States in a similar situation. The Hungarian government holds the view that issues of legal and illegal migration should be handled at the same time.

In addition, Hungary is a supporter of the **revision and of the development of European readmission policy**. The Hungarian government will prefer to establish effective cooperation with the main origin and transit countries of illegal immigrants, and for that reason, considers close cooperation between European 'Justice and Home Affairs' and 'Foreign Affairs and Security' policies also vital. Besides, Hungary will have other targets related to freedom, security and justice, such as the data protection regulation; the creation of the European Public Prosecutor's Office (EPPO), and the protection of children's rights.

3. Institutions and Economic and Monetary Union

The financial and economic crisis revealed the structural weaknesses of EU institutions, which reinforced both the desire for nation-state-based solutions and for closer cooperation and integration at the same time. The future prospects of the European Union will largely depend on the success of **gaining economic competitiveness and of the establishment of financial stability**, both serving as a basis for sustainable growth. Angela Merkel already urged the launch of an EU treaty convention in 2012, with the purpose of creating the treaty base for the closer economic cooperation of Member States. Though this initiative failed, Germany could hardly give up its plans, thus the issue of concluding amendments to the treaty will probably emerge in the next years. It is an open question whether there will be political will and consensus to do so, or if the reform of EMU will continue on an intergovernmental basis. Another challenge will be posed by the UK referendum announced by David Cameron on the EU membership of the country before the end of 2017. The outcome of the British developments will have significant effect on the future of the whole integration process. As the result of the prolonged economic crisis of the Eurozone (and the EU itself), euroscepticism has significantly strengthened throughout Europe. The growing dissatisfaction among EU citizens – reinforced by political parties for domestic political purposes – can make it much more difficult to tackle present and future challenges.

České vize pro Evropu, evropské vize pro Česko
 Czech Visions for Europe, European Visions for the Czechs

Hungary is interested in a strong EU that is able to address its economic problems. In spite of the right-wing government's conflicts with Brussels, the commitment to the European Union has always been taken for granted and obligations have been fulfilled. Regarding the key issues mentioned above, **euro introduction is currently not on the agenda**. On the one hand, a wait-and-see approach towards the developments of the Eurozone and the EMU is a legitimate point of view. On the other hand, not paying attention to the fulfilment of the requirements is a serious mistake. It is important to note that Hungary currently fulfills some of the requirements (government deficit, inflation, long-term interest rates), but the sustainability of their level/value is surrounded by uncertainty. Prime Minister Orbán said that Hungary will adopt the common currency if its level of development reaches 90% of that of the Eurozone.⁴⁹ This statement pushes the Hungarian Eurozone membership into the far future.⁵⁰ The commitment to euro adoption is somewhat continuously challenged by the desire of the Hungarian governments to weaken the forint in order to help the competitiveness of export, thus increasing its contribution to the growth of GDP. After the resolution of the foreign currency indebtedness of the households, the government may feel the temptation to indirectly weaken the forint. The effects of this theoretical step cannot be clearly foreseen. Joining the Eurozone may also be beneficial for Hungary, because the Eurogroup and other relevant institutions (e.g. ECB) will probably play a decisive role in the further development of EMU institutions.

The exit from the EDP may prove to be a durable result, as the advantages thereof are very convincing and meet the short and long-term interests of Hungary. The Orbán government seems to be committed to meeting the

criteria of the Stability and Growth Pact, and the strengthening of the macroeconomic background and growth prospects of Hungary will make this commitment easier to fulfill. However, being out of the EDP is a state which requires continuous attention. Meeting the requirement of the permanent reduction of government debt ratio will be a real challenge, as confirmed by the officials of the European Commission.⁵¹

4. Single Market

The present Hungarian government has had a somewhat **different attitude toward services liberalisation compared to that of the previous cabinets**. The Hungarian government plans to centralize public services provision in the field of energy. The government has started to draw up a plan about establishing the market-based 'First National Public Utility Service Company' that would start its operation in 2015. By creating a single system covering all the energy services (including provision of electricity, gas and heating) the costs of energy would be lower not only for households but also for businesses.⁵²

Regarding infrastructure investments in **the field of energy**, two out of three projects are successful: the Slovak–Hungarian connecting gas pipeline (starting its operation in 2015) and the creation of the Czech–Hungarian–Slovak and Romanian electricity market. In contrast, the Hungarian–Croatian interconnector gas pipeline might be considered as quite a failure given gas flows only from the direction of Hungary to Croatia. However, the possibility of the reverse flow is currently

⁴⁹ For the statement of the Hungarian PM see: Orbán Japánban: évtizedek kérdése az euró bevezetése. HVG (2013) http://hvg.hu/gazdasag/20131121_Orban_Japanban_evtizedek_kerdese_az_euro/

