

## PHOTO OF THE DAY



MTV/Csaba Krizsán

Youth frolicking at a summer camp in Martovce (Martos)

## UPCOMING EVENTS

**Hungarian festival starts in Vojvodina**

**KSH releases industry figures for May**

## TOP STORY

### KOVÁCS SLAMS GARTON-ASH ARTICLE

A recent article critical of the Hungarian government in The Guardian newspaper “doesn’t square with reality”, Zoltán Kovács, the state secretary for international communications and relations, has said.

In a letter addressed to the editor of The Guardian, Kovács said a recent article in the paper claiming the Hungarian government was dismantling media freedom and judicial independence “simply doesn’t square with the reality of today’s Hungary”. The article’s author, Timothy Garton Ash, accused Hungary’s ruling Fidesz party and Prime Minister Viktor Orbán of having “effectively demolished the independence of the judiciary” and said much of the country’s media had been consolidated in a “pro-government cartel”.

In his letter, the state secretary said news portals critical of the government had a larger readership than pro-government ones. Critical voices, he said, also had a “dominant audience share” on TV, the medium through which he said 71% of Hungarians got their news. Responding to Garton Ash’s criticisms of the state of judicial independence in Hungary, Kovács said Hungary’s judicial reforms had been “thoroughly reviewed by the EU and the Venice Commission and all questions were resolved”.

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## **PALKOVICS: REORGANISATION OF SCIENCE ACADEMY TO BOOST FREEDOM OF RESEARCH**

The reorganisation of the Hungarian Academy of Sciences (MTA) will boost the freedom and independence of scientific research, the innovation and technology minister said in an interview in the daily Magyar Hírlap. Lawmakers voted on Tuesday to relocate MTA research institutes to the Eötvös Loránd Research Network (ELKH), a new body with its own, independent budget chapter. In the interview, László Palkovics said the research network will operate more effectively in the new framework. State funding for research should “show a tangible return on investment” for the Hungarian economy and society, he said, adding that taxpayer money should serve the interests of the community.

The 2020 budget will allocate 32 billion forints (EUR 99.1m) more for R+D+I, Palkovics said. The new framework will create the conditions for unified, performance-based funding, he added. The funds MTA had received to operate the research network will not be nationalised but will have to be integrated into the new system, he said. ELKH will be managed by a board of 12 people, Palkovics said, with the government and the MTA each delegating six members. A National Council of Academic Policy

will also be set up with members representing both academia and economic players to determine R+D+I strategy in Hungary, Palkovics said. The research institutes will start operations without changes in staffing, although optimisation may become necessary later, Palkovics said.

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## **RECENT EU SUMMIT SUCCESS FOR V4, C EUROPE, SAYS INCOMING JUSTICE MINISTER**

The recent summit of European Union leaders was a successful one for the Visegrad Group and central Europe, the incoming justice minister told a joint session of parliament's EU affairs and justice committees on Thursday. The summit centring on nominations for top EU posts demonstrated clearly that central Europe's stance must be considered in European decision-making, Judit Varga, who is in charge of EU affairs, said. She said it had become clear at the summit that “the old routine of the largest EU member states dividing up posts among themselves does not work anymore.” Varga hailed the success of the V4 at the EU summit, saying those that formed alliances and stood up for their own interests while representing them consistently achieved their desired outcomes. A new era has begun in Europe, Varga said, adding that the bloc now had a chance to “correct certain mistakes” in areas such as

economic policy, migration and the rule of law. She said the EU's success lay in maintaining a community that respects nation states and cooperation based on mutual respect. Varga said that the solution to migration must be for the long term and take into consideration the interests of all countries. Member states should not be punished if their response to migration diverges from the mainstream, she added.

Meanwhile, she said the EU should take its enlargement policy more seriously, adding that a larger EU was needed without deepening integration. Regarding the EU budget, she said that quality was more important than speed. Further, current disputes over the rule of law should be concluded rather than new tools created to handle them, she said.

Referring to changes in the Hungarian government, she said it was logical to put judicial and EU affairs under one roof, since most EU legislation has an impact on the national legal system. Varga has been nominated by the prime minister for the post of justice minister. She is to replace László Trócsanyi, who will take up his post as an MEP in Brussels. On domestic matters, Varga said it was important to prevent overregulation and cut red tape in order to boost competitiveness.

The justice committee supported Varga's nomination with 8 votes for and 2 against, while the EU affairs committee voted 6 - 2 in her favour.

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## **HUNGARY NEEDS 'STRONG, MODERN' MILITARY, SAYS DEFENCE MINISTER**

Hungary is in need of a modern army capable of meeting the challenges of the 21st century and guaranteeing the country's security, the defence minister said. Outlining Hungary's military development scheme dubbed Zrínyi 2026 in Szolnok, in central Hungary, Tibor Benkő said the country's armed forces also needed to play an active role in the transatlantic alliance. Benkő warned of the changing global security environment and the emergence of new threats, underlining the strategic importance of Hungary's military reform.

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## **SZIJJÁRTÓ OPENS DIPLOMATIC MISSION IN VANCOUVER**

Foreign Minister Péter Szijjártó has opened a Hungarian consulate in Vancouver. The consulate will facilitate relations with the local Hungarian community and access to the economic opportunities and technological developments in the region, Szijjártó told MTI. In his opening speech, Szijjártó noted that Canada was Hungary's strategic partner and an important ally, with bilateral trade reaching 400 million dollars annually. Some 400,000 people with Hungarian roots live in Canada, Szijjártó noted. The consulate will support

the Hungarian communities in the region in preserving their Hungarian identities, he said. The Vancouver consulate is the third Hungarian diplomatic mission in Canada, next to the embassy in Ottawa and the consulate-general in Toronto.

