



Priorities and Challenges of the Hungarian EU Presidency *Recommendations from TEPSA*

TEPSA presented these recommendations to the incoming Hungarian Presidency on the occasion of TEPSA's Pre-Presidency Conference on 2 and 3 December 2010 in Budapest. The conference was organized on behalf of TEPSA by its Hungarian member, Institute for World Economics (IWE) of the Hungarian Academy of Sciences.

December 2010

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1. European Economic Governance

Issues around European Economic Governance will be dominating the first half of 2011, and probably much longer still. The practical implementation of the European Economic Governance, with political, regulatory and institutional challenges (changes) will start with the Hungarian Presidency. The „European semester” entailing an ex-ante peer review of budget proposals will take effect from January 2nd. The creation of a „permanent crisis mechanism” would need a limited change of the EU treaty, without reopening the discussion on the Lisbon Treaty. An early warning system will be created in addition to the already agreed European Systemic Risk Board. Finally, work on the further procedure of credit rating agencies, following the January 7 deadline for consultation, is expected to be intensified.

The Hungarian Presidency is not only the first one to deal with such concrete issues of European Economic Governance: it also faces two additional, fundamental challenges. The one is the continuing volatility of the international financial markets around and most probably even after remedying the Irish crisis. The Presidency has to be prepared to eventual further crisis management. Second, Hungary (and also upcoming Polish and Danish Presidencies) is not a member of the Eurozone, although a large part of the enforcement of the main pillars of the European Economic Governance mainly affects Eurozone countries. In this regard, the differentiation between proposals for euro area and non-euro area countries (including potential sanctions, conditionality and scoreboard thresholds) without widening the gap between „core Europe” and non-euro area countries requires utmost attention and careful management. How well Hungary

manages these challenges will have a long-term impact on Hungary's image in the European Union.

2. Competitiveness and the EU2020 strategy

A top priority of the Hungarian Presidency should be to ensure that the newly established permanent crisis mechanism will be designed in such a way as to facilitate enhancing European competitiveness and prevent future crises and rent seeking irresponsible behavior by member countries. The principle of fair distribution of burden among the governments and the private sector as contributors to the crises should be applied. The creation of an EU level risk capital fund would increase small and medium enterprise accessibility to the risk capital and facilitate knowledge transfer.

The Presidency should make sure that a good articulation between the EU2020 strategy and the reformed Stability and Growth Pact will be achieved and that the objectives and the implementation of 2020 strategy will be taken into account also in the preparation of the new financial perspective as well as in the approach to the migration policy. Blaming the immigrants goes against European values and declarations on multiculturalism. In the long run, it may also endanger competitiveness since diversity can be a factor increasing productivity and immigration – in view of an aging European population – a factor enhancing growth prospects.

It should also find a new way for initiating an efficient implementation of the new innovation strategy as a priority instrument in enhancing competitiveness, particularly when it comes to small and medium sized businesses in Europe.

3. Area of Freedom, Security and Justice (AFSJ)

Since the entry into force of the Lisbon Treaty the development of an AFSJ has become a top priority of the EU. The implementation of the Stockholm Program requires full attention in 2011, in particular the achievement of a Common European Asylum System as well as an active approach with regard to legal migration and successful integration. These should be high on the Presidency agenda. The external dimension of the AFSJ becomes increasingly important because of its connections with the CFSP, with strengthening of the borders and improved ways of giving protection to those who need it.

4. Citizenship

Recent events have highlighted the social problems experienced – and created – by Roma minorities in several EU member states. This challenge was identified before the expansion of the EU to include the countries of Central and South-Eastern Europe, where Roma communities are more numerous than in Western Europe and often face persistent prejudice, poverty and unemployment. Insufficient efforts have been made to solve their problems, and the resulting migration of Roma from new to old member states has led to further difficulties. Further clarification is needed of the existing rules and legislation with regard to the right of free movement of persons holding the nationality of a member state. The Presidency should ensure that concerted action is taken at the European and national levels, including the use of structural funds and

other measures to combat discrimination and social exclusion, and the treatment of migrants in accordance with European rules and values.

