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## The Hungarian Presidency of the Council of the EU

### Navigating the EU in Times of Change

Following Spain and Belgium, the Presidency of the Council of the EU moves to Central Europe to close the Trio launched on 1 July 2023. Hungary, a nation of moderate size and economic strength but with above-average political ambitions, is set to assume the Presidency. For the next six months, the EU Council will be chaired by a country that has often been viewed as **challenging** the EU's founding values and **complicating** its decision-making processes. Namely, the European Parliament officially **questioned** the credibility of the Hungarian Government in driving forward the Council's legislative work, while others **warned** of the potentially harmful effects Hungarian agenda-setting could have on various policy areas. To further complicate matters, the Hungarian Presidency coincides with the beginning of a new institutional cycle when the recently established European Parliament still needs to take a vote on the new College of European Commissioners. For added complexity, all this happens in the context of the increased power of right-wing parties in the European Parliament.<sup>1</sup> All these factors generated a range of concerns about Hungary's approach to leading the Council, especially amid prolonged periods of uncertainty shaped by the EU's ongoing geopolitical and economic challenges.

In the context of such challenges, the Hungarian Presidency sets strong ambitions, seeking to defy its critics and demonstrate its capacity for effective and decisive leadership. Besides the ongoing Russian aggression against Ukraine and other security risks confronting Europe, the Presidency will engage in addressing the acute economic problems reflected in EU companies **lagging** behind their global counterparts, particularly those in the US and China. Judging by Hungary's **Presidency programme** and Victor Orbán's **messages**, Budapest recognises both security and economic issues faced by Europe, making the enhancement of the EU's competitiveness and its defence capabilities the top two priorities of its Presidency.<sup>2</sup> In addition, as a country which shares the border with both the Western Balkans (WB) and Ukraine, Hungary is now in a position to potentially accelerate the EU enlargement process by prioritising this policy and putting it high on the EU agenda. Therefore, this paper aims to critically examine the declaratively proclaimed goals of the Hungarian Presidency, answering the question of how realistically achievable they are and what are prerequisites for their fulfilment.



<sup>1</sup> They are now unified under the recently formed "Patriots for Europe" alliance, becoming the third-largest block within the Parliament. It is specifically Hungarian "Fidesz", led by Prime Minister Orbán and ranked as the alliance's second-largest party alongside French "National Rally", that is likely to assert considerable influence within this block.

<sup>2</sup> The seven priorities of the Hungarian Presidency Programme include the adoption of the New European Competitiveness Deal; the reinforcement of European defence policy; keeping the enlargement policy merit-based, balanced and credible; stemming illegal immigration; shaping the future of cohesion policy; making the EU agricultural policy more farmer-oriented; and addressing demographic challenges.

## Make the European economy great again

Turning the EU into a stronger economic player will be a key priority for Hungary's activities. When Hungary assumed the Presidency in 2011 for the first time after joining the EU, Europe had just started to recover from a severe **financial crisis** that put grave pressure on the euro area and significantly increased public debt across several member states. Nowadays, Europe is facing a new set of economic challenges, ranging from very high energy prices to substantial technological lag, which resulted in significant erosion of the EU's global competitiveness. Hungary itself has been one of the member states that was hit hard by these challenges. In such a context, the key priority of the Hungarian Presidency will be to facilitate the adoption of a New European Competitiveness Deal aimed at restoring the EU's economic development. Drawing on the European Council **Conclusions** from April 2024, Hungary will have an opportunity to capitalise on the existing consensus among member states and finalise the adoption of such an important Deal, thereby portraying its Presidency as successful.

Following Enrico Letta's "Much more than a Market" **report** which called on developing a new Single Market adapted to the evolving global landscape, the Hungarian Presidency will also be tested in navigating the Union through its internal market reforms in the next half-year. In that regard, Hungary announced its ambition to foster an inclusive European debate on strengthening the EU's single market. It is likely that Budapest will seek to include the perspectives of key industrial stakeholders in the EU's internal market reforms, pushing for lighter regulatory frameworks, following the example of similar **reforms** already carried out on a national level.<sup>3</sup> Moreover, in line with its policy of **economic neutrality**, it can be expected that Hungary will advocate for a more open EU market driven by economic interests rather than ideological or geopolitical considerations. In other words, guided by what Victor Orban describes as "realities of the world economy", Hungary could promote trade and investment partnerships with China and other countries, irrespective of their non-democratic governance or unfair market practices. Overall, while there is general agreement on the need to reform the EU's single market, the value-free approach Hungary takes to economic relations may cause friction with other member states and impede reform efforts under its presidency.

