

# EU-27 WATCH

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## On the project

Due to the new treaty provisions of the Lisbon Treaty and the economic crises the enlarged EU of 27 member states is on the search for a new *modus operandi* while also continuing membership talks with candidate countries. The EU-27 Watch project is mapping out discourses on these and more issues in European policies all over Europe. Research institutes from all 27 member states and the four candidate countries give overviews on the discourses in their respective countries.

The reports focus on a **reporting period from December 2009 until May 2010**. This survey was conducted on the basis of a questionnaire that has been elaborated in March and April 2010. Most of the 31 reports were delivered in May 2010. This issue and all previous issues are available on the EU-27 Watch website: [www.EU-27Watch.org](http://www.EU-27Watch.org).

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**Hungary****Faster and harder reforms without new treaty negotiations necessary**

Krisztina Vida\*

*Rescue package welcome but too late*

In the general Hungarian assessment, the solution of the Greek crisis is welcome, but it came too late. According to a high official of the Ministry of Foreign Affairs,<sup>1</sup> the declarations released prior to the March 2010 European Council were insufficient. In fact, a strong positive message was needed not only towards the markets but also towards all members of the Eurozone as well as towards other countries inside and outside the EU. The process leading to the European Council decision was a rather painful one and entailed, on the one hand, fast deterioration of the Greek situation, while at the same time caused an obvious weakening of the German government on the other (the voters' "punishing" of the Christian Democratic Union (CDU) in the recent elections for regional parliament in North Rhine Westphalia). This means that the long hesitation and late decision brought about tangible economic and political costs. The staggering attitude of EU decision-makers also increased the risks of other Euro countries' potential "collapse" (i.e., Portugal, Ireland, Italy, and Spain).

*Stricter coordination and transparency are indispensable*

The main lesson of the Greek case is that the budgetary policies of member states (both their planning and implementation) should be coordinated in a more efficient and strict way, as the present mechanisms proved to be too weak. All member states must match competitiveness with sustainability of public finances and nobody should be able to hide the real figures of the national budget. The key words in the future should be stricter coordination, transparency and also real sanctions.

*Improved mechanisms and a European Monetary Fund are needed*

As regards coordination of economic policies, we have to rely on the provisions of the Lisbon Treaty and use them to their utmost possible, as in the foreseeable future no new treaty modification can be expected. According to experts,<sup>2</sup> the strong coordination of economic policies coupled with a new early warning mechanism would be the right solution to preventing similar crises in the Eurozone. Another "must" is the setting up of a European Monetary Fund providing for immediate assistance to countries in trouble; however, these loans should be made conditional on budgetary reforms in the beneficiary country. In their view, a third key element would be the automatism of sanctions without exemptions.

When discussing the issue of European level economic governance, it must be recognised that the member states have very different approaches as regards the goals and tools of economic policy; therefore, economic policy-making as such cannot be "harmonised" at the EU level. As long as the EU is neither imposing taxes nor providing public goods, it also lacks the legitimacy of carrying out economic governance. The solution is to keep the strong supranational monetary pillar of Economic and Monetary Union (EMU) coupled with reinforced economic coordination, while continuing the completion of the internal market project coupled with gradual tax approximation. This would give a stronger background for the economic pillar of EMU, while the member states would still maintain their competences over the national budget.

Regarding the future role of the Eurogroup, Hungary would like to see the non-Eurozone countries take part as observers. This would be important, especially for those new member states that are preparing for the introduction of the single currency.

*Competitiveness and territorial cohesion could have been linked in the new Strategy*

The new Europe 2020 Strategy is, in general, welcomed by Hungary, although it has been criticised for its institutional weaknesses as well as for its general approach. As to the first issue, according to a high official at the Hungarian Ministry of Foreign Affairs,<sup>3</sup> it is regretted that no single and transparent institutional unit will be dealing with the Strategy within the Commission (similarly to the management of the Lisbon Strategy). As to the second issue, it is also regrettable that the first proposal did not

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mention “cohesion” explicitly. Although this aspect appears in the text indirectly, Hungary would have preferred a more direct link between territorial cohesion and competitiveness.

