

Shaping the Future of Europe

Hungary's Vision for the 2024 Presidency



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HUNGARY'S VISION OF A STRONG EUROPE

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The Hungarian presidency of the Council of the EU is a distinctive one. In recent years, Hungary has offered a unique vision of Europe—its structure and makeup, its way of combining political forces, and its role on the world stage. This vision has been motivated by a skepticism of Europe's trajectory in recent years, as well as of the understanding and strategic mindset found at the EU level. To critics, however, Hungary's viewpoint has been simply characterized as anti-European. But as Europe's crises have worsened, the Hungarian stance has come to be seen not as "anti-European" but as a different viewpoint on sources of and strategies needed for European success. Hungary's presidency is an opportunity to develop this distinctive view and show why it is a necessary contributor to European strength, while Hungary facilitates the operation of European institutions during these critical months.

In what follows, we will seek to illuminate the core elements of Hungary's vision for Europe—a "European alternative" based on its viewpoint and distinct recommendations. The program of this handbook follows that of the Hungarian presidency itself, but with the goal of making the motivations, considerations and recommendations of the Hungarian presidency easier to understand.

While Budapest and Brussels have been at odds in recent years, Hungary's presidency will be driven by European concerns—beginning with the continent's declining competitiveness and its struggle to define its interests and strategy on the global stage. With the rise of popular discontent in western Europe, it will only become more important to understand this alternative framing of European problems and the recipe for European success. To understand Hungary's point of view and the priorities of its presidency, it is helpful to take a step back to 2004, the year when Hungary joined the European Union as part of the so-called "big bang."

2024: THE EU IN LIGHT OF HUNGARY'S TWENTIETH ANNIVERSARY

Already by the end of the Communist era, Hungary had taken the lead among Central and Eastern European countries in terms of improving relations with what was then known as the European Community. After the regime change in Hungary, marking the end of Communist rule and the transition to a democratic system, there was broad consensus in both politics and society that accession to the European Union should be a priority of any new democratic government. After a long process of negotiations, accession was finally achieved in 2004, just a little over twenty years ago.

In many ways, the purposes of joining the European Union were simple. A postwar Europe wracked by war and division lacked peace and prosperity, and it was these that the European Union was intended to bring. Joining the EU brought enormous change to the lives of Hungarians. Hungarian citizens became free to work in any Member State and gained the ability to travel and study freely throughout the EU. Living standards improved, and cohesion policy measures were implemented for the purpose of helping new members catch up with the rest of the Union where necessary.

At the time of the 2004 enlargement, things were looking bright for the European Union. The EU became one of the largest single markets in the world. Economic integration—including policy integration, infrastructural integration, etc.—was poised to bring tangible results. GDP per capita rose significantly. And thanks to the economies of scale offered by the Union, industry, particularly industry in Central Europe, expanded significantly. As such a large market, the EU now often sets global standards, influencing business and trade even beyond its borders. And accessing (and influencing) EU markets has become key for countries around the world.

Membership also pointed toward the opportunity for coordination on common challenges, making it easier to undertake research and innovation, fight terrorism and crime, and tackle other cross-border issues. Joining the EU has even enabled Hungary to take on the role it often plays today, as a bridge between East and West, the EU and its neighbors in the Western Balkans, Central Asia, and other surrounding regions.

At the same time, however, there has been a drift within the mentality of European institutions—whether we call it mission creep or a tendency to see the roof but to forget the foundations. The core of this mission creep

has been to forget that nations are the principal drivers of European dynamism and diversity—not inconvenient obstacles in the way of a federalist vision.

Since 2010, Hungary has embarked on a path to build its strength on the basis of its national interests. As a result, Hungary resolved the chronic underemployment that used to plague it, delivered energy security to its citizens and built a strategy for economic growth that is rapidly paying dividends. This path has not always been to the liking of those in Brussels—and the politicized mindset toward Hungary has led to the harsher treatment of those who think that the future of Europe must be built on a sovereigntist basis. More gravely, the very mechanisms and tools that could be part of European strength have instead often been twisted to suit a political agenda and turned against sovereigntist countries like Hungary.

