



CONFERENCE REPORT TEPSA Pre-Presidency Conference

Entering the New Decade: New Challenges and Priorities of the EU under the Hungarian Council Presidency (2011)¹

2 & 3 December 2010
Budapest, Hungary

The Hungarian pre-presidency conference, organised by the Hungarian Institute for World Economics (IWE) in collaboration with TEPSA and THESEUS, took place at the Hungarian Academy of Sciences in Budapest on 2-3 December 2010. The conference focused on the new challenges and priorities for the EU during the upcoming Hungarian Council presidency.

The conference was opened by the welcome addresses of hosting organiser *András Inotai* (Institute for World Economics, Hungary) and TEPSA Secretary-General *Jean-Paul Jacqué*. Their interventions were followed by the TEPSA recommendations to the Hungarian EU Council presidency which focused on nine policy areas: the European economic governance; competitiveness and the EU 2020 strategy; the area of freedom, security and justice; immigration issues; the solidarity clause (article 222 TFEU); the European External Action Service; the Danube strategy; enlargement and neighbourhood policy.²

Director of COREPER I Affairs *Gábor Baranyai* (Ministry of Foreign Affairs, Hungary) presented the priorities of the Hungarian presidency in his keynote speech. Mr Baranyai explained that the Hungarian presidency will be based on four pillars. Firstly, it will strive for the growth of employment and social inclusion, particularly by supporting the European semester of economic policy coordination and by starting the implementation of the EU 2020 strategy. Secondly, it will focus on strengthening the common currency and tackling other economic issues, such as the budget and a common energy policy. Thirdly, it will continue the implementation of the Stockholm Programme, where enlargement of the Schengen area is likely to be the most challenging issue. Finally, the Hungarian presidency will focus on “enlarging responsibly and engaging globally”. In particular, this entails closing accession negotiations with Croatia, continuing negotiations on accession with Turkey, Iceland and Macedonia and the organisation of the Eastern Partnership summit.

Mr Baranyai's keynote speech was followed by the contributions of several eminent participants. Spanish ambassador to Hungary *D. Enrique Pastor de Gana* stressed the achievements of the previous Spanish presidency in tackling the financial crisis at EU level and applying the provisions of the Lisbon Treaty. In addition, he emphasized the continuity of priorities between the Spanish and the following Belgian presidency. Belgian ambassador to Hungary *Pierre Labouverie* indicated the achievement of concrete policy results and of harmony among EU institutions as essential priorities for the Hungarian presidency. *Péter Balász*, former member of the European Commission, highlighted opportunities for the Hungarian Presidency, such as the adoption of the first Danube strategy and Croatia's accession, as well as potential problems, notably the fact that Hungary will have to cope with the Euro crisis without being a member of the common currency area. *Tamás Szücs*, Head of the European Commission

¹ This report was compiled by *James Nyomakwa-Obimpeh* and *Marco Siddi*, with contributions of *Miguel Haubrich Seco*; *Vanessa Boas*; *Dana Depo*; *Nicole Koenig*; *Marlene Gottwald*; *Niklas Helwig*; *Simon Stross*, all Early Stage Researchers of the Marie Curie Initial Training Network EXACT.

² These recommendations can be found at

<http://tepsa.be/Recommendations%20to%20the%20Hungarian%20Presidency.doc.pdf>

Representation in Hungary, emphasized that the Hungarian presidency starts in a very challenging period for the EU, mostly due to the economic and financial crisis. *Adám Török*, member of the Presidential Board of the Hungarian Academy of Science, concluded the opening plenary session by stressing the necessity to focus on competitiveness and European economic governance.

Workshops on Thursday, 2 December

Workshop I: One year after the Lisbon Treaty: evaluation of its institutional innovations

Chaired by *Gunilla Herolf* (TEPSA Board and Stockholm International Peace Research Institute, Sweden), this workshop shed light on the performance of some of the most prominent institutional innovations introduced by the Lisbon Treaty. One year after the entry into force of the Treaty, the contributions focused on the practice record of the institutions and drew prospects and recommendations from the lessons learned so far.