⁵⁰ Based on model calculations, this process can take more decades: Gábor Oblath: Hány év múlva? – A konvergencia természetéről és időigényéről. KSH (2013) Statisztikai Szemle 91/10. http://www.ksh.hu/statszemle_archive/2013/2013_10/2013_10_9_25.pdf

⁵¹ The European Commission referred to the possible re-opening of EDP against Hungary due to endangered future level of debt. EU Balance of Payments Assistance to Hungary – Fifth review under post-programme surveillance. 30 September 2014 http://ec.europa.eu/economy_finance/assistance_eu_ms/documents/hu_efc_note_5th_pps_mission_en.pdf

⁵² Lázár: Jövőre jön a nemzeti rezsizolgáltató [First National Public Utility Service Company starts its operation next year]: http://www.penzcentrum.hu/otthon/lazar_jovore_jon_a_nemzeti_rezsizolgalto.1042059.html

under feasibility studies.⁵³ Failure of the Nabucco and eventually that of the South Stream projects might be regarded as one of the biggest losses for the Central-European region.⁵⁴ Supporting the construction of Southern Gas Corridor appears to be another option in order to ensure supply security in the long-run.⁵⁵ In the field of nuclear energy, as a tool of diversification, Hungary and Russia concluded an intergovernmental agreement in January 2014 on the construction of two new nuclear power plant units at Paks. The first new reactor is expected to be put in operation in 2025.

The new Connecting Europe Facility (CEF) was set up in 2013 guaranteeing an amount of 5.85 billion euros for the budgetary period of 2014–2020 in order to improve Trans-European Energy Networks (TEN-E). Hungary also might receive financial assistance in the framework of CEF, notably for the projects of electricity interconnection between Hungary and Slovakia and that of the gas transmission pipeline between Hungary and Slovenia.⁵⁶

In the field of **transportation policy**, new Member States are particularly at risk if marketization and liberalisation is premature. The fourth railway package, published in 2013, is an attempt to reform the rail sector dominated by state-owned railway companies that control both the tracks and the trains. Hungarian policy decision-makers are concerned about the future profitability of the Hungarian State Railways. Hungarian concerns are more understandable in the light of the Hungarian national airline MALÉV's collapse which filed for bankruptcy in 2012 after the European Commission ordered it to repay various forms of state aid received between 2007 and 2010. Regarding transport infrastructure, the Hungarian policy makers are not perfectly satisfied with the new TEN-T plan – the nine major transport corridors proposed by the EU and the CEF

contribution of only €26 billion to its implementation – but they regard it as significant progress compared to the previous programme.

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http://ec.europa.eu/energy/doc/20140528_energy_security_communication.pdf

⁵⁴ Vége a magyar gázálmnak – Elbukott a Nabucco [The Hungarian Gas Dream has come to an end – The Nabucco has failed]:

http://www.portfolio.hu/vallalatok/energia/vege_a_magyar_gazalomnak_elbukott_a_nabucco.185835.html

⁵⁵ Magyarország a Déli Áramlat helyett most már a Déli Folyosót akarja [Hungary prefers Southern Corridor against South Stream]: http://hvg.hu/gazdasag/20141203_Magyarorszag_a_Deli_Aramlat_helyett_most

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http://ec.europa.eu/energy/infrastructure/pci/doc/2014_cef_energy_lists.pdf

Conclusions

During the last ten years of its membership in the European Union, Hungary successfully represented its interests and performed well in several main policy fields such as, the Schengen Area accession, the exit from the EDP as well as in the coordination and completion of the EU Presidency. Hungary reached a compromise in the questions of Services Directive and transport policy; nevertheless not introducing the euro and the lack of breakthrough in the minority issue can be considered as the most remarkable failures of the country.

Concerning the priorities of Hungary within the European Union, there has often been an implied consensus between left- and right-wing governments e.g. in the case of the EU Presidency, the Eastern Partnership, the Western Balkans or joining the Schengen Area.

It can be also noted that the vast majority of the priorities highlighted in this paper are largely determined by the geopolitical and/or directly related to the economic interests of Hungary.

Generally, it can be stated that Hungary has remained in the policy taker position within the European Union, although in some important questions it was/could be a policy shaper (e.g. Eastern Partnership, Western Balkans, enlargement of Schengen Area) or a policy killer (visa policy).

Classification of the examined EU-related issues of Hungary in the past ten years of the V4 countries

DIMENSION	ECONOMIC RELATED	NON-ECONOMIC RELATED
GEOPOLITICALLY DETERMINED	EASTERN PARTNERSHIP WESTERN BALKANS COMMON ENERGY POLICY TRANSPORT POLICY	MINORITY ISSUE SCHENGEN AREA VISA POLICY ASYLUM
NON-GEOPOLITICALLY DETERMINED	INTRODUCTION OF THE EURO EXIT FROM EDP SIX PACK SERVICES DIRECTIVE	LISBON TREATY



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