

**Speech of János Bóka, Minister for European Union Affairs of Hungary at
the Plenary Meeting of LXXII COSAC**
(Budapest, House of Parliament, 28 October 2024)

Honourable Speaker of the House,
Honourable Chairman,
Dear Members and Observers,
Your Excellences,
Ladies and Gentlemen,

It is an honour and a pleasure to address you today in the House of the Hungarian National Assembly. A House that is a matter of national pride, a symbol of our history and achievements, a House where St. Stephen's Crown is on display, an embodiment of our thousand-year-old statehood, national sovereignty and our unbreakable determination to survive as a nation and a country against all odds and under all circumstances.

Pride and responsibility. They are also relevant for Hungary's current Presidency of the Council of the European Union.

It is the second time that we assume this role, after 2011. In 2011, the EU was also hit by crises: our Presidency was called on to manage the aftermath of the financial and economic crisis, the impact of the Arab Spring and the Fukushima disaster.

We promised a stronger Europe – and we delivered. We adopted the first EU-level Roma strategy and the Danube Strategy. We launched the economic policy coordination exercise that is now known as European Semester, and that was at the time indeed an economic policy coordination mechanism. The last time the EU successfully concluded accession negotiations was also under our previous Presidency, with Croatia. Just to remind you: it happened in 2011, 13 and a half years ago.

Looking back, it was not an easy task. But our task is much more difficult today, because the situation of the European Union is much more complicated than it was in 2011. It is not an exaggeration to say that the EU is now facing unprecedented challenges.

What are we seeing around us? Russia's war of aggression is raging in Ukraine, grave conflicts are ruining the Middle East and Africa and all these conflicts carry the risk of escalation. The migration crisis reached levels unseen since 2015: illegal migration and security risks now threaten the collapse of the Schengen Area. Meanwhile, Europe is losing its competitive edge: according to Mario Draghi, our inaction may lead to slow agony. President Macron stated that we cannot take Europe for granted: Europe may die in a few years if it loses its markets.

And exactly because Europe is facing unprecedented challenges, we must take unprecedented decisions that will determine the history, determine the fate of Europe.

Of course, the Presidency is also management, organisation and coordination. So far, we have chaired over 600 working group meetings in the Council, more than 30 COREPER meetings, more than 20 formal and informal Council meetings. We organised around 70 Presidency events in Brussels and over 100 events in Hungary where we welcomed over 10 000 guests.

Legislative work in Council is proceeding with full speed. We are working on 52 legislative files on different levels. We are also ready to start trilogues with the European Parliament on over 40 legislative files, some of them quite important and urgent.

But the Presidency is not only and not primarily management. The Presidency, over and above management activities has a political responsibility. It must have something to offer for Europe that is beset by crises.

And our offer to Europe is change. The Hungarian Presidency strives to be the catalyst of change. The Hungarian Presidency, as an honest broker is in a position to raise issues and make proposals for the peace, security and prosperity of Europe. But decisions are to be made by Member States and EU institutions.

As regards Europe's competitiveness, the writing is clearly on the wall. The analysis of the Letta and Draghi reports is mostly consensual. In the past two decades, the EU's economic growth has been lagging behind the US and China. Productivity in the EU is growing slower than that of our competitors. Our share in global trade is declining.

Companies in the EU face electricity prices two to three times higher than in the US, and four to five times higher natural gas prices. Half of European companies regard high energy costs as the main barrier to investment. Production in energy intensive sectors in Europe declined 10-15% since 2021.

Let's not entertain illusions: in short and medium term, the green transition in itself will not provide a solution to this problem. Even if our renewable targets are met, which is not the case so far, in our current marginal electricity pricing system, the number of hours where electricity price is set by the price of fossil fuels will not significantly diminish until 2030. To be more forthcoming: the Green Transition in itself will not deliver lower energy prices at least until 2030. This fact carries fundamental implications for our industries that are called upon to bear the brunt of the green transition when it comes to costs and investment.

