

**HUNGARY IN THE EUROPEAN UNION. SPEECH BY GÜNTER
VERHEUGEN, MEMBER OF THE EUROPEAN COMMISSION
(BUDAPEST, 17 JULY 2002)**

Rector,

Excellencies,

Ladies and Gentlemen,

It is a great pleasure for me to speak to you today here in the headquarters of the Hungarian academic world, the Academy of Sciences. I am particularly glad to speak in this institution, because I am aware of the long history of the Academy and the excellent reputation it enjoys both in Hungary and abroad.

The Academy, founded in 1825, started with difficulties like European integration: No sufficient funds were available. Finally, it was no one else than the „greatest Hungarian“, count István Széchenyi, who offered an entire year's income of his estate for the purposes of the so-called „learned society“. His example was followed by other counts, and the Academy was born. I am tempted to draw a parallel with a knowledge-based economy. But we have not found sponsors to support one year expenses of a knowledge-based economy.

Széchenyi was a highly cultured European citizen, who spoke several languages, a man ahead of his time. He once declared that it was essential to turn the experiences of the most advanced nations to the profit of Hungarians and to let other nations participate in Hungary's achievements. This is exactly what we are all together trying to achieve at the moment, and I am sure that Széchenyi would be extremely happy if he could see today's developments in Europe and Hungary's position in it. This has inspired me to choose today's topic: looking ahead at the future, the future of an enlarged Europe, in which Hungary will play a prominent role.

Before coming to the future, allow me, however, to go back in time, in order to show what our common efforts have achieved in the last few years. This day, 13 years ago, on 16 July 1989, the G-7 Economic summit held in Paris decided to support the historical changes in Central European countries and asked the Commission to co-ordinate the aid for economic restructuring in Poland and Hungary. The PHARE programme was born, and with it the first step on the way to a truly united Europe was made.

It was not by chance that Hungary was one of the two countries, with which the European Community decided to launch a major reform programme. Hungary has always been an outward looking country, with its eyes firmly set in the direction of the democratic Europe outside its borders, even under more than 40 years of communist rule. And it was, together with Poland, the first Central European country that got rid of the chains of communist oppression.

Hungary gave the example for other countries of the region to follow, and they, too, started democratic reforms from the inside.

In 1989, only two months after the PHARE programme had been created, another remarkable event took place, an event that is deeply engraved in my memory. As a German, I will never forget how the Austrian and the Hungarian Ministers for Foreign Affairs together cut through the iron fence at the Austro-Hungarian borders. Thousands of East-Germans that were camping in Budapest or at Lake Balaton could flee to the West. The reform-minded communist Hungarian government had paved the way for a united Europe by puncturing a first hole into the Iron Curtain.

It was, therefore, not an act of good will, but almost a moral obligation for the EU to assist Hungary in its reform efforts and to welcome Hungary back into the family of democratic European nations.

It has taken some time and effort until the prospect of European membership has reached the point where it is today, very close and within Hungary's reach. In order to get there, Hungary has changed its society and its economy, it has embraced democratic values, it has done what was necessary not only for joining the EU, but also for becoming a modern, successful state.

The last step in Hungary's preparations, and this challenge is common among all former communist states, is to ensure that the EU acquis is not only part of the national legal texts, but also that it is implemented and enforced in full. In order to help the candidate countries, the Commission developed, together with the candidate countries' governments, specific Action Plans to cover their needs to strengthen their public administration. Some money was also put aside for this task: Hungary will for instance receive some € 25 million for this purpose from this year's PHARE budget.

Hungary is close to becoming a member of the European Union. We have made remarkable progress in the negotiations, because Hungary made remarkable progress on the ground, in transforming itself into a modern, democratic and dynamic state. I am confident that Hungary is perfectly capable of finalising the negotiations by the end of the year, if the outstanding issues are quickly addressed.

There are indeed some outstanding issues. To be completely honest, the final, most sensitive phase of the negotiations still lies ahead. In the European Commission we are fully aware of the challenges, as well as of the time constraints. We have therefore been planning carefully, together with the Danish Presidency, the road from here to Copenhagen at the end of the year. The goal is clear: full success in completing the negotiations. Nothing less will do.

In October, just before the Brussels European Council, the Commission will therefore present its assessment of the situation and will indicate the countries with which negotiations can be concluded by the end of the year. The European Council should be able to reach a decision on this basis.

In drawing up its proposal the Commission will be guided solely by the principles governing the negotiations. There will be no preconceptions, no magical list of countries, and no favoured candidates. The only yardstick will be whether or not a given country fulfils the accession criteria. I can assure you that we will stick to this approach. There is no other option. Anything else will damage not only the credibility of the Commission, but also the credibility of the enlargement process as a whole.

Early in November at the latest, we should also have a clear EU position on the financial framework and all related issues. That would give us enough time to complete the negotiations on schedule. The key points are few, but important and well known.