5. Solidarity Clause

The 'Solidarity Clause', now enshrined as Article 222 in the Lisbon Treaty, obliges EU members to act jointly and to assist one another in the face of disasters, attacks and possibly other crises facing the European continent. Yet the precise meaning of this demand, and its implications for EU institutions and member states, remains open to interpretation. The Hungarian Presidency should clarify the meaning and implications of the Solidarity Clause, working closely with the Commission which will submit "implementing" legislation for the Clause near the end of 2010. A meaningful inter-institutional dialogue should take place, together with national stakeholders, specifically on whether the Clause should remain a political declaration or whether it should provide a basis for more operational coordination and new policy initiatives, as well as to what kinds of crises and disasters it applies to, and how it would be triggered. We suggest using the Clause to promote enhanced coordination amongst the many supranational institutions involved in protecting citizens.

6. EU Danube strategy

The Danube strategy of the Union will be adopted in the first half of 2011, and is aimed at fostering the development of regions in fourteen countries, of which eight are EU Member States. Covering approximately twenty percent of the Union's territory and counting more than 100 million inhabitants, the region comprises some of Europe's poorest regions, but also some of the richest. The EU's strategy for the Danube aims at overcoming these disparities, focussing on economic and social development, tourism, ecology, energy and transport. The Danube strategy may lead to strengthen efforts to implement relevant policies, both across sectors and national borders, and including countries like Ukraine or Serbia that are not members of the Union at present.

Yet, there will be no additional EU-funds for the Danube region until 2014 (as has been the case for the Strategy for the Baltic Sea region since 2008). Thus, the Hungarian Presidency should speed up the process by putting the strategy in practice. It should build on already existing regional funds, and on other cooperation initiatives and achievements in the region. The Presidency should look at ways of using the strategy to create more intensively integrated economic structures among several member states and should also lobby for enhanced solidarity in richer countries of the region.

7. Enlargement

The EU's enlargement process includes Turkey, the Western Balkan countries and Iceland. The coherence and credibility of the EU's enlargement policy requires it to insist rigorously on respect of the accession criteria, but also to respond positively to progress made by prospective members. During its Presidency, Hungary should ensure that momentum is maintained with the countries already in accession negotiations, and in particular it should aim to lead the negotiations with Croatia towards their conclusion. For the other countries in the Western Balkans, which are covered by the promise made at Thessaloniki in 2003 that their future lies in the European Union, the

challenge is to strengthen their progress through greater efficiency of the integrating mechanisms.

8. European Neighbourhood Policy

The Presidency is an opportunity for Hungary as a neighbouring country to act as an agenda-setter in pursuing the European Neighbourhood Policy. The EU needs to reach out to countries in its neighbourhood to address their problems, which in many cases are closely connected to security and stability of EU members. Since its launch in 2004, the Neighbourhood Policy has been hampered by political turmoil and lack of reforms in some of the partner states, and by the EU's own reluctance to open up for free trade areas and mobility of persons. The new Eastern Partnership created in 2009 is a powerful instrument for progress, which Hungary should advance on the EU agenda.

9. European External Action Service

An important innovation of the Lisbon Treaty is the European External Action Service (EEAS). Following its long-delayed creation on 1st December 2010, EEAS needs to demonstrate that it can fulfill its basic mission, which is to assist Catherine Ashton in her capacity as High Representative/Vice-President to develop and conduct a more coherent and effective role for the European Union in foreign and security policy. EEAS needs to function in accordance with the highest professional standards, deploying all the EU's external instruments, and also maintain good cooperation with the EU institutions (Parliament and Council) and with the diplomatic services of member states – and they in turn must give to EEAS their loyal support.