In the first contribution, *Ignacio Molina* (Real Instituto Elcano, Spain) revisited the role of the rotating Council presidency concentrating on two aspects: the limited functions and reduced role in external representation of the EU of the presidency's prime minister and the call for more coordination. After having assessed these two areas, Molina proposed several institutional mechanisms by which the presidency could both work for more consistency and maintain political influence by using the General Affairs Council (GAC) as a coordination and agenda-setting body. While the coordination function of the GAC had worked out relatively well during the Spanish and Belgian presidencies, further effort should be put in strengthening its political relevance if the GAC is not to become a duplicate COREPER. Assuming the responsibility for the growing number of horizontal dossiers, acting as chamber of appeal for the specialised Council formations or promoting a composition of EU Affairs ministers, instead of generalist foreign ministers in the GAC, were some of the proposals that Molina outlined to increase political relevance and visibility of this body.

The Union's growing role in defence policy and its perception by NATO were the areas analysed by *Hanna Ojanen* (TEPSA Board and Swedish Institute of International Affairs, Sweden). Ojanen started her contribution by highlighting several innovative aspects in CFSP, notably the fact that the EU has evolved into a defence alliance through the solidarity clause. It is especially significant that this clause is very open to interpretation in its scope, which had already led to different member states perceiving the clause in different ways, ranging from finances to security. In order to analyse the potential of the CFSP innovations, Ojanen suggested to "put a mirror in front of the EU" and to look at it from the perspective of NATO's recently renewed Strategic Concept. NATO's view on the EU revealed a strong confidence in the abilities and potential of the Union in several defence areas, especially in capacity building and the planning of operations. Ojanen argued that NATO's confidence in the EU could be explained by several reasons, including NATO's search for a stable place in a European security architecture. She concluded by stating that it could be very enriching to take an outside perspective to judge the performance of the EU also in other areas.

In the third contribution, *Graham Avery* (Honorary member TEPSA Board and University of Oxford, UK) had a close look at the origins and current situation of the EEAS. From this analysis, he then developed prospects for the service and its possible impact both in the EU and abroad. The fact that the Treaty included only very vague provisions on the EEAS was in Avery's view the reason for having had such complicated negotiations during the setting-up of the service, both with the Council as with the European Parliament, that used the lack of codification to significantly expand its limited powers in foreign affairs. Taking a closer look at the new service



and with the goals of greater coherence and effectiveness as benchmarks, Avery argued that he saw good prospects for improving the record of EU foreign policy for three main reasons. First, the set-up of mainly geographic Directorates-General in the EEAS provided a good outlook for the unification of the former community and intergovernmental pillars. Second, socialisation effects could in the medium term foster common understandings of interests among European diplomats working both at the EEAS and in their national ministries during their careers. Third, financial pressures might spur member states to reduce national efforts in areas covered by the EEAS. Avery closed by recommending that the performance of both EEAS and High Representative should be reviewed again in one year's time.

Workshop II: European economic governance: crisis management and the future of the eurozone

The panel on economic governance largely focused on the measures to be taken in order to smooth the functioning of the eurozone. *Iain Begg* (TEPSA Board and London School of Economics, UK) provided a comprehensive overview of the main shortcomings in terms of fiscal policy in the eurozone and potential solutions to remedy the current imbalances (fiscal frameworks, changes in the stability and growth pact). He highlighted the lack of coordination among member states as a major factor in the disarray. Moreover, by outlining the root causes of the financial troubles in Greece, Ireland and Spain, Begg illustrated that diverging factors such as dysfunctional public sector, banking bubble, and real estate bubble led to the crisis.

The second speaker, *Istvan Benczes* (University of Budapest, Hungary), highlighted the dilemma regarding efficiency and stability in the eurozone. He argued that, whilst on the one hand the adoption of the common currency in more countries leads to lower transaction costs, a greater number of members heightens the stability risks. Benczes developed on this by presenting three puzzles inherent in fiscal rules and institutions. The final speaker, *Viljar Veebel* (University of Tartu, Hungary), put forward a controversial approach for tackling the crisis currently preoccupying Europe. He strongly advocated against the bailing out of ailing economies and for relying on market forces to smooth out imbalances and deficiencies. For instance, allowing Greece to default would make EU exports cheaper and more competitive, rid the Greek economy of its dysfunctional private sector and limit the amount of money lent to dysfunctional states.

A lively debate followed the presentations during which the speakers found themselves diametrically opposed regarding the benefits of a bail-out and the stance the EU should take when dealing with down-trodden economies. All speakers agreed that economic governance was equally a question of political economy and that without political will the efficiency of measures would be hampered. It was concluded that economic governance will remain a priority for the upcoming Hungarian Presidency and the presidencies to come.