First, the overall financial package must be agreed. Second - and this is closely bound up with the agreement on the overall package - the size and shape of the budgetary mechanism must be decided.

Finally, individual items in the agriculture chapter – for instance, quotas or, the most difficult question of all, direct payments to farmers – must be addressed – and some of these issues are likely to remain on the table until the very last minute.

In tackling the last stage of the negotiations, the parties should build on a number of fundamental points, on which there is already agreement, and try and find reasonable solutions for the rest. The result of the negotiations is not pre-arranged. We will need sufficient flexibility and political pragmatism to wrap up the talks, but I am convinced that we will rise to the occasion.

The accession process could be compared to a marathon race: it is well known among sports experts that the most difficult and decisive part starts at the 35th km of the 42,195 km race. This is about where we are now. However, there is one major difference: a sports event has winners and losers, enlargement can only be seen as a win-win situation. Enlargement is a strategic choice with the aim to bring peace, stability and prosperity in the whole European continent. I believe that this shared insight in the real, historical nature of the process will help us bridge any gap between our negotiating positions and reach mutually acceptable compromises.

To stay in the symbolism of the marathon race: the finishing line will be reached on the 12th of December in Copenhagen. In this way Copenhagen will close the circle that was opened in the Danish capital nine years earlier when the Member States adopted the accession criteria. This auspicious ending to the negotiations is our common goal and common endeavour.

Ladies and Gentlemen,

The future is promising. An enlarged European Union will be stronger, more culturally diverse, a better and more interesting place to live in. This brings me to the positive role Hungary can play in the future EU, and I would like now to say something more about it.

When I look at the map of Europe, it is difficult to find a country situated more centrally on the continent than Hungary. Hungary is a country at the heart of Europe, which needs to establish close and friendly links with its neighbours. This is what came to my mind in October last year, when I inaugurated, together with the Prime Ministers of Hungary and Slovakia, the reconstructed Maria-Valeria-Bridge that now links again the Slovak town of Sturovo with the home of the fabulous cathedral, the Hungarian city of Esztergom. Building bridges between towns, between countries is an act of great symbolism reflecting the will to work together in a united Europe. Relations with one's neighbours, **foreign and security policy**, is indeed an area where Hungary will profit greatly from EU membership.

The events of 11 September 2001 changed the entire world. Not only the US, but also the EU and many candidate countries reacted to the terrorist attacks and took immediately

measures to fight this new threat. Hungary was the first candidate country that adopted a comprehensive new antiterrorism legislation. Hungary was prepared and able to react quickly to new challenges, to take the lead by example. In my view, this is a clear sign of Hungary's potential to play a constructive and forward-looking role in the future EU.

Hungary has borders with seven countries. Four of these seven countries will not become members of the EU in 2004. Hungary will thus become, together with Greece, the Member State that has borders with the highest number of non-EU members.

I do not need to stress the importance of a smoothly functioning border control system at these future external borders of the Union. Enlargement will help: Hungary will draw benefits from its participation in a group of countries prepared to work together in order to achieve strength in unity, and to reach important common goals. The EU will also benefit: with Hungary's co-operation it will be better equipped to combat terrorism and organised crime and to control illegal migration.

Hungary is already a member of NATO and proved its reliability in connection with the Stability Pact for South Eastern Europe. In becoming a member of the EU, Hungary will become embedded in the CFSP structure the EU has developed and it will have a say in decision-making in the future.

Within the EU, Hungary will work hand-in-hand with the other Member States, on a footing of equality and mutual respect. Peace, the rule of law and respect of each others' traditions are some of the finest achievements of the EU, pooling our sovereignty in pursuit of a common interest. Through the EU, Hungary's voice on the world stage will gain weight, and its influence will increase.

The European Union is a community of peace: since the Treaty of Rome in 1957, not a single shot was fired between two Member States, let alone a real war. EU Member States found themselves on opposite sides of bloody and destructive wars in the course of the 20th century; yet today hostilities between them are unthinkable.

The EU example is of fundamental importance in the wider Europe, where conflict has unfortunately dominated relations among neighbours until recently. We all had to witness the terrible experience of the war in Bosnia-Herzegovina for instance. Parts of this war took place nearly on your front door, not even 100 kms away from the Hungarian border. It is imperative to ensure that this will never happen again. It is therefore no surprise that one of the principles of the European Union is to export peace and stability to the whole of Europe. There can be no dividing lines between the European Union, even an enlarged one, and its closest neighbours. Our efforts to stabilise the countries of the Western Balkans and to bring them closer to the European Union are proof of our determination to succeed. In this way not only internal progress will be promoted, but also external peace will be guaranteed. EU support for these countries will continue. There is no doubt that Hungary's geographical proximity and knowledge of the region will bring considerable added value to this common enterprise.