Amid climate change and decarbonisation, Hungary often opposes environmental measures affecting economic growth; nonetheless, it acknowledges the EU's need to lead in the **green industry** as a key growth opportunity. By putting a strong focus on the development and production of electric vehicles, Hungary proposes a range of measures to enhance the competitiveness of the European automotive industry, from those aimed at boosting investments and attracting new technologies to implementing skills development and innovation programs. Moreover, one of the priorities of the Hungarian Presidency will be to build a consensus among member states on the End-of-Life vehicle (ELV) **regulation** aimed at improving the quality of ELVs treatment as well as incentivising reuse and making the most efficient resource use-

age.<sup>4</sup> In addition, Hungary announced its intention to further promote alternative sources of energy production, particularly geothermal and nuclear energy, along with the allocation of additional EU funding to natural gas infrastructure, which is expected to contribute to both European climate goals and competitiveness. Engaging in these activities with the integrity of an honest broker would enable Hungary to start rebuilding its political capital within the EU, particularly as this is a topic with overarching importance to all member states.

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## Towards secure and strategically autonomous Europe

Hungary is taking over the Presidency to close the Trio that commenced in July 2023, a time marked by a particularly challenging international landscape. One year later, the situation appears to have deteriorated further, making a proactive EU approach more essential than ever. The war in Ukraine continues, causing countless casualties and further depleting the country's human and economic resources. In parallel, Russia shows no signs of willingness to end the conflict, while its economy is becoming increasingly accustomed to the sanctions imposed by the West. Should Donald Trump win the US presidential elections, this will carry even greater significance due to the expected distancing of allies from two sides of the Atlantic. Under Trump's potential isolationist and protectionist policies, questions of European security could resurface, alongside reminders of the EU's urgent need to address its lagging global competitiveness compared to the world's top two economies. Although Hungary diverges from most EU member states on Trump's policies and its approach to the war in Ukraine, immense pressure will be placed on it to act as an honest broker.

In line with the second pillar of the **EU's Strategic Agenda 2024–2029**, directed towards reinforcing a strong, secure and sovereign Europe, Hungary announced that it will work to strengthen the EU's capacity to act as a strategically autonomous global player. In such a context, the Hungarian Presidency declared it would prioritise strengthening the **European Defence Technological and Industrial Base** to support the development of the EU's military capabilities that could be used collectively by member states. However, despite these announcements, it is important not to overlook Viktor Orbán's earlier positions, where he consistently opposed deepening European integration, which could transform the EU into what he **described** as a "superstate" and "Brussels empire". With that in mind, it is difficult to imagine how Hungary could simultaneously promote a collective EU defence system while advocating for more sovereignty for individual member states. All in all, it is plausible to expect that Hungary might leverage its presidency to advance security cooperation on an informal and exclusively intergovernmental footing, likely avoiding any strides toward the increasingly prominent idea of a unified **European Army**.

<sup>3</sup> In its capacity as the presiding country, Hungary will be well-placed to shape this discussion by advocating for the European Industrial Strategy while ensuring a wide range of industry stakeholders are actively engaged in its development.

<sup>4</sup> In that regard, this measure would not only integrate the automotive industry into the circular economy, thus supporting the objectives of the European Green Deal (EGD), but it also has the potential to enhance the industry's competitiveness by driving cost efficiency and encouraging innovation.



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In addition to defence from conventional threats, the Presidency also declared putting focus on how the EU should deal with hybrid threats, particularly those in cyberspace. Pertaining to that, it is expected that Hungary will support a regular exchange of views between various stakeholders across Europe on how to tackle cyber security risks and maintain a safe cyberspace. Beyond regular discussions on different levels, Hungary might initiate new legislation activities, with a particular emphasis on securing a safe online environment for **children**. However, Hungary's credibility in the declared battle for safe cyberspace could be weakened by repeated **allegations** that its government tolerates or even amplifies the dissemination of Russian disinformation. Given Budapest's differing perception of hybrid threats compared to many other member states, it is unlikely that significant practical progress can be achieved in this area by the end of 2024.

Although emphasising the necessity for the EU to improve defence capacities, thus taking greater responsibility for its own security and not being dependent on external help, Hungary will certainly support cooperation with partner countries as well. In that regard, it is unlikely that the Hungarian Presidency will question the role of NATO as the cornerstone of European collective security, although an increased emphasis on the strategic priorities of EU member states within the transatlantic partnership might be expected. Furthermore, Hungary's insistence on pan-European strategic autonomy is also visible in its permanent support for the European Political Community (EPC), whose 5<sup>th</sup> summit is going to take place in Budapest. On that note, Hungary will advocate for broader cooperation with Western Balkan and Eastern partners on security matters, with a special focus on combating illegal migration and cybercrimes. Additionally, fostering strategic cooperation with Türkiye on these matters, alongside energy partnerships with Ankara and Baku, is expected to feature prominently on the EU's agenda during the Hungarian Presidency. All in all, enhancing strategic ties with crucial partners that will strengthen the EU's defence capabilities, mitigate external threats and secure its energy supply is considered a crucial pathway to a stronger and more sovereign Europe – a goal which the Presidency will strive to achieve.