Workshop III: Widening: further enlargement of the EU and Eastern Partnership

The workshop was moderated by *Visnja Samardzija* (TEPSA Board and Institute for International Relations, Croatia), who drew the attention on two main points, namely the state of the enlargement process as reflected in the report of the European Commission on the countries in pre-accession strategy and the Eastern Partnership.

Atila Eralp (Center for European Studies, -METU, Turkey) pointed out that Turkey is in a long-term process of pre-accession negotiations. In five years, thirteen chapters were opened and only one has been provisionally closed. According to Eralp negotiations on Turkey's accession have become more and more politicized in EU member states, with more countries now



opposing Turkey's entry in the EU. On the other hand, support for EU accession in Turkey has declined, both among political elites and in public opinion. Nevertheless, the EU should not underestimate Turkey's importance, as Ankara can play an important role in building closer relations with the Union's neighbourhood. Eralp also highlighted the necessity to create a more flexible mechanism that would bring Turkey closer to the EU.

The second speaker, *Baldur Thorhallsson* (Institute of International Affairs and the Centre for Small-State Studies, Iceland), presented an overview of EU-Iceland relations since 1958. Initially, Iceland privileged bilateral relations with Denmark, the USA and Britain and did not apply for EU membership. In the 1990s Social Democrats started campaigning for EU accession, a process which eventually resulted in Iceland's recent application for membership. However, the recent economic crisis has given new momentum to Eurosceptics and public support for EU accession has declined. Dr Thorhallsson concluded his speech by stating that the twentieth century in Iceland is known as the "American century"; it remains to be seen whether the twenty-first century will be the "European century".

The final presentation concerned the Eastern Partnership (EaP). *Petr Kratochvil* (Institute of International Relations, Czech Republic) argued that the lack of funds resulting from the economic crisis is one of the main challenges to the strategy. In addition, the EaP is confronted with several political problems. Firstly, the leaders of Mediterranean EU member states did not participate in the inauguration of the EaP. Secondly, neither they nor the High Representative took part in the celebrations for the first anniversary of the EaP. Thirdly, little attention is paid by EaP partner countries to the multilateral dimension due to the lack of financial support, difficulties in defining common priorities and the fear that the EaP could become an alternative to the EU accession. Diplomats from EaP countries pay special attention to bilateral level of cooperation which existed prior to the launch of EaP, namely association agreements, negotiations on a deep and comprehensive free trade area and visa liberalization. On the other hand, the positive aspects of EaP include simple operational structures, the possibility for participating country to launch projects and get civil society involved, as well as the introduction of flagship initiatives. Nevertheless, the EaP is still to prove its viability. The speaker defined four prerequisites for success, namely political support from both EU member states and partner countries, adequate financing, visibility of success and strong regulatory processes in the individual partner countries.

Workshop IV: EU sustainable competitive challenges: the EU 2020 Strategy

Workshop IV focused on EU sustainable competitiveness challenges and the EU 2020 Strategy. The session was chaired by *Marjan Svetlicic* (TEPSA Board and Centre of International Relations, Slovenia). The speakers were *Marianne Dony* (EGE Network and Université Libre de Bruxelles, Belgium), *Attila Ágh* (Corvinus University Budapest, Hungary), and *Karlis Bukovskis* (Latvian Institute of International Affairs, Latvia). It was argued that the EU 2020 Strategy established a new architecture, but it is built on old instruments. One of the few real innovations is the introduction of the 'European Semester' strengthening economic governance. However, the need to strengthen governance with regard to the environmental and social aspects of the strategy remains.

Due to the lack of EU legal competences, the EU 2020 Strategy relies on 'soft law'. A broader use of binding measures with economic 'carrots and sticks' was however deemed necessary. The speakers also stressed the need for coherence between the EU's financial perspective and its competitiveness goals. The Union's competitiveness goals should not be pursued at the expense of the cohesion policy. Strengthening the economies in the EU's neighbourhood was seen as a priority. In addition, macro-regional approaches to competitiveness were presented as



instruments for a regional division of labour compatible with the EU's overall competitiveness agenda. The Danube Strategy is an example for the extension of EU competitiveness goals to neighbouring regions. The EU Strategy for the Baltic Sea Region is a further example for macro-regionalization within the EU. Several challenges to sustainable competitiveness were pointed out, most notably youth unemployment. Another challenge leading to a medium term decrease in productivity is the aging of Europe's population. While migration was presented as a challenge, it has the potential to compensate for the demographic problem and should thus be viewed as part of the solution. After the consolidation of the European economies and the eurozone, the EU will have to endorse a more global view and quickly and actively adjust to the big tectonic changes in world economy.

