Interview of H.E. Mr. Zoltán Hernyes, Ambassador of the Republic of Hungary to Belgium

**DW:** What are the main goals of this presidency?

2011 is a period of strategic importance and complex tasks, crucial in overcoming the international financial and economic crises and laying the foundations for the future development of Europe. The motto of the Hungarian presidency is “Strong Europe”.

We are convinced that the crisis and the decisions Member states have taken to overcome it, show that the response to this challenge should be a collective and coordinated one. This means that there must be more and not less Europe. Aim of our presidency is to help create an economically, socially, politically and institutionally stronger and more attractive Europe, a Europe with human touch. This approach is fully reflected in the Hungarian presidency programme which is built around four main priority areas.

As far as the first priority is concerned, the Hungarian presidency focuses on issues of high importance such as economic governance, growth, job creation, competitiveness, innovation, energy, sustainable development, implementation of the single market act and the EU 2020 Strategy. Regarding energy and innovation, the February European Council has already brought tangible results. In the field of social inclusion and action against poverty the adoption of the first European framework for National Roma Strategies will be of special importance for our presidency.

Initiating of the review of the common EU policies on agriculture and cohesion, based on a balanced approach combining the respect of the historical values of those policies and the need to modernise, as well as the preparation for the discussion of the next financial framework are part of the second priority area. In this respect concrete work is undertaken in order to create a unified common energy policy, to continue to develop common actions against climate change, to adopt a new regional strategy concerning the Danube river.

A Europe that is closer to its citizens is at the heart of the presidency programme. Within this, the further development of the common area of freedom, security and justice, based on a balanced approach between freedom and security is a major challenge. The Hungarian presidency is devoted to the implementation of the Stockholm Programme and of the European Citizen Initiative, to the preparation for further enlargement of the Schengen area, and to better migration policies management. Promoting the European Year of Volunteering and cultural diversity in Europe contributes to this important goal too.

Our fourth priority concerns the external dimensions of the European construction. Europe is a key international actor. The Hungarian presidency is engaged in promoting a coherent and responsible enlargement process and contribute to enhanced and more efficient external policies, based on the new institutional framework set by the Lisbon Treaty.

**DW:** How would you describe the political developments that took place in Hungary since 2000?

After the fall of the Berlin Wall and the disappearance of the communist bloc, in which processes Hungary played a special role, for a new democracy being embedded geographical, historically and economically in Europe, the need to regain its place in the family of democratic nations became imperative. After the first free and democratic elections in 1990, the integration in the Euro-Atlantic structures was identified as a political goal broadly supported by all parliamentary parties and the population as a whole. There was a shared understanding that this was a sine qua non of the modernization of the country as well. Entering into the NATO and in parallel into the EU, this served as a major drive for carrying out important economic, social and administrative reforms, allowing Hungary to be in the forefront of the transformation process that took place in Central and Eastern Europe.

After entering the NATO in 1999, the beginning of the new millennium was marked in Hungary by the acceleration of the preparatory work for the membership to the EU, the adoption of the acquis communautaire and the approach of the final phase of the accession negotiations which had started with the accession of the acquis communautaire, and the approach of the final phase of the accession negotiations that had started with the EU in 1998. We closed down these negotiations in 2002 and in 2004 Hungary became a full-fledged member of the EU. Accession to the EU was a major achievement, a euphoric moment for my country. But it was also obvious that in order to fulfil our membership obligations further reforms had to be undertaken. For different reasons, the government coalitions of socialists and liberals ruling the country between 2002 and 2010 did not succeed in introducing the majority of these reforms nor did the implemented measures prove to be efficient enough in many areas. Generally speaking, despite some outstanding achievements, it was a period of missed opportunities and as a consequence Hungary progressively lost its leading positions in the region. The structural imbalances of the Hungarian financial and economic sector became acute transforming it gradually into a particularly vulnerable one. This is why Hungary was one of the most exposed countries in the world to the financial crisis erupted in 2008.