The basis of a European Green Deal has always been the promise of the creation of new green jobs. The whole rationale behind the initiative is questionable if the green transition results in deindustrialisation and loss of jobs.

In the case of the European automobile industry we see a warning example of implementing climate policies without a corresponding industrial policy. We have a very ambitious zero emission target for 2035 that indeed can foster a huge increase in electronic vehicle market penetration. However, the EU has not followed this up with incentives to restructure European supply chains. European suppliers are already losing market share and this process will accelerate when shipping bottlenecks will

disappear and Asian producers will be able to significantly increase export volumes. It is even more worrying that there are proponents of addressing this situation through a trade war and ready to create an ideological pretext for that.

Our digital transition is also lagging behind. The main cause of the widening productivity gap between the EU and the US is digital technology and it seems that in this area we are trailing with an increasing margin. In GDP percentage our companies are spending half as much on research and development than their peers in the US.

In addition, we are witnessing worrying demographic trends: Europe's population is declining and this decline is not compensated by the immigration policies of certain countries. For the first time in its modern history, Europe will enter a period when its GDP growth is not supported by a growing workforce.

As we are in the 24th hour, immediate action is required. In technologies that are considered ground-breaking today, economic survival is decided in a few years. It is easier to maintain industrial capacities than to rebuild them. Lost skills and expertise is almost impossible to re-develop.

There is no easy or simple solution to Europe's difficulties. But it is important to make it clear at the beginning of the institutional cycle that Member States expect swift and resolute action from the EU institutions in this area. For example by easing administrative burden and overregulation, providing affordable energy, implementing a clean industrial policy, strengthening the single market, advancing the capital market union, enhancing connectivity and revitalising our trade policy.

We need solutions that are feasible in Europe. Europe is not the US and not China either. And I believe it should not become neither the US nor China.

The objective of the Hungarian Presidency is to adopt a new European competitiveness deal on the occasion of the informal meeting of the European Council scheduled for 8 November in Budapest. We expect this deal to reflect the urgency of the situation, to show political commitment and ownership on the highest political level, to signal the intention of the leaders to remain seized of the matter and regularly follow-up progress and delivery and to make sure that competitiveness as a horizontal issue is mainstreamed into EU activities in all policy areas. Competitiveness must remain in the focus of our activities for the whole of the next EU institutional cycle.

The migration crisis is an equally urgent challenge. We are witnessing a major policy shift in Europe, which provides a new impetus for our work. We need to embrace this increasing convergence of positions and be even more active in our coordination, cooperation and global outreach. The sovereign decision about who crosses our borders must be for our governments to take and not for organized crime groups. This is even more important when both state and non-state actors exercise pressure on our borders by the means of instrumentalisation of migration, undermining our security.

Improving cooperation on returns and readmission is in our interest, and that should be an important part of our relations with partner countries. We should ensure solid mechanisms for effective returns, especially for the removal of those who pose a serious

threat to public order or internal security. We should also continue to explore innovative solutions as possible ways forward, including the idea of developing return hubs outside Europe, and also other extraterritorial options.

Illegal migration and security concerns have now led to widespread and effectively permanent reinstatement of internal border controls in the Schengen Area. I believe that the situation now calls for a discussion on the highest political level to see whether the political consensus needed for the effective functioning of the Schengen Area can be re-established.

To this effect, Prime Minister Orbán proposed to regularly convene so-called Schengen Summits with the participation of the heads of State and governments from the Schengen Area.

An important part of our response to the 2008 economic crisis has been the establishment of the system of Eurozone summits. Its success is highlighted by the fact that it was institutionalised by an international treaty in 2012. Now the Schengen Area is in similar crisis situation and in similar need for political commitment and guidance.

Similarly to the Euro Summit, the arrangements for the Schengen summits should be laid down in an international treaty, a Treaty on Governance of the Schengen Area. Our proposal is to establish the Schengen Summit in an inclusive format, engaging the heads of state or government from all the EU Member States (including those not participating or partially participating in the Schengen area) as well as from Schengen associated countries. Meetings would take place at least twice a year on the margins of the European Council meeting in Brussels.