Workshops on Friday, 3 December

Workshop V: Money matters: the upcoming financial perspective of the EU

'The EU budget is like the monster of Loch Ness: perhaps it really exists, but nobody knows what it looks like'. With this allegory, *Tamás Szemlér* (ICEG European Centre, Hungary) started the workshop "Money matters: the upcoming financial perspective of the EU". The conclusion of the budget review process presented by the Commission in October 2010 is still unsatisfactory in the criteria of an optimal budget. While some changes regarding the headings have been made and the allocation of funds to competitiveness and innovation has been doubled, many issues have not been addressed adequately. On the revenue side the EU budget is still a jungle of exceptions and the debate on the UK's rebate versus the Common Agricultural Policy is open. On the expenditure side it remains questionable whether the size of the budget can address the financing needs of new policy challenges in the areas of environment, energy security, CFSP or the financial crisis.

In the second presentation *Brendan Donnelly* (Federal Trust for Education and Research, UK) provided insight on why many shortcomings of the budget still exist after the review process. Especially big member states became more sceptical with regard to the budget and lack the political willingness to worsen their position as net-contributors to the EU. According to him, there was no 'review without taboos'. Conversely, taboos became more consolidated and deeper rooted in the last years. Consequently, member states will not be willing to endorse radical changes in the new financial perspective.

While *Sándor Richter* (Vienna Institute for International Economic Studies, Austria) shared the view that the willingness of the net-payer countries to contribute to the budget declined after the recent financial crisis, he still sees the possibility for a radical reform. The key is to find a rule-based solution that takes the concerns of the member states into consideration. The simple solution he presented is based on two pillars. First, the contribution of each member state should be calculated on the basis of the individual member state's per capita Gross National Income (GNI). Second, the money each member state receives for the execution of EU policies should be based on the per capita GNI of the whole EU multiplied by the number of inhabitants of each country. This approach would have two advantages: on the one hand, it would offer a transparent and democratic solution to EU budgetary challenges, as the calculations are based on the number of citizens of each country. On the other hand, it allows to focus on the debate on policy issues without having the question of net-positions in the back of the head.

After the presentations, *Judit Kiss* (Institute for World Economics, Hungary), who moderated the workshop, opened the discussion. This revolved around the possible impact of the European Parliament on the negotiations of the financial framework and the possibility for a substantial reform of the revenue side of the budget.



Workshop VI: A new approach to regionalism: the European Danube Strategy

Chaired by *Ottmar Höll* (Austrian Institute for International Affairs, Austria), the workshop focused on the background, issues, advantages and risks of the European Danube Strategy. The workshop started with the contribution of *Katrin Böttger* (Institut für Europäische Politik, Germany), who gave a brief overview on the basic facts and goals of the Danube strategy. According to her, the Danube strategy is a vivid example of the possibilities and challenges of cross-border cooperation in Europe, but it must not lose its bottom-up character. Possibilities and opportunities of the strategy include in particular increased cooperation in environmental protection and generating energy security in the region. On the other hand, the main challenges consist in the lack of administrative capacity and the fact that no additional funding will be available.

The second speaker, *Tamás Fleischer* (Institute for World Economics, Hungary), focused on the chronological development of the Danube strategy and the countries involved. Fleischer referred to the 'three no's' of the Commission (no new legislation, no institutional arrangements and no additional money for the Danube strategy). He outlined the interests and expectations that the countries involved have regarding the implementation of the new strategy. By analysing the distinct problems, aims and projects at sub-sector, country and EU level, he gave a comprehensive overview over the strategy. He concluded that if the weak points of the strategy are not addressed in the upcoming months, the Hungarian presidency should not attempt to have the strategy approved at all costs.

Finally, *Katia Hristova-Valtcheva* (Bulgarian European Community Studies Association, Bulgaria) drew the attention to the Bulgaria's perspective on the Danube strategy. She outlined the role of Bulgaria as a late-comer and its characteristics as a lower Danube country. Bulgaria's interest for an improvement of regional infrastructure, social and economic development and environmental protection in its rather underdeveloped Danube border regions was strongly emphasized. The speaker concluded by criticizing the lack of coherent institutionalization of regional co-operation along the Danube region.