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## **ORBÁN MEETS AUDI CHAIRMAN**

Prime Minister Viktor Orbán met Bram Schot, chairman of the Audi board of management, on Thursday in Budapest, Orbán's press chief told MTI. They discussed the achievements and the plans of Audi, including aspects of competitiveness Audi sees as a priority, Bertalan Havasi said. Innovation and Technology Minister László Palkovics, Zsolt Borkai, the mayor of the city of Győr where Audi Hungaria is located, Hungarian Investment Promotion Agency (HIPA) CEO Róbert Ésik, Peter Kössler, Audi AG's board member for production and logistics, and Audi Hungaria managing director Achim Heinfling attended the meeting.

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## **SZIJJÁRTÓ: GERMANY'S DEUFOL TO BUILD PACKAGING PLANT IN HUNGARY**

Germany's Deufol is building in Debrecen, in eastern Hungary, one of Europe's most cutting-edge packaging and logistics facilities, with 7 billion forints of government support, the minister of foreign affairs and trade said. The facility will be Deufol's

regional in south-east Europe, Péter Szijjártó told a press conference in Budapest. The government is providing 1.4 billion forints of non-refundable support for the project that is to create 120 new jobs. Hungary faced serious competition to win the development, he added. "Amid intensifying global economic competition, logistics and packaging is the first step in how companies deliver their products to customers, and the role of the packaging industry is increasingly important," Szijjártó said.

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## **HUNGARY RETAIL TAX COMPATIBLE WITH EU RULES, SAYS CJEU OFFICIAL**

Hungary's progressive tax on retailers in Hungary is compatible with European Union rules, a Court of Justice of the European Union (CJEU) advocate general has said. The opinion was issued in response to a request for a preliminary ruling from the Budapest Administrative and Labour Court in a case involving the local unit of UK supermarket chain Tesco. Advocate General Juliane Kokott said on Thursday that the tax, which has a progressive rate based on turnover, neither restricts freedom of establishment for retailers with high sales nor gives an unfair advantage to businesses with lower turnover. "Different taxation arising from a progressive rate does not constitute an indirect restriction of freedom of establishment ... Different

taxation arising from a progressive rate does not constitute a selective advantage for lower-turnover undertakings (and does not thus constitute State aid); nor can a higher-turnover undertaking rely on it in order to evade its own tax liability," she added. The opinion does not bind the court.

**RETAIL SALES GROWTH SLOWS TO 3.0% IN MAY**

Retail sales in Hungary climbed 3.0% in May from the same month a year earlier, decelerating from a 8.5% growth in April, data released by the Central Statistical Office (KSH) shows. Calendar-adjusted data show retail sales were up an annual 2.6% in May. Adjusted food sales were up 1.0%, non-food sales climbed 4.8% and fuel sales were up 0.8% year on year. In the non-food segment, adjusted sales of clothing retailers fell 2.1%, sales of second-hand goods were down 7.1%, and sales at chemists climbed 2.7%. Sales of book and computer shops were down 1.7%. Sales in furniture shops increased by 0.1%. Online and mail order sales rose by 38%, but still accounted for around 5.8% of total retail sales. Sales at petrol stations were up 0.8%. In absolute terms, retail

sales came to 1,015 billion forints (EUR 3.1bn) in May.

In January-May, calendar year-adjusted retail sales rose by an annual 5.8% while unadjusted sales were up 5.9%. Adjusted food sales rose by 3.0%, non-food sales climbed 8.4% and fuel sales increased by 8.0%.

K&H Bank chief analyst Dávid Németh said retail sales could grow by 5-5.5% this year and noted that the drop in the pace of sales increases in May came as a surprise and it remains to be seen if it was a one-off event or not. Analyst Gergely Suppan of Takarékbank said that in spite of the slowdown in May, retail sales could continue to rise at a fast pace in 2019, increasing by 5.5% compared with last year's 6.5% increase. Analyst Péter Virovác of ING Bank said the May slowdown fits into a trend of decelerating sales increases seen since the start of 2018. The fact that sales growth slowed in all segments reinforces the impression that the slowdown is a part of a pattern, he said.

**VOLÁNBUSZ ROLLS OUT NEW MAN/NEOPLAN BUSES**

State-owned long-distance bus company Volánbusz has added 43

new MAN/NEOPLAN buses, worth some 3.2 billion forints, to its fleet. The buses, with air-conditioning, WiFi and outlets to plug in electronic devices, were rolled out at Volánbusz's Népliget station in Budapest. Volánbusz added 25 Kravtex Credo buses to its fleet in the spring.

**MOTION WOULD ALLOW OVERNIGHT BAN ON SPIRITS SALES AT TOBACCO SHOPS**

An MP of governing Fidesz has submitted a motion to Parliament that would allow local councils to ban sales of spirits in tobacco shops between 10:00 in the evening and 6:00 in the morning. The motion would also introduce fines for shops that violate any such bans of up to HUF 500,000 on the first occasion and 1 million forints on the second. Shops that violate the ban three times would lose their licence. The motion tabled by Fidesz MP Máté Kocsis, would supplement a bill submitted earlier by János Lázár, the prime minister's commissioner for the defence of non-smokers. Lázár's bill would reduce the number of tobacco shops in the country by raising the population threshold per shop from 3,000 to 4,000.