The summit would focus on the most substantial issues of the Schengen area to provide political guidance for ensuring its smooth functioning and promoting coordination between the states of the Schengen area in all relevant policy areas. These regular, dedicated summits would also ensure that the countries of the Schengen area increasingly consider the impact on the Schengen area in other political decisions. Although the Schengen acquis is a compact legal framework, we can observe some synergies: if the asylum system fails, the Schengen area also starts to crack. Therefore, we must be able to incorporate the interests of the Schengen area, and especially of our border protection, into decisions in other policy areas.

The Schengen Area must not only be reinforced, it needs to be expanded as well. The Hungarian Presidency works to find consensus for the full membership of Bulgaria and Romania before the end of the year.

Besides migration, Europe faces a number of security challenges. We will discuss these security challenges during the fifth summit of the European Political Community on 7 November in Budapest building on the results of our previous summits in Prague, Chisinau, Granada and Blenheim. In addition to plenary sessions devoted to security challenges in general, breakout sessions will be organized on the topics of migration and economic security.

When it comes to security and defence, the European Union also has a role and responsibility. Today, Europe cannot provide for its own security, therefore the Hungarian Presidency wants to strengthen the European security and defence policy and turning it into a policy with relevance. We propose to start by reinforcing the European defence industrial and technology base.

Our focus is now on the European Defence Industrial Strategy and Defence Industrial Plan where our objective is to find a common position in Council before the end of the year. But of course, the challenge is extremely complex – it touches upon Member State and EU competences as well as NATO structures and planning. Here, I make reference to our own achievements and choices. Hungary spends almost 2.5% of its GDP on defence. The overwhelming majority of our defence procurement comes from European sources and there are investments in Hungary in all main defence industrial sectors. If we could do it, Europe can do it.

Similar successes are in great need in our enlargement policy as well. The EU's enlargement policy must remain merit-based, balanced and credible. It is a priority for our Presidency to accelerate the accession process of the Western Balkans. The EU is not complete without the integration of the region that would bring economic, geostrategic and security benefits for the EU as a whole.

As we speak, a number of candidate countries already fulfil the technical requirements to progress in the accession process but political consensus among Member States is missing. The European Union promised a European perspective to the region more than 20 years ago. It is time to deliver on our promise. The EU – Western Balkans Summit to be organised in December provides a good opportunity to reinforce this political commitment.

A few words on the Common Agricultural Policy. Food security in Europe is an issue of strategic importance. The competitiveness of European agriculture is now weakened by extreme weather conditions, overregulation and imports from third countries with less strict standards. This has now reached a point that endangers the livelihood of European farmers.

The Hungarian Presidency conducts a strategic review of the Common Agricultural Policy that feeds into the preparation of the CAP for the next MFF and gives guidance to the Commission in order to maintain a European agriculture that is competitive, crisis proof and farmer friendly.

More than a quarter of the EU's population lives in regions where the level of development is below 75% of the average. It is imperative that the EU continues to work on reducing regional disparities. The cohesion policy is a tested tool that brings tangible results. And make no mistake, the EU's cohesion policy is not charity, it is not a donation from net contributor Member States. It is the biggest investment policy of the EU and an indispensable tool to correct some of the imbalances of the internal market.

The Hungarian Presidency initiated a strategic discussion on the future of the cohesion policy and its role in promoting competitiveness and employment and addressing demographic challenges. These discussions are ongoing.

As you can see, the Hungarian Presidency is looking for common solutions to our common challenges.

But we are not only looking for solutions. To quote from Prime Minister Orbán: in the European Union, we are also looking for our dreams. We are Members of the EU not because of what it is but because of what it could be. And as long as there is the slightest chance to make it happen, we will fight for this Europe.

We are interested in a successful European Union, and the success of our Presidency will be the success of the EU as a whole.