

### RAPPROCHEMENT OR DISTANCING?

Péter Balázs

In the run-up period to EU accession (1994–2004) Hungary adapted rapidly to the norms and values of the European Union, but a divergent tendency has been seen since, in the post-accession phase up to the present day. The article points to some reasons for this volt-face. “Euro-Atlantic integration” was a priority in foreign policy covering EU and NATO accession in the 1990s, in parallel with the systemic change. It was helped by wide domestic public support and by the geopolitical rearrangement of the whole East European region. But in Hungary and other candidate countries, only legal and institutional conditions dictated by the EU were considered. No impact assessments were made of integration’s economic and social side-effects. The 2010 parliamentary elections were followed by a U-turn in government policy, which changed the assessment of the EU from a model to “an enemy” given to misusing its strategic and procedural weaknesses and phenomena of “democratic deficit”. Long-term strategic planning in Hungary and the new EU member-states should take as a starting point positive and negative scenarios for the EU’s future and the involvement of its biggest member-states.

### LABOUR MOBILITY SINCE EU ENLARGEMENT

László Andor

Free movement is a fundamental right in the European Union, and at the time of Eastern enlargements it was seen as a main advantage of EU membership. Yet as the tenth anniversary of membership approaches, free movement and labour mobility are being seen as controversial in a number of member-states. This paper provides an overview of labour mobility in the EU, its changing dynamics after the enlargements and the crisis, and its impact on home and host countries in the EU. Overall, labour mobility in the EU is a win-win game, but there need to be further initiatives at EU level to ensure that its outcome improves, and source countries need to take human capital investment more seriously in the second decade of EU membership.

## HUNGARY AND THE COURT OF JUSTICE OF THE EUROPEAN UNION

Endre Juhász

The author, a judge of the Court of Justice of the European Union, follows a short review of the basic elements of the organization and competence of the Court with a survey of infringement proceedings against Hungary and references for preliminary rulings initiated by Hungarian courts. The article clearly cannot provide an account of each case, but a complete list is annexed. The author highlights certain cases or types of cases and the solutions retained. While stressing that Hungary may not have relations with the Court in the sense that it has relations with states or international organizations, the subject-matter, arguments presented and rulings given in a number of cases produce on both sides a vague image that permits a temporary evaluation of a sort, to which the author contributes personal observations.

## A FINANCIAL BALANCE OF HUNGARY'S TEN YEARS IN THE EUROPEAN UNION

Szabolcs Fazakas

It is commonly held that costs and benefits of EU membership cannot be calculated as a balance of receipts from and transfers to the EU budget. Yet it should be noted that this balance has always (in each year) been positive. The article gives interesting facts on how Hungarian government representatives and European Parliament members convinced EU officials to consider the country's special conditions and needs when formulating the so-called "national envelopes" and the criteria for the use of EU funds in the programming periods of 2004–06, 2007–13 and 2014–20. Hungary has ranked high on the list of beneficiaries: in the previous period it was third for per capita commitments, while under the current multi-annual financial framework it comes second. It is also worth noting that in the last seven years over 99 percent of all public investment in Hungary has been financed from EU funds.

## THE INVESTMENT BANK WITHIN THE INSTITUTIONAL SYSTEM OF THE EUROPEAN UNION

László Baranyay and Zsolt Halász

The European Investment Bank (EIB) as an institution of the European Union and the world's largest multilateral financial institution is one of Hungary's most important financial partners of Hungary. Originating from the early period of European integration, it plays an outstanding role in financing of infrastructure development, SMEs and Mid-Caps, in combating unemployment (especially youth unemployment) and in promoting renewable energy projects. EIB financing contributes significantly alongside the EU budget to member-states' development goals. Hungary has received a significant amount of EIB financing since 1990, and especially since the EU accession, and enjoyed the technical assistance of the EIB with the EU grants. However, the EIB could provide Hungary with far more financing than it has absorbed in the last decade, to help accelerate its development.