Hungary did not join the EU to give up its sovereignty. It joined to be part of a strong and stable union of sovereign nation-states, in which Member States can more easily achieve their goals. National sovereignty remains a driving force within Hungarian foreign policy decision-making. Today, there are competing visions for what the EU should look like. Some have tried to frame the debate as one between “pro-” and “anti-Europe” forces, but Hungary isn’t “anti-Europe”—it is offering a European alternative which in our view involves the true keys to European success.

EUROPE SEEN FROM BUDAPEST

Viewing the conflict between Brussels and Budapest as a battle between “pro” and “anti”-European forces—as if another Brexit were on the horizon—obscures the reality of how Hungary sees contemporary European developments. To be sure, Hungary has taken a contrary viewpoint on the wartime sanctions regimes as well as on EU decisions on migration, and some of Budapest’s sovereignty- and family-oriented domestic policies have drawn European criticism. The European Commission’s rule of law investigations have also held up the transfer of COVID recovery funds as well as regular EU funding (Strupczewski, 2022).

Hungary sees Europe as a continent whose current slate of policies has, often without adequate strategic foresight, been pursued to the detriment of European strength. European weakness is not something that benefits

Hungary. As the EU has drifted in a more centralized direction, with stronger emphasis on ideological conformity in domestic and foreign policy, its place in the world has become weaker. Now faced with a demographic crisis and societies increasingly disunited by migration, it is necessary to have a better strategic plan.

Hungary is not opposed to a larger EU, to a defensively strong EU or to an EU with well-defined geo-economic interests. On the contrary, Hungary's presidency is an opportunity to get to the heart of Europe's declining place on the world stage and reframe European priorities. The flagging competitiveness now driving popular discontent is, from this standpoint, only the most palpable symptom of misguided decisions in crucial areas from economic openness to migration to defense posture. In each of these areas, the viewpoint of the Hungarian presidency won't be "anti-European," but rather will highlight the problems of the current policy direction and the need for a different recipe for European success.

WHY HUNGARY WANTS A COMPETITIVE EU

Europe's struggle to remain competitive in the global economy has become all too palpable, for ordinary European citizens as well as European businesses. "A 'competitiveness crisis' is raising alarms for officials and business leaders in the European Union," reads a recent New York Times overview, "where investment, income and productivity are lagging" (Cohen, 2024). The EU's share of global exports has also been declining, falling 16 percent between 2016 and 2022, even before the Russo-Ukrainian war changed the global economy (Valero, 2024). Typical reasons advanced to explain Europe's decline include Europe's market fragmentation or regulatory environment. Detailed discussions are held within European institutions to analyze and study piecemeal solutions to Europe's competitiveness crisis. Meanwhile, large-scale decisions are undertaken without adequate preparation or discussion.

European economies have been particularly stagnant since energy sanctions dramatically raised input costs for many manufacturers, and energy price sensitivity is now a primary concern for industrial producers (Strategy&, 2024). Soaring energy costs have directly impacted European businesses as well as national budgets. The European Central Bank itself recently came to the conclusion that "energy supply issues"—that is, the loss of cheap energy due to sanctions—damaged "aggregate industrial

production” in Europe in 2022 (Chiacchio, 2023). When more money is needed just to keep the lights on, much less is available for industry, let alone complex R&D.

Yet the drive to separate the EU from geopolitical rivals has only gathered steam. Former ECB president Mario Draghi has been pushing for aggressive European trade actions against China (Arnold, 2024). Europe’s increasing trade war with China over electric vehicles is now opposed by German automakers (Kastner, 2024). European policymakers contemplating a potential Trump victory have also been considering possible trade actions that could be taken against the United States. But none of these will solve Europe’s underlying industrial deficiencies.