Workshop VII Citizens' Europe: developments in the Area of Freedom, Security and Justice

Workshop VII on Justice and Home Affairs, chaired by *Nikos Frangakis* (Greek Centre of European Studies and Research, Greece), brought together three different topical fields: the legislative level, an institutional insight and a policy perspective. *Deszö Tamás Czigler* (Institute of Legal Sciences, Hungary) started with his presentation on the legislation in the field of Justice and Home Affairs (JHA) and the challenges for the Hungarian presidency. One of the main priorities of the Hungarian EU Presidency will be "a Union closer to the citizens". Within this priority area, Tamás Czigler highlighted four important aspects for the Hungarian Presidency: fundamental rights (especially relating to the accession of Romania and Bulgaria to the Schengen area), criminal law, civil law and migration.

Subsequently, *Ewelina Boguslawska* (European Parliament, Brussels) focused on the parliamentary dimension of the Area of Freedom, Security and Justice and the opportunities and challenges one year after Lisbon. Although the Lisbon Treaty abolished the pillar structure, it has not been a breakthrough in the JHA fields, as can be inferred from the intergovernmental way of bargaining and the high number of opt-outs. On the other hand, the Lisbon Treaty introduced the co-decision procedure in most JHA issues, thereby increasing the European Parliament's participatory rights. The external dimension of JHA constitutes an exception in this respect, as here the EP has either to give its consent or at least be consulted. The speaker



concluded that the EP was not only well prepared to state clearly its position, but also demonstrated the relevance of its influence in the external dimension of JHA. One of the main future challenges for JHA will be to incorporate the strengthened role of national parliaments, as this will lead to an extension of the actors involved in JHA.

Finally, *Toby Archer* (Finnish Institute of International Affairs, Finland) elaborated on the EU counter-terrorism policy. Following Iraq war of 2003 and the bombings in Madrid in 2004, the EU started to develop a better understanding of terrorism as a domestic issue. This awareness triggered the development of a counter-radicalism and a strategy for combating terrorism. Toby Archer contrasted these developments with the main critiques concerning the EU counter-terrorism policy. Firstly, he argued that there is no natural role for the EU, as a result of the subsidiarity principle. Secondly, there is evidence that EU counter-terrorism coordinators are not taken serious by member states. Thirdly, there are different ideas of citizenship (e.g. multiculturalism, republicanism) in member states and thus different approaches to confronting radicalism among ethnic minorities.

Closing plenary session

The two-day TEPSA Pre-presidency Conference drew to the end with the closing plenary session on Friday 3 December. This session began with brief reports from the various workshops and key recommendations for the consideration of the Hungarian presidency. After the workshop reports, *Andras Inotai* of Institute of World Economics was given the floor to present his concluding remarks. He made six key observations.

Firstly, he remarked that the Hungarian Council presidency might be influenced by the global events of the day and there is the need for the Presidency to be flexible and accommodating. He also emphasized the need for coherence in the EU policies and programmes in the field of crises management. Secondly, Mr Inotai mentioned that during the Hungarian Council presidency the maturity of the country as a member of the EU will be tested. This should not be the time for the pursuance of 'national interest'; rather Hungary should be an honest broker in the Council. Thirdly, the Director of IWE mentioned that EU is in the era of qualitative integration, where new member states are required to be more responsible even as net beneficiaries. Fourthly, he cautioned that it behoves on the Hungarian presidency to know that the Presidency of the Council is not a done deal. Rather, it is a process whereby Hungary would be inheriting some policies or issues from past presidencies and would be required to use that as a template to launch its presidency.

The fifth point concerned possible obstacles to the Hungarian Council presidency. The speaker identified some local/national political dynamics as possible hindrance to what Hungary could achieve. As final point, the speaker discussed future benefits that Hungary stands to gain should the country handle affairs well during its presidency. In addition, he strongly advised that Hungary should liaise very well with both the Belgian and Polish Presidency to ensure smooth transitions. Finally Mr Inotai advocated civil society, NGOs and European citizens involvement in the activities of the Hungarian presidency.

Wolfgang Wessels (Chairperson TEPSA Board and University of Cologne, Germany) had the last word of the conference. He observed that during the conference some key terms and concepts have been discussed. TEPSA should continue to serve as a forum for the European debate and Hungary is to provide strong leadership for the Council. Finally, the TEPSA Chairman made some gift donations and expressed general appreciation to all participants for their attendance during the conference.