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<sup>1</sup> Interview done at the Ministry of Foreign Affairs on 12 May 2010.

<sup>2</sup> See the interview in the Hungarian newspaper Világgazdaság with two experts: professor László Csaba, and research director Margit Rác, 4 May 2010, available at: <http://www.vg.hu/gazdasag/gazdasagpolitika/javitanak-a-fiskalis-fegyelmet-315790> (last access: 17 May 2010).

<sup>3</sup> Interview done at the Ministry of Foreign Affairs on 12 May 2010.

## Questionnaire for EU-27 Watch, No. 9

Reporting period December 2009 until May 2010 – Deadline for country reports 21 May

**All questions refer to the position/assessment of your country's government, opposition, political parties, civil society organisations, pressure groups, press/media, and public opinion. Please name sources wherever possible!**

### 1. Implementation of the Lisbon Treaty

On the 1 December 2009 the EU-reform ended with the entering into force of the Lisbon Treaty. However, the new treaty provisions still have to be implemented. Some procedures and conditions have to be determined. In other cases, procedures, power relations, and decision-making mechanisms will change due to the new provisions.

- How is the work of the new President of the European Council, Herman Van Rompuy, assessed in your country? Which changes to the role of the rotating council presidency are expected?
- How is the work of the new High Representative of the Union for Foreign Affairs and Security Policy, Catherine Ashton, assessed in your country? Please take into particular consideration both her role within the European Commission and her relationship to the Council of the European Union.
- On 25 March 2010 a "Proposal for a Council Decision establishing the organisation and functioning of the European External Action Service" was presented. How is this concept perceived in your country? Which alternatives are discussed?
- On 31 March 2010 the European Commission presented a proposal defining the rules and procedures for the European Citizens' Initiative (ECI). What are the expectations for the ECI in your country? What are the various positions concerning the rules and procedures?

### 2. Enlargement and European Neighbourhood Policy

The European Commission has given its opinion on Iceland's application for EU-membership and a decision from the Council is expected before the end of June. Croatia seems to have settled its border dispute with Slovenia. Against this background:

- Which countries does your country expect to become members of the European Union in the next enlargement round? What are the opinions in your country on the membership of these countries?
- How are the membership perspectives of those countries discussed, which are not expected to become a member in the next enlargement round?

The Eastern Partnership and the Union for the Mediterranean were the last major projects dealing with the European neighbourhood:

- How are these projects assessed in your country?

### 3. European economic policy and the financial and economic crisis

The European Council agreed on 25/26 March on the key elements of the Europe 2020 strategy, the successor of the Lisbon strategy. While not being on the formal agenda the economic and financial situation in Greece was discussed. The European Council agreed on a finance package combining bilateral loans from the eurozone and financing through the International Monetary Fund.

- How is the finance package for Greece assessed in your country? Are there any opinions on the process, how the agreement on the package was reached?
- Which lessons should be drawn from the Greek case for a reform of the Stability and Growth Pact?
- How is the idea of "a strong coordination of economic policies in Europe" perceived in your country? What concepts of an European economic governance are discussed in your country and which role do they assign to the Euro group?
- How is the Europe 2020 strategy discussed in your country? What are the priorities for the Europe 2020 strategy from your country's perspective?

### 4. Climate and energy policy

The climate conference in Copenhagen took note of the Copenhagen Accord but did not reach a binding agreement. The next conference of the parties (COP 16 & CMP 6) will take place at the end of November 2010.

- How is the Copenhagen conference assessed in your country? Please take into consideration the negotiation strategy of European Union and the results of the conference.
- Does the European Union need to change its own energy and climate policy in order to give a new impulse to the international negotiations?
- Is a global agreement within the UNFCCC the best strategy to fight climate change? If not, which alternative strategy should the European Union follow?
- What is your country's position on financing mitigation and adaptation efforts in developing countries?

### 5. Current issues and discourses in your country

Which other topics and discourses are highly salient in your country but not covered by this questionnaire?