Here, then, are two divergent views of European competitive strength. In the regnant view, Europe has begun to disconnect economically from its perceived geopolitical rivals, even at the cost of steady deindustrialization. It focuses on green and digital transitions rather than industrial capacity. Its migratory doors remain open, while it hopes that tourism will save the continent. In this view, its strategic autonomy comes at the expense of connectivity, as a “foreign economic policy” places geopolitics first (Arnold, 2024). The federalist-internationalist view of European strength, if we may call it that, overlooks the continent’s need for inexpensive energy and a peaceful security environment, instead putting it on a war footing that is almost certain to lead to less, rather than more, strategic autonomy. This view also subordinates European security decision-making to the (often-shifting) interests of Europe’s principal security provider, the United States.

According to the other viewpoint, Hungary has been highlighting the distinct features of Europe’s economy that make it not only difficult but also undesirable to “decouple” the European economy on the basis of geopolitical pressures. The European Union is significantly more intertwined with global supply chains than the United States—with five times the import dependency of the United States, according to studies from the Hungarian Institute of International Affairs (Pilkington, 2024). Hungary’s view is not driven by affection for Europe’s great power rivals, but by a realistic evaluation of Europe’s situation. In this view, Europe must start with a recognition of its need for a highly interlinked geo-economic basis, combined with a peaceful and practical orientation toward its neighbors.

In this alternative approach, European strength can only come about through a strategy that prioritizes reindustrialization through low-cost energy and a favorable regulatory environment. Economic openness should be oriented

toward the goal of strengthening Europe’s position and ability to articulate its own interests—and not, by contrast, closing itself off on the basis of other powers’ rivalries. The following chapter by Philip Pilkington, senior research fellow at HIIA, analyzes the strategic failure of Europe’s energy policy.

During its presidency, Hungary plans to articulate a “New European Competitiveness Deal” that emphasizes a technology-neutral industrial strategy and the need for an open global economy. Rather than pushing the green transition at the expense of industry, the Hungarian approach would facilitate green investments but enable companies to make the best decisions.

At home, this framework is usually described as Hungary’s “connectivity” strategy—an attempt to harness a country’s role in international supply chains, draw inward industrial investment and trade on geo-economic strengths (Orbán, 2023). In an EU context, the Hungarian approach will emphasize the need to conclude the nine free trade agreements currently being negotiated, and the urgency of “avoiding the escalation of trade tensions.” It will also actively promote the use of EU-level tools to tackle the root causes of economic instability elsewhere in the world, as that often directly impacts Europe, as well.

HUNGARY’S VISION OF A STRATEGIC, SECURE EUROPE

Spelled out more broadly, Hungary envisions a European Union built on the strength of its member states, becoming a more competitive player in the multipolar world and increasingly able to take care of its defensive needs—including at the EU level. An industrially competitive Europe with proud countries can defend itself better, but also must articulate its own defense priorities. Hence, in addition to implementing the EU’s existing Strategic Compass in defense, Hungary will emphasize the need to strengthen Europe’s defense technological and industrial base.

It is true that, since the beginning of the Russian invasion of Ukraine, Hungary has displayed a distinct international stance in staying out of the conflict and not participating directly in military support of Ukraine, while condemning the invasion (MTI-Hungary Today, 2022). This stance comes not from pro-Russian sentiment, however—which is rare in Hungary—but from a view that battlefield solutions will be elusive (Horváth Kávai et al., 2022). From the beginning of the war, the Western and European responses have not been

based on long-term strategic expectations, but have taken a reactive stance, with a long series of financial and military commitments, as well as sanctions regimes, with little to no review mechanisms in place to determine whether the means used have been effective.

While Hungary has called for an immediate ceasefire and peace negotiations as the way forward, this divergence of viewpoint does not mean that Budapest downplays Europe's need for defensive strength. On the contrary, Hungary has recognized that Europe will be called upon to take care of more of its own defense and security needs in the years ahead, particularly as the United States rebalances its military emphases against an increasing set of global challenges.