## TEN YEARS' EU MEMBERSHIP FOR THE FINANCIAL SECTOR

Elemér Terták

Hungary and other CEE states joined the EU took place ten years ago, although the prospect of membership had made a marked economic impact for some years before. The EU itself underwent major changes in the accession period. The eight CEE states joined a different union from the one for whose membership they had applied: there had been an enlargement, financial market integration had picked up, the Single Market had been created, and the euro introduced in 1999. Enlargement brought a big regional inflow of capital, while foreign banks gained considerable market share and expanded lending rapidly. These events bestowed on candidate countries an accelerating, but unsustainable growth, coupled with rapid credit expansion, also in the consumer sector, leading to painful over-indebtedness. When the credit crisis broke out in 2007–8 all CEE member-states were hard hit by a sudden credit squeeze and local bubbles burst. These became the countries the crisis hit hardest; some needed outside support to avert collapse. Adapting to the new realities was made harder in 2010–11 by the aftermath of the euro crisis. Although the problems here were not self-imposed and the impacts were more enduring, it caused hardship. The article reviews the measures to mitigate the damage and improve EU governance, in particular in the euro zone. Finally, the author reviews the outlook and the measures aimed at recovering from the crisis and returning to sustainable growth.

## GLASS – HALF FULL

László Csaba

The article provides a summary assessment of the first decade of Hungarian EU membership. While the first half describes accession as a major historic success, the second lists the wasted opportunities, especially failure to join the single currency and passive behaviour on EU matters. The concluding section calls for a more flexible and forward-looking approach on issues of reforming the Community.

## HUNGARY'S INTEGRATION PROFILE

Tibor Palánkai and Gábor Miklós

The authors set out to survey the main features of Hungary's European integration. They mainly chart real integration – quantitative measurement of processes, and through this, correction of qualitative characteristics. For the measurement they have developed a method of their own whereby they analyse the intensity of commercial and capital relations, the transformation of the economic structure, the performance and dependence relations, and the catch-up (real convergence). They also present the main institutional features of the integration.

## HUNGARY'S TEN-YEAR EU MEMBERSHIP: THE ROOM FOR MANŒUVRE

Miklós Losoncz

The paper analyses the major issues relating to Hungary's ten years of EU membership. It points out that EU membership creates favourable conditions for socio-economic modernization and economic catch-up. In the first phase of membership (2004–10), exploitation of the scope offered by the EU was limited by economic policy failures. In the second phase (2010–14), the Hungarian government introduced legal rules that went against the common principles and values of the EU and pursued unconventional economic policy that questioned the basic principles of a market economy. With these Hungary is becoming isolated politically and marginalized economically in the EU.

## EU MEMBERSHIP AS A DRIVING FORCE OF MODERNIZATION. IDEAS ON THE 10TH ANNIVERSARY OF EU MEMBERSHIP OF EAST CENTRAL EUROPEAN COUNTRIES

Ákos Kengyel

The author analyses some catch-up aspects of countries joining the EU in 2004 and 2007, pointing out that the EU is an obvious centre of modernization for the countries in East Central Europe. There was no realistic alternative to participating in the European integration process and this applies also to the future. Contrary to the extremely bad general environment caused by the international financial and economic crisis, most new member-states were able to converge on the EU average quite fast: within a decade the relative regional level of development measured in GDP per capita terms and compared with the EU average increased by 15 per cent. It should be stressed that among several advantages of EU membership, direct transfers from the EU-level budget played a crucial role in improving competitiveness through investment. Looking beyond narrow-minded net budgetary positions, the author sees mutual comprehensive benefits: the more developed member-states can enjoy additional demand for their products, and in general benefit from the trade-creating effects of enlargement.

## HUNGARY'S RELATIVE R+D+I PERFORMANCE IN THE EU – 10 YEARS AFTER ITS ACCESSION

Ádám Török and Gyöngyi Csuka

The EU's relative performance in the international R + D + I competition has slowly deteriorated since the early 2000s, and the same conclusion can be reached about Hungary as well. The factors behind Europe's relatively poor showing include the fast emergence of innovation sectors in certain developing countries, and rather slow institutional development of national innovation systems (NIS) in most EU countries. The EU's increasing innovation lag is often explained by a so-called European Paradox, but certain methodological problems make such explanations doubtful to some extent. With R+D+I within the EU, Hungary's relatively good fund-raising performance helped the country to retain its competitive positions as a moderate innovator.