In order to put the economy back on the right track important efforts were done by a so called crisis managing government set up in March 2009 which ended its mandate in April 2010 when the last elections took place in Hungary.

The new government formed by the centre-left conservatives led by Viktor Orbán has an unprecedented popular support and a qualified majority in the Parliament, thus a huge opportunity and also a huge responsibility to continue the necessary reform efforts and to explore even further Hungary’s potential. It is more than a fortunate coincidence that the objectives identified on European level and promoted by our presidency are identical with those set by the government on national level. This creates a very supportive framework for governmental action. A new, promising era has started by definitely closing down the 20 year transition period that characterized Hungary after the change of regime.

**DW:** What are the foreign investments of significant value that have been achieved in Hungary since your country has joined the EU?

As I have already mentioned, for Hungary the 1st of May 2004 – the day of the accession to the EU – is one of the most important
The flow of FDI (Foreign Direct Investment) into Hungary has continued after our accession particularly from other European Union Member states and by the end of last year the stock of foreign direct investment in Hungary amounted to over 67 billion euros, which means that the FDI per capita has more than doubled since our accession. The most important investors have come from EU countries, with Germany on top with a participation of about 22%, followed by Austria and the Netherlands. As far as the targeted sectors are concerned, most investments have been made in the services (over 60% of total investments) such as trade, transport, telecommunication, banking and real estate. Within the manufacturing sector the most significant part of FDI went to the automotive industry, followed by the electronics, food and beverages, the chemical and pharmaceutical industries.

Out of the numerous major investments, I would mention three recent ones from the automotive industry: as a result of a major green field investment of about 800 million euros in Hungary, in the newest factory of Daimler AG annually up to 100,000 of the successor models to the Mercedes A-Class and B-Class passenger cars will roll off the production line from 2012.

Another major car manufacturer Audi AG, already present in Hungary since 1993, announced last autumn that it plans to invest 900 million euro in an expansion of its production centre in Győr creating 1,800 jobs directly. The investment cements Audi’s position as the largest foreign employer and investor in Hungary. Shortly after Opel has announced the extension of its engine manufacturing plant in Szentgotthárd (NW Hungary) with an investment of some 500 million euros.

Furthermore by the date of our accession, the member states of the European Union have become our most important trading partners. Since our accession bilateral trade with the other members of the EU has increased steadily and by 2010 – according to preliminary figures – Hungarian exports to the EU have amounted to about 71 billion euros, while our imports from the EU have reached 66 billion euros. It means that the part of the EU countries in our exports last year was about 75% while the EU represented around 68% of Hungarian imports.

**DW:** Could you outline the Hungarian Government’s plans to boost the economic development in Hungary?

In order to catch up with delays accumulated due to misguided economic policies of the previous years, accentuated by the crises, the new government’s best efforts are concentrated for Hungary to become the most efficient and competitive country in the region. The newly-elected government had with no delay set its mind to the taxation restructuring in order to foster a more competitive system. From 1st July 2010, we have introduced the lowest rate of corporate tax in the region (10%) followed by the simplest flat-rate personal income tax (16%) with family incentives. Furthermore, the Government of Hungary is committed to reach the deficit target of 3 per cent lower the government debt and carry out further comprehensive structural reforms.

The key instruments of economic policy set out in the so called “New Széchenyi Plan” (named after Count István Széchenyi, a 19th century politician, theorist and writer, one of the greatest statesmen of Hungarian history) in harmony with EU 2020 Strategy aimed at the national economic recovery, starting prosperity and creating a million new jobs with taxable incomes in 10 years period. Economic growth could be launched by means of the “New Széchenyi Plan” in which productive and technology sectors are highlighted. At the same time, the “New Széchenyi Plan” is targeted to place Hungary among the most competitive countries.

The New Széchenyi Plan identifies several break-out points of economic breakthrough such as health industry including medical investments and tourism. In addition, the new priorities spread out to logistics, green economy as well as the strong increase of employment with special accent on SMEs as main creators of jobs. The Government places also a great emphasis on scientific research and innovation. As a result, Hungary may become one of the major innovation centres in the world.