On a strategic level, the Hungarian presidency will stress a variety of urgent security concerns, including the postwar rebuilding of Ukraine. Ever-present tensions within the Western Balkans also pose a danger for Europe, hence Hungary's particular emphasis on more rapid EU enlargement to include the six Western Balkan countries. Hungary also emphasizes the need for European rapprochement with Türkiye, given its significance to energy and regional security. Hungary's deep connections with Central Asia and the Gulf states will also boost the EU's recent strategies in those areas.

The EU has a strong role to play in securing these priorities, complementing NATO as the primary guarantor of its members' collective security. One step forward would be the establishment of an EU Rapid Deployment Capacity; the Hungarian presidency will continue to push in this direction, while also emphasizing the other frameworks for European-level cooperation, particularly around defense innovation and coordination.

From an international perspective, this vision amounts to one of a distinctly strategic Europe, based on a different evaluation of what strengthens European nations and can bring them together. European policies have sometimes been undertaken in a reactive way—as when “decoupling” became an imperative with little discussion or consultation at the political or national levels. The Hungarian presidency will be a time during which a strategic discussion of Europe's situation and goals can be undertaken.

The other priorities of the presidency can be understood in this light. The negative social and economic consequences of mass migration are clearer now than during the 2015 migration crisis, and global demographic challenges are now discussed widely. Both of these will figure largely in the

next six months, but from the standpoint of positively addressing the sources of migration and the toolkit for addressing demographic problems. Hungary's emphasis on cohesion policy, as well as farmer-oriented agricultural policy, is oriented toward making sure that member states and key citizen constituencies continue to benefit from Europe. The following chapters cover each of these.

Finally, Hungary has been an exceptionally strong advocate of the accession of the six Western Balkans countries to the European Union—more so than, for example, right-wing parties in western Europe that are skeptical of European enlargement. From Hungary's point of view, the arguments that call for better intra-EU connectivity in order to increase competitiveness apply all the more toward the integration of the Western Balkans. It's Hungary's desire for EU membership to remain attractive that drives its emphasis on merit-based expansion rather than geopolitical or politicized approaches.

Far from being “anti-EU,” then, Hungary views the enlargement of the EU as a strategic imperative, beginning with the Western Balkans and emphasizing the need for a credible and merit-based process. Positive perception of the EU has been weakening somewhat in these countries as the accession process has become long and drawn out. As Budapest has perceived the politicization of European institutions in recent years, it's perhaps no surprise that it's sensitive to this sentiment as it has arisen in the candidate countries, as well.

THE HUNGARIAN PRESIDENCY: EUROPEAN TOOLS FOR EUROPEAN ENDS

Each half-year, the country presiding over the Council of the EU must help facilitate debate and discussion at a European level. Hungary's approach outlines a way of using existing EU-level tools to pursue the goal of strengthening Europe's competitiveness and strategic position. Emphasizing the competence of member states isn't opposed to this process but reflects the view that Europe can only succeed when member states' sovereignty is respected and when European solutions are built upon that basis. All too often, short-circuiting Europe's national building blocks simply results in backlash.

At the core of Hungary's viewpoint is the belief that Europe has been drifting in an ever-weaker direction. Whereas the European Union was once competitive with the United States on the world stage, it is now struggling to

keep pace in a world increasingly defined by the competition between the United States and China. At home, declining access to cheap energy has imperiled European industry and made life harder for ordinary European citizens. Member states once characterized by strong national identities are now increasingly bifurcated into globally oriented metropolises and skeptical or disillusioned countryside.

The Hungarian “recipe” for Europe argues that policies based on the agreement of member states are likelier to be more resilient in the long term. Only a Europe that builds on its place at the intersection of global economic flows can foster the conditions for economic success, defensive strength and confident enlargement. But if Europe cannot open a strategic debate about its present and future, about its role in the world and the conditions for its success, it will be traveling down an increasingly perilous road. For those who want a strong Europe to emerge, an open discussion is becoming ever more urgent. Hungary’s distinctive presidency has already become an occasion for such discussions.

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