Another area in which Hungary will benefit from enlargement is the **economy**. Hungary's economic development has been extremely favourable in the last few years. I can imagine that some critical voices might wonder what kind of additional advantage EU accession could possibly bring, given Hungary's excellent economic performance in the past. I have an answer to this. The success of the Hungarian economy was no doubt due to the efforts

of the Hungarian government and the Hungarian people, the decisions they took, painful decisions at times, and the concrete steps they made in order to create a functioning market economy. However, one must not forget that the prospect of the EU membership also played an important role in this respect. For instance, the existing degree of Hungary's access to the EU common market, the biggest consumer market in the world, would have been much lower otherwise, and many trade and other restrictions to your exports would still be in place. Confidence of foreign investors in Hungary's future was also enhanced by the prospect of accession. It was certainly part of their calculations that within a foreseeable time frame, the same rules would apply in Hungary as in the EU.

When Hungary becomes a member, these economic advantages will be consolidated and further strengthened. The EU will offer the secure, stable framework needed to keep the country on the road to success. The large single market with its own economic dynamic will facilitate growth and job creation. Once the twelve candidate countries will have joined, this market will consist of roughly 500 million people. Competing within this single market will also boost your companies' international competitiveness. Uniform rules and standards will enhance further the favourable climate for investment, which is especially important for the development of the SME sector.

Furthermore, there is the prospect of economic and monetary union. Hungary will have to adopt the principles of the EMU from accession, but will have to meet the Maastricht criteria before adopting the euro at a later stage. I am sure that Hungary will try very hard to meet the Maastricht criteria as soon as possible, with a view to adopting the euro within a reasonable timeframe. There is no other economy of the accession area so developed. It is important that a sound macro-economic policy is conducted. Therefore I was happy to learn about the plan of the Minister of Finance to reduce the deficit and inflation. Of course it is not possible for me, nor for anyone else, to discuss at this stage when Hungary could do this. But I can say one thing: the advantages of a common currency will be clear. There will be no exchange rate costs AND no exchange rate risks, and this will lead to a safer trade and investment climate. Given the high integration of the Hungarian economy into the EU economy, participation in the EMU will be of obvious benefit to Hungarian companies and citizens.

This high integration of the Hungarian economy into the EU economy is impressively demonstrated by the trade statistics: more than 75% of all Hungarian exports go to the EU, while almost 60% of all imports come from EU business partners. Hungary has a general trade surplus with the EU and is also the only candidate country with a surplus in agricultural trade with the EU. A further rise in trade flows is to be expected following accession.

Finally, Hungary's accession to the European Union will have a direct impact on your lives. Citizens of Hungary will also become citizens of the EU. And as a result of European solidarity, Hungary will become a beneficiary of EU funds – funds to help its development and to close the gap with other, more prosperous Member States.

I would like to conclude by mentioning another advantage that Hungary will have as an EU member. I would call it the „**institutional**“ advantage.

All new Member States will play a full role from the first day of accession in all European Institutions. This does not only concern the European Parliament, where Hungary and the other candidate countries that finalise their negotiations by the end of this year, will be able

to take part in the elections for the European Parliament in June 2004. Hungary will also have a Commissioner, it will have voting rights in the Council of Ministers, and it will be represented in other Community institutions. It will thus be able to fully participate in EU decision-making and to make its opinion count.

The institutional changes necessary for enlargement have been decided at Nice. But EU institutional reform more generally is not yet complete. At Nice the Member States had hardly completed an IGC, just to announce the next one. As a first step to the future IGC, the Laeken European Council set up a Convention on the Future of Europe. Since the end of February 2002, selected members of governments, parliaments and other institutions from both old and future Member States have been working together, within the Convention, to prepare the ground for changes to the Treaty. In this unprecedented project of political brainstorming and collective thinking, representatives from Hungary and from the other candidate countries are already present, as full and constructive participants. Their contributions so far illustrate the enthusiasm and inventiveness, the breath of fresh air that Hungary, as well as the other candidates, is going to bring to the European Union. The European Commission hope that the participation and contribution of new Member States will strengthen the community idea and support strong community policies and institutions.

The Union needs input from the new Member States. Your opinions count, and your experience as economies and societies in transition adds a new, and interesting, dimension to the debate. Only by listening to all voices will the Union avoid repetition of past mistakes and will be able set solid foundations for the Europe of the future.

Ladies and Gentlemen,

Solutions to the most difficult problems in the accession negotiations still need to be found. Difficulties are to be expected, tough declarations, firm positions, and most likely a very long final negotiating session. I do not know if it is possible to find the perfect solution that satisfies all parties 100%. But I am sure that in the end a mutually acceptable compromise will be brokered. There can be no other way to meet our fundamental historical objective to end an artificial division of Europe that has lasted for far too long.

Hungary has an excellent chance to complete the negotiations by the end of the year and to become a member before the European election in June in 2004. The finishing line is in sight, let us mobilise all our efforts and creativity in order to be able to cry victory for all in the end.

Thank you very much.

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