### **An enlarged Europe as soon as possible**

Positioned next to the WB and Ukraine, Hungary particularly recognises that enlargement represents the Union's own geopolitical and strategic interest. When it comes to the WB, there is little doubt that the Hungarian Presidency will strongly support further acceleration of the enlargement process. It has traditionally been one of the most vocal proponents of moving in that direction. Together with steps forward in the implementation of the **New Growth Plan** for the WB through the adoption of countries' Reform Agendas, WB candidates can reasonably expect that Hungary will push for opening new

negotiating clusters with them.<sup>5</sup> In addition, Hungary could further promote mechanisms for the gradual integration of the WB into the EU single market, for instance, through inclusion into the EU's payment and roaming area. Moreover, Budapest will definitely advocate for a more regular political dialogue with WB partners, realised through the new EU-Western Balkans Summit and intergovernmental conferences. In sum, with Hungary in the driver's seat, the Council will undoubtedly be a place for open discussions on how to further revive the enlargement process and bring the WB closer to the EU.

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Unlike its utmost dedication to advancing the WB forward, it is unlikely that it will put the same effort into making enlargement prospects more realistic for candidates from Eastern Europe. Namely, in the Presidency Programme, only the WB is explicitly mentioned in the context of enlargement policy, stating that the Union "cannot be completed without the accession of this region". On the other hand, the Programme refers to Ukraine only in the context of addressing the consequences of the war, i.e., the reception of refugees, support for the reconstruction, etc., while Moldova and Georgia are barely mentioned. Such a position from Hungary comes as no surprise, considering that Budapest has so far been reluctant to unconditionally support Ukraine, whether in its **defence** against Russia or its EU **accession** efforts. In any case, although Hungary does not need the position of the presiding country to slow down Ukraine and other Eastern European countries on their path to EU membership, insisting on this could further alienate it from other member states that view enlargement policy as the primary tool to counter Russian malign influence in this region.

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However, this does not mean that Hungary will completely sideline cooperation with Eastern Partnership countries. On the contrary, Budapest announced the deepening of this cooperation, particularly important due to its proclaimed efforts toward European strategic autonomy. For instance, Hungary proposes establishing a pan-European research and innovation partnership that would more comprehensively involve Eastern European countries, as well as including the Eastern Trio in the EU's roaming area. Given the Ukraine Facility, as well as the Growth Plan for Moldova, Hungary could go in the

<sup>5</sup> As Hungary's direct neighbour and a key regional partner, Serbia might hope that Budapest will leverage its privileged position over the next six months to advocate for the opening of Cluster 3 with Belgrade, three years after the Commission recommended it for the first time.

direction of maximising partnerships with these countries during the pre-accession period as an alternative for accelerated enlargement. When it comes to Georgia, given that there is a consensus in the Union that the process cannot continue after the adoption of a controversial law on foreign agents, Hungary will not need to focus on this issue either. In that regard, there is little expectation that any significant progress towards full membership of candidates from Eastern Europe will be made in the following six months.

**Going forward**

Only judging by its Presidency programme, Hungary appears to fully grasp the significance of enhancing the EU's defence capabilities and economic resilience to ensure security and well-being for its citizens while also increasing its appeal to candidate countries. Yet, Hungary's contentious reputation may fuel doubts among other EU member states and institutions, making it harder to deliver on its announced agenda. Hungary's most promising chance for this appears to lie in completing the Schengen enlargement process by fully integrating Romania and Bulgaria, as well as in making meaningful steps toward the EU enlargement in the WB. Alongside the new European Commission, expected to be under Ursula von der Leyen's leadership again, the Hungarian Presidency will have the task of convincing other member states how important the EU is to accelerate its enlargement process *vis-à-vis* the Western Balkans. To succeed in this endeavour, Hungary will be expected to prove its capacity to act as an honest broker, notably by showing a more genuine commitment to advancing Eastern European enlargement. In sum, these six months could serve as a valuable opportunity for Hungary to demonstrate itself as a reliable and cooperative partner, with the potential to positively contribute to reshaping its image within the Union.



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